

Scorecard – Hydro Ottawa Limited

9/13/2018

									Target		
Performance Outcomes	Performance Categories	Measures	2013	2014	2015	2016	2017	Trend	Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected On Time	100%	100%	100%	100%	100%	→	90%	empty	
		Scheduled Appointments Met On Time	97.40%	98.30%	97.10%	99.60%	99.43%	↑	90%	empty	
		Telephone Calls Answered On Time	82.20%	80.30%	82.50%	83.80%	85.07%	↑	65%	empty	
	Customer Satisfaction	First Contact Resolution	85.20%	84.10%	84.56%	84.99%	84.27%	empty	empty	empty	
		Billing Accuracy	not measured	99.61%	99.80%	99.90%	99.90%	↑	98%	empty	
		Customer Satisfaction Survey Results	90%	83%	87%	81%	90%	empty	empty	empty	
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	not measured	not measured	70%	70%	70%	empty	empty	empty	
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	→	empty	C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	1	1	0	0	→	empty	0
			Rate per 10, 100, 1000 km of Line	0.000	0.182	0.182	0.000	0.000	→	empty	0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.25	1.08	1.08	1.00	1.11	↓	empty	1.42	
		Average Number of Times that Power to a Customer is Interrupted ²	1.24	0.73	0.71	0.74	0.73	↓	empty	1.04	
	Asset Management	Distribution System Plan Implementation Progress	105%	94%	94%	94%	95%	empty	empty	empty	
	Cost Control	Efficiency Assessment	3	3	4	4	4	empty	empty	empty	
		Total Cost per Customer ³	\$579	\$623	\$656	\$664	\$653	empty	empty	empty	
		Total Cost per km of Line ³	\$33,222	\$36,169	\$38,154	\$38,794	\$37,950	empty	empty	empty	
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings ⁴	not measured	not measured	14.51%	33.47%	69.98%	empty	empty	394.54 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100%	100%	92.86%	100%	100%	empty	empty	empty	
		New Micro-embedded Generation Facilities Connected On Time	100%	100%	100%	100%	100%	→	90%	empty	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.07	0.86	1.04	1.19	1.23	empty	empty	empty	
		Leverage: Total Debt (Includes Short-Term and Long-Term Debt) to Equity Ratio	1.64	1.65	1.61	1.65	1.73	empty	empty	empty	
		Profitability: Regulatory on Return Equity	Deemed (Included in Rates)	9.42%	9.42%	9.42%	9.19%	9.19%	empty	empty	empty
			Achieved	7.80%	8.06%	7.92%	9.80%	10.10%	empty	empty	empty

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

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

2017 Scorecard Management Discussion and Analysis (“2017 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 2017 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 2017. Hydro Ottawa’s 2017 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 substantial note in 2017 is Hydro Ottawa’s significant improvement in cost control. Various productivity initiatives contributed to a decrease of almost \$1 million in Operating, Maintenance and Administration (OM&A) costs from 2016. Although Hydro Ottawa’s OM&A costs typically increase year-over-year due to inflation and the rising cost of doing business, continuous efforts to increase productivity and efficiency resulted in a reduction of OM&A costs to below 2015 levels. For example, Hydro Ottawa’s transition to a new customer contact centre, the installation of 7,000 additional remote disconnect meters, and the implementation of an automated outbound calling system for disconnection warnings have contributed to Hydro Ottawa’s decreased OM&A costs in 2017. These programs demonstrate Hydro Ottawa’s commitment to continuous improvement in productivity and cost performance, while simultaneously maintaining the ability to deliver increased system reliability and service quality to its customers.

In 2018, Hydro Ottawa expects to continue to improve its overall scorecard performance results as compared to previous 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 2017 we connected over 4,000 new small businesses and residential services. In 2017, the City of Ottawa continued to expand. As a result, requests for new connections have steadily increased and 100% of these connections were completed within a five day timeframe or as scheduled with the customer.

- **Scheduled Appointments Met On Time**

Hydro Ottawa scheduled 5,097 appointments with its customers to complete service upgrades, meter checks and service layouts in 2017. Hydro Ottawa met 99.43% of these appointments on time, which significantly exceeds the OEB-mandated target of 90%.

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 2017, Hydro Ottawa's customer contact center agents received 244,800 calls from its customers, of which 85.07% were answered within 30 seconds. This result significantly exceeds the industry target of 65%. The increase from 83.60% in 2016 was positively impacted by engagement of a new customer contact center provider. Call volumes continue to decline as expected (16% less than 2016) as customers access more self-service options. In 2018, promotion of online services, implementation of voice biometric or "Voice ID" technology, and a new smart speaker app are expected to enhance customer convenience.

Customer Satisfaction

- **First Contact Resolution**

First contact resolution decreased very slightly in 2017 at 84.27%, as compared to 84.99% in 2016, or, less than 1%. This decrease can be attributed to the implementation of the new customer contact center and the training period required for agents to become comfortable with all aspects of Hydro Ottawa processes and customer service. We expect to see improvements through 2018. To measure First Contact Resolution, Hydro Ottawa uses an automated telephone survey to confirm with customers whether or not their inquiry was resolved at initial contact.

- **Billing Accuracy**

As defined in the OEB's Distribution System Code, a bill is considered to be accurate if it contains correct customer information, meter readings and rates information. Billing accuracy has remained steady in 2017 at 99.90%. Hydro Ottawa strives to produce accurate bills for our customers and consistently surpasses the industry 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 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. Customer satisfaction surveys also help to identify the most effective means of communication with customers.

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 of survey outcomes confirms customer satisfaction levels and identifies areas for improvement.

In 2016, customers stated that an inability to pay their bill was a real concern. In 2017 a number of government initiatives were implemented to address affordability, such as the Fair Hydro Plan and increased low-income assistance. However, 52% of customers surveyed indicated that lower rates would be viewed as a service improvement.

In 2017, Hydro Ottawa's customer satisfaction level ultimately improved. Hydro Ottawa's result of 90% can be attributed to the implementation of customer facing programs such as website enhancements, online self-service offerings, and a new mobile app. Hydro Ottawa will continue to support customers through conservation initiatives, social assistance, increased communication channels and improvements in outage communications while at the same time strive to be empathetic, helpful and positive in daily interactions with customers.

Safety

- **Public Safety**

- o **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 channels: 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 on a variety of subject areas including safety inside and outside the home.

In 2017, Hydro Ottawa's annual support of the Electrical Safety Authority's (ESA) Powerline Safety Month included a "Respect the Power" feature on the company website with supporting messages sent out through social media, updates to City Council, customer bills and the customer contact center's on-hold recording.

Hydro Ottawa's annual holiday safety campaign incorporated a holiday safety webpage with safety tips, checklists and a link to the ESA's holiday safety video. E-billing customers also received an e-mail that included a link to the ESA's holiday safety video.

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 2,205 presentations have been delivered to over 252,137 students in 360 elementary schools in our community.

As a member of ORCGA, Hydro Ottawa 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 raised public awareness of Dig Safe Month through its website, local community newspapers, print advertising, social media accounts and e-mails to customers with a link to the Call Before You Dig video.

In order to gauge overall electrical safety awareness amongst the general public, Hydro Ottawa commissioned a research firm to conduct its 2017 Public Awareness of Electrical Safety Scorecard Survey between February 26th and March 12th, 2018. The online survey consisted of a representative sample of 434 Ottawa residents, 18 years or older. Responses to the six core survey questions resulted in a 2017 Public Safety Awareness Index of 70%. The results of the survey inform Hydro Ottawa's ongoing public safety messaging and programs.

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

In 2017, 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 (ESA). 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 and policies.

The 2017 Electrical Safety Authority audit report of Hydro Ottawa's compliance with Regulation 22/04 highlighted that in 2017 Hydro Ottawa was compliant in the five key compliance sections examined, and that Hydro Ottawa had implemented the action plans developed for the recommendations cited in the 2015 audit. The audit confirmed that in 2017 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 also continued to participate in the ESA's Due Diligence Inspection (DDI) program. In 2017 seven inspections were conducted by ESA inspectors and no deficiencies were identified.

The 2017 Electrical Safety Authority audit report also highlighted that 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 contractors, both those working for Hydro Ottawa and those working for others, to adopt responsible business practices and require them to adhere to all applicable health and safety standards when working for Hydro Ottawa.

o **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 2017 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, so for 2017, Hydro Ottawa met its General Public Incident target of zero and its Serious Electrical Incident Index rate target of 0.00 per 1,000 km of line.

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 in the future.

System Reliability

Hydro Ottawa’s reliability performance in 2017 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 and improve performance. System reliability is integral to all work undertaken as part of system planning and asset management processes.

Hydro Ottawa’s asset management practices are essential for ensuring the assets that pose a risk to reliability performance are identified and investments in renewing infrastructure are keeping pace. 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 2017, Hydro Ottawa’s average number of hours that power to a customer was interrupted was 1.11, slightly above the 2016 result of 1.0, however it remains below the OEB’s annual target of 1.42. Although less than the previous 5 year average, outages due to defective equipment were the top contributor to outages. Outages due to tree contacts and scheduled outages were also top contributors in 2017.

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

In 2017, Hydro Ottawa’s average number of times that power to a customer was interrupted was 0.73, in line with the 2016 result of 0.74 and remains below the OEB’s annual target of 1.04. Although less than the previous 5-year average, outages due to defective equipment were the top contributors to outages. Outages due to human error and foreign interference (such as animals and vehicles) were also top contributors to outages in 2017.

Asset Management

- **Distribution System Plan Implementation Progress**

Distribution System Plan Implementation Progress is a relatively new performance measure that 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 2017 figure indicates that Hydro Ottawa completed 95% of its planned project spending. Not all planned work was completed in 2017 as a result of scope changes to a major station project. The changes in scope were made as a result of a major demand project cancellation as well as delays in external approvals. In addition to the planned project spending, Hydro Ottawa also completed a large amount of unplanned asset failure replacements in 2017, which impacted the completion rate of planned projects. Asset data collection improvements have increased asset failure replacements in recent years. New inspection programs have identified a number of critical assets that were deemed to be at risk of failure and required immediate action to prevent future outages.

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 third 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 2017 is \$653 per customer which is a 1.6% decrease over 2016. 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'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 ensured that despite inflation and other cost increases Hydro Ottawa was able to achieve this 1.6% reduction.

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 2017 is \$37,950. This is a 2.2% decrease over 2016. Similar to the total cost per customer, this decrease is reflective of Hydro Ottawa's effort to focus on productivity and cost control initiatives despite inflationary increases in key cost drivers.

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 service territory 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**

In 2017, Hydro Ottawa achieved 108 GWh of verified net incremental savings persisting to 2020. This represents 27% of the 395 GWh energy savings goal for the utility as approved under the 2015-2020 Conservation First Framework (CFF) directed by the Minister of Energy. This represents a cumulative total of 276 GWh at the end of 2017 which is 69.98% of our six-year target. Under the CFF, Peak Demand targets no longer exist; however, Hydro Ottawa achieved 25,614 kW of verified cumulative net incremental Peak Demand Savings at the end of 2017.

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 (Feed-In-Tariff 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 2017, Hydro Ottawa completed 9 CIAs totaling 1,655kW, 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 2017, Hydro Ottawa connected 57 new micro-embedded generation facilities (micro Feed-In-Tariff 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 completed within the prescribed timelines.

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 1.23, 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 leveraged 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 leveraged than the deemed capital structure, the company has been able to mitigate its cost of borrowing 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 OEB 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 10.10% regulatory return on equity in 2017, which is 0.91% 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 2017 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.