

Scorecard - Rideau St. Lawrence Distribution 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	100.00%	100.00%	99.20%	96.80%	91.40%		90.00%		
		Scheduled Appointments Met On Time	100.00%	98.20%	98.60%	98.10%	98.80%		90.00%		
		Telephone Calls Answered On Time	97.00%	97.10%	98.30%	98.30%	98.50%		65.00%		
	Customer Satisfaction	First Contact Resolution					99%				
		Billing Accuracy					99.58%		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	NI	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0			0
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.000			0.000	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.08	0.09	0.48	0.62	0.30			at least within 0.08 - 0.62	
		Average Number of Times that Power to a Customer is Interrupted	0.03	0.05	0.17	0.24	0.14			at least within 0.03 - 0.24	
	Asset Management	Distribution System Plan Implementation Progress					78%				
	Cost Control	Efficiency Assessment			2	3	3				
Total Cost per Customer ¹		\$446	\$443	\$477	\$489	\$508					
Total Cost per Km of Line ¹		\$27,604	\$27,517	\$27,132	\$27,552	\$28,348					
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		18.46%	33.53%	38.46%	59.27%			1.22MW	
		Net Cumulative Energy Savings (Percent of target achieved)		77.87%	102.93%	114.05%	142.21%			5.10GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time									
		New Micro-embedded Generation Facilities Connected On Time					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)	1.01	1.40	0.98	1.20	1.09				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.63	0.82	0.67	0.58	0.52				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.57%	9.12%	9.12%	9.12%			
			Achieved		2.04%	4.47%	12.10%	6.76%			

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

Scorecard MD&A - General Overview

In 2014, Rideau St. Lawrence Distribution exceeded all performance targets with the exception of Net Annual Peak Demand Savings. Aging distribution infrastructure continues to be the primary challenge facing utilities today. Like most utilities in Ontario, Rideau St. Lawrence Distribution must replace aging infrastructure at an accelerated pace in order to meet this challenge. Distribution system maintenance, including tree trimming activities, is critical to reduce the vulnerability of the distribution system to external uncontrollable events, such as weather.

Further to the above, Rideau St. Lawrence Distribution continues to focus on you, the customer. Rideau St. Lawrence Distribution makes every effort to engage its customers on a regular basis to ensure we are aware of your needs and that you are receiving value for your money. Rideau St. Lawrence Distribution remains committed to providing its customers with safe, reliable service at a reasonable cost.

In 2015, Rideau St. Lawrence Distribution will continue its efforts to improve its overall scorecard performance results as compared to prior years. This performance improvement is expected as a result of continued investment in both our infrastructure and in our response to your needs.

Service Quality

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

In 2014, Rideau St. Lawrence Distribution connected 85 low-voltage (connections under 750 volts) residential and small business customers within the five-day timeline as prescribed by the Ontario Energy Board. This represents a decrease of 6.6% in the number of connections over 2013. In a small service area with low growth, small changes (in this case, 6 fewer connections) will cause large percentage fluctuations. Rideau St. Lawrence Distribution considers “New Services Connected on Time” as an important form of customer engagement as it is the utilities first opportunity to meet and/or exceed its customer’s expectations, which in turn affects the level of customer satisfaction within a utility’s territory. Although lower than in previous years, Rideau St. Lawrence Distribution connected 91.4% of these customers on time, which exceeds the Ontario Energy Board’s mandated target of 90% for this measure. The lower result was caused by several events where our crew went to complete the connection, and found that the customer was not ready. Rideau St. Lawrence Distribution expects to report results that are more consistent with previous years in the future.

- **Scheduled Appointments Met On Time**

Rideau St. Lawrence Distribution scheduled 995 appointments in 2014 to connect services, disconnect services, or otherwise complete work requested by its customers. This represents an increase of 11.4% in the number of appointments over 2013, which is driven primarily by locate requests. Rideau St. Lawrence Distribution considers “Scheduled Appointments Met” as an important form of customer engagement as customer presence is required for all types of

appointments. Consistent with prior years, Rideau St. Lawrence Distribution met 98.8% of these appointments on time, which exceeds the Ontario Energy Board's mandated target of 90% for this measure. Rideau St. Lawrence Distribution expects this trend to continue into the foreseeable future.

- **Telephone Calls Answered On Time**

In 2014, Rideau St. Lawrence Distribution received over 12,000 calls from its customers (over 48 calls per day). This represents an increase of 13.6% in the number of calls over 2013. The reason for the increase in call volumes can be attributed in part to a large number of customers phoning concerning the amount of their bills, or needing to discuss arrangements for payment. Rideau St. Lawrence Distribution considers "Telephone Calls" to be an important communication tool for identifying and responding to its customers' needs and preferences. Consistent with prior years, a customer service representative answered 98.5% of these calls in 30 seconds or less, which exceeds the Ontario Energy Board mandated target of 65% for this measure. Customer Service staff answer calls manually at this time, without the assistance of an automated telephone system. It is expected that the call answering trend will continue into the foreseeable future.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution is a new scorecard measure introduced by the Ontario Energy Board midway through 2014.

Rideau St. Lawrence Distribution defines "First Contact Resolution" as the number of customer enquires that are resolved by the first contact at the utility. This includes all customer enquires that are made to a customer service representative whether by telephone, letter, e-mail, or in person. Rideau St. Lawrence Distribution considers the ability to address customer enquiries quickly and accurately to be an essential component of customer satisfaction. For the period July 1, 2014 to December 31, 2014, Rideau St. Lawrence Distribution received 1,760 enquiries from its customers, of which 99% were successfully resolved during first contact. Rideau St. Lawrence Distribution expects this trend to continue for 2015, the first full year of reporting on this measure.

- **Billing Accuracy**

Billing Accuracy is a new scorecard measure introduced by the Ontario Energy Board late in 2014, and is defined as the number of accurate bills issued expressed as a percentage of total bills issued. Rideau St. Lawrence Distribution considers timely and accurate billing to be an essential component of customer satisfaction. For the period from October 1, 2014 – December 31, 2014, Rideau St. Lawrence Distribution issued 15,384 customer bills and achieved a billing accuracy of 99.58%, which is above the Ontario Energy Board mandated target of 98%. Rideau St. Lawrence Distribution expects this trend to continue for 2015, the first full year of reporting on this measure.

- **Customer Satisfaction Survey Results**

Customer Satisfaction Survey is a new scorecard measure introduced by the Ontario Energy Board for the 2014 scorecard.

For 2014, Rideau St. Lawrence Distribution engaged a third-party organization to conduct a customer satisfaction survey. This statistical survey canvassed a

number of key areas including power quality and reliability, price, billing and payments, communications, and the overall customer service experience. Rideau St. Lawrence Distribution considers this customer satisfaction survey to be a useful tool for engaging the customer to get a better understanding of their wants and needs with respect to the provision of electricity services, and for identifying areas that may require improvement. For 2014, Rideau St. Lawrence Distribution received a rating of “A” on its customer satisfaction survey. Rideau St. Lawrence Distribution is required to report on this measure on a biennial basis (every second year), but expects this rating trend to continue into the foreseeable future.

Safety

- **Public Safety**

Public Safety is a new scorecard measure introduced by the Ontario Energy Board for the 2014 scorecard. The Public Safety measure is generated by the Electrical Safety Authority and is comprised of three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index. A breakdown of the three components is as follows:

Component A – Public Awareness of Electrical Safety:

Component A consists of a new statistical survey that gauges the public’s awareness of key electrical safety concepts related to electrical distribution equipment found in a utility’s territory. The survey also provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required. **Please Note: The survey for Component A has not yet been implemented and will not be reported until next year.**

Component B – Compliance with Ontario Regulation 22/04:

Component B consists of a utilities compliance with Ontario Regulation 22/04 - Electrical Distribution Safety. Ontario Regulation 22/04 establishes the safety requirements for the design, construction, and maintenance of electrical distribution systems, particularly in relation to the approvals and inspections required prior to putting electrical equipment into service. In 2014, Rideau St. Lawrence Distribution was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and the adherence to company procedures & policies.

Component C - Serious Electrical Incident Index:

Component C consists of the number of serious electrical incidents, including fatalities, which occur within a utility’s territory. In 2014, Rideau St. Lawrence Distribution had zero fatalities and zero serious incidents within its territory.

System Reliability

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

The average number of hours that power to a customer is interrupted is a measure of system reliability or the ability of a system to perform its required function. Rideau St. Lawrence Distribution views reliability of electrical service as a high priority for its customers and monitors its system for signs of reliability degradation. Rideau St. Lawrence Distribution also regularly maintains its distribution system to ensure its level of reliability. The OEB typically requires a utility to keep its hours of interruption within the range of its historical performance, however, outside factors such as severe weather, defective equipment, or even regularly scheduled maintenance can greatly impact this measure. For 2014, Rideau St. Lawrence Distribution experienced .30 hours of interrupted power per customer,

which is within the range of its historical performance for interrupted power and consistent with other measures over the five-year period. This trend is expected to continue into the foreseeable future.

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

The average number of times that power to a customer is interrupted is also a measure of system reliability and is also a high priority for Rideau St. Lawrence Distribution. Rideau St. Lawrence Distribution views reliability of electrical service as a high priority for its customers and monitors its system for signs of reliability degradation. Rideau St. Lawrence Distribution also regularly maintains its distribution system to ensure its level of reliability. The OEB also typically requires a utility to keep this measure within the range of its historical performance, and outside factors can greatly impact this measure. Rideau St. Lawrence Distribution experienced interrupted power .14 times per customer during 2014, which is within the range of its historical performance for interrupted power and consistent with other measures over the five-year period. This trend is expected to continue into the foreseeable future.

Asset Management

- **Distribution System Plan Implementation Progress**

Distribution System Plan implementation progress is a new performance measure instituted by the Ontario Energy Board beginning in 2013. The Distribution System Plan outlines Rideau St. Lawrence Distribution's forecasted capital expenditures over the next five (5) years, which are required to maintain and expand the utility's electricity system to serve its current and future customers. The Distribution System Plan Implementation Progress measure is intended to assess Rideau St. Lawrence Distribution's effectiveness at planning and implementing these capital expenditures. Consistent with other new measures, utilities were given an opportunity to define this measure in the manner that best fits their organization.

Rideau St. Lawrence Distribution does not yet have a full distribution system plan in place and will therefore be using its capital budget as a substitute. Rideau St. Lawrence Distribution will implement its first full distribution system plan at its next regularly scheduled cost of service application, which is scheduled for 2016. At that time, the distribution plan will supersede the current capital plan.

Rideau St. Lawrence Distribution defines this measure as the tracking of actual capital projects to planned capital projects, expressed as a percentage. The company views the Distribution System Plan as a cumulative measure, and as such, compares projects from 2012 to 2014 as one plan. Our percentage of completion compares actual results with the cumulative plan. For 2014, Rideau St. Lawrence Distribution completed 78% of the capital projects planned. Although Rideau St. Lawrence Distribution views the percentage of projects completed to be satisfactory, we believe that the measure will show improvement in the future.

- **Efficiency Assessment**

On an annual basis, each utility in Ontario is assigned an efficiency ranking based on its performance. The model used to rank cost efficiency performance is based on econometrics. Distributor cost is estimated as a function of business conditions faced by distributor. These business conditions include the number of customers served and the price of inputs such as labour and capital. The parameters of this model establish the relationship between each business condition and distributor cost.

The model can make a prediction of each distributor's cost given its business conditions. The distributor's actual cost is compared to that predicted by the model. The percentage difference between actual and predicted cost is the measure of cost performance.

To determine a ranking, electricity distributors are divided into five groups based on the magnitude of the difference between their actual costs and predicted costs. In 2014, our actual costs were 8.1% below the predicted costs. For 2014, Rideau St. Lawrence Distribution was placed in Group 3 in terms of efficiency. Group 3 is considered average and is defined as having actual costs within +/- 10% of predicted costs. Overall, this is the same as its Group 3 efficiency ranking in 2013. Although Rideau St. Lawrence Distribution's forward looking goal is to advance to a "more efficient" group, management's expectation is that its efficiency performance will not decline in the foreseeable future.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Rideau St. Lawrence Distribution's capital and operating costs and dividing this cost figure by the total number of customers that Rideau St. Lawrence Distribution serves. Similar to most distributors in the province, Rideau St. Lawrence Distribution has experienced increases in its total costs required to deliver quality and reliable services to customers. Provincially-mandated programs, growth in wage and benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs.

The total cost result for 2014 is \$508/customer, which is a 3.8% increase over its 2013 result. Increased investment in capital projects accounts for more than half of this increase. Going forward, utility costs are expected to keep pace with economic fluctuations, however, Rideau St. Lawrence Distribution will continue to seek out productivity and efficiency improvements.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. Based on this, Rideau St. Lawrence Distribution's rate is \$28,348 per km of line, which is a 2.9% increase over its 2013 rate. Rideau St. Lawrence Distribution's growth rate for its territory is considered to be relatively low. The cost per km of line is expected to slowly increase as capital replacement and operating costs also increase. As we progress into the future, Rideau St. Lawrence Distribution will continue to seek out innovative solutions to help ensure cost/km of line remains within acceptable limits to our customers.

Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved)**

Late in 2010, the Ministry of Energy introduced a new 2011 - 2014 framework for Electricity Conservation and Demand Management (CDM) in Ontario. As a result, the OEB was required to establish CDM targets for the reduction of electrical consumption (kWh's) and electricity demand (kW's) to be met by certain licensed electricity distributors across the province. The Ontario Power Authority supported this initiative through the introduction of a number of CDM programs designed to conserve electricity across all classes of electricity customers.

Rideau St. Lawrence Distribution achieved .723 Mw or 59.3% of its peak demand reduction target of 1.22 Mw. While significant savings were achieved, overall progress towards the target was hampered by the late start and/or cancellation of province-wide Demand Response Programs. Overall customer participation in programming surpassed our estimates, but programs that featured energy reduction as opposed to peak demand reduction were favoured by our customers. Going forward, a new CDM framework and new targets will be implemented for this measure for the period 2015 – 2020.

- **Net Cumulative Energy Savings (Percent of target achieved)**

Rideau St. Lawrence Distribution has achieved 7.3 GWh, or 142.2% of the energy consumption reduction target of 5.1 GWh. This was achieved by leveraging the suite of approved Conservation and Demand Management Programs primarily designed for the residential and commercial classes of customers. Going forward, a new CDM framework and new targets will also be implemented for this measure for the period 2015 – 2020.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Electricity distributors are required to conduct Connection Impact Assessments (CIA's) on all renewable generation connections within 60 days of receiving authorization from the Electrical Safety Authority.

In 2014, Rideau St. Lawrence Distribution completed 0 CIA's, as none were required. In 2013, Rideau St. Lawrence Distribution completed 0 CIA's. At this time, Rideau St. Lawrence Distribution is unable to connect additional renewable generation projects, due to restraints imposed by Hydro One.

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

Micro-embedded generation facilities consist of solar, wind, or other clean energy projects of less than 10 kW that are typically installed by homeowners, farms or

small businesses. In 2014, Rideau St. Lawrence Distribution connected 2 new micro-embedded generation facilities within its territory. 100% of these projects were connected within the prescribed timeframe of five (5) business days, which exceeds the Ontario Energy Board's mandated target of 90% for this measure. Rideau St. Lawrence Distribution's process for these projects is well documented and Rideau St. Lawrence Distribution works closely with its customers and their contractors to ensure the customer's needs are met and/or exceeded.

Financial Ratios

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

As an indicator of financial health, a current ratio indicates a company's ability to pay its short term debts and financial obligations. Typically, a current ratio between 1 and 1.5 is considered good. If the current ratio is below 1, then a company may have problems meeting its current financial obligations. If the current ratio is too high (higher than 1.5) then the company may be inefficient at using its current assets or its short-term financing facilities.

Rideau St. Lawrence Distribution's current ratio decreased from 1.20 in 2013 to 1.09 in 2014. The 2014 result is reasonable in comparison with the 5-year average of 1.14, which is indicative of a financially healthy organization. Rideau St. Lawrence Distribution's current ratio is expected to remain consistent into the foreseeable future.

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

The debt to equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. The Ontario Energy Board uses a capital structure of 60% debt and 40% equity (a debt to equity ratio of 60/40 or 1.5) when setting rates for an electricity utility. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments, while a low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that may be had through increased financial debt.

In 2014, Rideau St. Lawrence Distribution's debt to equity ratio was 0.52, which is below the ratio expected by the Ontario Energy Board. Rideau St. Lawrence Distribution believes that a low risk/low debt approach is appropriate for a utility our size. Rideau St. Lawrence Distribution expects its debt to equity ratio to remain close to its norm into the foreseeable future.

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

Return on equity (ROE) measures the rate of return on shareholder equity. ROE demonstrates an organization's profitability or how well a company uses its investments to generate earnings growth. Rideau St. Lawrence Distribution's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.12%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. If a distributor performs outside of this range, it may trigger a regulatory review of the distributor's financial structure by the OEB.

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

Rideau St. Lawrence Distribution achieved a ROE of 6.76% in 2014, which is within the 9.12 +/-3% range allowed by the OEB (see above paragraph). The average ROE over the past 4 years was 6.34%, which is also within the deemed regulatory return specified in Rideau St. Lawrence Distribution's approved rates (see above paragraph). It is also indicative of a healthy financial organization. This trend is expected to continue into the foreseeable future.

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 judgment on the reporting date of the performance scorecard, and could be markedly different in the future.