

# Scorecard - Cambridge and North Dumfries Hydro Inc.

9/18/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	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	98.50%	99.40%	99.20%	99.30%	100.00%	↑	90.00%		
		Scheduled Appointments Met On Time	99.90%	99.90%	98.70%	99.50%	100.00%	↓	90.00%		
		Telephone Calls Answered On Time	74.30%	66.20%	88.10%	87.30%	83.00%	↑	65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution					99.99%				
		Billing Accuracy				99.98%	100.00%	↔	98.00%		
		Customer Satisfaction Survey Results					'A' Rating				
<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 [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C	↔		C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	↔		0
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.000	↔		0.000	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted	0.97	0.70	1.00	2.67	0.64	↑		at least within 0.70 - 2.67	
		Average Number of Times that Power to a Customer is Interrupted	0.85	1.30	1.43	2.35	1.33	↑		at least within 0.85 - 2.35	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress								Behind Plan	
	<b>Cost Control</b>	Efficiency Assessment			3	3	3				
Total Cost per Customer <sup>1</sup>		\$547	\$571	\$593	\$624	\$634					
Total Cost per Km of Line <sup>1</sup>		\$25,037	\$26,301	\$27,417	\$28,714	\$29,241					
<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 Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>		18.29%	28.11%	41.10%	67.37%	●		17.68MW	
		Net Cumulative Energy Savings (Percent of target achieved)		69.98%	102.69%	133.30%	163.57%	●		73.66GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time	85.71%	100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time				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)	2.39	2.06	3.00	2.32	0.76				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.66	0.62	0.59	0.57	0.91				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.85%	9.85%	9.85%	9.36%			
			Achieved		9.57%	9.78%	7.80%	8.32%			

**Notes:**

- These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
- The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

**Legend:**

- ↑ up
- ↓ down
- ↔ flat
- target met
- target not met

## Appendix A – 2014 Scorecard Management Discussion and Analysis (“2014 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 2014 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

### Scorecard MD&A - General Overview

Cambridge and North Dumfries Hydro Inc. (“CND”) is very proud of its accomplishments in 2014, many of which are foundational to our continued success in the future. CND met or exceeded the performance targets as set out by the Ontario Energy Board for Service Quality, Customer Satisfaction, Safety, System Reliability, and Connection of Renewable Generation. Improvement in the area of Asset Management, in particular delivering on the capital expenditure program as outlined in our Five Year Distribution System Capital Plan, will be a continued focus in 2015.

In addition to the achievement of its performance targets, as more fully described herein, CND’s other key accomplishments in 2014 include:

- The Ontario Energy Board’s (“OEB”), approval of the 2014 Cost of Service Rate Application, for rates effective May 1, 2014. Included in the 2014 Cost of Service Rate Application is CND’s Distribution System Capital Plan (“DSP”) that outlines CND investments in its distribution system over the next five years. CND’s objective is to ensure that the future distribution system is designed to deliver power at the quality and reliability levels required by customers and to minimize the lifetime cost by balancing preventative maintenance, life-extending refurbishment, and end of life replacement. Details with respect to the 2014 Rate Application are available on the OEB website under Application EB-2013-0116.
- The purchase of Brant County Power Inc. (“BCP”) was approved by the OEB in October 2014 and was completed on November 28, 2014. The addition of BCP’s approximate 10,000 customers represents approximately 20% increase in our customer base. In the longer-term, both CND’s and BCP’s customers are expected to benefit from economies of scale as a result of this investment, as the expected savings will help to mitigate rate increases, as distribution rates are expected to be lower than either organization would have been able to achieve on their own. Effective January 1, 2016, CND and BCP will be amalgamated into one legal entity.

- Strong financial performance, with the achievement of \$5.2MM in net income, representing a rate of return of 8.32% to our shareholders, the City of Cambridge and the Township of North Dumfries.
- In the latter part of 2014, CNL undertook a corporate refinancing initiative to secure long-term financing for its investment in BCP, as well as to finance its long-term capital expenditure program. CNL successfully completed this initiative in January, 2015 with the issuance of \$50MM in long-term debt at a rate of 3.929%. CNL also received an 'A Stable' corporate credit rating from Standard & Poor's ("S&P") Rating Services, which demonstrates CNL's strong financial performance.

In 2015, CNL's focus will be to continue to improve on its overall performance, with particular emphasis on: (i) communication and engagement with our customers, including the implementation of the Outage Management System to improve customer communication and outage response times; (ii) planning and executing on the integration of the operations of BCP and CNL to achieve the expected operating efficiencies and costs savings, including transitioning to one common platform for each of the Customer Information System and Enterprise Resource Planning systems, while at the same time ensuring a seamless transition for the customer; (iii) continued execution of the planned capital expenditure investments as outlined in the DSP to ensure the continued reliability of our distribution system; and (iv) developing a long-term Conservation and Demand Management plan for our customers, based upon direction by the Ontario Government under the 2015-2020 Conservation First Framework. The Conservation First Framework is designed to reduce electricity consumption across the Province by 7 terawatt-hours (TWh) or seven billion kilowatt-hours (kWh) by December 31, 2020. CNL's target has been set at 85.0 GWh.

## Service Quality

A core value for CNL and its employees is to be Customer Focused. CNL is committed to providing excellent services and solutions for our customers, both anticipating and responding to their needs. CNL proved its commitment to customer service by exceeding the industry standards in all three of the service quality measures.

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

CNL connected approximately 350 new services for our customers, with 100% of the connections completed within 5 working days. CNL has consistently exceeded the OEB's guideline of 90% completion within 5 working days of the request being made.

- **Scheduled Appointments Met On Time**

CND scheduled 8,700 customer appointments to complete work requested by customers. CND met 100% of these appointments on time. CND has consistently exceeded the industry target of 90%.

- **Telephone Calls Answered On Time**

CND received over 54,000 telephone calls in 2014, or an average of 207 calls per day. This represents an increase in call volumes of approximately 9% over 2013. The monthly average number of calls answered in 2014 was 4,593; from a high of 5,301 answered in October to a low of 3,794 in February. In 2014, 83% of telephone calls were answered within 30 seconds. CND has consistently exceeded the industry standard of 65% year over year. Telephone response times fluctuate based on a number of factors including: number of calls, weather related calls, high electricity bills due to extreme weather, available call centre resources, events in the news that drive calls to the call centre, regulatory and rate changes displayed on customer bills, and payment arrangements. All of these factors can result in an increase in call volumes and increased time spent on each call with our customers. In comparison to 2013, whereby 87.3% of telephone calls were answered within 30 seconds, CND did experience a decline in this measure in 2014, which was principally attributable to higher call volumes related to payment arrangements.

## Customer Satisfaction

- **First Contact Resolution**

The OEB instructed all electricity distributors to review and develop a measurement in this area and to begin tracking by July 1, 2014. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for this area in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding the commonly defined measure.

CND measures First Contact Resolution as the percentage of customer calls answered whereby the customer's initial request has been satisfied by the Customer Service Representative, as the first point of contact. Customer telephone calls that are not satisfied with the first contact are elevated to a second point of contact for resolution. All customer calls are logged through our telephone software, which allows CND to identify the calls that required a second point of contact.

CND is pleased to report that for the period July 1, 2014 to December 31, 2014, 99.99% of calls received by our Customer Care department were resolved by the first telephone contact, with only 42 customer calls identified as requiring a second point of contact.

- **Billing Accuracy**

The OEB has prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014. For the period from October 1, 2014 to December 31, 2014, CND issued 84,380 bills and achieved a billing accuracy of 100%, which compares favourably to the prescribed OEB target of 98%.

- **Customer Satisfaction Survey Results**

The OEB introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time, the OEB is allowing electricity distributors discretion as to how they implement this measure.

Since 2006, CND has had a formal policy and procedure in place that outlines the processes for seeking feedback from customers, methods used to gather customer feedback, and how CND will respond to the information obtained from customers. CND continues to review these procedures in response to customer needs. CND obtains customer feedback using various methods, including: (i) engaging the services of an external third party research organization; (ii) internally using CND survey tools; (iii) collecting and evaluating suggestions made by customers when they interact with employees; and (iv) feedback obtained through various media channels including social media.

In 2014, CND engaged a third party to conduct and deliver an independent, in depth, customer satisfaction telephone survey of residential and general service <50 kW customers across its service territory. CND conducts these surveys on a biennial basis, with the previous survey having been completed in 2012. The survey canvases customer satisfaction in the following key areas: power quality, reliability, price, investment priorities, billing, payments, communications, energy conservation and the overall customer service experience. Equally important, it provides the customer the opportunity to provide detailed input about what they believe CND could do to improve the customer experience.

CND is proud to report that based on our 2014 survey, our customers gave us an 'A' rating on our overall customer service, compared to the industry average of B+. The 'A' rating is consistent with the results achieved in 2012.

Other activities undertaken by CND in 2014 to enhance customer service and solicit feedback from customer included: (i) launch of new mobile website; (ii) social media launch including new twitter account @CNDHydro; (iii) upgrades to the corporate website (camhydro.com) which provides a direct link to a Customer Feedback Survey; (iv) public town hall meeting to provide customers with

information about the 2014 Rate Application, including changes to distribution rates, capital expenditure programs, as well as information about conservation and demand management initiatives and the acquisition of Brant County Power Inc.

CND is committed to customer engagement and satisfaction and will continue to communicate and solicit feedback from our customers to ensure we are achieving our mission of delivering solutions and value added services to our customers.

## Safety

Public safety, and the health and safety of our employees is a core value. CND is dedicated to pursuing excellence in safety and wellness and takes responsibility for our personal safety, the safety of each other and the safety of our customers and communities. We continuously work to strengthen our safety culture. Our employees and contractors are trained and equipped for the hazards that may be encountered while performing their duties. We encourage and promote safety and wellness at work, at home, and in the communities we serve.

In 2014, CND successfully achieve a Zero Quest Gold Level 1 Outcomes Safety Award from the Infrastructure Health & Safety Association (IHSA). This award recognizes CND's commitment to having a fully-integrated and maintained health and safety system and a strong focus on continual improvement. In April 2015, CND successfully achieved Level 2 of the IHSA's Zero Quest Outcome level.

- **Public Safety**

The public safety measures are new measures for 2014 and have been implemented by the OEB, based upon recommendations provided by the Electrical Safety Association ("ESA"), the agency overseeing electrical safety and inspections in Ontario. The public safety measure includes three components: (i) Public Awareness of Electrical Safety; (ii) Compliance with Ontario Regulation 22/04; and (iii) Serious Electrical Incident Index.

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

This component of the public safety measure will be based upon a biennial survey (i.e. every second year) developed by the ESA in consultation with electricity distributors and the Electricity Distributors Association. The OEB expects that the first reporting of this component of the public safety measure will be shown on the 2015 Scorecards, published in 2016.

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

CND is fully compliant with Ontario Regulation 22/04 ("OR 22/04"), the regulation that dictates the safe design, construction, and

maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspections of construction before the electrical distribution system components are placed into service. CND is committed to ensuring a safe work place and compliance with all applicable regulations.

CND has appropriate systems, processes, and procedures in place for ensuring that work is carried out in accordance and in compliance with OR 22/04. Subsequent to the acquisition of BCP in the latter part of 2014, an integration team, comprised of employees from CND and BCP, have been working together to ensure processes are harmonized to ensure compliance with OR 22/04.

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

CND is pleased to report that it did not experience any serious electrical incidents in the years 2010 to 2014, resulting in a Serious Electrical Incident Index of 0.000 in each of the years.

## System Reliability

Yearly fluctuations in system reliability performance measures can result from variations in weather, such as extreme lightning, excessive snowfalls, and ice storms, as well as foreign interference such as animal contacts and motor vehicle accidents.

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

In 2014, the measure of Average Number of Hours that Power to a Customer is Interrupted was 0.64 and is lower than the range of 0.70 to 2.67 experienced in the period 2010-2013.

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

In 2014, the measure of Average Number of Times that Power to a Customer is Interrupted was 1.33, which is within the range of 0.85 to 2.35 experienced in the period 2010-2013.

Both of these measures represent an improvement over the results experienced in 2013. Customers will recall that the 2013 results reflect three very large storms in 2013, most notably the severe ice storm that hit southern and eastern Ontario on December 21st and 22nd, 2013. Over twice as many hours of power interruption occurred during the December, 2013 ice storm, compared to all other causes during 2014.

As part of its 2014 Rate Application, CND acknowledged the decline in system reliability that it had been experiencing since 2010 and identified a number of investments required to replace end of life assets and reduce the outages caused by equipment failure. As described more fully in the Asset Management section, CND invested approximately \$3.87MM in 2014 in the renewal of its distribution system. It will take some time to realize and fully evaluate improvements in reliability due to CND's investment in the replacement of end of life assets, however, 2014 showed a 23% reduction in Customer-Hours lost due to defective equipment.

Customer-Hours lost due to tree contacts declined 54% in 2014 versus 2013. This reduction is primarily due to less severe weather experienced in the Cambridge/North Dumfries area during 2014 as compared to 2013. Customer-Hours lost due to scheduled outages declined 50% in 2014 versus 2013. This reduction primarily reflects the number and type of system renewal projects undertaken in 2014 versus 2013.

CND has also invested in an Outage Management System, to be launched in 2015, that will improve communication and increase outage response time to our customers.

## Asset Management

- **Distribution System Plan Implementation Progress**

Distribution system plan implementation progress is a new performance measure instituted by the OEB starting in 2013. Consistent with the other new measures, electricity distributors were given an opportunity by the OEB to define the measure in the manner that best fits their organization. The OEB may develop a standard in the future, based upon the methodologies that utilities use to define their measure.

The Distribution System Plan ("DSP"), approved by the OEB as part of its 2014 Cost of Service Application, outlines CND's forecasted capital expenditures, over the next five years. These expenditures are required to maintain and expand the distributor's electricity system to serve its current and future customers. CND's objective is to ensure that the future distribution system is designed to deliver power at the quality and reliability levels required by customers and to minimize the lifetime cost by balancing preventative maintenance, life-extending refurbishment, and end of life replacement.

The "Distribution System Implementation Progress" measure is intended to assess CND's effectiveness at planning and implementing the DSP. CND measures the progress of its DSP implementation based on the percentage of actual capital expenditures made, compared to the amount of planned capital expenditures per the DSP. The computation is performed on a cumulative basis over the five year term

of the DSP. The percentage so determined is then converted based on the following scale:

**>100% completed = Ahead of Plan**

**70% – 100% completed = On Plan**

**<75% completed = Behind Plan**

As at the end of 2014, CNL's progress under the DSP has been assessed as "Behind Plan". Total capital expenditures for the year were \$9.35MM, or 62% compared to the planned capital expenditures of \$15.050MM.

The following table summarizes the actual capital expenditures by category, compared to the DSP:

	<b>\$MMs</b>	
	<b><u>2014 Actual</u></b>	<b><u>2014 DSP</u></b>
Distribution System		
System Access (Customer)	3.11	8.12
System Renewal	3.87	5.22
System Service	0.44	0.30
	7.42	13.64
Capital contributions	(0.50)	(2.41)
<b>Net Distribution System</b>	<b>6.92</b>	<b>11.24</b>
<b>General Plant</b>	<b>2.43</b>	<b>3.81</b>
<b>Net Capital Expenditures</b>	<b>9.35</b>	<b>15.05</b>

#### Nature of Expenditures by Category

- System Access Investments – modifications, including asset relocations, to a distributor's distribution system that a distributor is obligated to perform to provide a customer or group of customers with access to electricity services via the distribution system;
- System Renewal Investments – replacing and/or refurbishing system assets to extend the original service life of the assets and thereby maintain the ability of the distributor's distribution system to provide customers with electricity services;
- System Service Investments – modifications to a distributor's distribution system to ensure the distribution system continues to meet a distributor's operational objectives while addressing anticipated future customer service requirements;
- General Plant Investments – modifications, replacements, or additions to a distributor's assets that are not part of the distribution system, including land and buildings, tools and equipment, rolling stock, and electronic devices and software used to support day to day business and operations activities.

Approximately \$5.0MM of the variance in capital expenditures was attributable to lower than expected system access investments. These planned investments are principally driven by customer demand for services, including new customers, expansion of existing services, and/ or modifications, including asset relocations. The timing of such expenditures can vary based on customer demand and scheduling.

Significant variances related to System Access projects include:

- (i) Approximately \$2.4MM attributable to the timing of the commencement of the construction of the Franklin Boulevard Roundabouts in the City of Cambridge, due to changes in scheduling by the Region of Waterloo. This project has commenced in 2015.
- (ii) Approximately \$0.9MM attributable to the timing of the extension of a second 27.6kV circuit on Fountain Street between Shantz Hill Road and Dickie Settlement Road in Cambridge to support a residential subdivision, which was delayed until 2015. This project has commenced in 2015.
- (iii) Lower than expected residential and industrial customer growth.

Capital expenditures related to the renewal of the distribution system were \$1.35MM lower than planned and was principally attributable to the timing of the Greenfield Area rebuild project. The surveying work for this 10.1km project was delayed as a result of the severe winter in 2013/2014. The surveying and engineering work was completed in the summer of 2014, however, the tendered costs to complete Phase 1 of this rebuild were 3.3 times higher for work to be completed in the fall of 2014, compared to the price for completion in 2015. CND decided to delay the construction until 2015 as it would be more economical.

General plant capital expenditures were approximately \$1.4MM lower than budget, principally explained by lower than expected investments in meter technology of \$0.7MM and lower than expected information systems technology expenditures of \$0.7MM. Lower investments in meter technology were principally as a result of lower than expected customer demand for services. Information systems technology investments related to the Disaster Recovery Solution and the Integrated Voice Response system were deferred until 2015 and 2016. The Outage Management System was successfully implemented in March 2015.

CND's 2015 capital expenditure program incorporates many of the projects that have been deferred from 2014 to 2015. CND will continue to evaluate, update, and monitor progress on the execution of its Asset Management Plan, as documented in the DSP.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group 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 2014, for the second year in a row, CND was placed in Group 3, where a Group 3 distributor is defined as having costs within +/- 10 percent of predicted costs. Group 3 is considered “average efficiency” – in other words, CND’s costs are within the average cost range for distributors in the Province of Ontario. In 2014, 45% (33 distributors) of the Ontario distributors were ranked as “average efficiency”; 29% were ranked as “more efficient”; 26% were ranked as “least efficient”.

CND’s vision “Be the energy company most admired for its innovative people, reliable service, and outstanding performance” is focused on achieving efficiencies and improving productivity, while providing value added services to our customers.

CND continues to evaluate investments to achieve our vision. The investment in BCP is expected to result in net annual savings of approximately \$1.2 million to \$1.5 million, including reductions in operations, maintenance and administration costs, as well as reductions in capital expenditures of \$0.2 to \$0.3 million per year. The savings will be realized through cost synergies in areas such as: accounting, administration and customer service; utilization of CND’s full-time engineering department in place of BCP using third party engineers; reduction in corporate governance costs, with the consolidation of two Board of Directors to one; reduction in information technology (“IT”) costs as a result of combining key IT systems and reduction of third party support costs; and reduction in future regulatory costs associated with fulfilling regulatory requirements. In the longer-term, both CND’s and BCP’s customers are expected to benefit from economies of scale as a result of this investment, as the expected savings will help to mitigate expected future increases in electricity costs. Details of the acquisition are available for public viewing on the OEB website under EB-2014-0217.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of CND’s capital and operating costs and dividing this cost figure by the total number of customers that CND serves. The cost performance result for 2014 is \$634 per customer representing a 1.6% increase over 2013.

CND’s Total Cost per Customer has increased on average by 3.2% per annum over the period 2010 through 2014. Similar to most

distributors in the province, CND has experienced increases in its total costs required to deliver quality and reliable service to customers. CND's cost structure has increased principally as a result of: (i) considerable change in the electricity distributor sector over this period, including the implementation of Smart Meters and Time of Use Pricing, requirements under the Green Energy Act, and mandated Conservation and Demand Management programs; (ii) rising wage and benefit costs for our employees; (iii) incremental staff to support province wide programs and increased regulatory requirements; (iv) investments in new information technology systems; and (v) the renewal and growth of the distribution system.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The Total cost is divided by the kilometers of line that CND operates to serve its customers. CND's 2014 rate is \$29,241 per Km of line, a 1.8% increase over 2013 and an average annual increase of 3.3% since 2010.

CND has experienced a low level of growth in its service territory over the past five years, both in terms of number of customers and kilometers of lines. As a result, cost per customer and cost per Km of line have increased year over year with the increase in operating and capital expenditures. Utilities with low growth rates with upward cost pressures experience higher increases in cost per customer and cost per Km of line as compared to utilities with higher growth rates that are able to fund capital renewal and operating costs through customer growth.

## Conservation & Demand Management

In 2014, CND proudly accepted the 2014 Conservation Leadership Excellence Award from the Electricity Distributors Association (EDA). The industry association recognized CND's leadership in being the first utility in Canada to offer the Nest Learning Thermostat and Rush Hour Rewards pilot program, as well as its partnership in developing a large-scale, behind the meter combined heat and power generation project with one of its largest manufacturing customers.

CND works collaboratively with its neighbouring utilities, Kitchener-Wilmot Hydro and Waterloo North Hydro, in delivering conservation and demand management programs to the communities in the Waterloo Region. The joint approach has proven to reduce market confusion, increase cost-effectiveness and strengthen the programs throughout the Region. Additionally, as appropriate, CND aligns its strategy with other key stakeholders such as municipalities, gas utilities, and third party delivery agents.

- **Net Annual Peak Demand Savings (Percent of target achieved)**

CND achieved 67.37% of its target of 17.68MW. Consistent with many utilities in the province, the demand target was a challenge to achieve. A diminished suite of programs, delayed launches, and reduced financial reward for demand response led to lower than expected MW savings. In 2014, CND was able to increase its achievement from 41.1% in 2013, through heavier emphasis and increased allocation of resources on programs that yielded a high return on peak demand savings, including retrofit programs and the residential demand response pilot with Nest. Delays in the approval from the former Ontario Power Authority to proceed with a generation project, initially forecasted to be completed by December 2014, negatively impacted on CND's ability to meet its target in 2014. Had the generation project been completed in December 2014, CND believes that it would have met or exceeded its MW target. This project has proceeded in 2015.

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

CND successfully over achieved on its target of 73.66GWh by the end of 2014, with a result of 163.57% of its target. In fact, CND reached 100% of its target in 2012. Our successful achievement of this target was made possible by strong performance in the commercial and industrial customer segments, as a result of a full-time dedicated staff working with customers to complete several large scale energy retrofits.

## Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments ("CIAs") within 60 days of receiving authorization from the Electrical Safety Authority. In 2014, CND completed 14 CIAs, and increase of 7 over 2013. All CIAs have been completed within the prescribed time limit.

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

In 2014, CND connected 52 new micro-embedded generation facilities (microFIT projects of less than 10 kW) compared to 47 in 2013. 100% of the connections were completed within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the 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 good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of 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.

CND’s current ratio decreased from 2.32 in 2013 to 0.76 in 2014. The decrease in the current ratio was a result of an increase in short-term borrowings to purchase the shares of BCP, and is not indicative of a decline in financial performance. In January 2015, CND secured long term debt financing and repaid the short-term debt. The current ratio in 2015 is expected to return to a level consistent with previous 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. This deemed capital mix is equal to a 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. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

Prior to 2014, CND’s total debt to equity ratio has consistently been below 1.0 (50/50), ranging from a high of 0.66 in 2010 to 0.57 in 2013. In 2014, the total debt to equity ratio increased to 0.91 explained by an increase in short-term debt of \$25MM to finance the acquisition of BCP. In 2015, subsequent to the issuance of \$50MM in long-term debt and the repayment of the \$25MM short-term debt, CND expects a total debt to equity ratio within a healthy range of 1.0-1.25, still below the OEB’s deemed capital structure. CND’s strong financial position is further supported by Standard & Poor’s Rating Services rating of “A Stable”.

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

CND’s current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.36%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor’s revenues and costs structure by the OEB.

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

CND's return achieved in 2014 was 8.32%, an increase over the 7.80% return achieved in 2013. CND's return on equity is well within the +/- 3% range allowed by the OEB. The average return over the past three years was 8.63%.

## Note to Readers of 2014 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.