

Scorecard - Veridian Connections 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%	100.00%	100.00%	100.00%		90.00%		
		Scheduled Appointments Met On Time	98.20%	100.00%	99.90%	100.00%	100.00%		90.00%		
		Telephone Calls Answered On Time	83.90%	64.60%	57.60%	61.40%	64.30%		65.00%		
	Customer Satisfaction	First Contact Resolution				76.8%	78.1%				
		Billing Accuracy				99.9%	99.70%		98.00%		
		Customer Satisfaction Survey Results				93%	91%				
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	1	0	0	0	0			0
	Rate per 10, 100, 1000 km of line		0.454	0.000	0.000	0.000	0.000			0.064	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.77	1.77	1.19	18.21	1.97			at least within 0.77 - 18.21	
		Average Number of Times that Power to a Customer is Interrupted	1.14	2.05	2.07	2.80	1.72			at least within 1.14 - 2.80	
	Asset Management	Distribution System Plan Implementation Progress				76.0%	84.58%				
	Cost Control	Efficiency Assessment				3	3				
		Total Cost per Customer ¹	\$512	\$526	\$553	\$529	\$560				
Total Cost per Km of Line ¹		\$25,065	\$24,828	\$25,087	\$23,757	\$25,720					
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		10.67%	22.62%	35.75%	55.03%			29.05MW	
		Net Cumulative Energy Savings (Percent of target achieved)		32.11%	53.28%	68.98%	91.92%			115.74GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	50.00%	100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time				100.00%	93.33%			90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.07	1.13	1.25	1.14	1.47				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.29	1.52	1.54	1.37	1.39				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.85%	9.85%	9.85%	9.36%			
			Achieved		10.00%	9.00%	8.10%	10.61%			

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 2014, Veridian either met or exceeded all performance targets with the exception of Telephone Calls Answered on Time and Conversation and Demand Management (“CDM”).

The Ontario Energy Board’s (“OEB”) minimum requirement for the percentage of telephone calls answered within 30 seconds in 65% and Veridian was slightly below target at 64.3%. In June of 2014 organizational and management changes were implemented in Veridian’s Call Centre, and as a result Veridian saw its telephone statistics improve drastically over the latter half of the year. Veridian is confident that this improvement will be sustained and that Veridian will exceed the OEB’s requirement for Telephone Calls Answered on Time for 2015.

For the 2011-2014 CDM Framework, Veridian was assigned a CDM target of 115.74GWh of cumulative energy savings and 29.05 MW of peak demand reduction. While Veridian achieved close to 92% of its target for cumulative energy savings, it only achieved 55% of its peak demand savings. Veridian attributes part of this performance to the fact that a significant amount of CDM potential within the business operations of Veridian’s largest customers were lost over the past few years, as evidenced by a decline in the number of customer accounts classified as Large Use (>5 MWs).

During 2014 a significant emphasis was placed on evaluating Veridian’s response to outages caused by a major ice storm in December

2013. That review led to a number of initiatives that provided for improvements in customer communications, the system control centre, the call centre, maintenance practices and distribution system standards. Veridian is optimistic that these measures will be reflected in strong scorecard performance for 2015 and beyond.

Service Quality

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

During the third quarter of 2015 the OEB completed a routine audit of two of Veridian's scorecard measures, including 'New Residential/Small Business Services Connected on Time'. The audit covered the period of 2010 to 2014. On a sample basis, the audit found four examples of connections that exceeded the five business day connection requirement for this measure for the reporting period of 2011 and 2014. In addition, the audit found some issues with regards to the number of connections reported to the OEB for the period of 2010 to 2014. Therefore, Veridian is not confident regarding accuracy of 100% results reported for New Residential/Small Business Services Connected on Time for the period of 2010 to 2014.

Veridian will address the formal audit findings when received, and will improve its business processes to ensure accurate record keeping for future years.

- **Scheduled Appointments Met On Time**

In 2014, Veridian achieved a 100% score on scheduled appointments met on time. By taking steps during 2013 to improve effectiveness in the completing of scheduled appointments, Veridian has been able to provide a higher quality of service to its customers in this category. Veridian is committed to continuing to provide its customers a high level of service related to meeting scheduled appointments within 5 business days.

- **Telephone Calls Answered On Time**

In 2014 Veridian's customer service representatives handled almost 140,000 calls from customers. The percentage of calls answered within 30 seconds for 2014 was 64.3%. This is slightly below the OEB mandated target of 65% of the calls answered within 30 seconds. Veridian did not meet the target for the period of 2011 and 2014 due to new phone system implementation in 2013 and some staffing issues. In June 2014 organizational and management changes were implemented to improve call centre performance. From July – December 2014 Veridian's service level averaged 77.3%; exceeding the OEB target. This trend has continued into 2015.

Since 2011 Veridian's call volume has dropped by 12.1%. Between 2013 and 2014 the decline in call volumes was 2.3%. This decrease in call volumes can be attributed, in part, to the many new online self serve features available to customers and is one example of how Veridian continually identifies new and innovative ways to better serve its customers in a cost-effective manner.

During the third quarter of 2015 the OEB completed a routine audit of two of Veridian's scorecard measures, including 'Telephone Calls Answered on Time'. The audit covered the period of 2010 to 2014. The audit found some inconsistencies with regards to telephone call record keeping for the period tested from November 2013 to December 2014 but the instances were deemed immaterial and without material impact on reported past performance levels.

For the reporting periods of January 2010 to October 2013, Veridian was unable to provide any records related to the Telephone Calls Answered on Time Measure to substantiate the data reported to the OEB. Therefore, the OEB was unable to verify if Veridian reported accurate number of qualified incoming calls and number of qualified incoming calls handled within 30 seconds for this period.

Veridian will address the formal audit findings when received, and will adjust its business processes to ensure accurate record keeping for future years.

Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The Ontario Energy Board (OEB) has instructed all electricity distributors to review and develop measurements in these areas and begin tracking by July 1, 2014 so that information can be reported in 2015. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

Veridian has developed an internal tracking mechanism to measure first call resolution. First call resolution takes into account customer phone calls and general written correspondence.

At the time of customer contact the customer service representative assigns a call code to identify the type of enquiry the customer made. A report is then run against the call codes. Customers who make contact again, within a 30 day period, and have the same call code registered by the customer service representative are excluded from being considered as first call resolution.

From July 1, 2014 – December 31, 2014 there were 174,758 contacts of which 136,508 did not have a repeat contact within the 30

day period. This resulted in a first contact resolution of 78.1%. Veridian uses this data to identify customer service improvements that will increase first contact resolution in the future.

- **Billing Accuracy**

Until July 2014 a specific measurement of billing accuracy had not been defined across the industry. After consultation with some electricity distributors the Ontario Energy Board (OEB) has prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014.

For the period from October 1, 2014 – December 31, 2014 Veridian issued 201,884 bills and achieved an accuracy level of 99.7%. This compares favourably to the prescribed OEB target of 98%.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure for 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time the Ontario Energy Board is allowing electricity distributors discretion as to how they implement this measure.

Each year Veridian has an independent third party conduct a customer satisfaction survey. The survey asks customers questions on a wide range of topics, including: overall satisfaction, reliability, customer service, outages, billing and corporate image. In addition, Veridian provides input to this third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data is then incorporated into Veridian's planning process and informs the development of plans to address the evolving needs of customers.

Through Veridian's customer satisfaction survey for 2014, 91% of respondents reported that they were 'very' or 'fairly' satisfied with Veridian.

Safety

- **Public Safety**

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

This year, Veridian continued its safety awareness program offered to schools in Veridian's service area. This program which has been a proud part of Veridian's history continues to add value by teaching its youngest customers how to use electricity safely. Veridian provides information that the children take home and share with their families to help them also use electricity safely. Veridian continues to expand public awareness by adding sections to its newly designed website with further enhancements in the planning stage which will help Veridian connect with its customers. Veridian has embraced social media by using Twitter and Facebook to help share the message in both a timely and cost effective manner.

While this component of the scorecard currently displays no results, in 2015 Veridian will be conducting a survey of its customers to gauge awareness levels of key electrical safety concepts related to distribution assets. This survey is currently being developed by the OEB and will be common to all distributors across the province, each of which will be reporting their results in next year's survey,

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

Over the past five years, Veridian has been fully compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This achievement is based on Veridian's firm commitment to safety, training and development programs and adherence to its procedures & policies.

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

For 2014, Veridian's index was 0 as was provided by the Electrical Safety Authority (ESA). The metric details the number of and rate of "serious electrical incidents" occurring on Veridian's distribution system and has been normalized per 1000km of line. A "serious electrical incident" would appear as part of this component index if it has been determined that a member of the public was involved in the incident and that the result of the incident caused death, critical injury or had the potential to cause death or critical injury.

System Reliability

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

In 2014, Veridian achieved 1.97 hours on average that power to a customer was interrupted during the year. Veridian continues to measure system reliability at the distribution feeder level, identifies worst performing feeders, researches the root-cause of power interruptions and utilizes the information to identify work programs that will improve the reliability performance of the feeders. Veridian believes this managed approach to improving system reliability will result in improved service to its customers over time, at a reasonable cost.

During 2014, the largest contributors to power interruption on the Veridian system were defective equipment, scheduled outages and tree contacts with the overhead distribution system. An example of defective equipment failure is the malfunction of underground primary cable as a result of the cable reaching end-of-life. Veridian employs a proactive underground primary cable replacement program whereby a portion of its underground system is renewed each year with new cable. The areas targeted for replacement are selected carefully using cable age and past performance as two of the key indicators in selecting the area to be replaced. Veridian also employs cable injection technology whereby sections of cable are injected with a fluid designed to increase the life of the cable. Veridian practices the same approach to other equipment failures on its distribution system whereby components are proactively replaced or maintained prior to or near end-of-life. Scheduled outages were a significant contributor to power interruption time during 2014 due to one of Veridian's municipal substations being taken out of service for maintenance. This particular substation is the only one in Veridian's system where customers cannot be resupplied from a different source during the maintenance activity, therefore requiring a scheduled outage to customers. Veridian is planning to correct this anomaly in the future through a substation rebuild project. Tree contacts also contributed to the 2014 outage results. Veridian trims trees in the vicinity of its distribution system on a planned cycle. Veridian is experiencing an increase in the number of tree contacts and, as a result, the planned trimming cycles are being reviewed to ensure an adequate amount of trimming is being performed at the correct time.

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

In 2014, Veridian achieved an average of 1.72 power interruptions per customer during the year. Veridian continues to measure system reliability at the distribution feeder level, identifies worst performing feeders, researches the root-cause of power interruptions and utilizes the information to identify work programs that will improve the reliability performance of the feeders. Veridian believes this managed approach to improving system reliability will result in improved service to its customers over time, at a reasonable cost.

See above for an explanation on the contributors to Veridian's power interruptions.

Asset Management

- **Distribution System Plan Implementation Progress**

In 2014, Veridian reached 84.58% in the progress of its Distribution System Plan.

This progress measure is calculated by the total capital spend within the full 2014 calendar year in dollars divided by the 2014 approved capital budget in dollars. Neither dollar amount includes contributions made by outside parties (customers, developers, municipalities, etc.) to the capital spend. The 2014 capital budget was approved in December 2013.

Spending in the reactive sustainment programs was largely completed but actual costs were, on average, only 83% of the originally budgeted amounts. These programs capture capital spend for unplanned, unforeseen day-to-day replacement activities on various assets that have failed or possibly may fail shortly in the future. These activities are known to occur throughout the year but cannot be exactly predicted as to the specific assets or the locations where replacement would be required. This is a favourable result as fewer replacements were required in 2014 than what had been predicted based on previous years actual spend.

Veridian achieved 98% completion in key spending areas related to substation upgrades and projects arising from the 2013 Ice Storm review.

Review of the projects will be completed on an ongoing basis as the projects are closed in an effort to continually identify and improve on all factors of projects which impact deliverables such as completing capital projects in the most cost effective manner, meeting the project planned schedule and carrying out the capital program in its entirety.

Cost Control

- **Efficiency Assessment**

The efficiency assessment score is derived by the OEB through a model which calculates for each distributor a predicted total cost and then compares actual total costs results against this predicted level. Total costs include annual costs to operate the distribution system such as costs to operate and maintain existing equipment and to provide customer services such as billing and answering customer enquiries. Total costs also include capital investment required to connect new customers such as new residential subdivisions and capital investments required for rehabilitation and upgrading of older assets.

In 2014 Veridian's actual total costs were below its predicted total costs by 3% and was included in Group 3 of 5 established groups with Group 1 being the most efficient and Group 5 being the least efficient. Veridian monitors and manages costs on an ongoing basis and expects that its efficiency performance will not decline.

- **Total Cost per Customer**

The metric is calculated by taking the total of Veridian's 2014 operating and capital costs, as derived within the OEB model for efficiency assessment, and dividing this cost figure by the total number of customers Veridian serves. In 2014 the total cost per customer was \$560 which compares favourably to the average for all distributors of \$641.

Unfortunately, the 2013 value of \$529 displayed is incorrect due to a prior year reporting error. The corrected value is \$546. The table below shows the 2010-2014 total cost data broken out to the individual components of operating costs and capital costs.

<u>Costs per Customer</u>	2010	2011	2012	2013	2014
Operating Costs	\$ 174	\$ 181	\$ 216	\$ 213	\$ 212
Capital Costs	\$ 339	\$ 345	\$ 337	\$ 333	\$ 348
	\$ 512	\$ 526	\$ 553	\$ 546	\$ 560

In 2012 due to new accounting standards, Veridian, along with most of the other distributors in the province, recorded more of its existing costs as operating and less as capital costs. This resulted in a shift between operating and capital costs within the total cost per customer and a very large operating cost increase in 2012 from \$181 to \$216; \$35 per customer or 19.4%. As can be seen in the table, the operating costs per customer have been declining each year at since 2012 at an average of just under 1% per year to \$212 in 2014.

Veridian will continue to implement productivity and cost reduction initiatives in the future to maintain low operating costs per customer.

Capital costs, on the other hand have increased in 2014 by 4.4%. In 2014 Veridian increased capital spend on the renewal and modernization of its distribution assets to balance reliability for customers and rate impacts, as approved by the OEB in Veridian's 2014 rate application. Veridian will continue asset replacement and rehabilitation in a managed timeframe and seek efficiencies in its spending.

- **Total Cost per Km of Line**

The metric is calculated by taking the total of Veridian's 2014 operating and capital costs, as derived within the OEB model for efficiency assessment, and dividing this cost figure by the total kilometers of line that Veridian operates to serve its customers. The 2014 total cost per km of line is \$25,720 which compares favourably to the average for all distributors of \$27,756.

As noted with total cost per customer, due to a prior year reporting error the 2013 value of \$23,757 is incorrect. The corrected value is \$24,535. In 2014, total cost per km of line increased by 4.8%. As capital investments for replacement and rehabilitation of existing lines grows at a faster rate than additions of lines within Veridian's service area, total cost per km of line increases.

Conservation & Demand Management

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

Veridian met 55.03% of its peak demand savings target at the end of 2014. A significant amount of CDM potential within the business operations of Veridian's largest customers were lost over the past few years, as evidenced by a decline in the number of customer accounts classified as Large Use (>5 MWs). The number of accounts in this class has declined from four to two, with one of the reductions due to the complete closure of a large manufacturing facility. This decline in Large Use customers occurred after Veridian's Conservation targets were assigned, and as a result hindered Veridian's ability to achieve its target.

All distributors in the province collectively achieved only 69.8% of the provincial peak demand target, indicating that all distributors struggled in their attempt to achieve this particular target.

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

Veridian met 91.92% of its four-year net cumulative energy savings target by the end of 2014. This was achieved by fully leveraging the entire suite of Ontario Power Authority ("OPA") province-wide demand management programs and placing increased emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers.

Connection of Renewable Generation

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

In 2014, Veridian achieved a score of 100% on completing renewable generation connection impact assessments on time. This measure is important for all customers as the process ensures that the generation can be safely connected to Veridian's system without adversely affecting other load customers on the system. Veridian has effective and efficient processes in place to ensure it continues to meet the requirements of this measure.

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

In 2014, Veridian achieved a score of 93.3% in this category, exceeding the minimum score of 90%. Veridian is committed to connecting new micro-embedded generation facilities on time for its customers. Micro-embedded generation facilities are typically installed on residential homes and play an important role in improving the environment and assisting the province of Ontario in achieving its environmental goals. Veridian has effective and efficient processes in place to ensure it continues to meet the requirements of this measure.

Financial Ratios

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

Current ratio is a common measure of a company's ability to pay its short term debts and financial obligations and a ratio higher than 1 is favourable. Veridian's current ratio increased from 1.14 in 2013 to 1.47 in 2014, a strong financial indicator.

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

In 2014, Veridian maintained a total debt to equity structure that is just below the deemed 60% debt and 40% equity capital mix as set out by the OEB. Veridian's total debt to equity ratio was 1.39, whereas the deemed rate, set as the 'standard' or 'preferred', is 1.5. This indicates that, to operate its business and complete its capital programs, Veridian borrows just slightly less money than the deemed amount as set by the OEB. Veridian's ratio near the deemed rate is a strong financial indicator. This is also supported by the recent DBRS credit rating of "A" stable of Veridian's parent company, Veridian Corporation.

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

Veridian's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.36%. The OEB allows a distributor to earn within +/- 3% of the deemed return on equity.

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

Veridian's achieved regulatory return on equity was 10.61%, which is well within the +/- 3% range allowed by the OEB.

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.