

Scorecard - Hydro Ottawa Limited

| Performance Outcomes  | Performance Categories                      | Measures  | 2012                               | 2013     | 2014     | 2015     | 2016     | Trend | Target   |             |   |
|---|---|---|------------------------------------|----------|----------|----------|----------|-------|----------|-------------|---|
|   |   |   |                                    |          |          |          |          |       | Industry | Distributor |   |
| <b>Customer Focus</b><br><br>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  | 97.40%                             | 97.40%   | 98.30%   | 97.10%   | 99.60%   | ⬆     | 90.00%   |             |   |
|   |   | Telephone Calls Answered On Time  | 82.50%                             | 82.20%   | 80.30%   | 82.50%   | 83.80%   | ⬆     | 65.00%   |             |   |
|   | <b>Customer Satisfaction</b>                | First Contact Resolution  |                                    | 85.2%    | 84.1%    | 84.56%   | 84.99%   |       |          |             |   |
|   |   | Billing Accuracy  |                                    |          | 99.61%   | 99.80%   | 99.90%   | ⬆     | 98.00%   |             |   |
|   |   | Customer Satisfaction Survey Results  |                                    | 90%      | 83%      | 87%      | 81%      |       |          |             |   |
| <b>Operational Effectiveness</b><br><br>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%   | 70.00%   |       |          |             |   |
|   |   | 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 | 1        | 0        | 1        | 1        | 0     | ➡        |             | 0 |
|   | Rate per 10, 100, 1000 km of line           |   | 0.178                              | 0.000    | 0.182    | 0.182    | 0.000    | ➡     |          | 0.076       |   |
|   | <b>System Reliability</b>                   | Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>  | 1.24                               | 1.25     | 1.08     | 1.08     | 1.00     | ⬇     |          | 1.41        |   |
|   |   | Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>  | 1.11                               | 1.24     | 0.73     | 0.71     | 0.74     | ⬇     |          | 1.05        |   |
|   | <b>Asset Management</b>                     | Distribution System Plan Implementation Progress                              |                                    | 105%     | 94%      | 94.0%    | 94%      |       |          |             |   |
|   | <b>Cost Control</b>                         | Efficiency Assessment   | 3                                  | 3        | 3        | 4        | 4        |       |          |             |   |
|   |   | Total Cost per Customer <sup>3</sup>  | \$569                              | \$579    | \$623    | \$656    | \$664    |       |          |             |   |
|   |   | Total Cost per Km of Line <sup>3</sup>  | \$31,107                           | \$33,222 | \$36,169 | \$38,154 | \$38,794 |       |          |             |   |
| <b>Public Policy Responsiveness</b><br>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%   | 33.47%   |       |          | 394.54 GWh  |   |
|   | <b>Connection of Renewable Generation</b>   | Renewable Generation Connection Impact Assessments Completed On Time          | 100.00%                            | 100.00%  | 100.00%  | 92.86%   | 100.00%  |       |          |             |   |
|   |   | New Micro-embedded Generation Facilities Connected On Time                    |                                    | 100.00%  | 100.00%  | 100.00%  | 100.00%  | ➡     | 90.00%   |             |   |
| <b>Financial Performance</b><br><br>Financial viability is maintained; and savings from operational effectiveness are sustainable.  | <b>Financial Ratios</b>                     | Liquidity: Current Ratio (Current Assets/Current Liabilities)                 | 1.18                               | 1.07     | 0.86     | 1.04     | 1.19     |       |          |             |   |
|   |   | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 1.37                               | 1.64     | 1.65     | 1.61     | 1.65     |       |          |             |   |
|   |   | Profitability: Regulatory Return on Equity                                    | Deemed (included in rates)         | 9.42%    | 9.42%    | 9.42%    | 9.42%    | 9.19% |          |             |   |
|   |   |   | Achieved                           | 9.41%    | 7.80%    | 8.06%    | 7.92%    | 9.80% |          |             |   |

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

# 2016 Scorecard Management Discussion and Analysis (“2016 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2016 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

## Scorecard MD&A - General Overview

- Hydro Ottawa is pleased to have met or exceeded all scorecard performance targets in 2016. Hydro Ottawa’s 2016 scorecard results are a testament to its commitment to (a) deliver customer value; (b) create sustainable growth; (c) achieve performance excellence; and (d) 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 it serves, and, as a result, deliver long-term value to its customers. 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.

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 (consistent with our 2016-2020 rate application approvals) 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 2017, 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**

Hydro Ottawa met the OEB performance standard for connecting new residential and small commercial services within five business days or as otherwise requested by the customer. In 2016 we connected just over 3,000 new small business and residential services. 100% of these connections were completed within a five day timeframe or as scheduled with the customer.

- **Scheduled Appointments Met On Time**

In 2016 Hydro Ottawa met our appointments as scheduled 99.60% of the time, above the target of 90% and 2.5% higher than in 2015. A new Mobile Workforce Management System provides real time visibility in advance into appointments that may be at risk. This allows time to proactively address the situation for the benefit of our customers. Appointments that are missed are predominantly as a result of significant emergencies or inclement weather events that redirect the required resources to power restoration efforts elsewhere.

- **Telephone Calls Answered On Time**

In 2016, 83.60% of telephone calls were answered on time. This is an increase from 82.50% in 2015 translating into a 1.1% improvement. In 2016 we received 291,644 calls of which 244,332 were answered within 30 seconds. Hydro Ottawa has engaged a new contact center provider in 2017 to improve response times. We are above the industry standard for call response times by 18.6% and will continue to strive to answer all calls within 30 seconds.

## Customer Satisfaction

- **First Contact Resolution**

First contact resolution increased slightly from 84.56% in 2015 to 84.99% in 2016. There is no industry standard currently in place for this metric; however Hydro Ottawa strives to respond to all customer inquiries successfully the first time. Our new contact center has the ability to handle customer requests and escalations internally allowing for faster resolution with the customer by providing second and third level support at our offsite location. The customer no longer needs to call our head office or wait for follow up. We use an automated telephone survey to reach out to our customers to find out if we have completed their calls on first resolution.

- **Billing Accuracy**

A bill is considered inaccurate when it needs to be re-issued to the customer due to error, meter reading problems or inaccurate rate information. Billing accuracy has increased by 0.10% from 99.80% in 2015 to 99.90% in 2016. Hydro Ottawa strives to produce accurate bills for our customers and has surpassed the industry standard 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.

In 2016, we found that a customer's ability to pay has a direct correlation to overall satisfaction. Given the steep rise in electricity costs beyond the control of Hydro Ottawa our customer satisfaction is dropping. In 2015, 87% of customers were satisfied with the services provided by Hydro Ottawa but in 2016 we received a score of only 81%. It is clear that industry events are affecting how customers view and interact with our company. Customers have told us, that despite spending money to assist in reducing consumption, their bill continues to go up. In order to assist customers we are investing in our customer experience. In 2017, we will launch a phone app providing in depth personalized information to our customers to assist them with managing their electricity costs. We will continue to support our customers through conservation initiatives and social assistance while at the same time striving to be empathetic, helpful and positive in our daily interactions.

## 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 the Ontario Regional Common Ground Alliance's (ORCGA) Dig Safe Month, the Electrical Safety Authority's (ESA) Powerline Safety Month and the ESA's Holiday Safety Campaign. 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 2,050 presentations have been delivered to over 232,600 students in 306 elementary schools in our community.

Hydro Ottawa, as a member of ORCGA, actively participates in Dig Safe Month in April of each year. This month is dedicated to raising awareness of safe digging practices across the province to improve safety and reduce damages to underground equipment. 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 amongst the general public, Hydro Ottawa commissioned a research firm to conduct its first *Public Awareness of Electrical Safety Scorecard Survey* between March 14<sup>th</sup> and 17<sup>th</sup>, 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 2016, Hydro Ottawa continued to be 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 2016 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 maintain certification to the Occupational Health and Safety Assessment Series (OHSAS) 18001 and International Standards Organization (ISO) 14001 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 life in Ottawa. Hydro Ottawa continued to take into account the interests of all stakeholders including employees, customers, suppliers, communities and the environment, and continued to encourage their contractors to adopt responsible business practices, and require them to adhere to all their health and safety standards when working for Hydro Ottawa.

### ○ **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 nine (9) electrical incidents in the public domain to the ESA in 2016 involving contact with Hydro Ottawa overhead or underground infrastructure. All but one of the nine incidents resulted from contractors contacting overhead or underground lines with equipment or materials. The remaining incident involved a pole breaking while being adjusted by a Hydro Ottawa crew. None of the nine incidents was deemed to be a serious electrical incident. This resulted in a rate of 0 serious electrical incidents per 1,000 km of line for 2016. Hydro Ottawa's 2016 Serious Electrical Incident Index target was set at 0.076, meeting the 2016 target.

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 continue to remain low.

## **System Reliability**

Hydro Ottawa's reliability performance in 2016 exceeded the OEB performance standard for 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 processes.

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 technology benefits reliability by reducing restoration times and facilitating the prediction of 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**

In 2016, Hydro Ottawa's average number of hours that power to a customer was interrupted was 1.0, an improvement from the 2015 result of 1.08. Hydro Ottawa's system reliability has been steadily improving over the past five year period. Significant reductions were observed in the number of outages related to loss of

supply from the provincial grid and in the number of outages related to defective equipment; however, outages due to defective equipment continue to be the main contributor in 2016.

- **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 2016 shows a slight decline from the 2015 result. However, this metric has shown an increasing reliability trend over the last five years. Consistent with the average duration of interruptions, the contribution from outages related to loss of supply from the provincial grid and in the number of outages related to defective equipment significantly decreased; however, outages due to defective equipment continue to be the main contributor in 2016.

## 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 2016 figure indicates that Hydro Ottawa completed 94% of its planned project spending. All planned work was not completed due to delays in major station projects. In addition to the planned project spending, Hydro Ottawa also completed a large amount of unplanned asset failure replacements in 2016, which impacted the completion rate of planned projects. Unplanned work increased by 25% over the 3-year 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. For the second consecutive year, Hydro Ottawa's results placed the company 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 remains committed to achieving productivity savings and embraces continuous improvement into all of its operations, despite the increased capital work as replacement of aging infrastructure continues.

- **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 2016 is \$664 per customer which is a 1.2%

increase over 2015. 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, an increase of only 1.2% is a significant improvement over the past three years whereby the average increase in total cost per customer was almost 5%. This is attributed to Hydro Ottawa's focus on productivity and cost reduction initiatives and the overall strategic direction to deliver reliable service while operating efficiently and effectively to keep rates competitive. In fact, Hydro Ottawa has successfully reduced its operating costs by 4% in 2016 and ranked among the lowest 25% of the local distribution companies (LDCs). Hydro Ottawa's operating costs per customer were \$237, compared to the average of \$316.

The 1.2% increase in total cost per customer 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 previous 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 2016 is \$38,794. This is a 1.7% increase over 2015. Similar to the total cost per customer, this increase of only 1.7% is a significant improvement over the past three years whereby the average increase in total cost per km of line was over 7%.

This measure, as calculated by the Pacific Economics group, does not account for Hydro Ottawa's unique service territory: its physical size; comprised of a geographically diverse area with significant population dispersion and a mix of urban and rural service areas. The amount of km of line in Hydro Ottawa's network is the fourth largest in the province. 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, when 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.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

2016 was the first full year for all Conservation and Demand Management programs under the new 2015-2020 Conservation First Framework (CFF). Hydro Ottawa achieved a cumulative total of 132.05 GWh of energy savings by year end 2016 representing 33.47% of its six year target of 394.54 GWh. Under the CFF, LDCs do not have Peak Demand targets, however Hydro Ottawa achieved 9,094 kW of Peak Demand savings (includes adjustments for previous years) by year end 2016.

## 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 2016, Hydro Ottawa completed 8 CIAs totalling 5326kW, 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 2016, Hydro Ottawa connected 16 new micro-embedded generation facilities (microFIT projects of 10 kW or less) all of which were completed within the prescribed timeframe of five business days. The minimum acceptable performance level for this measure is 90% of the connection volume. 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”. The higher the number, the more “liquid” and the larger the margin of safety to cover the company’s short-term debts and financial obligations. Hydro Ottawa’s liquidity ratio has increased to 1.19, the highest in the last five years.

- **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]). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure.

Hydro Ottawa seeks to maintain its financial health and the viability of its assets to performance standards set by the OEB for the ultimate benefit of its customers. 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. Although Hydro Ottawa is more highly levered than the deemed capital structure, the company has been able to keep its cost of borrowing very low due to favourable interest rates on its long-term debt.

- **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 9.19% regulatory return on equity (deemed return). Should the achieved return fall outside of this expectation by plus or minus 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 9.80% regulatory return on equity in 2016, which is 0.61% above the deemed rate but well below the 12.19% allowed by the OEB. In the years between rate applications (2013-2015), Hydro Ottawa's average return on equity was 7.93%, well below the deemed rate of 9.42%. This is common in the electricity industry in Ontario, as the annual distribution rates are adjusted between cost of service applications by an inflationary factor less an efficiency gain. In reality, this adjustment to revenue is not enough to cover capital, operating and maintenance costs especially given the significant capital investments undertaken by Hydro Ottawa to address aging infrastructure.

## Note to Readers of 2016 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.