

Scorecard - Veridian Connections Inc.

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	95.88%	98.29%	96.55%	95.97%	97.70%		90.00%		
		Scheduled Appointments Met On Time	100.00%	99.90%	100.00%	100.00%	100.00%		90.00%		
		Telephone Calls Answered On Time	64.60%	57.60%	61.40%	64.30%	78.70%		65.00%		
	Customer Satisfaction	First Contact Resolution			76.8%	78.1%	79.1%				
		Billing Accuracy				99.70%	99.73%		98.00%		
		Customer Satisfaction Survey Results			93%	91%	90%				
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness					82.00%				
		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	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 <sup>2</sup>	1.77	1.19	18.21	1.97	1.62			4.78	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	2.05	2.07	2.80	1.72	2.13			1.96	
	Asset Management	Distribution System Plan Implementation Progress			76.0%	84.58%	88.45%				
	Cost Control	Efficiency Assessment		3	3	3	3				
		Total Cost per Customer <sup>3</sup>	\$526	\$553	\$529	\$560	\$577				
		Total Cost per Km of Line <sup>3</sup>	\$24,828	\$25,087	\$23,757	\$25,720	\$30,404				
<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).	Conservation & Demand Management	Net Cumulative Energy Savings <sup>4</sup>					10.68%			152.97 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time			100.00%	93.33%	97.67%		90.00%		
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.13	1.25	1.14	1.47	1.40				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.52	1.54	1.37	1.39	1.31				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.85%	9.85%	9.36%	9.36%			
			Achieved	10.00%	9.00%	8.10%	10.61%	9.31%			

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. This measure is under review and subject to change in the future.

**Legend:**

5-year trend  
 up down flat

Current year  
 target met target not met

## 2015 Scorecard Management Discussion and Analysis (“2015 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 2015 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 its performance scorecard results for 2015. Overall, Management is very pleased with the company’s achievements during the year. Performance levels related to a number of the scorecard measures clearly reflect the company’s ongoing efforts at continuous improvement in areas of importance to customers.

Management is particularly pleased with its successes under the ‘Customer Focus’ perspective. Sustained improvements to telephone service levels have been achieved through a combination of systems and organizational change, while service levels for all other performance metrics have been either improved or maintained at or near already high levels.

System reliability results were mixed, with an improvement registered for outage duration and a slight deterioration in outage frequency. While variability in annual system reliability results is to be expected due to sometimes unavoidable impacts of weather events, there was significant work done during 2015 to both minimize the frequency of outages and to limit the duration of outages when they do occur. This included more rigorous processes to most effectively target tree trimming and equipment maintenance work, and the deployment of more fault detectors that speed the identification of problems when they occur. Management is confident that the benefits of these efforts will be seen in improving system reliability trends over time.

New to this year’s report is the inclusion of a public safety awareness measure. Performance against this measure was assessed using an Ontario Energy Board prescribed survey methodology. Management is very pleased with the first year score of 82%, indicating a relatively high level of electrical safety awareness in the communities that Veridian serves. The information and insights gained through this survey will be used to improved public education efforts in the coming months and years.

Finally, Management would like to highlight its partnership with Whitby Hydro in the area of Conservation & Demand Management (“CDM”). The two distributors developed and obtained approval for a new joint CDM plan during 2015, and have worked closely together to ensure conservation programs are successfully and cost effectively delivered to their respective customers. This mutually beneficial arrangement helped Veridian achieve above plan target results for 2015.

## Service Quality

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

The OEB has established an industry wide performance target for the timeliness of new service connections for low voltage residential and small business customers. The target requires that such connections be made within a five-day timeline, at least 90% of the time. In 2015, Veridian met the five-day timeline for 97.7% of all connections – well above the target level. A total of 1,203 connections were completed, with 1,175 carried out in five days or less.

- **Scheduled Appointments Met On Time**

In 2015, 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. Veridian is pleased that our dedication to providing excellent service has been recognized throughout the industry.

- **Telephone Calls Answered On Time**

In 2015 Veridian's customer service representatives handled approximately 140,000 calls. This was consistent with the 2014 call volume. The percentage of calls answered within 30 seconds was 78.70%. This exceeds the OEB target of 65% of the calls answered within 30 seconds. Management and technology changes have resulted in Veridian exceeding the target every month since July of 2014.

## Customer Satisfaction

- **First Contact Resolution**

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

Veridian has developed an internal tracking mechanism to measure first call resolution that takes into account customer phone calls and general 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, within a 30 day period, and have the same call code registered against their account are excluded from being considered as first call resolution.

Based on this methodology Veridian achieved first call resolution of 79.1% in 2015

- **Billing Accuracy**

As of October 2014 all LDCs have used a common methodology for determining billing accuracy.

In 2015 Veridian generated approximately 780,000 bills and achieved billing accuracy of 99.73%. This exceeded the OEB target of 98%.

- **Customer Satisfaction Survey Results**

The OEB introduced the Customer Satisfaction Survey Results measure for 2013 and, at minimum, requires electricity distributors to measure and report a customer satisfaction result at least once every two years. In 2015 Veridian conducted its third annual customer satisfaction since the time of the OEB's new requirement; the results of which show that 90% of Veridian customers are either 'very' or 'fairly' satisfied with the company's service.

The 2015 survey was conducted by the same market research firm that had been engaged for the prior two years, with a consistent survey methodology and sample size. The survey asks customers questions on a wide range of topics such as system reliability, customer services, billing and corporate image. Responses to the survey are closely reviewed and help inform Veridian's business planning processes.

Veridian's overall customer satisfaction score of 90% in 2015 is within the survey margin of error for the prior two years. This indicates a consistent level of high customer satisfaction.

## Safety

- **Public Safety**

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

The Public Safety Awareness Index score is obtained by surveying members of the general public who are 18 years of age or older and residing within Veridian's service territory. The survey follows the requirements of a detailed guide as published by the OEB on November 25, 2015. The guide requires the survey to be completed a minimum of once every two years.

In the 2015 survey, Veridian scored 82%. Veridian is proud of this baseline score and relate the findings to its safety awareness program offered in schools within its service territory, the ongoing communication efforts with customers (newsletters, bill inserts and social media), participation with Ontario One Call and ongoing participation in the electrical awareness campaigns with the Electrical Safety Authority (ESA). Veridian has reviewed the results in detail and is using them to make improvements to its public safety awareness efforts.

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

Veridian has achieved full compliance with Ontario Regulation 22/04 (Electrical Distribution Safety) not only for 2015 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 2015, Veridian's Index was zero (0) 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.

## 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 to continue to meet customer expectations.

During 2015, Veridian introduced 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 has been identified as an ongoing priority in Veridian's capital plan to ensure a reduction in the equipment failures. Smart and conventional fault circuit indicators installation program is in place to timely locate the faulty section of the system.

Traditionally, crews performed equipment maintenance on a time-based cycle. Now, by analyzing both the current actual performance and detailed historical data we routinely collect, Veridian's maintenance team is moving to more effectively prioritize its maintenance work to address specific equipment long before failures become a significant issue. This evidence-based approach will result in marked improvements in Veridian's network reliability, while also reducing overall repair and maintenance costs.

The Veridian 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 improvement measured against historical results remains a key business goal.

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

In 2015, Veridian achieved 1.62 hours on average that power to a customer was interrupted during the year. Veridian continues to measure system reliability at the distribution feeder level, identifies worst performing feeders, researches the root-cause of power interruptions and utilizes the information to identify work programs that contribute in improving the reliability performance.

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

In 2015, Veridian achieved an average of 2.13 power interruptions per customer during the year. 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.

During 2015, the largest contributor to power interruptions on the Veridian system remains to be defective equipment. An example of defective equipment failure is the malfunction of underground primary cable as the result of cable reaching end-of-life. Veridian continues to employ strategic replacement and rejuvenation on underground cables based on current asset performance and historical data. Another major equipment failures were irregular defective insulators in 2015. For example, due to weather effects and salt build-up during the winter season, Veridian experienced numerous pole fires as the result of porcelain insulator tracking or breaking. It has been identified as a core annual replacement program to replace porcelain insulator with polymer material in order to address further insulator failures.

Tree contact and foreign interference also contributed to customer interruptions in 2015. Veridian had reviewed and adjusted its tree trimming cycles in 2014 due to recent increase in contact events. Although it remains to be a major outage cause, Veridian has reduced the number of tree contact interruptions as compared to 2014. This shows that the new tree trimming program is effective, and 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 improvement in 2016.

## **Asset Management**

- **Distribution System Plan Implementation Progress**

In 2015, Veridian reached 88.45% in the progress of its Distribution System Plan.

This progress measure is calculated with the total capital spend within the full 2015 calendar year in dollars being divided by the 2015 approved capital budget in dollars. Neither dollar amounts include contributions made by outside parties (customers, developers,

municipalities, etc.) to the capital spend. The 2015 capital budget was approved in December 2014.

A higher progress percentage was not achieved in 2015 due to the following:

- Two major road relocation projects with significant capital spend required by Veridian were deferred to 2016 by the road authority in Q1 2015.
- A major substation project was reduced in budget once actual pricing was finalized.
- A substation project was not able to be completed and had to be delayed to 2016 when the road authority was not able to complete final grading at the site.

Overall, Veridian has improved its Distribution System Plan progress percentage each year since 2013. All significant value 2015 projects entirely under Veridian's control were constructed and in-service by year end. Projects not entirely under Veridian's control (such as road relocations, or where another third party plays a critical role) must be included in the capital budget but may not be constructed and can therefore impede plan progress.

Veridian is very cognizant to both prudently manage its capital spend and ensure that it 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 is the prime goal.

## Cost Control

- **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 2015 Veridian's actual total costs were below its predicted costs by 2.7% 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 least efficient. Veridian monitors and manages costs on an ongoing basis and expects that its efficiency performance will not decline.

- **Total Cost per Customer**

This metric is calculated by dividing the total of Veridian's 2015 operating and capital costs, as derived within the OEB efficiency assessment model, by the total number of customers Veridian serves. In 2015 the total cost per customer was \$577 (\$560 in 2014) which compares favourably to the average for all distributors of \$661 (\$641 in 2014).

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 2011-2015 total cost data broken out to the individual components of operating and capital costs.

<u>Costs per Customer</u>	2011	2012	2013	2014	2015
Operating Costs	\$ 181	\$ 216	\$ 213	\$ 212	\$ 216
Capital Costs	\$ 345	\$ 337	\$ 333	\$ 348	\$ 361
	<u>\$ 526</u>	<u>\$ 553</u>	<u>\$ 546</u>	<u>\$ 560</u>	<u>\$ 577</u>

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 accounts for 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. Although Veridian continues to implement productivity and cost reduction initiatives, it is expected that costs will rise again in 2016, due primarily to a mandated change in billing frequency. Veridian, as a condition of its license, must transition all of its residential customers (91.6% of all customers), from bi-monthly to monthly billing. This is expected to significantly increase costs (estimated at 3.0%) due to increased postage, bill stock and labour costs. Veridian will be encouraging customers to enroll in electronic bill presentment and payment options in an attempt to defray these costs.

Capital costs in 2015 increased by 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 2015 total cost per km of line is \$30,404. This is an increase of 18.2%. 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.

As capital investments for replacement and rehabilitation of existing lines grows at a faster rate than additions of lines within Veridian's service area, total cost per km of line increases.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

In April of 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 of 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 2015 Veridian has achieved 10.68% of its 2015-2020 energy savings target, and exceeded the 9.93% 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 (CIAs) within 60 days of receiving authorization from the Electrical Safety Authority. In 2015, Veridian has completed 11 CIA's, all 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 2015 Veridian achieved a score of 97.67% 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 1.40 (1.47 in 2014). This is a strong financial indicator.

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

In 2015, 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 1.31, whereas the deemed rate, set as the 'standard' or 'preferred', is 1.5. This indicates that, to operate its business and complete its capital programs, Veridian borrows just slightly less money than the deemed amount as set by the OEB. Veridian's ratio near the deemed rate is a strong financial indicator. This is also supported by the recent DBRS credit rating of "A" stable of Veridian's parent company, Veridian Corporation.

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

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

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

Veridian's achieved regulatory return on equity was 9.31%, which is just below the expected or deemed levels and well within the +/- 3% range allowed by the OEB.

## Note to Readers of 2015 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.