

Scorecard - Hydro Ottawa Limited

9/22/2016

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.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
		Scheduled Appointments Met On Time	97.30%	97.40%	97.40%	98.30%	97.10%		90.00%	
		Telephone Calls Answered On Time	82.90%	82.50%	82.20%	80.30%	82.50%		65.00%	
	<b>Customer Satisfaction</b>	First Contact Resolution			85.2%	84.1%	84.56%			
		Billing Accuracy				99.61%	99.80%		98.00%	
		Customer Satisfaction Survey Results			90%	83%	87%			
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public Awareness					70.00%			
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	NI	C	C	C	C			C
		Serious Electrical Incident Index	Number of General Public Incidents	0	1	0	1	1		
	Rate per 10, 100, 1000 km of line		0.000	0.178	0.000	0.182	0.182			0.076
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	2.44	1.31	1.64	1.59	1.15			1.60
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.40	1.13	1.36	0.86	0.75			1.10
	<b>Asset Management</b>	Distribution System Plan Implementation Progress			105%	94%	94.0%			
	<b>Cost Control</b>	Efficiency Assessment		3	3	3	4			
		Total Cost per Customer <sup>3</sup>	\$529	\$569	\$579	\$623	\$656			
		Total Cost per Km of Line <sup>3</sup>	\$28,793	\$31,107	\$33,222	\$36,169	\$38,154			
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	<b>Conservation &amp; Demand Management</b>	Net Cumulative Energy Savings <sup>4</sup>					14.51%		394.54 GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%	100.00%	100.00%	92.86%			
		New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	100.00%		90.00%	
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.43	1.18	1.07	0.86	1.04			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.32	1.37	1.64	1.65	1.61			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.57%	9.42%	9.42%	9.42%	9.42%		
			Achieved	7.86%	9.41%	7.80%	8.06%	7.92%		

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

Hydro Ottawa’s four strategic objectives are (a) to deliver customer value; (b) to create sustainable growth; (c) to achieve performance excellence; and (d) to contribute to the well-being of the community. Hydro Ottawa fundamentally believes that delivering customer value is at the core of its mission and that through the activities and initiatives it undertakes, Hydro Ottawa can create sustainable growth, achieve performance excellence and contribute to the community of Ottawa, and, as a result, the customer will derive long-term value. These corporate objectives are consistent with the four performance outcomes set out in the Ontario Energy Board’s (OEB) Renewed Regulatory Framework, namely (a) Customer Focus – that services are provided in a manner that responds to identified customer preferences; (b) Operational Effectiveness – that continuous improvement in productivity and cost performance is achieved and utilities deliver on system reliability and quality objectives; (c) Public Policy Responsiveness – that utilities deliver on obligations mandated by the government; and (d) Financial Performance – that financial viability is maintained and savings from operational efficiencies are sustainable.

In 2015, Hydro Ottawa again exceeded all performance targets with the exception of Component C of the Public Safety Measure. This can be attributed to Hydro Ottawa’s typically low number of public safety incidents. Because Hydro Ottawa’s total kilometers of distribution line is not likely to change dramatically in the near term, it will take only one incident per year to put Hydro Ottawa over its specified target. Hydro Ottawa makes a continual and concerted effort to maintain its reputation for safety-conscientiousness.

Of significant note is Hydro Ottawa’s overall improvement in system reliability. This is a result of Hydro Ottawa’s investment in its distribution system guided by its Distribution System Plan and associated processes. Through a continuously-improving inspection, testing, and project prioritization process, Hydro Ottawa continues to make smart investments in its distribution system to maintain and improve reliability. This includes adding automated switches and enhancing the communications equipment used to monitor the network. These investments help identify the causes of power outages more quickly and in some cases, restore power outages remotely thereby reducing their duration.

In 2016 Hydro Ottawa expects to continue improving its overall scorecard performance results as compared to prior years. Performance improvements are expected as a result of the company’s significant investment in its distribution system infrastructure, along with ongoing customer engagement and responsiveness to customer feedback. Hydro Ottawa has a continual focus on providing a safe and reliable electricity distribution service to meet the needs and expectations of its customers.

## Service Quality

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

In 2015, Hydro Ottawa connected 4,516 new residential and small business services to its system, which averages to approximately 17 new connections per business day. 100% of those new connections were completed within the five day timeframe, or an otherwise agreed upon time with the customer, as prescribed by the Distribution System Code. This is consistent with the previous year and above the OEB-mandated target of 90%.

- **Scheduled Appointments Met On Time**

Hydro Ottawa scheduled 3,958 appointments with its customers in 2015 for things such as service upgrades, meter checks and service layouts. Hydro Ottawa met 97.1% of these appointments on time, which significantly exceeds the OEB-mandated target of 90%.

- **Telephone Calls Answered On Time**

In 2015, Hydro Ottawa customer contact centre agents received over 297,000 calls from customers, which average to nearly 1200 calls per business day. Call Centre agents answered 82.5% of those calls within 30 seconds or less. This result significantly exceeds the OEB-mandated target of 65%. Hydro Ottawa's 2015 result shows a 2.2% increase from 2014. In 2014 Hydro Ottawa's call volume was significantly higher than other years, mainly due to the conversion from bi-monthly to monthly billing in March 2014.

## Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution is not a standardized measure across Ontario at this time. Hydro Ottawa measures first contact resolution based on monthly telephone surveys conducted by a third party service provider. Each month a selected list of customers who contacted Hydro Ottawa in the past 48 hours, are contacted to complete a survey regarding the service Hydro Ottawa provided. For this question on the survey, the customer has the option of pressing "1" if their issue was resolved on the first call or "2" if their issue remained unresolved after the first call. 1,298 customers identified that their issue was resolved after the first call, which represents 84.56% of all respondents. Hydro Ottawa continues to rely on these survey results to monitor and identify customer service improvement opportunities.

- **Billing Accuracy**

Where an issued bill is subsequently re-issued to a customer because of inaccurate customer, meter reading or rate information, that bill is considered to be an inaccurate bill. The percentage of bills accurately issued is calculated by subtracting the number of inaccurate bills issued for the year from the total number of bills issued for the year and dividing that number by the total number of bills issued for the year. In 2015, Hydro Ottawa achieved a billing accuracy score of 99.80%. Hydro Ottawa's billing accuracy figure remains favourably above the OEB-mandated target of 98%.

- **Customer Satisfaction Survey Results**

For over a decade, Hydro Ottawa has engaged a third party to conduct customer satisfaction surveys. These customer satisfaction surveys provide information that supports the analysis and planning of customer service improvements and offerings at all levels and departments within Hydro Ottawa.

The survey questions cover a wide variety of relevant topics, including overall satisfaction with Hydro Ottawa, reliability, customer service, power outages, billing, cost of electricity and corporate image. Hydro Ottawa makes use of this information to gain insight into customer expectations and needs, and to further develop customer engagement activities.

Feedback from these surveys is incorporated into Hydro Ottawa's planning process and ultimately forms the basis of plans which address customer needs and service offerings. A final report is produced which confirms customer satisfaction levels and identifies areas for improvement. Customer satisfaction surveys also help to identify the most effective means of communication with customers.

Hydro Ottawa's Customer Satisfaction Survey result, as reported on the 2015 Scorecard, encompasses a number of customer satisfaction expectations. Ultimately, 87% of customers surveyed indicated that they were very or fairly satisfied with Hydro Ottawa. Customer Focus is central to Hydro Ottawa's mission, and consequently, Hydro Ottawa continually strives to improve its customers' satisfaction levels. The 2015 score shows a 4% increase from 2014.

## Safety

- **Public Safety**

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

Helping customers understand the importance of staying safe and using electricity wisely is a priority for Hydro Ottawa. Hydro Ottawa works to continuously enhance public awareness of electrical safety through three primary vehicles: the Hydro Ottawa website and related social media tools, Hydro Ottawa's well-established student education program, and hazard-specific education campaigns such as Hydro Ottawa's annual promotion and support of Dig Safe Month. The Hydro Ottawa website provides electrical safety information to the public in a variety of subject areas including safety inside the home, outside the home, during tree trimming, during electrical emergencies, and safety tips for students.

Hydro Ottawa sponsors an informative and dynamic electrical safety and conservation education program that teaches elementary school children how to use electricity safely and wisely. Since 2001, more than 2,000 presentations have been delivered to 196,000 students in 195 elementary schools in our community.

Hydro Ottawa, as a member of the Ontario Regional Common Ground Alliance (ORCGA), actively participates in Dig Safe Month in April of each year. The ORCGA and its members encourage homeowners and contractors to call for locates before they dig to prevent injuries, property damage and electrical outages. Hydro Ottawa raises public awareness of promotional campaigns such as Dig Safe Month and the Electrical Safety Authority's (ESA's) Powerline Safety Awareness campaign through its website, local community newspapers and on Twitter and Facebook.

In order to gauge overall electrical safety awareness among the general public, Hydro Ottawa commissioned a research firm to conduct its first Public Awareness of Electrical Safety Scorecard Survey between March 14th and 17th, 2016. The online survey consisted of a representative sample of 407 Ottawa residents, 18 years or older, currently residing in Hydro Ottawa's service territory. Responses to the six core survey questions resulted in a 2016 Public Safety Awareness Index of 70%. The results of the survey inform Hydro Ottawa's ongoing public safety messaging and programs.

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

In 2015, Hydro Ottawa was deemed compliant with Ontario Regulation 22/04 (Electrical Distribution Safety) through its successful completion of, and response to due diligence inspections, public safety concerns, compliance investigations and annual audits conducted by the Electrical Safety Authority. Ontario Regulation 22/04 establishes objective-based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Hydro Ottawa's repeat success in these compliance audits and supporting activities is achieved by its strong commitment to employee and public safety, and adherence to company procedures & policies.

The 2015 Electrical Safety Authority audit report of Hydro Ottawa's compliance with Regulation 22/04 highlighted that Hydro Ottawa was in compliance in the five key compliance sections examined. The audit confirmed that Hydro Ottawa continued to carry out its health, safety and environment management systems, and achieved certification to the Occupational Health and Safety Assessment Series (OHSAS) 18001 standards. Hydro Ottawa continued to be active in the community

promoting conservation and demand management, educating children and youth about electricity safety, helping to mitigate the impact of energy costs for those in need, and making other contributions to the quality of living in Ottawa. Hydro Ottawa continued to take into account the interests of all stakeholders including employees, customers, contractors, suppliers, communities and the environment.

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

Under Regulation 22/04, Hydro Ottawa is required to report all serious electrical incidents of which they become aware to the Electrical Safety Authority. Under the Regulation, “serious electrical incident” means (a) any electrical contact that caused death or critical injury to a person, (b) any inadvertent contact with any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person, or (c) any fire or explosion in any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person, except a fire or explosion caused by lightning strike.

Hydro Ottawa reported sixteen (16) electrical incidents involving the public to the ESA in 2015, with fourteen (14) of these involving contact with Hydro Ottawa overhead or underground infrastructure. The other two (2) involved contact with customer-owned infrastructure. All fourteen incidents involving Hydro Ottawa infrastructure resulted from homeowners or contractors working for others, contacting overhead or underground lines with equipment or materials. One (1) of these sixteen incidents was deemed to be a serious electrical incident because a member of the public required hospital treatment after coming into contact with an open wire secondary conductor while accessing the roof of a commercial business. This resulted in a rate of 0.182 incidents per 1,000km of line for 2015. Hydro Ottawa’s 2015 Serious Electrical Incident Index target was set at 0.076, so Hydro Ottawa did not meet the target for 2015.

Historically, the number of serious electrical incidents involving the general public in the City of Ottawa has been very low; due in part to Hydro Ottawa’s public education initiatives outlined under Component A above. The number of incidents is expected to remain low.

## **System Reliability**

Hydro Ottawa continually assesses the distribution system’s service reliability. Where issues are found, the appropriate analysis and action is undertaken to address weaknesses. System reliability is integral to all work undertaken as part of system planning and asset management.

Maintenance, inspection and testing of existing assets will continue to be essential to ensure equipment operates as expected and to identify failures before they occur. Weighing new methods of operation to reduce system susceptibility to storm damage and foreign interference is vital. In addition, investing in grid technologies benefits reliability by reducing restoration times and aids in predicting system faults. Hydro Ottawa’s objective is to improve its system reliability performance indicators from year to year.

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

Hydro Ottawa’s reliability performance in 2015 has improved from previous years. In 2015, Hydro Ottawa experienced two major weather related events which impacted its reliability metric. The first event occurred when a sudden change in March weather conditions led to multiple pole fires, resulting in interruptions to approximately 17,000 Hydro Ottawa customers. Subsequently in December, 42,500 Hydro Ottawa customers experienced outages after a severe wind storm. Hydro Ottawa’s average number of hours that power to a customer was interrupted in 2015, if excluding these events, would be 1.08 rather than 1.15. Hydro Ottawa’s system reliability has been steadily improving over the past five year period.

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

The average number of times that power to a Hydro Ottawa customer was interrupted in 2015 was 0.75. This metric has shown increasing reliability over the last five years.

## Asset Management

- **Distribution System Plan Implementation Progress**

Distribution System Plan Implementation Progress is a new performance measure which Hydro Ottawa began reporting in 2013. At this time, there is no standardized measure across the Province. Hydro Ottawa's Distribution System Plan (DSP) forecasts capital expenditures required to maintain and expand its system to serve current and future Hydro Ottawa customers over the next five years. The DSP details Hydro Ottawa's prioritization process, tools and methods which ultimately direct Hydro Ottawa's capital expenditure planning process. The "Distribution System Plan Implementation Progress" measure is intended to assess Hydro Ottawa's effectiveness at planning and implementing the DSP.

Hydro Ottawa measures the progress of its DSP implementation as a ratio of actual total capital expenditures made in a calendar year over the total amount of planned capital expenditures for that calendar year in the System Renewal and System Service investment categories, excluding unplanned asset failures (plant failure), system access, and general plant investments.

The 2015 figure indicates that Hydro Ottawa completed 94% of its planned project spending. The actual work completed in 2015 was a record amount for Hydro Ottawa. However, not all planned work was completed due to a 31% increase in average spending related to demand work. In addition to the planned project spending, Hydro Ottawa also completed a large amount of unplanned asset failure replacements in 2015, which impacted the completion rate of planned projects. Unplanned work increased by 18% over the average annual spending and, if included, would have brought this measure to 100%.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group (PEG) LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2015, Hydro Ottawa was placed in Group 4, which is considered "fair" and defined as having actual costs between 10% and 25% above predicted costs, according to PEG's econometric model. Hydro Ottawa's costs for 2015 were 12% above what PEG predicted Hydro Ottawa's costs should have been.

2015 was a period of significant investment in the distribution system due to aging infrastructure replacement and reliability improvement investments which contributed to Hydro Ottawa's movement from Cohort 3 to Cohort 4. Further, in 2014 Hydro Ottawa was rated at the upper end of Cohort 3 and now is at the low end of Cohort 4, representing a relatively small change in productivity, as calculated by PEG.

Hydro Ottawa remains committed to achieving productivity savings and enshrines continuous improvement into all of its operations. Hydro Ottawa is confident it will be able to improve its rankings in future years.

- **Total Cost per Customer**

Total cost per customer is evaluated by the Pacific Economics Group LLC on behalf of the OEB, and is calculated as the sum of Hydro Ottawa's capital and operating costs, divided by the total number of customers that Hydro Ottawa serves. The cost performance result for 2015 is \$656 per customer which is an approximate increase of \$2.75 each month over 2014.

Similar to most distributors in the province, Hydro Ottawa has experienced increases in its total costs required to deliver quality and reliable services to customers. Province-wide programs, investments in new information systems technology and the renewal and growth of the distribution system are some of the contributing factors to increasing operating and capital costs.

However, Hydro Ottawa has successfully reduced its operating costs by 2% in 2015 and also ranked among the lowest 30% of the 71 local distribution companies (LDCs). Hydro Ottawa's operating costs per customer were \$248, compared to the average of \$317.

The \$2.75 increase in monthly costs is driven by increased capital investment. Much of Hydro Ottawa's infrastructure (i.e. poles and transformers) are over 40 years of age. Among Hydro Ottawa's priorities is to continue delivering the electricity that its customers depend on, reliably and efficiently. With aging infrastructure and a growing customer base, significant investments must be made to achieve this goal. Hydro Ottawa continues to make long-term investments to support future growth by expanding electricity service into new developments, upgrading older equipment, and maintaining the poles, transformers, overhead wires, underground cables and the infrastructure needed to operate a safe and reliable electricity network in its service territory.

- **Total Cost per Km of Line**

The total cost per km of line is evaluated by the Pacific Economics Group LLC on behalf of the OEB and the cost is calculated in the same manner as the aforementioned metric. The total cost is divided by the kilometers of line that Hydro Ottawa operates within its service territory to serve its customers. Hydro Ottawa's total cost per km of line in 2015 is \$38,154. This is a 5% increase over 2014.

Hydro Ottawa notes that this measure, as calculated by the Pacific Economics group, does not account for its unique service territory. Hydro Ottawa's foremost uniqueness is its physical size; comprised of a geographically diverse area with significant population dispersion and a mix of urban and rural service areas. Hydro Ottawa's service area is also one of the largest in the province in terms of customers served.

Hydro Ottawa's distribution system is an even mix of overhead wires and underground cables. While underground wires are less likely to be damaged by storms or other environmental factors, they are much more expensive to build and maintain. And, if there is a power outage, it often takes longer to locate and repair the problem, compared to overhead wires. As the City of Ottawa's population continues to grow and existing neighbourhoods become denser, additional investments are often required on the existing distribution network. The network is also expanding to accommodate new suburban subdivisions, downtown redevelopment projects and Ottawa's Light Rail Transit. At the same time, many of Hydro Ottawa's assets are aging. Large segments of the network were constructed in the 1960s, 70s and 80s. As most electrical infrastructure has a lifespan of around 50 years, a considerable number of components are approaching or have exceeded their anticipated life cycle. While continued maintenance has prolonged the life of these assets, infrastructure investments are required to continue to deliver electricity reliably and safely.

The amount of underground km of line in Hydro Ottawa's network is the fifth largest in the province.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

2015 was a transition year for Conservation and Demand Management projects across the province. During the transition year from the former framework to the new Conservation First Framework (CFF), many of the legacy programs rolled into 2015. Distributors in Ontario had the option of choosing when to transition to the new CFF. In Hydro Ottawa's case, the residential programs (Coupons, Heating & Cooling and Refrigerator Roundup) were delivered under the former framework during 2015. The Retrofit program transitioned to the new CFF on August 1, 2015. All programs were operating under the new CFF as of January 1, 2016.

Hydro Ottawa achieved 57.2 GWh of energy savings in 2015 representing 14.51% of its five year target. 2015 was the first year of the five-year period.

Under the CFF, LDCs do not have Peak Demand targets. However, Hydro Ottawa achieved 11,615 kW of Peak Demand savings in 2015.

## Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) for large generation facilities (FIT projects that exceed 10 kW) within OEB-defined timelines. A CIA consists of an assessment, detailed cost estimate and an Offer to Connect within the time prescribed. Timelines vary from 60 to 90 days, depending on a number of variables such as size of project and/or whether system expansion or reinforcement is required.

In 2015, Hydro Ottawa completed 14 CIAs totaling 9,663 kW and all but one were completed within the defined timeframe. The one assessment which exceeded the required timeframe was the result of changes to the customer's project plan, which occurred during the time Hydro Ottawa was completing the CIA. The delay was a result of a change in the customer's needs and the resulting connection timeline was met to the customer's satisfaction.

In 2014, Hydro Ottawa completed 19 CIAs totaling 31,410 kW, all within the defined timeframe.

Hydro Ottawa performs all CIA work internally, and regularly reviews its processes for continuous improvement to benefit the customer.

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

In 2015, Hydro Ottawa connected 56 new micro-embedded generation facilities (microFIT projects of 10 kW or less) which were all within the prescribed timeframe of five business days. The minimum acceptable performance level for this measure is 90% of the connection volume. Hydro Ottawa's workflow to connect these projects is very streamlined and transparent to customers. Hydro Ottawa works closely with its customers and their contractors to identify and address potential issues prior to connection in order to ensure the project is connected on time.

## Financial Ratios

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

As an indicator of financial health, a current ratio that is greater than 1 is considered strong as it indicates that the company can pay its short-term debts and financial obligations as they come due. Companies with a ratio greater than 1 are often referred to as being "liquid".

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

The OEB uses a deemed capital structure of 60% debt and 40% equity for electricity distributors when establishing rates (debt to equity ratio of 1.5 [60/40]). For the past three years, Hydro Ottawa has carried a higher debt to equity ratio as a result of the significant capital expenditure program required to replace the aging distribution system infrastructure. In 2015, Hydro Ottawa renewed \$200 million worth of 10 and 30 year long-term debt at very favorable rates of 2.7% and 3.8% respectively, which allows the company to keep distribution rates as low as possible.

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

Hydro Ottawa's current distribution rates were approved by the Ontario Energy Board under the expectation that it will earn a 9.42% regulatory return on equity (deemed return). Should the achieved return fall outside of this expectation by +/- 3%, a regulatory review of Hydro Ottawa's revenues and cost structure may be conducted by the OEB.

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

Hydro Ottawa achieved a 7.92% regulatory return on equity in 2015, falling within the +/- 3% range prescribed by the OEB. While net income continues to be strong in 2015, Hydro Ottawa's debt levels have increased significantly over the past three years in order to finance the substantial investments in its aging infrastructure. Hydro Ottawa's distribution rates are adjusted between cost-of-service applications by an inflationary factor less an efficiency gain. Hydro Ottawa's last Cost of Service Application was in 2012. As a result, it is challenging to meet the deemed return until the rates are rebased given the significant capital investments undertaken by Hydro Ottawa in 2012 – 2015 to address aging infrastructure as well as the related depreciation, operating and maintenance costs that they encompass. Also, under the OEB's calculation of deemed return on equity, an assumption is made that Hydro Ottawa will operate through the use of 60% debt and 40% equity. Hydro Ottawa carries a 62% debt level.

## 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.