## Scorecard - Veridian Connections Inc.

### Performance Outcomes

<table>
<thead>
<tr>
<th>Performance Categories</th>
<th>Measures</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Trend</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service Quality</strong></td>
<td>New Residential/Small Business Services Connected on Time</td>
<td>98.29%</td>
<td>96.55%</td>
<td>98.00%</td>
<td>97.70%</td>
<td>98.10%</td>
<td>90.00%</td>
<td>Industry: 3</td>
</tr>
<tr>
<td></td>
<td>Scheduled Appointments Met On Time</td>
<td>99.90%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>90.00%</td>
<td>65.00%</td>
</tr>
<tr>
<td></td>
<td>Telephone Calls Answered On Time</td>
<td>57.60%</td>
<td>61.40%</td>
<td>64.30%</td>
<td>78.70%</td>
<td>76.20%</td>
<td>82.7%</td>
<td>96.00%</td>
</tr>
<tr>
<td><strong>Customer Satisfaction</strong></td>
<td>First Contact Resolution</td>
<td>76.8%</td>
<td>78.1%</td>
<td>79.1%</td>
<td>82.7%</td>
<td>98.00%</td>
<td>Industry: 4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Billing Accuracy</td>
<td>99.90%</td>
<td>99.73%</td>
<td>99.85%</td>
<td>99.90%</td>
<td>99.90%</td>
<td>99.90%</td>
<td>99.90%</td>
</tr>
<tr>
<td></td>
<td>Customer Satisfaction Survey Results</td>
<td>91%</td>
<td>90%</td>
<td>91%</td>
<td>91%</td>
<td>91%</td>
<td>91%</td>
<td>91%</td>
</tr>
<tr>
<td><strong>Operational Effectiveness</strong></td>
<td>Level of Public Awareness</td>
<td>82.00%</td>
<td>82.00%</td>
<td>82.00%</td>
<td>82.00%</td>
<td>82.00%</td>
<td>82.00%</td>
<td>Industry: 5</td>
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<tr>
<td></td>
<td>Level of Compliance with Ontario Regulation 22/04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Serious Electrical Incident Index</td>
<td>Number of General Public Incidents</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.445</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Rate per 100, 1000 km of line</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>1.43</td>
<td>1.81</td>
<td></td>
</tr>
<tr>
<td><strong>System Reliability</strong></td>
<td>Average Number of Hours that Power to a Customer is Interrupted</td>
<td>1.19</td>
<td>1.45</td>
<td>1.97</td>
<td>1.62</td>
<td>1.24</td>
<td>1.29</td>
<td>1.81</td>
</tr>
<tr>
<td></td>
<td>Average Number of Times that Power to a Customer is Interrupted</td>
<td>2.07</td>
<td>2.09</td>
<td>1.72</td>
<td>2.13</td>
<td>1.29</td>
<td>1.29</td>
<td>1.29</td>
</tr>
<tr>
<td><strong>Asset Management</strong></td>
<td>Distribution System Plan Implementation Progress</td>
<td>76.0%</td>
<td>84.58%</td>
<td>86.45%</td>
<td>98.81%</td>
<td>98.81%</td>
<td>98.81%</td>
<td>98.81%</td>
</tr>
<tr>
<td><strong>Cost Control</strong></td>
<td>Efficiency Assessment</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Total Cost per Customer</td>
<td>$553</td>
<td>$529</td>
<td>$560</td>
<td>$577</td>
<td>$593</td>
<td>152.97 GWh</td>
<td>152.97 GWh</td>
</tr>
<tr>
<td></td>
<td>Total Cost per Km of Line</td>
<td>$25,087</td>
<td>$23,757</td>
<td>$25,720</td>
<td>$30,404</td>
<td>$27,593</td>
<td>152.97 GWh</td>
<td>152.97 GWh</td>
</tr>
<tr>
<td><strong>Conservation &amp; Demand Management</strong></td>
<td>Renewable Generation Connection Impact Assessments Completed On Time</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td></td>
<td>New Micro-embedded Generation Facilities Connected On Time</td>
<td>100.00%</td>
<td>93.33%</td>
<td>97.67%</td>
<td>97.37%</td>
<td>97.37%</td>
<td>97.37%</td>
<td>97.37%</td>
</tr>
<tr>
<td><strong>Financial Performance</strong></td>
<td>Liquidity: Current Ratio (Current Assets/Current Liabilities)</td>
<td>1.25</td>
<td>1.14</td>
<td>1.44</td>
<td>1.34</td>
<td>1.62</td>
<td>152.97 GWh</td>
<td>152.97 GWh</td>
</tr>
<tr>
<td></td>
<td>Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio</td>
<td>1.54</td>
<td>1.37</td>
<td>1.39</td>
<td>1.31</td>
<td>1.34</td>
<td>152.97 GWh</td>
<td>152.97 GWh</td>
</tr>
<tr>
<td></td>
<td>Profitability: Regulatory Deemed (included in rates)</td>
<td>9.85%</td>
<td>9.85%</td>
<td>9.36%</td>
<td>9.36%</td>
<td>9.36%</td>
<td>9.36%</td>
<td>9.36%</td>
</tr>
<tr>
<td></td>
<td>Return on Equity Achieved</td>
<td>9.00%</td>
<td>8.10%</td>
<td>10.61%</td>
<td>9.31%</td>
<td>9.28%</td>
<td>9.28%</td>
<td>9.28%</td>
</tr>
</tbody>
</table>

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.
5. The target met status is based on the current year's performance.
Appendix A – 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

Scorecard MD&A - General Overview

Veridian Connections Inc. ("Veridian") is pleased to report solid performance scorecard results for 2016. Performance trends were stable or improved in almost all categories.

Management is particularly pleased with system reliability performance levels that were in the range of the best recorded over the past eleven years. These results can be attributed to a long term sustained focus on this performance outcome; a focus that was renewed and re-emphasized following a severe ice storm in December 2013. This storm served as a catalyst for a complete review of Veridian’s distribution system design, maintenance and operating practices. Since then, system automation has been enhanced, tree trimming practices improved and new communications systems established. Together, these efforts have resulted in sustained improvements in system reliability.

Trends in all scorecard measures of service quality continued to be positive for 2016. This performance coupled with the strong reliability results very likely contributed to the very positive customer satisfaction levels that were measured by a spring 2017 telephone survey. The survey measures Veridian customer satisfaction levels as well as comparative satisfaction rates for a benchmark group of electricity distribution customers from across the province of Ontario. The survey found that Veridian customer satisfaction rates remained stable with an overall score of 91%, even though the provincial benchmark satisfaction rate dropped significantly to just 76%. Veridian’s out-performance of the provincial benchmark by 15% was the highest recorded over the past several years.

Veridian’s strong overall performance in 2016 was recognized by the Electricity Distributors Association ("EDA") with the presentation of its ‘Ontario Power Generation LDC Performance Excellence Award’. The award is presented to a local electricity distributor that has distinguished itself among its peers by performance excellence in a number of categories addressed by this performance scorecard. The EDA award categories include 1) Occupational Health and Safety, 2) Operational Excellence, 3) Financial Operations, 4) Retail Strategies for Conservation and Demand Management, and 5) Contribution to the Community.
Service Quality

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

Electricity distributors are required to complete a connection for new service for residential and small business customers under 750 volts within a five-day timeline prescribed by the Ontario Energy Board (“OEB”). Veridian connected 98.10% new Residential/Small Business services to its distribution system in 2016 within the five business day timeline as prescribed by the OEB, and exceeded the industry standard of 90%. This is an improvement from the previous year, and Veridian’s best performance since 2012.

Where possible, Veridian coordinates connection activities with other planned construction activities undertaken by the utility, other utilities or municipal and provincial government agencies. Veridian continues to work with local municipalities, to further enhance the coordination between municipal and electrical distribution construction activities.

- **Scheduled Appointments Met On Time**

In 2016, Veridian met 100% of scheduled appointments on time. Veridian has processes in place to achieve higher quality of service to its customers in this category. Veridian has consistently performed better than the OEB’s standard to meet 90% of its appointments within 5 business days and is pleased that its dedication to providing excellent service has been recognized throughout the industry.

- **Telephone Calls Answered On Time**

In 2016 Veridian’s customer service representatives handled approximately 143,000 calls which represents an increase of 2.1% over 2015 levels. The percentage of calls answered within 30 seconds was 76.2% which exceeds the OEB target of answering 65% of the calls within 30 seconds.

In order to better serve their customers, Veridian continues to implement technology changes that provide customers with additional self-serve options.
Customer Satisfaction

- First Contact Resolution

Specific First Contact Resolution measurements have not been defined for the industry. In July of 2014 the OEB instructed distributors to review and develop measurements in these areas and begin tracking. The OEB plans to review the 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 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 distributors.

Veridian has developed an internal tracking mechanism to measure First Contact Resolution that takes into account customer phone calls and customer written correspondence.

At the time of contact the customer care representative enters 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 against their account are excluded from being considered as first contact resolution.

Based on this methodology Veridian achieved first contact resolution of 82.7% in 2016. This compares favourably with 79.1% in 2015 and 78.1% in 2014.

- Billing Accuracy

In 2016 approximately 935,000 bills were generated. This was an increase of approximately 20% over 2015 and was due to the transition to monthly billing that began in the fall of 2016.

In 2016 Veridian achieved a billing accuracy of 99.85% which was consistent with 2015 results (99.73%). Since being introduced in October of 2014 Veridian has exceeded the OEB target of 98%.
Customer Satisfaction Survey Results

Veridian regularly conducts a comprehensive customer satisfaction survey to obtain feedback from its customers. The most recent survey was completed in the spring of 2017 and its results are reflected in Veridian’s 2016 performance scorecard. As shown, the survey indicates that 91% of Veridian customers are either ‘very’ or ‘fairly’ satisfied with the company’s overall performance. This is up slightly from a score of 90% as registered through the last survey that was conducted in the spring of 2015.

Customer satisfaction results shown on Veridian's performance scorecard dating back to 2013 have all been obtained through surveys conducted by the same market research firm using a consistent methodology and sample size. The surveys are carried out by telephone and include a mix of residential and business customers from across Veridian’s broad geographic service area. Survey questions cover a wide range of topics such as system reliability, customer services, billing and corporate image. Detailed results are reviewed by Veridian staff to help inform the company’s business planning processes.

In addition to measuring Veridian customer satisfaction, Veridian’s market research firm conducts supplemental research to establish comparable provincial and national benchmarks. Veridian has consistently exceeded these benchmark performance levels, as shown in the table below:

<table>
<thead>
<tr>
<th>Electricity Customer Satisfaction Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Veridian Connections Inc.</strong></td>
</tr>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>Veridian Connections Inc.</td>
</tr>
<tr>
<td>Provincial Benchmark</td>
</tr>
<tr>
<td>National Benchmark</td>
</tr>
<tr>
<td>Veridian Deviation from Provincial Benchmark</td>
</tr>
</tbody>
</table>
Safety

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

Veridian’s score for the Public Safety Awareness Index is obtained by surveying members of the general public who are 18 years of age or older, and who reside in Veridian’s licensed service area. The survey follows the requirements of a detailed guide that was published by the OEB on November 25th, 2015. The guide requires that the survey be conducted at least once every two years.

Veridian’s first public safety awareness survey was conducted early in 2016 to inform the company’s 2015 performance scorecard. The overall score of 82% has been carried forward and included on the 2016 performance scorecard.

The findings of Veridian’s inaugural survey were quite positive, and reflective of the company’s ongoing safety communications and education efforts. These include a school safety presentation program aimed at reaching all elementary school children over a three year cycle, co-promotion of Electrical Safety Authority (ESA) safety awareness campaigns, and ongoing safety messaging using customer newsletters, website content and social media.

A number of initiatives have been pursued over the past year to improve safety literacy outcomes. For example, during 2016 the safety content of Veridian’s website was completely refreshed and expanded to include a series of educational videos. More recently, a safety art contest for children was conducted and promoted through community papers, local schools and social media. Veridian is also working with its neighbour, Whitby Hydro, to refresh the electrical safety attributes of the Kids Safety Village of Durham Region to ensure that it continues to be available to the more than 15,000 students who visit it each year.

  o Component B – Compliance with Ontario Regulation 22/04

Veridian has achieved full compliance with Ontario Regulation 22/04 (Electrical Distribution Safety) not only for 2016 but also for the previous five years. This achievement is based on Veridian’s firm commitment to safety, training and development programs and adherence to its policies and procedures. There is annual refresher training for all staff involved with Ontario Regulation 22/04 and compliance is maintained through ongoing reinforcement and education.
Component C – Serious Electrical Incident Index

For 2016, Veridian’s Serious Electrical Incident Index was 0.445 as provided by the Electrical Safety Authority (“ESA”). This 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 composite index if it has been determined that a member of the public was involved in the incident and that the result of the incident either caused a death or a critical injury, or had the potential to cause a death or a critical injury. The ESA reported that Veridian had one (1) incident which resulted in the index value. However, Veridian is unable to confirm the incident from its own trouble call records and the incident may be an error. Veridian is currently reviewing its records and following up with the ESA.
System Reliability

Reliability standards related to Veridian’s electricity distribution system are key performance measurements, and these metrics remain high on the priority list to ensure Veridian is meeting its customers’ expectations. Veridian focuses on reliability based maintenance and capital programs to ensure distribution system reliability and quality continue to meet customer expectations.

System reliability measures the performance of uninterrupted power delivery to customers and Veridian is proud to report that the system reliability in 2016 had shown a significant improvement. The improvement is the result of effective capital programs as well as continuous operational efforts aimed at reducing the frequency and duration of outages.

During 2016, Veridian continues to introduce significant technologies and processes to improve situational awareness during power interruptions. This translates into faster power restoration and improved information and communication for customers. Investments in distribution system automation are made each year and these new smart grid technologies assist in improving the reliability and quality of electricity supply for customers. These new technologies allow for faster restoration of power to customers during an outage through automatic device operation and system operator intervention from Veridian’s centralized 24-hour system control centre.

Equipment renewal and strategic prioritization have been identified as ongoing priorities in Veridian’s capital plan to ensure a reduction in equipment failures. Smart and conventional fault circuit indicators installation programs are in place to timely locate the faulty section of the system.

Veridian’s reliability improvement team, consisting of a cross-section of subject matter experts within the company, reviews reliability events throughout the year and makes recommendations for prudent system investment to continuously improve reliability. Veridian’s reliability indices are competitive when compared with other Ontario utilities and continuous improvement remains a key business goal.

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

In 2016, Veridian achieved an average of 1.24 hours of outage duration per customer, this represents a 23% improvement over 2015. 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 contribute in improving reliability.
Average Number of Times that Power to a Customer is Interrupted

In 2016, Veridian achieved an average of 1.29 power interruptions per customer during the year which represents a 39% improvement over 2015 result. System reliability is rigorously measured at the feeder level in order to identify worst performing feeders and recognize leading root-cause trend of power interruptions.

The leading cause of interruptions have been from defective equipment, however this category has improved significantly since 2015. This improvement is an indicator that the capital investments on asset renewal have been successful in reducing outages.

Veridian’s various capital programs focus on maintaining and upgrading equipment so that outage impacts are minimized. However, certain equipment may fail prior to the end of its expected operating life and cause an outage. In 2016, the largest defective equipment cause was due to underground cable failure. Veridian has identified this pattern and prepared detailed cable rejuvenation and replacement strategies in order to mitigate outages caused by cable failure. The next largest category of equipment failure is due to defective insulators. Insulators isolate energized power lines from contacting other surfaces. Veridian has observed that certain type of porcelain insulators are more prone to cracking and breaking. As a result, one of Veridian’s top priorities is to replace old porcelain insulators with new polymer insulators so that similar outages can be avoided in the future.

Tree contact and adverse weather also contributed to customer interruptions in 2016 as Veridian experienced several high impact storm days. It has been identified that rigorous tree trimming could reduce not only regular tree contact events but also benefit system reliability during storm days. The revised tree trimming program targeted spots of prime concern in 2016, with chosen areas being selected based on cost effectiveness and reliability history. Veridian will continue to monitor its progress to further reduce tree related outages.

Veridian is taking actions as mentioned above and remains committed to continuous reliability improvement in 2017 and onward.
Asset Management

- Distribution System Plan Implementation Progress

In 2016, Veridian reached 98.81% in the progress of its Distribution System Plan (“DSP”). This progress measure is calculated with the total capital spend within the full 2016 calendar year in dollars being divided by the 2016 approved capital budget in dollars. Neither dollar amounts include contributions made by outside parties (customers, developers, municipalities, etc.) to the capital spend. The 2016 capital budget was approved in December 2015.

Overall, Veridian has continued to improve its DSP progress percentage completed each year since 2013. All significant value 2016 projects that were entirely under Veridian’s control were constructed and in-service by year end.

Veridian is very cognizant to both prudently manage its capital spend and ensure that costs remains within the approved capital budget dollar envelope throughout the year. Meeting the project planned schedule and carrying out the capital program in its entirety continues to be the prime goal.

Veridian is currently seeking customer feedback and comments to be considered as it develops its 2019 DSP.
Cost Control

- Efficiency Assessment

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

In 2016 Veridian’s actual total costs were below the predicted costs by 1.6% and was included in Group 3 of the OEB’s established 5 groups where Group 1 is the most efficient and Group 5 is the lease efficient. Veridian’s ranking in Group 3 has been unchanged since 2012. Veridian monitors and manages costs on an ongoing basis. Within the next 5 years Veridian expects that large capital investments required for high customer growth within specific portions of its service area will put upward pressure on actual costs, as compared to predicted costs, until then customer growth is reflected in the OEB’s model for predicted costs.

- Total Cost per Customer

This metric is calculated by dividing the total of Veridian’s 2016 operating and capital costs, as derived within the OEB efficiency assessment model, by the total number of customers Veridian serves. In 2016 the total cost per customer was $593 ($577 in 2015) which compares favourably to the average for all distributors of $669 ($661 in 2015).

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 2011-2016 total cost data broken out to the individual components of operating and capital costs.

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<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>$174</td>
<td>$181</td>
<td>$216</td>
<td>$213</td>
<td>$212</td>
<td>$216</td>
<td>$225</td>
</tr>
<tr>
<td>Capital Costs</td>
<td>$339</td>
<td>$345</td>
<td>$337</td>
<td>$333</td>
<td>$348</td>
<td>$361</td>
<td>$368</td>
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<tr>
<td></td>
<td>$512</td>
<td>$526</td>
<td>$553</td>
<td>$546</td>
<td>$560</td>
<td>$577</td>
<td>$593</td>
</tr>
</tbody>
</table>

In 2012 due to new accounting standards, Veridian, along with most of the other distributors in the province, recorded more of its costs as operating and less as capital costs. The resulting accounting shift between operating and capital costs contributed to the very large operating cost increase in 2012 from $181 to $216; $35 per customer or 19.4%. In 2013 and 2014 operating costs per customer declined
at an average of just under 1% per year. In 2015, operating costs began to rise again at 1.7%, just in line with inflation. In 2016, increases were above inflation at 4.5%. In 2016, Veridian transitioned all of its residential customers (91.6% of all customers), from bi-monthly to monthly billing which resulted in a significant increase in costs for increased postage and bill stock. In an effort to mitigate these increases Veridian began targeted initiatives to encourage customers to enroll in electronic bill presentation and payment options. Currently 15% of Veridian’s customers are enrolled in electronic billing.

Capital costs in 2016 increased by just 1.9%, down from 2015 increase of 3.9%. Over the last few years, Veridian has 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**

This metric is calculated by taking Veridian’s total cost, as derived within the OEB efficiency assessment model and dividing this cost by the total kilometers of line that Veridian operates to serve its customers.

The 2016 total cost per km of line is $27,593. The 2015 value of $30,404 is in error due to an understatement of the km of underground kilometers of line. The corrected 2015 value is $26,709. Using this corrected value, the 2016 total cost per km of line is an increase of 3.3% over 2015.

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 will increase.
In April 2015 Veridian and Whitby Hydro Electric Corporation filed a joint 2015-2020 Conservation and Demand Management ("CDM") plan with the Independent Electricity System Operator ("IESO") under the new Conservation First Framework. In June 2015 the joint CDM plan was conditionally approved by the IESO, and Veridian was authorized to spend up to $40,482,340 of CDM funding to achieve its energy savings target of 152.97 GWh by 2020.

At the end of 2016 Veridian has achieved 24.26% of its 2015-2020 energy savings target, which exceeded the 22.04% savings proposed in its CDM plan. This was achieved by leveraging the suite of IESO province-wide conservation programs and placing increased emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers. In addition, Veridian has been collaborating with other gas and electricity distributors to find innovative ways to realize new energy savings for its customers, while utilizing their combined economies of scale to efficiently manage costs.
Connection of Renewable Generation

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

A connection impact assessment is a study of a project's impact to the grid. The results include a technical report outlining project feasibility, technical specifications needed for the project and the impacts the project would have on the distribution grid. Electricity distributors are required to conduct Connection Impact Assessments ("CIA's") within 60 days of receiving authorization from the ESA. In 2016, Veridian has completed all CIA’s within the prescribed time limit.

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

Micro-embedded generation facilities (projects of less than 10 kW) 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. In 2016 Veridian achieved a score of 97.37% in this category, which exceeds the minimum acceptable performance level of 90%.
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 remained solid at 1.62 (1.34 in 2015). Veridian’s financial controls and policies continue to ensure this strong financial indicator.

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

  In 2016, 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 1.34, 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 May 2017 DBRS confirmation of “A” stable credit rating 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 9.28%, which is just below the expected or deemed levels and well within the +/- 3% range allowed by the OEB.
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.