# Scorecard - Veridian Connections Inc.

**Veridian Connections Inc.**  
9/30/2019

## Performance Outcomes

### Performance Categories

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Customer Focus</td>
<td>New Residential/Small Business Services Connected on Time</td>
<td>96.00%</td>
<td>97.70%</td>
<td>98.10%</td>
<td>98.62%</td>
<td>95.70%</td>
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<tr>
<td>Customer Satisfaction</td>
<td>Scheduled Appointments Met On Time</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>99.56%</td>
<td>99.05%</td>
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</tr>
<tr>
<td></td>
<td>Telephone Calls Answered On Time</td>
<td>64.30%</td>
<td>78.70%</td>
<td>76.20%</td>
<td>80.83%</td>
<td>80.87%</td>
<td></td>
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<tr>
<td></td>
<td>First Contact Resolution</td>
<td>78.1%</td>
<td>79.1%</td>
<td>82.7%</td>
<td>82.2%</td>
<td>83.7%</td>
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<td></td>
<td>Billing Accuracy</td>
<td>99.70%</td>
<td>99.73%</td>
<td>99.85%</td>
<td>99.92%</td>
<td>99.93%</td>
<td></td>
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<tr>
<td></td>
<td>Customer Satisfaction Survey Results</td>
<td>91%</td>
<td>90%</td>
<td>91%</td>
<td>91%</td>
<td>95%</td>
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<tr>
<td>Safety</td>
<td>New Micro-embedded Generation Facilities Connected On Time</td>
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<td></td>
<td>Efficiency Assessment</td>
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<td>3</td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td>Total Cost per Customer</td>
<td>$560</td>
<td>$577</td>
<td>$593</td>
<td>$578</td>
<td>$603</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Total Cost per Km of Line</td>
<td>$25,720</td>
<td>$30,404</td>
<td>$27,593</td>
<td>$26,411</td>
<td>$27,737</td>
<td></td>
<td></td>
<td>142.97 GWh</td>
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<tr>
<td>Operation Effectiveness</td>
<td>New Residential/Small Business Services Connected on Time</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Scheduled Appointments Met On Time</td>
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<td>Telephone Calls Answered On Time</td>
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<td>First Contact Resolution</td>
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<td>Billing Accuracy</td>
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<tr>
<td></td>
<td>Customer Satisfaction Survey Results</td>
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</tr>
</tbody>
</table>

### Operational Effectiveness

| Operational Effectiveness               | Level of Public Awareness                                               | 88.00%   | 82.00%   | 83.00%   | 83.00%   |          |         |          |             |
|                                         | Level of Compliance with Ontario Regulation 22/04 1                      | C        | C        | C        | C        | C        |         |          |             |
|                                         | Serious Electrical Incident Index Rate per 10, 100, 1000 km of line      | 0.000    | 0.000    | 0.445    | 0.389    | 0.380    |         |          | 0.117       |
|                                         | Average Number of Hours that Power to a Customer is Interrupted 2        | 1.97     | 1.62     | 1.24     | 1.07     | 1.55     |         |          | 1.43        |
|                                         | Average Number of Times that Power to a Customer is Interrupted           | 1.72     | 2.13     | 1.29     | 1.07     | 1.26     |         |          | 1.81        |

### Asset Management

| Asset Management                        | Distribution System Plan Implementation Progress                         | 84.58%   | 88.45%   | 98.81%   | 93.96%   | 99.19    |         |          |             |
|                                         | Efficiency Assessment                                                   | 3        | 3        | 3        | 3        | 3        |         |          |             |
|                                         | Total Cost per Customer                                                  | $560     | $577     | $593     | $578     | $603     |         |          |             |
|                                         | Total Cost per Km of Line                                                | $25,720  | $30,404  | $27,593  | $26,411  | $27,737  |         |          | 142.97 GWh |
|                                         | Net Cumulative Energy Savings 4                                          | 10.68%   | 24.26%   | 53.23%   | 77.00%   |          |         |          |             |

### Public Policy Responsiveness

| Public Policy Responsiveness             | Renewable Generation Connection Impact Assessments Completed On Time     | 100.00%  | 100.00%  | 100.00%  | 100.00%  |         |         |          |             |
|                                         | New Micro-embedded Generation Facilities Connected On Time               | 93.33%   | 97.67%   | 97.37%   | 100.00%  | 100.00%  |         |          |             |
|                                         | Net Cumulative Energy Savings 4                                          | 10.68%   | 24.26%   | 53.23%   | 77.00%   |          |         |          |             |

### Financial Performance

| Financial Performance                   | Financial Ratios                                                        |         |         |         |         |         |         |          |             |
|                                         | Liquidity: Current Ratio (Current Assets/Current Liabilities)            | 1.44     | 1.34     | 1.62     | 1.49     | 0.77     |         |          |             |
|                                         | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 1.39     | 1.31     | 1.34     | 1.25     | 1.26     |         |          |             |
|                                         | Profitability: Regulatory Return on Equity Deemed (included in rates)     | 9.36%    | 9.36%    | 9.36%    | 9.36%    | 9.36%    |         |          |             |
|                                         | Profitability: Regulatory Return on Equity Achieved                       | 10.61%   | 9.31%    | 9.28%    | 8.66%    | 9.21%    |         |          |             |

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 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.
2018 Scorecard Management Discussion and Analysis ("2018 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 2018 Scorecard MD&A:


Scorecard MD&A - General Overview

Veridian Connections Inc. ("Veridian") continues to post levels of strong performance in virtually all of the key measurements.

Trends in all scorecard measures of service quality and customer satisfaction continued to be positive for 2018. Veridian understands its customers' needs and has worked diligently to continually improve key customer services metrics such as Telephone Calls Answered on Time, First Contact Resolution, and Billing Accuracy. This performance coupled with historically strong reliability results contributed to the very positive customer satisfaction levels that were measured in the spring 2019 telephone survey. The survey measured Veridian customers' 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 95%.

In 2018, Veridian conducted its Customer Engagement Plan, with the intended goal of ensuring that Veridian’s Business Plan and Distribution System Plan were informed by, and reflective of customer needs, values, priorities and preferences. The process involved online surveys that all customers were invited to participate in, as well as in-depth interviews with several customers representing a broad sample across customer types, geography, and demographics. Veridian is appreciative of the feedback that it received, and will continue to rely upon it in developing its next consolidated Distribution System Plan.

In terms of operational effectiveness, providing safe, reliable power is an important goal and customer surveys consistently confirm that reliability performance is of very high importance to customers. Accordingly, management has for many years placed an emphasis on system reliability when making investment decisions. Following particularly stellar reliability results in 2017, the 2018 reliability performance reflects more normalized levels. On-going planning and strategic prioritization of investments in the distribution system, innovative technology and processes continue to be a priority. Cost Controls are also important measures which can be influenced by several factors. 2018 was impacted primarily by growth related investments required to support high levels of planned growth in several communities served by Veridian.

Management is pleased to share its scorecard results and the following discussion and analysis with all interested stakeholders.

As Veridian merged with Whitby Hydro Electric Corporation on April 1, 2019 to form Elexicon Energy Inc., future scorecard results will be reported on a consolidated basis for the newly merged organization. Elexicon Energy is committed to continuing its efforts to deliver a strong scorecard performance.
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 OEB. Veridian connected 95.70% new Residential/Small Business services to its distribution system in 2018 within the five business day timeline as prescribed by the OEB, and exceeded the industry standard of 90%.

  In addition, 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 2018, Veridian met 99.05% of scheduled customer appointments on time, which is significantly better than the OEB’s standard of 90%. Veridian recognizes that attending appointments on time is important to customers and has processes in place to achieve a high level of service in this category.

- **Telephone Calls Answered On Time**

  Veridian answered 80.87% of telephone calls within 30 seconds during 2018; a level of service well above the OEB target of 65% and similar to Veridian’s 2017 performance level of 80.83%.

  Veridian’s customer service representatives handled approximately 92,000 calls during the year, which was about 15% lower than 2017 levels and 36% below 2016 levels. The large drop in calls can be attributed to:

  - The introduction of the 8 percent provincial rebate in January 2017 reduced the dollar value of customer bills and in turn reduced the number of high bill complaints.
  - The shift to monthly billing for residential customers by the end of 2016 made bills more manageable for customers, reducing the number of calls related to overdue bills and high consumption.
  - The continued adoption by customers of self-serve options. In order to better serve their customers, Veridian continues to implement technology changes that provide customers with additional 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 and reporting on them. 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.

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 83.7% in 2018. This is a slight improvement over 2017 and 2016 results of 82.2% and 82.7% respectively.

- **Billing Accuracy**

In 2018 approximately 1,457,000 bills were generated by Veridian.

In 2018 Veridian achieved a billing accuracy of 99.93% which was consistent with 2017 results of 99.92% and 2016 results of 99.85%. Since being introduced as a measure in October of 2014, Veridian has consistently 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 survey was conducted annually up until 2015, at which time a biennial cycle was adopted. The most recent survey was completed in the spring of 2019 and its results are presented in the scorecard for 2018. As shown, the survey indicates that 95% of Veridian customers are either ‘very’ or ‘fairly’ satisfied with the company’s overall performance. This is up slightly from a score of 91% as registered through the previous survey that was conducted in the spring of 2017.

Customer satisfaction results shown on Veridian’s performance scorecard dating back to 2014 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>
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</thead>
<tbody>
<tr>
<td>Year</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**
  - **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 with an overall score of 82%. A second awareness survey was carried out in the spring of 2018 to inform the company’s 2017 and 2018 performance scorecard. This survey returned an overall score of 83%.

The findings of Veridian’s first two safety awareness surveys reveal a consistently high level of electrical safety literacy of residents in the company’s service areas. This is 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.
Component B – Compliance with Ontario Regulation 22/04

Compliant - Veridian has achieved full compliance with Ontario Regulation 22/04 (Electrical Distribution Safety) not only for 2018 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 2018, Veridian's Index was 0.380 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. Veridian is aware of this incident and comes from having one (1) incident involving the public.

System Reliability

Reliability standards for Veridian's electricity distribution system are considered key performance metrics, and 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. In 2018, Veridian experienced several adverse weather events. Four days in total have been classified as major event days based on OEB reporting and record keeping requirements. Over the past several years, Veridian has made investments to effective capital programs and continuous operational efforts aimed at reducing the frequency and duration of outages.

Veridian continues to introduce innovative technologies and processes to improve situational awareness during power interruptions. This translates into faster power restoration and improved information and communication for customers. Each year Veridian invests in distribution system automation and new smart grid technologies to assist in improving the reliability and quality of electricity supply for customers.

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 2018, Veridian achieved an average of 1.55 hours of outage duration per customer. The leading cause of power interruptions in 2018 have been from defective equipment. Some equipment failures are considered outliers; these have been thoroughly investigated and addressed to ensure similar outages would not repeat in the future. Equipment renewal and strategic prioritization have been identified as ongoing priorities in Veridian’s capital plan to ensure a reduction in equipment failures.

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

In 2018, Veridian achieved an average of 1.26 power interruptions per customer. 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 to improved reliability. One of these new programs is the modernization of back yard construction areas. Veridian determined through reliability studies that legacy back yard services are experiencing an increased number of contact outages. A multi-year plan was initiated to address this deficiency in several phases in order to suppress the amount of interruption experienced by the affected customers.

Veridian continues to make improvements in the vegetation management program. Areas of priority are constantly being adjusted to reflect the latest system conditions and customer reliability impact. Veridian is taking actions as mentioned above and remains committed to continuous reliability improvement in 2019 and onward.

### Asset Management

• **Distribution System Plan Implementation Progress**

In 2018, Veridian has achieved 99.19% progress in completing its Distribution System Plan (DSP). This progress measure is calculated as follows:

\[
\text{DSP Implementation Progress} = \frac{\text{Total actual capital spend within the full 2018 calendar year (in dollars)}}{\text{2018 approved capital budget (in dollars)}}
\]

Neither dollar amount includes financial contributions made by outside parties (customers, developers, municipalities, etc.). All planned projects of material value under Veridian’s own control were constructed and were in service by the 2018 year end. Veridian is very cognizant to prudently manage its capital spend and ensure that it remains within the approved capital budget dollar envelope throughout the year. Meeting the projected planned schedule and carrying out the capital program in its entirety continues to be an annual goal.

In 2018, Veridian completed its first customer engagement survey and received customer feedback at a high level on its capital plans. Veridian is now ensuring that there is alignment between the customer feedback and its capital plans as it continues to develop its next consolidated DSP for Elexicon Energy Inc. (Veridian/Whitby Hydro merger).
• **Efficiency Assessment**

The efficiency assessment score is derived by the OEB through a model, which calculates a predicted 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 2018, Veridian’s actual total costs were below the predicted costs by 4.6%, showing a continual improvement in performance from prior years. In 2016, actual total costs were 1.6% below the total predicted costs and in 2017 actual total costs were 3.1% below the predicted costs. Since 2012, Veridian has been included in Group 3 of the OEB’s established five groups where Group 1 is the most efficient and Group 5 is the least efficient.

During 2018, Veridian was in preparation for a merger with Whitby Hydro and as a result, some staffing vacancies were unfilled which contributed to the lower total costs.

• **Total Cost per Customer**

This metric is calculated by dividing the total of Veridian’s 2018 operating and capital costs, as derived within the OEB efficiency assessment model, by the total number of customers Veridian serves. In 2018 the total cost per customer was $603 ($578 in 2017) which compares favourably to the average for all distributors of $688 ($660 in 2017). The table below provides total costs broken out by operating and capital costs for 2014 through to 2018.

<table>
<thead>
<tr>
<th>Costs per Customer</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>$212</td>
<td>$216</td>
<td>$225</td>
<td>$222</td>
<td>$226</td>
</tr>
<tr>
<td>Capital Costs</td>
<td>$348</td>
<td>$361</td>
<td>$368</td>
<td>$356</td>
<td>$378</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$560</strong></td>
<td><strong>$577</strong></td>
<td><strong>$593</strong></td>
<td><strong>$578</strong></td>
<td><strong>$603</strong></td>
</tr>
</tbody>
</table>

In 2014 operating costs per customer declined at an average of just under 1% per year. In 2015, operating costs rose by 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 presentment and payment options. Currently approximately 17% of Veridian’s customers are enrolled in electronic billing.

In 2017, Veridian’s operating costs per customer decreased by 1.6%. Throughout 2017 Veridian was engaged in merger discussions with Whitby Hydro. In anticipation of the merger, Veridian prudently identified initiatives that should be deferred until post-merger so that they could be undertaken more effectively on a combined basis under a merger with Whitby Hydro. A significant contributor to lower 2017 OM&A costs were earlier than anticipated staff retirements and staff
vacancies which were not backfilled in anticipation of the merger. Absent the planned merger, it is likely that operating costs per customer would have increased over 2016 levels.

In 2018, Veridian’s operating costs rose by 1.7% due to transition costs, such as legal and consulting, related to the upcoming merger with Whitby Hydro.

Capital costs per customer decreased in 2017 but rose again in 2018 by 6.2%. Over the last few years, Veridian has focused on the renewal and modernization of its distribution assets to enhance reliability for customers. Additionally, Veridian has begun investments in system capacity to support major growth within the Pickering Seaton communities. 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 2018 total cost per km of line is $27,737. This is an increase of 5.0% due largely to a 5.7% increase in total costs over 2017. The total kilometers of line increased by only 0.6% in 2018. The addition of kms of line in any given year can vary and as such, total cost per km of line can vary year over year. As capital investments for replacement and rehabilitation of existing lines begins to grow at a faster rate than additions of lines within Veridian’s service area, total cost per km of line will be expected to increase in the future.

It should be noted that in 2015 it was determined that the prior years’ reporting of the total km of line had been overstated. The accurate km of line was reported in 2015, resulting in a significant increase per km. Unfortunately, due to record keeping limitations, the prior years’ numbers cannot be accurately recast.

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**Conservation & Demand Management**

- **Net Cumulative Energy Savings**

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. The most recent update to the joint CDM plan was conditionally approved by the IESO on July 19, 2018 and authorized Veridian to spend up to $37,982,340 of CDM funding to achieve its energy savings target of 142.97 GWh by 2020.

On March 21, 2019 the Ministry of Energy, Northern Development and Mines announced the termination of the 2015-2020 Conservation First Framework for electricity distributors and directed utilities to cease the acceptance of any new conservation applications from their customers on April 1, 2019.

As of March 2019 Veridian had achieved 77% of its 2015-2020 energy savings target. This was achieved by leveraging the suite of IESO province-wide conservation programs and placing an emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers. In addition, Veridian had 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. While there were no applications for CIA received in 2018, Veridian has historically met this requirement.

- **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 2018 Veridian connected 100% of micro-embedded generation facilities on time and exceeded the OEB 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 in 2018 was 0.77, much lower than the 2017 value of 1.49 (1.62 in 2016).

  The drop in this ratio was due to the classification of $35 million in bank debt as a current liability. While the maturity date of this debt was prior to December 31, 2019, Veridian planned for, and subsequently, renewed this debt with a long-term maturity date and the debt should effectively be excluded from the Current Ratio calculation. Reclassification of this debt as a long-term liability would result in a Current Ratio of 1.37, which is in line with Veridian’s historical rates. 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 2018, 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 1.26, 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 2018 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 9.21%, which is 0.15% below the expected or deemed levels and within the +/- 3% range allowed by the OEB.

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**Note to Readers of 2018 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.