

Scorecard - Horizon Utilities Corporation

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	99.20%	99.90%	99.90%	99.80%	99.70%	↑	90.00%		
		Scheduled Appointments Met On Time	95.40%	98.20%	97.60%	99.90%	99.30%	↑	90.00%		
		Telephone Calls Answered On Time	80.00%	81.00%	82.10%	80.20%	82.20%	↑	65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution		90%	89%	89%	88%				
		Billing Accuracy			99.65%	99.86%	99.90%	↑	98.00%		
		Customer Satisfaction Survey Results		95%	87%	92%	92%				
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public Awareness				80.00%	80.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C	→		C	
		Serious Electrical Incident Index	Number of General Public Incidents	7	7	4	6	3	↓		4
	Rate per 10, 100, 1000 km of line		2.050	2.042	1.176	1.728	0.854	↓		1.102	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	1.11	0.89	0.98	1.49	1.10	↓		1.27	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.60	1.34	1.42	1.53	1.57	↓		1.53	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress		105%	97%	121.17%	105.56%				
	<b>Cost Control</b>	Efficiency Assessment	2	3	3	3	3				
Total Cost per Customer <sup>3</sup>		\$470	\$499	\$523	\$557	\$553					
Total Cost per Km of Line <sup>3</sup>		\$32,513	\$35,054	\$36,129	\$38,389	\$38,341					
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	<b>Conservation &amp; Demand Management</b>	Net Cumulative Energy Savings <sup>4</sup>				21.42%	37.02%			330.68 GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time	66.67%	100.00%	100.00%	62.50%	88.89%				
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%	→	90.00%		
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.10	1.12	0.96	0.86	0.93				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.92	0.89	0.89	0.94	0.89				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.30%	9.19%			
			Achieved	12.49%	9.01%	7.50%	10.00%	9.85%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).  
 2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.  
 3. A benchmarking analysis determines the total cost figures from the distributor's reported information.  
 4. The CDM measure is based on the new 2015-2020 Conservation First Framework.

**Legend:**

5-year trend  
 ↑ up   ↓ down   → flat

Current year  
 ● target met   ● target not met

## 2016 Scorecard Management Discussion and Analysis (“2016 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 2016 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 2016, Horizon Utilities Corporation (“Horizon Utilities”) delivered the level of outstanding results that its customers and shareholders deserve and have come to expect. Horizon Utilities continued its efforts to attain excellent results in the key performance measurement subject areas – Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and Financial Performance – and achieved significant improvements over 2015 in a number of areas.

As a customer-focused electricity distributor, Horizon Utilities understands that its success is connected to its ability to anticipate and meet the continually evolving energy needs of residential and business customers in the communities it serves and to do so in a sustainable way. For this reason, the company strives to exceed industry standards in each of the Scorecard industry measures.

The strength behind Horizon Utilities’ performance stems in large measure from its commitment to sustainable development – development that meets the needs of the present without compromising the ability of future generations to meet their own needs. This business objective encompasses social, environmental and financial responsibility.

Since 2008, Horizon Utilities has made an ongoing commitment to triple bottom line measurement – social, environmental and economic. This discipline has delivered excellent results for customers, communities, and shareholders. Horizon Utilities has been honoured with a variety of awards. These efforts earned Horizon Holdings Inc., Horizon Utilities’ parent company, a top five ranking on Corporate Knights Future 40 Responsible Corporate Leaders in Canada list based on its 2016 data.

Horizon Utilities has developed in-house innovations such as iPass, its planning and scheduling software that brings execution discipline to the largest expenditure envelope for any utility. This iPass solution has boosted productivity tremendously. The company also became the first utility to achieve the Canadian Standards Association CSA Z1000 occupational health and safety performance designation. Horizon Utilities is pleased to report the following results of its Performance Scorecard efforts in 2016.

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

The Ontario Energy Board's ("OEB") Distribution System Code ("DSC") requires electricity distributors to complete a connection for new service under 750 volts within five days after all applicable service conditions are satisfied. This service quality standard must be met at least 90% of the time on an annual basis. Horizon Utilities works closely with contractors and developers to enhance service levels to achieve this metric. In 2016, Horizon Utilities connected 99.7% of 3,445 eligible low-voltage residential and small business customers to its system within the five-day timeline.

### **Scheduled Appointments Met On Time**

The OEB's DSC requires that electricity distributors offer to schedule an appointment within a window of time that is no greater than four hours. The electricity distributor must arrive for the appointment within the scheduled timeframe 90% of the time. Of 15,072 appointments scheduled in 2016 requiring the presence of the customer, Horizon Utilities met 99.3% of these appointments with its customers within this timeframe. The work requested by customers in this category includes connect or reconnect services, meter reads and other necessary work as requested by customers. As shown on the Scorecard, Horizon Utilities received a green "target met" with an upward arrow indicating improvement of the five-year average.

### **Telephone Calls Answered On Time**

The OEB's DSC requires that electricity distributors answer calls within 30 seconds, 65% of the time. The performance of this measurement is influenced by the volume of customer calls that are received by the call centre and are driven by factors such as billing inquiries, customer move in and outs, news about the electricity market in the media, conservation and demand management programs and power outages.

In 2016, Horizon Utilities' Customer Service Representatives ("CSR") received approximately 344,000 calls from its customers, as compared to 318,000 calls in 2015. This represents an 8.2% increase in call volumes. Horizon Utilities' CSRs answered 82.2% of incoming calls within 30 seconds. This performance exceeds the OEB mandated target of 65% and is an improvement of 2.0% compared to the 2015 result of 80.2%.

## Customer Satisfaction

### First Contact Resolution

The OEB does not provide a specific metric for First Contact Resolution (“FCR”), which is a customer query resolved in a single call, thereby eliminating the need for the customer to follow up with a second call. The OEB instructed all electricity distributors to review and develop a number of customer satisfaction measurements for reporting starting in 2015.

The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for this item 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.

In determining FCR results, Horizon Utilities’ customers are surveyed directly using an automated transactional process and are typically contacted within 48 hours of their call to the Customer Service department. Customers are then asked a series of questions regarding the quality of service they received based on the last time they contacted the utility. In 2016, more than 2,700 Horizon Utilities’ customers responded to this automated transactional survey opportunity, which is conducted by a third-party service provider. Of those surveyed in 2016, 88% indicated concerns were addressed within the first call.

### Billing Accuracy

The Billing Accuracy customer satisfaction metric is defined as the number of accurate bills issued expressed as a percentage of the total bills issued. A bill is considered accurate if it has not been subject to any adjustments, meter reading estimates, or a bill cancellation with a re-bill. In 2016, Horizon Utilities issued more than 1.6 million customer bills and achieved billing accuracy performance of 99.9%. This result exceeds the prescribed OEB target of 98% and is an improvement as compared to Horizon’s Utilities’ 2014 and 2015 results.

### Customer Satisfaction Survey Results

Electricity distributors are required to measure and report customer satisfaction results at least every other year. At this time, the OEB is allowing electricity distributors the discretion as to how they implement this measure.

Horizon Utilities commissioned its most recent customer satisfaction survey in 2015, and achieved a score of 92%. This score is used for the Customer Satisfaction Survey Results for the 2015 and 2016 reporting periods. The provider, Simul Corporation, conducts its UtilityPulse survey for other Ontario and Canadian utilities as well. The survey asks customers about a wide range of topics, including the following: overall satisfaction; service reliability; customer service; billing experience; and corporate image. The data is incorporated into Horizon Utilities’ planning processes, ensuring that the distributor’s practices evolve to meet customer’s changing needs and expectations.

### Public Safety

The OEB's Public Safety metric was new for the Scorecard in 2014. It was developed for the OEB by the Electrical Safety Authority ("ESA"), after public consultation. The OEB, through the ESA recommendation, has developed the three component metrics of (a) Public Awareness of Electrical Safety, (b) Compliance with Ontario Regulation 22/04, and (c) Serious Electrical Incident Index. Safety is a core value and is always top priority at Horizon Utilities. The company is one of the first electric utilities in Canada to implement the CSA Z1000 safety program, which focuses on: i) promoting the physical, mental, and social wellbeing of workers in the workplace; and ii) protecting workers from adverse workplace conditions. Horizon Utilities' commitment to public and employee safety is clearly demonstrated through its stringent safety protocols and training. It is in fact one of a small number of Ontario distributors to have achieved over two million hours without a lost-time injury on several occasions.

#### Component A – Public Awareness of Electrical Safety

The ESA and OEB developed a standard survey methodology to determine the Public Awareness of Electrical Safety component of the Safety Performance Category of the OEB Scorecard. This is the second year for compiling data to measure the level of awareness of key electrical safety precautions among the public within the electricity distributor's service territory. Results are based on a telephone survey (Random Digit Dialing) among 400 members of the general public, 18 years of age or older, within Horizon Utilities' service territory.

The six core measurement questions correspond to the six most frequent incidents involving utility equipment in Ontario over the last decade. Horizon Utilities' Public Safety Awareness Score, identified in the initial Survey issued in March 2016, was 80%. This score is used for the Level of Public Awareness Score for the 2015 and 2016 reporting periods. The OEB has indicated that the performance target for this metric will be established after three years of data has been gathered.

#### Component B – Compliance with Ontario Regulation 22/04

The metric measuring Ontario Regulation 22/04 (the "Regulation") exists to assess an LDC's compliance with the ESA's standard for safety performance based requirements for the design, construction and maintenance of electrical distribution systems. Horizon Utilities received a rating of 'compliant', the highest rating possible, for its performance in 2016. This rating is based upon Horizon Utilities' performance in the following areas: Regulation 22/04 Audit; Declaration of Compliance; Due Diligence Inspections; Public Safety Concerns; and Compliance Investigations.

Across the period 2012 through 2016, Horizon Utilities had zero non-compliance issues identified in the annual Regulation 22/04 Audit,

confirming that the company's commitment to safety is effective and that it is compliant with the Regulation.

Annual Due Diligence Inspections of the LDC's electrical distribution installations are completed by ESA with a primary focus on ensuring the construction in the field is in accordance with a plan, work instruction, and standard design compliant with Regulation 22/04.

All Public Safety Concerns issued to the LDC by ESA are reviewed for compliance against Ontario Regulation 22/04, corrected in a timely fashion should these concerns fall outside the established Regulation.

As background, the Regulation requires an audit and declaration of compliance that both measures the appropriateness of processes in place to comply with the safety standards set out in the Regulation and determines whether the distributor correctly follows its processes. The audit is an independent review and examination of records and activities to: (i) assess the adequacy of system controls; (ii) ensure compliance with established policies and procedures; and (iii) recommend necessary changes in controls, policies, or procedures to meet objectives. Horizon Utilities' most recent independent audit findings for the period May 1, 2015 to April 30, 2016 were consistent with findings in prior years.

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

The Serious Electrical Incident Index measures the number and rate of serious electrical incidents occurring across the distributor's assets per 1,000 kms of line. Section 12 of Ontario Regulation 22/04 defines a "serious electrical incident" as:

- (a) any electrical contact that caused death or critical injury to a person;
- (b) any inadvertent contact with any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person; or
- (c) any fire or explosion in any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person, except a fire or explosion caused by lightning strike.

The OEB set a target of four (4) Serious Electrical Incidents for Horizon Utilities in 2016. To promote a continued focus on Serious Electrical Incidents, the target is calculated as 70% of the five year rolling average of such incidents. Horizon Utilities' goal is to have zero "serious electrical incidents" annually.

Horizon Utilities experienced three "serious electrical incidents" in the 2016 reporting period. This result represents a decrease in the number of incidents experienced in 2015 and the 2012 to 2015 four year average of 6.0 incidents. Horizon Utilities' result in 2016 met the target for both the number of serious electrical incidents and the rate per 1,000km of line.

## System Reliability

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

In 2016, Horizon Utilities' average number of hours that power to a customer was interrupted improved by 0.39 hours (23.4 minutes). This was largely attributed to a reduction in material and equipment breakdown by 5 million customer interruption minutes and foreign interference by 2 million customer interruption minutes. This performance improvement can be attributed to the increased investments in distribution system automation and system renewal. Horizon Utilities' performance was below the OEB's target for the average number of hours that power to a customer was interrupted (1.10 hours compared to a target of 1.27 hours).

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

Horizon Utilities' average number of times when power to a customer was interrupted increased slightly relative to 2015, with an increase in occurrences by 0.04 interruptions. The leading causes continued to be equipment failure and foreign interference related outages. Horizon Utilities' 2016 performance was slightly above the OEB target for the average number of times when power to a customer was interrupted (1.57 interruptions compared to a target of 1.53 interruptions). To reverse this trend, Horizon Utilities is increasing investments in system renewal specifically focused on underground equipment to reduce the number of outages due to equipment failure.

## Asset Management

### Distribution System Plan Implementation Progress

The Distribution System Plan (“DSP”) Implementation Progress measure was initiated by the OEB in 2013. The OEB does not require all distributors to use the same approach to measure DSP Implementation progress. Until the OEB establishes a definition for this measure, utilities may define the measure in the manner that best fits their situation. However, the OEB requires that a distributor report on this metric to indicate whether its work continues to be “on track” relative to its DSP.

In 2014, Horizon Utilities filed its 2015-2019 DSP which provides a 20-year outlook and defines specific capital and operating plans for the next five years. Horizon Utilities set the stage for renewal and modernization of its distribution system in a timely manner that ensures continued reliability and avoids undue increases in customer rates. Horizon Utilities measures its DSP Implementation Progress by comparing capital expenditures to the amount approved by the OEB. The measure indicates that Horizon Utilities’ actual capital expenditures were 105.56% of budget in 2016. The variance in 2016 is primarily attributed to higher spending due to additional customer connection work and lower associated customer contributions.

## Cost Control

### Efficiency Assessment

The total costs for Ontario distributors are evaluated by the Pacific Economics Group LLC (“PEG”) on behalf of the OEB to produce a single efficiency ranking. Distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. Distributors with larger negative differences between actual and predicted costs are considered better cost performers and therefore eligible for lower stretch factors. The following outlines the five groups to which the distributors can be allocated and their definitions:

- 1) Cohort I (Stretch Factor = 0.0%) – Actual costs are 25% or more below predicted costs
- 2) Cohort II (Stretch Factor = 0.15%) – Actual costs are 10% to 25% or more below predicted costs
- 3) Cohort III (Stretch Factor = 0.30%) – Actual costs are within +/- 10% of predicted costs
- 4) Cohort IV (Stretch Factor = 0.45%) – Actual costs are 10% to 25% or more above predicted costs
- 5) Cohort V (Stretch Factor = 0.60%) – Actual costs are 25% or more above predicted costs

In 2012, Horizon Utilities was placed in Cohort II, where a Cohort II distributor is defined as having actual costs 10 to 25 percent below predicted costs. The significance of this categorization is that Horizon Utilities was ranked as high as 7th and not below 21st of the 71

distributors ranked, given that only six of the 71 LDCs are in Group I and 15 are in Group II.

In 2013, an update of the PEG analysis was released that indicated a change to Horizon Utilities' relative efficiency. Horizon Utilities was placed in Cohort III; a Cohort III distributor is defined as having actual costs within 10% of predicted costs.

In 2014, 2015 and 2016, Horizon Utilities maintained its placement in Cohort III having achieved actual costs that were within 10% of predicted costs.

### **Total Cost per Customer**

Total costs per customer and per kilometer are computed by PEG based on an econometric model to adjust distributors' costs reported in the financial statements in order to benchmark distributors' cost performance. They are based on, but do not represent, Horizon Utilities' costs as identified in its financial statements. Total costs refer to operating and capital costs and include costs to operate, maintain, administer and renew distribution system, buildings, and related underlying systems and processes. Horizon Utilities' capital and operating costs increased year-over-year from 2012 to 2015. The increase in capital costs corresponds to the ongoing need to invest in the necessary renewal of its distribution system, buildings, and related underlying systems and processes. Increases in operating costs are mainly attributable to increases in distribution system and facilities maintenance, information technology costs supporting new regulated and internal business processes, salary/wage inflation, and non-labour expense inflation, partially offset by significant productivity achievements. Horizon Utilities experienced a low level of customer growth in its service territory. As a result, cost per customer has typically increased year-over-year with the increase in capital and operating costs from 2012 to 2015.

In 2016, total cost per customer decreased to \$553 compared to \$557 in 2015. Total operating and capital costs were comparable to the level of spending in 2015, resulting in a reduction in total costs per customer in 2016.

### **Total Cost per Km of Line**

Horizon Utilities experienced a low level of customer growth in its service territory in terms of number of total kilometers of lines. As a result, costs per kilometer of line have increased year over year from 2012 to 2015 with the increase in capital and operating costs. Distributors with low growth rates with upward cost pressures experience higher increases in cost per kilometer of line as compared to distributors with higher growth rates that are able to fund capital renewal and operating costs through customer growth. In 2016, total cost per kilometers of line decreased to \$38,341 compared to \$38,389 in 2015, due to relatively flat total costs.

## Conservation & Demand Management

### Net Cumulative Energy Savings

Horizon Utilities Corporation achieved 45.7 GWh of Net Energy Savings in 2016 of which 44.9 GWh will contribute towards the Company's six year target of 330.7 GWh.

Net cumulative savings achieved in the first two years of the Conservation First Framework are 129.2 GWh, of which 122.4 GWh will persist to 2020 (37.0% six year cumulative target).

## Connection of Renewable Generation

### Renewable Generation Connection Impact Assessments Completed on Time

Horizon Utilities completed 8 out of 9 Renewable Generation Connection Impact Assessments ("CIAs") in 2016 within the required timeframe specified by the OEB. The OEB requires that CIAs be completed within 60 days (or 90 days if an expansion of the distribution system is required to accommodate the generation) of receiving a complete application from a customer. Horizon Utilities' performance was 88.9% in 2016, up from 62.5% in 2015.

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

Horizon Utilities successfully connected 100% of all New Micro-embedded Generation Facilities in 2016 within the required timeframe set out by the OEB. These connections are for Feed in Tariff projects of less than 10 kW (micro-FIT). The OEB requires 90% of these projects to be completed within five days of receiving authorization from the ESA. Horizon Utilities' performance exceeds the OEB's industry target of 90%.

## Financial Ratios

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

The OEB requires distributors to report their Current Ratio because it is one of a number of common measures of the financial health of a distributor. The Current Ratio indicates whether or not the distributor has enough resources (assets) to pay its debts (liabilities) over the next 12 months. A Current Ratio of 1.0 means all current assets can cover all current liabilities. Horizon Utilities' current ratio increased from 0.86 in 2015 to 0.93 in 2016. The change is primarily due to an increase in accounts receivable relating to greater energy consumption and higher commodity prices.

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

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). The debt to equity ratio measures the extent to which assets are financed by debt and equity in an entity. A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. Horizon Utilities total debt to equity ratio decreased from 0.94 in 2015 to 0.89 in 2016. Horizon Utilities has consistently had a lower leverage than the OEB's deemed capital structure in the past five years. Having this relatively low level of debt-to-equity enables Horizon Utilities to use increased financial leverage to support its future plans for capital expenditures and growth. Horizon Utilities' strong financial position is further supported by its Standard & Poor's Global rating of "A".

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

The OEB requires all distributors to report their Return on Equity ("ROE") earned through OEB approved distribution rates as another common measure of the financial health of the distributor. The OEB allows a distributor to earn within +/- 3% of the expected ROE. 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. Horizon Utilities' 2016 distribution rates were approved with an allowance for a deemed ROE of 9.19%.

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

The OEB requires all distributors to report their ROE earned through OEB approved distribution rates as another common measure of the financial health of the distributor. The OEB, however, allows a distributor to earn within plus or minus 3% of the deemed ROE. 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. Horizon Utilities' achieved ROE in 2016 was 9.85%, which is within the +/-3% range allowed by the OEB. The average five-year return for 2012 to 2016 was 9.77%. Horizon Utilities' ROE decreased from 10.00% in 2015 to 9.85% in 2016. The decrease in the return is principally due to an increase in cost of power expenses.

## Note to Readers of 2016 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.