

Scorecard - London Hydro Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	Trend	Target		
									Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	98.60%	97.60%	96.80%	99.90%	100.00%		90.00%		
		Scheduled Appointments Met On Time	99.70%	99.50%	99.90%	99.90%	99.30%		90.00%		
		Telephone Calls Answered On Time	67.10%	67.30%	68.30%	67.10%	65.90%		65.00%		
	Customer Satisfaction	First Contact Resolution					99.7%				
		Billing Accuracy					99.28%		98.00%		
		Customer Satisfaction Survey Results					A				
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public awareness [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	2	3	0			1
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.709	1.056	0.000			0.247	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.85	1.67	0.89	0.99	0.98			at least within 0.85 - 1.67	
		Average Number of Times that Power to a Customer is Interrupted	1.00	2.14	1.30	1.24	1.21			at least within 1.00 - 2.14	
	Asset Management	Distribution System Plan Implementation Progress					In Progress				
	Cost Control	Efficiency Assessment			2	2	2				
Total Cost per Customer ¹		\$436	\$473	\$463	\$466	\$477					
Total Cost per Km of Line ¹		\$23,101	\$24,880	\$24,386	\$24,430	\$24,946					
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Annual Peak Demand Savings (Percent of target achieved) ²		16.03%	20.75%	30.51%	46.56%			41.44MW	
		Net Cumulative Energy Savings (Percent of target achieved)		53.65%	80.93%	100.52%	123.92%			156.64GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%			90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.47	1.53	1.23	1.13	1.23				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.78	0.71	0.66	0.61	0.64				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.01%	8.01%	8.98%	8.98%			
			Achieved		6.80%	4.90%	11.22%	9.10%			

Notes:

- These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
- The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

Legend: up down flat
 target met target not met

Appendix A – 2014 Scorecard Management Discussion and Analysis (“2014 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2014 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

In the utility industry, success is measured by metrics such as those presented in the accompanying Scorecard. These levels of performance represent the standard for our industry: the lights stay on at a reasonable cost. What distinguishes London Hydro are the ways in which we exceed these industry standards and our customers’ expectations.

In 2014, London Hydro exceeded all OEB industry targets for service quality and customer satisfaction. London Hydro is committed to maintaining exceptional customer care and to continuing to find ways to improve the customer experience. In 2014’s third party administered Customer Satisfaction Survey, London Hydro maintained its overall ‘A’ rating, outperforming both national and provincial averages in most areas, including “demonstrating credibility and trust” as well as both the helpfulness and courtesy of staff. Contributing factors to our success include the state-of-the-art website and MyLondonHydro Customer Portal that were launched at the beginning of 2014 to give customers a wide variety of self-serve options, thus reducing some of the pressure experienced by Customer Service Representatives (CSRs). The website was recognized nationally, with the Marketing Digital Media Campaign Award, and internationally, with the Creativity International Media and Interactive Silver Award.

The customer portal, MyLondonHydro, gives customers the ability to access their accounts. Examples of the features offered are listed are below¹.

Make Payment or Payment Arrangements or Notify Us of a Recent Payment Already Made

This feature enables customers to have real time access to account status and allows for instantaneous account updating.

Delegate Access

Customers may assign secure access to their billing and energy usage information to a delegated contact. This can be used to help aging parents or businesses to manage their accounts.

Outage Notifications & Estimated Restoration Times

This feature enables customers to choose whether they want to be notified of an outage by phone, text or email. A live outage map is also displayed giving instant updates.

Budget Billing

Setting up a Budget Billing Plan for equal monthly installments is easy and allows customers to manage their plan and make adjustments when

¹ MyLondonHydro also gives customers the ability to analyze their own energy usage patterns and take advantage of a myriad of energy saving tips and resources across a variety of platforms.

necessary.

Customer care starts with employee care. In 2014, Benefits Canada recognized the health and wellness of London Hydro's employees, and London Hydro enhanced employee safety with the "Safety Starts with ME" campaign. With no lost time injuries in 2014, London Hydro employees live their strong safety culture every day. In 2014, London Hydro was recognized for its safety programming by winning the Canada's Safest Employer award for the utility industry. In addition, building on the recognition we received in 2013 from the ESA for Powerline Safety, we have recently been notified that we are recipients of the 2015 Ontario Electrical Safety award in the category of Worker Safety. This most recent award recognizes London Hydro's achievement in safety innovation for creating three apps, which can be used on both smartphones and tablets:

Substation Access Tool: Log Presence app (and fob)

Employees who enter substations for non-electrical reasons use the Log Presence App on their smart phones to notify the Control Room (CR) of their presence without taking the Control Room Operator away from higher priority switching work.

Incident/Deficiency Reporting App

Using the app, employees can report the location and the urgency of a problem found in the field, providing both a description and pictures, and forward the information to the relevant departments so that action can be taken.

Zapple

Zapple is London Hydro's proprietary Wellness and Safety app that gives employees immediate access to a wide range of information including, emergency contact names and phone numbers; procedures for reporting accidents, injuries and near misses; procedures for using AED's, administering CPR and following the 911 protocol; and a broad range of resources concerning stress management, nutrition, fitness and ergonomics.

Regarding reliability, London Hydro continues its trend of improvement, which can be attributed to investments made in distribution infrastructure and Reliability-Centred Maintenance (RCM) Programs over the past 15 years. One example of an RCM program is our use of the SPOORE Analysis tool, which was developed in house to set priorities for cable and transformer rehabilitation in subdivisions.

London Hydro is known as a technology innovation leader, being one of the first utilities in North America to implement Green Button "Connect My Data" in the Cloud. In addition, London Hydro is a founding member of the Green Button Alliance, an international association with a mandate to "support education, development and wide-spread use of green button standards-based application." As a founding member, London Hydro continues its commitment to increase adoption of Green Button across Ontario-based and Canadian utilities, enabling residential customers to shift high-peak usage, and commercial customers, such as school boards, to manage energy consumption across multiple facilities and utilities.

As a result of requests from and collaboration with customers, London Hydro has launched its Interval Data Centre 2 web-based data analysis and display system, which was designed for commercial and industrial customers and includes such features as a simple dashboard, consumption reports, meter grouping, annotations, facility comparisons and power factor analysis. The functions of this system were made possible through the advancements that London Hydro has made with Green Button technology.

London Hydro implemented a new cloud-based solution that allows London Hydro to surpass the number of concurrent calls that our current phone system and customer service representatives can normally support. This advancement provides the needed capacity during large outage events without having to invest in additional labour and equipment to handle high volume events. This service allows our interactive voice response system to sort the incoming call by either confirming that an outage event is occurring, based on the incoming phone number, by allowing customers to notify

London Hydro of the outage event or by connecting the customer to a London Hydro Representative.

London Hydro continues to be a province leader in the area of Conservation and Demand Management. In 2014, we surpassed our success of previous years by achieving 123.9% of our target for Net Cumulative Energy Savings. In addition, London Hydro partners with other community organizations to enhance Home Assistance Plan for our customers, and, in 2014, we were recognized with the Fire Marshal's Safety Award for working with the London Fire Department and the Salvation Army to add fire protection and electrical safety awareness to its conservation programs.

In terms of connection to renewable generation, London Hydro continues to meet or exceed all of its time targets for both the completion of Connection Impact Assessments and connecting new micro-embedded generation facilities.

Early in 2014, London Hydro published a "Statement of Corporate Governance Practices," which outlines the Board's activities and the role it plays in fostering the success of the corporation and explains the Enterprise Risk Management framework developed by London Hydro to chronicle the corporation's risk management policies and practices as well as the ways we mitigate and/or manage significant risks. These seminal changes to corporate governance and oversight have led to the achievement of the best financial performance ever, in spite of the fact that 2014 was an Incentive Rate Making year, which causes a regulatory lag in the recovery of costs.

London Hydro has continued to maintain a solid financial position year over year and in doing so it has achieved a credit rating of 'A / Stable' or better from Standard & Poor's over the past seven years.

We strive to be a company of which our community and rate payers can be proud. The success of 2014 is a manifestation of our mission to provide safe and reliable service to our customers, while fostering a corporate culture where employees are engaged and innovation is encouraged. In 2015, we plan to continue building on our strengths and by so doing, to continue improving our performance in all facets of our business.

Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2014, London Hydro connected 100% of its 1,324 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB). This perfect score exceeds the OEB-mandated threshold of 90%. London Hydro is consistently able to achieve high levels of compliance in this area due to the existing workflow processes and computer systems that are used to monitor the status of each job. London Hydro also previously implemented an evening shift service truck, which has resulted in improved flexibility for connecting new customers.

- **Scheduled Appointments Met On Time**

London Hydro scheduled 1,474 appointments with its customers in 2014 to complete work requested by customers or the customer's representative. Consistent with the last five years, the utility met more than 99% of these appointments on time, which significantly exceeds the industry target of 90%. London Hydro's success in this area is attributed to the efforts of London Hydro staff, who are both aware of these obligations and committed to meeting them.

- **Telephone Calls Answered On Time**

In 2014, London Hydro Customer Service Representatives handled 182,280 calls, which represents an average of 760 calls a day. We continue to meet the required percentage of calls answered in 30 seconds or less.

In 2014, London Hydro engaged a call over-flow company to assist in call handling management post-implementation of our new self-service functionality on the MyLondonHydro customer web portal. London Hydro notes that the drivers to enhance our self-serve web portal were the escalating increase of email correspondence (2012 -14,311 emails, 2013 -16,640 emails and 2014 -20,699 emails) and customer requests for additional online tools to manage interactions 24 hours a day, seven days a week. London Hydro anticipates that telephone call volumes will decline with more customer acceptance of this tool.

Customer Satisfaction

- **First Contact Resolution**

London Hydro strives to serve customers in a friendly and professional manner within the first call. London Hydro has an intensive training program for new hires and has a dedicated resource for gap training and process management. We use call monitoring tools to record and archive every call to allow us to evaluate our staff's call handling. Each month we review one call selected randomly with each CSR. Any anomalies or customer escalations are reviewed when warranted. All customer interactions are logged in our CIS System, including any escalations.

The results of our annual Customer Satisfaction Survey give us the opportunity to see what is working and what areas require improvement.

- **Billing Accuracy**

In 2014, London Hydro distributed an average of 152,232 invoices per month. To supplement our validating, estimating and editing process, our CIS system uses audits and controls to ensure the accuracy of bill calculations. Any billing irregularities are investigated, analyzed and evaluated for impacts. All changes are verified and tested by our Subject Matter Experts. This dedicated team also monitors and manages bill print exceptions. As an additional check, we audit the value of the bill, and by setting a "threshold" amount for each billing class of customers, we ensure no excessive/irregular invoice leaves without validation.

- **Customer Satisfaction Survey Results**

For the past 17 years, London Hydro Inc. has engaged a third party to conduct a Customer Satisfaction Survey. The purpose of London Hydro's involvement in these surveys is to determine a benchmark for measuring the level of satisfaction our customers experience with all areas of service and, equally important, to identify any areas for improvement. The survey asks a core set of questions that provide benchmarks year-to-year, such as overall satisfaction with London Hydro, reliability of service, outages, billing issues and corporate image. Additionally, London Hydro provides a second set of questions regarding specific current issues to identify and respond to new needs or expectations of the customers. The information gathered from the survey is then carefully considered and included in the development or enhancement of both London Hydro's Strategic Plan and Corporate Communications Plan.

In 2014, London Hydro's Customer Satisfaction results were equal to or better than Provincial and National counterparts, and, on most measures, London Hydro demonstrated improvement over the previous year's score. Customers' overall satisfaction rating for London Hydro was 87%.

In 2015, questions regarding Operational and Capital Expenses were included to determine the customers' perspective on capital expenditures. For

example, when asked whether they would support paying increased rates for converting overhead service to underground, 67% of London Hydro customers surveyed said 'no.' Again, this survey is a valuable tool for gauging customers' awareness of changes in the industry, their level of satisfaction with the services London Hydro provides, their insights into capital programs, and for identifying any areas of improvement to services. London Hydro's goal is to provide service excellence in all we do, and we plan to continue surveying our customers to benchmark our service levels and help us continue to develop service enhancements.

Safety

- **Public Safety**

- **Component A – Public Awareness of Electrical Safety**

In 2014, London Hydro undertook major safety awareness efforts, which include

- the School Electricity Safety Program, which is presented to over 10,000 students annually;
- the Power of Electricity, a curriculum-based program that involves training teachers to present the program to grades 5 and 6 each year;
- media coverage for electrical safety-related issues and incidents in the community;
- pole top rescue training (attended by media);
- support and presentations at the Safety Village; and
- other community event presentations.

In 2015, London Hydro will launch a new public awareness survey among a representative sample of its customers. The survey will gauge the public's awareness of fundamental safety precautions related to electricity. The survey will also provide a benchmark and identify gaps where additional education and awareness efforts may be required.

London Hydro will continue to support and provide education and training to our community through these initiatives.

- **Component B – Compliance with Ontario Regulation 22/04**

Over the past three years, London Hydro has been found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This success was achieved by our strong commitment to safety and adherence to company policies, procedures and Safe Work Practices. Ontario Regulation 22/04 - Electrical Distribution Safety establishes objectives based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

The Electrical Safety Authority (ESA) performs Due Diligence Inspections (DDI) throughout the year to ensure utilities remain compliant with the objectives set out in Ontario Regulation 22/04. London Hydro has a process in place for responding to DDI's and for reporting back to the ESA on the action plans taken within the specified time period. In 2014, eleven DDI's were performed on London Hydro equipment and infrastructure and we received no statements of non-compliance.

- **Component C – Serious Electrical Incident Index**

London Hydro experienced no reportable incidents in three of the last five years (2010, 2011 and 2014). None of the electrical incidents that occurred in 2012 and 2013 resulted in injury, either to a worker or to a member of the public. In order to maintain the safety and reliability of the distribution grid,

London Hydro conducts an investigation of all incidents of this nature.

Through analysis and review of these incidents, London Hydro has implemented modifications to engineering designs and/or targeted replacement programs where appropriate to ensure continued safe and reliable distribution of electricity to our customers.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

In 2014, London Hydro surpassed its performance target for the average number of hours that power to a customer was interrupted. London Hydro's System Average Interruption Duration Index (SAIDI), without Loss of Supply, was 0.98 hours, which is at the lower end of London Hydro's target range of 0.85 – 1.67.

A large percentage of London Hydro's SAIDI result is related to scheduled outages, which are necessary to complete infrastructure improvement projects and to maintain the system. This work ensures that the system will continue to be reliable in the future. Use of advanced operational and Smart Grid technologies has resulted in improved outage restoration times and outage management capabilities.

- **Average Number of Times that Power to a Customer is Interrupted**

In 2014, London Hydro met its performance target for the average number of times that power to a customer was interrupted. London Hydro's System Average Interruption Frequency Index (SAIFI), without Loss of Supply, was 1.21, which is within the 1.0 - 2.14 target range. In addition, this was the lowest SAIFI value in the last three consecutive years. Defective Equipment was the primary contributor to outage frequency, which is an indication that London Hydro needs to continue its capital investment in order to sustain its infrastructure.

London Hydro's excellent SAIDI and SAIFI performance is a clear indicator of our commitment to ensuring reliability of service to our customers. In order to achieve this performance, London Hydro's engineers analyze our reliability data and produce comprehensive reports with root cause outage analysis and feeder by feeder performance analysis. These analyses result in action items in areas that need improvement. Maintaining our assets and investing in infrastructure also ensures that our system is robust enough to maintain a high level of performance during inclement weather.

Asset Management

- **Distribution System Plan Implementation Progress**

Historically, London Hydro has fostered an engineering culture in which detailed system analysis generates the planning of strategic electrical and information technology for projects that can span variable time-frames, from months to several years for completion. Annual capital spend plans are harmonized with the annual financial plans with significant executive and Board of Director oversight. Detailed financial reviews of budgeted to actual spending accompany post-project debriefs to ensure London Hydro captures any and all opportunity for capitalizing on future efficiencies that can be used in future planning. In addition, monthly reports are generated and reviewed by the executive that indicate actual spending to date compared to that budgeted for each capital project. Significant variances are investigated and addressed. London Hydro maintains a large catalogue of engineering instructions that encapsulates the best practices for project development with safety, security and efficiency given the highest priority. It is London Hydro's view that the Distribution System Plan (DSP) required by the OEB is a natural formal extension of London Hydro's Asset Sustainment and Asset Management Planning processes, which are already in place.

London Hydro plans to file an application with the OEB for a full review of its rates effective May 1, 2017. Accordingly, as of August 2015, London Hydro is nearing completion in the preparation of its 2017 DSP.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. London Hydro's 2014 results place us in Group 2 for the third year in a row. Group 2 distributors are defined as having actual costs that are 10% to 25% below predicted costs. Group 2 distributors are considered to have "better than average efficiency" – in other words, London Hydro's costs are better than the average cost range for distributors in the Province of Ontario. In reviewing the provincial electricity distributors' 2014 results, 47% (34 distributors) of Ontario distributors were ranked as "average efficiency"; 28% (20 distributors) were ranked as "more efficient"; 25% (18 distributors) were ranked as "least efficient." London Hydro's goal is always to advance in the ranking to the "more efficient" group, and management's expectation is that efficiency performance will not decline.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of London Hydro's capital and operating costs divided by the total number of customers that London Hydro serves. The cost performance result for 2014 is \$477 / customer, which represents a 2.4% increase over 2013.

London Hydro's Total Cost per Customer has increased on average by 1.8% per annum between 2010 and 2014. Similar to most distributors in the province, London Hydro has experienced increases in the total cost required to deliver safe and reliable services to customers. Province wide programs, such as smart meters required for Time-of-Use pricing, growth in wage and benefits costs for our employees, investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs.

London Hydro will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts as will be demonstrated in our 2017 Cost of Service rate application. London Hydro will also continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on London Hydro's capital spending plans.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that London Hydro operates to serve its customers. London Hydro's 2014 rate is \$24,946 per Km of line, a 2.1% increase over 2013. London Hydro experienced a moderate level of growth in its total kilometers of lines complemented by a moderate annual customer growth rate. This continued modest growth rate provides London Hydro with the ability to fund capital renewal and mitigates some of the increased operating costs realized through customer growth. As a result, Cost per Km of line has increased year over year with the increase in capital and operating costs. See the above cost per customer section for a commentary on cost drivers. London Hydro continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Conservation & Demand Management

- **Net Accumulated Energy Savings**

Over the 2011 - 2014 timeframe, London Hydro offered its customers the complete suite of provincial energy-efficiency incentive programs under the umbrella saveONenergy FOR HOME and saveONenergy FOR BUSINESS brands. As noted in its various Annual CDM Reports (all posted on the

OEB website), some provincial programs were more successful in the marketplace than others. Nonetheless, London Hydro achieved a net accumulated energy savings of 194.1 GWh, or 123.9 % of its assigned target.

- **Net Annual Peak Demand Savings**

Over the 2011 - 2014 timeframe, London Hydro achieved only 19.3 MW of peak demand savings, or 46.6% of its assigned CDM target. The Smart Metering / time-of-use electricity pricing initiative contributed 1.7 MW of this net peak demand savings.

This outcome is perhaps not surprising since (as noted in London Hydro's various Annual CDM Reports, posted on the OEB website) once southwestern Ontario was declared a "discount area" for demand response (in the Fall of 2011) and the 200-hour per year participation option was suspended, participation interest by customers in the saveONenergy DEMAND RESPONSE program completely dried up.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments (CIA) Completed on Time**

In 2014, London Hydro completed all 21 CIA's within the prescribed time limit of 60 days.

- **New Micro-embedded Generation Facilities Connected On Time**

In 2014, London Hydro connected 29 new micro-embedded generation facilities (<10 weeks). London Hydro quite often installs the meter the same day that the ESA authorization to connect is received.

Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

Current assets represent cash and other assets that are expected to become cash within the next year. Conversely, current liabilities are financial obligations that are anticipated to be paid within a year. A ratio that is greater than 1 may be an indicator that a company is able to meet its financial obligations coming due within the next year. A higher ratio of current assets to current liabilities provides a greater comfort zone since it indicates that current liabilities can be paid, while leaving excess funds for ongoing operations. A ratio of less than 1 could be a signal that a company may not be able to keep up with its upcoming payments, indicating insufficient cash flows from profits or the need for financing.

London Hydro's current ratio is affected by items such as accounts receivable and liabilities for electricity, which can fluctuate significantly, depending on factors including changes in customer consumption and the price of electricity acquired on behalf of customers. Additionally, the timing and extent of capital investments in the London Hydro distribution system can have a significant impact on cash balances. Accordingly, a fluctuation in London Hydro's ratio is not an indicator of stability or financial performance but more a matter of timing and leveling with long-term debt.

The Company's ratio as of December 2014 was 1.23, which is up from 1.13 for 2013 and at the same level as 2012.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

London Hydro has a capital mix of 39% debt and 61% equity (debt to equity ratio of .64) for 2014. The OEB uses a deemed capital structure of 60% debt and 40% equity (debt to equity ratio of 1.5) when establishing rates.

A debt to equity ratio higher than 1.5 may indicate that the Company will have difficulty obtaining any required debt to finance capital investments and

meet working capital requirements. A debt to equity ratio less than 1.5 may be a signal that the Shareholder is not achieving an optimum rate of return, as a portion of their investment is providing a lower yield.

London Hydro's capital mix equips the Company with unused debt capacity making funds readily available. This, in turn, keeps London Hydro in a strong financial position as displayed by the recent Standard & Poor's Rating Services rating of A/Stable.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

London Hydro's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.98%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

In 2014, London Hydro's regulatory return on equity (ROE) was 9.10%, which is well within the +/-3% range allowed by the OEB. In 2013 our reported ROE was 11.42%.

London Hydro experienced higher distribution revenue in 2014 than was forecasted in our 2013 Cost of Service application (COS). This discrepancy was due primarily to shifts in weather patterns; a colder than normal winter in 2014 resulted in increased energy consumption by customers. Other revenues are also higher in 2014, primarily in the area of late payment charges. OM&A costs are moderately below the COS forecast due, in part, to productivity improvements. The higher distribution revenues are offset by a significant reduction in the 2014 ROE results stemming from the fact that London Hydro annually invests more in capital spending than is covered by the depreciation provided in our COS. Our 2014 calculated depreciation was \$2.0 M higher than projected in our COS, resulting in lower measured net income.

London Hydro's 2014 formulaic rate base is \$8.6 M greater than the rate base as approved in the 2013 COS; \$3.8 M is due to escalating customer consumption and electricity costs, which London Hydro is required to cover in working capital. The remaining \$4.8 M represents the change in Average Net Fixed Assets. With the assumption that this trend will continue, London Hydro projects that future reported ROE balances will continue to decline.

Note to Readers of 2014 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.