

Scorecard - Rideau St. Lawrence Distribution Inc.

| Performance Outcomes | Performance Categories | Measures | 2012 | 2013 | 2014 | 2015 | 2016 | Trend | Target | | |
|---|------------------------------------|---|------------------------------------|----------|----------|----------|----------|--------|----------|-------------|---|
| | | | | | | | | | Industry | Distributor | |
| Customer Focus Services are provided in a manner that responds to identified customer preferences. | Service Quality | New Residential/Small Business Services Connected on Time | 99.20% | 96.80% | 91.40% | 100.00% | 100.00% | | 90.00% | | |
| | | Scheduled Appointments Met On Time | 98.60% | 98.10% | 98.80% | 99.30% | 94.50% | | 90.00% | | |
| | | Telephone Calls Answered On Time | 98.30% | 98.30% | 98.50% | 92.00% | 74.20% | | 65.00% | | |
| | Customer Satisfaction | First Contact Resolution | | | | 99% | 99% | 98.8% | | | |
| | | Billing Accuracy | | | | 99.58% | 99.55% | 99.70% | | 98.00% | |
| | | Customer Satisfaction Survey Results | | | | A | A | B | | | |
| Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives. | Safety | Level of Public Awareness | | | | | 84.00% | 84.00% | | | |
| | | Level of Compliance with Ontario Regulation 22/04 ¹ | C | C | C | C | C | | | C | |
| | | Serious Electrical Incident Index | Number of General Public Incidents | 0 | 0 | 0 | 0 | 0 | | | 0 |
| | Rate per 10, 100, 1000 km of line | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | 0.000 | |
| | System Reliability | Average Number of Hours that Power to a Customer is Interrupted ² | 0.48 | 0.62 | 0.30 | 1.17 | 1.01 | | | 0.31 | |
| | | Average Number of Times that Power to a Customer is Interrupted ² | 0.17 | 0.24 | 0.14 | 0.30 | 0.38 | | | 0.13 | |
| | Asset Management | Distribution System Plan Implementation Progress | | | | 78% | 83% | 83% | | | |
| | Cost Control | Efficiency Assessment | | 2 | 3 | 3 | 3 | 3 | | | |
| | | Total Cost per Customer ³ | | \$477 | \$489 | \$508 | \$548 | \$543 | | | |
| Total Cost per Km of Line ³ | | | \$27,132 | \$27,552 | \$28,348 | \$30,559 | \$29,810 | | | | |
| Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board). | Conservation & Demand Management | Net Cumulative Energy Savings ⁴ | | | | | 26.97% | 40.25% | | 5.02 GWh | |
| | Connection of Renewable Generation | Renewable Generation Connection Impact Assessments Completed On Time | | | | | | | | | |
| | | New Micro-embedded Generation Facilities Connected On Time | | | | 100.00% | | | | 90.00% | |
| Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable. | Financial Ratios | Liquidity: Current Ratio (Current Assets/Current Liabilities) | 0.98 | 1.20 | 1.09 | 0.98 | 1.03 | | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 0.67 | 0.58 | 0.52 | 0.45 | 0.44 | | | | |
| | | Profitability: Regulatory Return on Equity | Deemed (included in rates) | 9.12% | 9.12% | 9.12% | 9.12% | 9.12% | | | |
| | | | Achieved | 4.47% | 12.10% | 6.76% | 4.01% | 1.03% | | | |

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

Scorecard MD&A - General Overview

In 2016, Rideau St. Lawrence Distribution (RSL) met or exceeded most of the performance targets. Aging distribution infrastructure continues to be the primary challenge facing utilities today. Like most utilities in Ontario, Rideau St. Lawrence Distribution must replace aging infrastructure at an accelerated pace in order to meet this challenge. Distribution system maintenance, including tree trimming activities, is critical to reduce the vulnerability of the distribution system to external uncontrollable events, such as weather. RSL experiences a relatively small number of power outages. In 2016, there was a scheduled outage to install a new sub-station transformer for backup supply. This event drove the measures higher than historical results. We expect to report normal reliability measures in 2017.

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

In 2017, Rideau St. Lawrence Distribution will continue its efforts to improve its overall scorecard performance results as compared to prior years. This performance improvement is expected as a result of continued investment in both our infrastructure and in our response to your needs.

Service Quality

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

In 2016, Rideau St. Lawrence Distribution (RSL) connected 100% of low-voltage (89 connections under 750 volts) residential and small business customers within the five-day timeline as prescribed by the Ontario Energy Board. This is considered to be a normal result for RSL. RSL considers “New Services Connected on Time” as an important form of customer engagement as it is the utility’s first opportunity to meet and/or exceed its customer’s expectations, which in turn affects the level of customer satisfaction within a utility’s territory. RSL expects to report results that are consistent with previous years in the future.

- **Scheduled Appointments Met On Time**

Rideau St. Lawrence Distribution scheduled 73 appointments (where the presence of a customer / customer representative is required) in 2016 to connect services, disconnect services, or otherwise complete work requested by its customers. Rideau St. Lawrence Distribution considers “Scheduled Appointments Met” as an important form of customer engagement as customer presence is required for all types of appointments. Rideau St. Lawrence Distribution met 94.5% of these appointments on time, which exceeds the Ontario Energy Board’s mandated target of 90% for this measure. We expect to report similar results in 2017.

- **Telephone Calls Answered On Time**

In 2016, Rideau St. Lawrence Distribution received over 8,700 calls from its customers (over 35 calls per day). Rideau St. Lawrence Distribution considers “Telephone Calls Answered On Time” to be an important communication tool for identifying and responding to its customers’ needs and preferences. RSL customer service representatives answered 74.2% of these calls in 30 seconds or less, which exceeds the Ontario Energy Board mandated target of 65%

for this measure. In October 2015, RSL installed a new phone system to provide enhanced service to our customers and provide better functionality for our staff. The new phone system, with automatic call distribution functionality for our Customer Service staff, replaces the former practice of manually answering the phones. There has been a learning curve for the Customer Service staff and our customers as they work with the new system. The result was a decrease in the percentage of calls answered on time. RSL made some configuration changes to the telephone answering system, as discussed in the 2015 scorecard. We are working with our phone system vendor on additional changes to improve our performance.

Customer Satisfaction

- **First Contact Resolution**

Rideau St. Lawrence Distribution defines “First Contact Resolution” as the number of customer enquires that are resolved by the first contact at the utility. This includes all customer enquires that are made to a customer service representative whether by telephone, letter, e-mail, or in person. Rideau St. Lawrence Distribution considers the ability to address customer enquiries quickly and accurately to be an essential component of customer satisfaction. In 2016 Rideau St. Lawrence Distribution received over 2,000 enquiries from its customers, of which 98.8% were successfully resolved during first contact, which is consistent with our 2015 result. Rideau St. Lawrence Distribution expects this trend to continue for 2017.

- **Billing Accuracy**

Billing Accuracy is defined as the number of accurate bills issued expressed as a percentage of total bills issued. Rideau St. Lawrence Distribution considers timely and accurate billing to be an essential component of customer satisfaction. For the period of 2016, Rideau St. Lawrence Distribution issued 61,654 customer bills and achieved billing accuracy of 99.7%, which is above the Ontario Energy Board mandated target of 98%. The percentage is consistent with the 2015 result. Rideau St. Lawrence Distribution expects this trend to continue for 2017.

- **Customer Satisfaction Survey Results**

Rideau St. Lawrence Distribution engaged a third-party organization to conduct a customer satisfaction survey in 2017 to receive customer feedback on our performance. The statistical survey canvassed a number of key areas including power quality and reliability, price, billing and payments, communications, and the overall customer service experience. Rideau St. Lawrence Distribution considers this customer satisfaction survey to be a useful tool for engaging the customer to get a better understanding of their wants and needs with respect to the provision of electricity services, and for identifying areas that may require improvement. For 2016, Rideau St. Lawrence Distribution received a rating of “B” on its customer satisfaction survey. Customers expressed concerns about the overall cost of the bills.

Safety

- **Public Safety**

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

Component A – Public Awareness of Electrical Safety:

Component A consists of a new statistical survey that gauges the public's awareness of key electrical safety concepts related to electrical distribution equipment found in a utility's territory. The survey also provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required. The survey showed 84% for the level of public awareness. Rideau St Lawrence distribution is required to report on this measure on a biennial basis (every second year) with the next survey being conducted in 2018.

Component B – Compliance with Ontario Regulation 22/04:

Component B consists of a utilities compliance with Ontario Regulation 22/04 - Electrical Distribution Safety. Ontario Regulation 22/04 establishes the safety requirements for the design, construction, and maintenance of electrical distribution systems, particularly in relation to the approvals and inspections required prior to putting electrical equipment into service. Consistent with historical years, Rideau St. Lawrence Distribution was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety) in 2016. This was achieved by our strong commitment to safety, and the adherence to company procedures & policies.

Component C - Serious Electrical Incident Index:

Component C consists of the number of serious electrical incidents, including fatalities, which occur within a utility's territory. In 2016, Rideau St. Lawrence Distribution had zero fatalities and zero serious incidents within its territory.

System Reliability

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

The average number of hours that power to a customer is interrupted is a measure of system reliability or the ability of a system to perform its required function. Rideau St. Lawrence Distribution views reliability of electrical service as a high priority for its customers and monitors its system for signs of reliability degradation. Rideau St. Lawrence Distribution also regularly maintains its distribution system to ensure its level of reliability. The OEB typically requires a utility to keep its hours of interruption within the range of its historical performance; however, outside factors such as severe weather, defective equipment, or even regularly scheduled maintenance can greatly impact this measure. For 2016, Rideau St. Lawrence Distribution experienced 1.01 hours of interrupted power per customer. In May 2016 a planned outage for putting a new sub-station transformer on line affected 813 customers for 3 hours. This single event had a significant impact on this measure. Without this event, RSL's measure would have been 0.59, comparable to prior years. RSL expects this measure for 2017 will be in its historical range.

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

The average number of times that power to a customer is interrupted is another measure of system reliability and is also a high priority for Rideau St. Lawrence Distribution. Rideau St. Lawrence Distribution views reliability of electrical service as a high priority for its customers and monitors its system for signs of reliability degradation. Rideau St. Lawrence Distribution also regularly maintains its distribution system to ensure its level of reliability. The OEB also typically requires a utility to keep this measure within the range of its historical performance. However outside factors can greatly impact this measure. The measure for 2016 is 0.38. The power interruption caused by the planned outage in May 2016 (reference above) also drove this measure higher than RSL historical numbers. Without the event, the measure would have been 0.25, comparable to prior years. RSL expects this measure for 2017 will be in its historical range.

Asset Management

- **Distribution System Plan Implementation Progress**

The Distribution System Plan outlines Rideau St. Lawrence Distribution's forecasted capital expenditures over the next five (5) years, which are required to maintain and expand the utility's electricity system to serve its current and future customers. The Distribution System Plan Implementation Progress measure is intended to assess Rideau St. Lawrence Distribution's effectiveness at planning and implementing these capital expenditures. RSL completed the Distribution System Plan as part of its 2016 Cost of Service rate application. The DSP details Rideau St. Lawrence Distribution's prioritization process, tools and methods which ultimately direct the utility's capital expenditure planning process.

Rideau St. Lawrence Distribution defines this measure as the tracking of actual capital projects to planned capital projects, expressed as a percentage. For 2016, Rideau St. Lawrence Distribution completed 83% of the capital projects planned. RSL expects to complete the capital projects planned for 2017.

Cost Control

- **Efficiency Assessment**

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

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

To determine a ranking, electricity distributors are divided into five groups based on the magnitude of the difference between their actual costs and predicted costs. In 2016, our actual costs were 8.1% below the predicted costs, which showed some improvement over historical years (actual was 7% below predicted for 2014-2016). For 2016, Rideau St. Lawrence Distribution was placed in Group 3 in terms of efficiency. Group 3 is considered average and is defined as having actual costs within +/- 10% of predicted costs. Overall, this is the same as its Group 3 efficiency ranking in 2015. Although Rideau St. Lawrence Distribution's forward looking goal is to advance to a "more efficient" group, management's expectation is that its efficiency performance will not decline in the foreseeable future.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Rideau St. Lawrence Distribution's capital and operating costs and dividing this cost figure by the total number of customers that Rideau St. Lawrence Distribution serves. Similar to most distributors in the province, Rideau St. Lawrence Distribution has experienced increases in its total costs required to deliver quality and reliable services to customers. Provincially-mandated programs, growth in wage and

benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs.

The total cost result for 2016 is \$543/customer, a 0.9% decrease over the 2015 result. Going forward, operating costs are expected to keep pace with economic fluctuations. Capital expenditures will increase in 2017 due to the replacement of an aging digger truck. Rideau St. Lawrence Distribution will continue to seek out productivity and efficiency improvements.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. Based on this, Rideau St. Lawrence Distribution's rate is \$29,810 per km of line, which is a 2.5% decrease over its 2015 rate. Rideau St. Lawrence Distribution's growth rate for its territory is considered to be relatively low. The cost per km of line is expected to increase as capital replacement and operating costs also increase. As we progress into the future, Rideau St. Lawrence Distribution will continue to seek out innovative solutions to help ensure cost/km of line remains within acceptable limits to our customers.

Conservation & Demand Management

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

A new target of energy consumption reductions and a CDM framework for the period 2015 – 2020 was approved for Rideau St. Lawrence Distribution by the IESO. In 2016 Rideau St. Lawrence Distribution achieved 40.25% of the new target of 5.02 GWh. This was achieved by leveraging the suite of approved Conservation and Demand Management Programs primarily designed for the residential and commercial classes of customers. Going forward, Rideau St. Lawrence Distribution expects to achieve the six-year target.

Connection of Renewable Generation

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

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

In 2016, Rideau St. Lawrence Distribution completed zero CIA's, as none were required. At this time, Rideau St. Lawrence Distribution is unable to connect additional renewable generation projects, due to restraints imposed by Hydro One.

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

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

farms or small businesses. In 2016, Rideau St. Lawrence Distribution connected zero new micro-embedded generation facilities within its territory, as none were required. Rideau St. Lawrence Distribution's process for Micro-embedded Generation facilities is well documented and Rideau St. Lawrence Distribution will continue to work closely with its customers and their contractors to ensure the customer's needs are met and/or exceeded.

Financial Ratios

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

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

Rideau St. Lawrence Distribution's current ratio is 1.03 for 2016. The 2016 ratio is in line of the five-year average of 1.06, which is indicative of a financially healthy organization. RSL expects the current ratio to remain consistent into the foreseeable future.

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

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

In 2016, Rideau St. Lawrence Distribution's debt to equity ratio was 0.44, which is below the ratio expected by the Ontario Energy Board. Rideau St. Lawrence Distribution believes that a low risk/low debt approach is appropriate for a utility of our size. Rideau St. Lawrence Distribution expects its debt to equity ratio to increase in 2017 due to the financing of the digger truck purchase.

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

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

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

Rideau St. Lawrence Distribution achieved a ROE of 1.03% in 2016, which is below the prescribed range (see above paragraph) and prior years' results. Rideau St. Lawrence Distribution expects an improved ROE after new distribution rates are approved through its 2016 Cost of Service rate application.

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