

Scorecard - Hydro One Networks Inc.

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	Trend	Target		
									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	95.70%	97.40%	97.40%	97.50%	98.60%	↑	90.00%		
		Scheduled Appointments Met On Time	98.60%	98.40%	99.30%	98.50%	99.50%	↑	90.00%		
		Telephone Calls Answered On Time	83.40%	63.90%	69.60%	76.40%	74.20%	↑	65.00%		
	Customer Satisfaction	First Contact Resolution		78.30%	79%	82%	82				
		Billing Accuracy			94.63%	98.59%	99.04%		98.00%		
		Customer Satisfaction Survey Results		87%	85%	85%	84				
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				81.00%	81.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	NI	NI	NI	C	NI	↔		C	
		Serious Electrical Incident Index	Number of General Public Incidents	6	7	4	5	11	↔		4
	Rate per 10, 100, 1000 km of line		0.051	0.059	0.033	0.042	0.091	↔		0.035	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	6.98	6.88	7.49	7.65	7.83	↓		10.31	
		Average Number of Times that Power to a Customer is Interrupted ²	2.61	2.49	2.70	2.63	2.47	↓		2.93	
	Asset Management	Distribution System Plan Implementation Progress			Under Review	97%	116%				
	Cost Control	Efficiency Assessment	5	5	5	5	4				
		Total Cost per Customer ³	\$1,041	\$1,046	\$1,069	\$983	\$987				
		Total Cost per Km of Line ³	\$10,741	\$10,682	\$10,916	\$10,198	\$10,551				
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				17.27%	42.50%			1,220.69 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	99.39%	100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time		99.71%	100.00%	99.78%	99.22%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.99	1.00	0.99	0.97	0.80				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.30	1.35	1.31	1.19	1.46				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.66%	9.66%	9.66%	9.30%	9.19%			
			Achieved	8.72%	8.00%	6.26%	8.77%	8.41%			

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

Scorecard MD&A - General Overview

Hydro One Networks Inc.’s (referred to as “the Company” or “Hydro One”) 2016 performance was better than industry and distributor targets in all areas, except for the Level of Compliance with Ontario Regulation 22/04 (Reg. 22/04) and the Number of General Public Incidents.

Hydro One received a Needs Improvement assessment for compliance with Reg. 22/04 due to internal process non-compliance with tagging equipment removed from the Company’s distribution poles. Hydro One continues to make strides in becoming world-class in safety and is reinforcing the related business process and conducting spot audits to drive compliance.

The Company experienced an increase in the Number of General Public Incidents on its distribution system in 2016, beyond the level assigned by the Electrical Safety Authority (ESA). The results were mainly attributable to a doubling in the number of motor vehicle accidents (MVAs) compared to 2015 (eight MVAs in 2016 vs. four MVAs in 2015). While Hydro One’s public safety initiatives are not designed to specifically address MVAs, the Company has programs that reinforce public safety messaging, and safety campaigns focused on electrical safety and awareness for children and the public living or working in the vicinity of power lines.

Service Quality

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

In 2016, Hydro One processed 16,439 new connection requests for residential and small business low-voltage customers (those with service less than 750 Volts). Of these, 98.6 per cent were completed within five business days (or as agreed to by the customer and the distributor), exceeding the industry target of 90 per cent for the fifth consecutive year. The Company's steady improvement over the past five years is mainly attributable to strong customer-focused business processes, improvements with scheduling practices, and maintaining an internal target of 98 per cent.

Hydro One expects to continue to meet its internal target, and outperform the industry target, mainly through further process and measurement improvements following planned enhancements to the Company's Geographical Information System (GIS), which will improve the ability to bundle work geographically, and scheduling efficiencies realized through process initiatives such as Move-to-Mobile, which will improve the efficiency and accuracy in the way Provincial Lines completes work across Ontario.

- **Scheduled Appointments Met On Time**

Hydro One scheduled 26,778 appointments in 2016. The Company recorded a 99.5 per cent success rate in meeting these commitments, exceeding the industry target of 90 per cent for the fifth consecutive year. The result for 2016 represents an increase of 1 percentage point compared to last year, and supports the improving historical trend. The Company's internal target for this metric is 99 per cent, and the historical performance has benefited from the same factors which contributed to the ability to connect residential and small business services within five business days.

The Company expects to continue to exceed the industry target and meet its internal target through the planned enhancements to GIS and Move-to-Mobile, discussed above.

This measure applies to appointments where customer presence is required, and also to those where customers do not need to be present. When a customer requests an appointment, the appointment must be scheduled within five business days (or as agreed to by the customer and the distributor). If customer presence is required, the distributor must commit to, and arrive within a four-hour window for the appointment. If customer presence is not required, the distributor must arrive on the scheduled date.

- **Telephone Calls Answered On Time**

Hydro One call centre agents handled about 1.56 million phone calls from customers in 2016, out of a total of about 2.8 million phone calls placed by customers (the difference between the number of agent-handled calls and the total calls placed was managed by the Company's Interactive Voice Response system). In 2016, the Company answered 74.2 per cent of calls within 30 seconds, exceeding the industry target by 9.2 percentage points, but 2.2 percentage points lower compared to last year. The year-over-year drop in performance was mainly attributable to an increase in the volume of customer calls regarding moving requests and collection enquiries during the summer months.

Hydro One expects its performance will continue to exceed the industry target of 65 per cent, and to meet the internal target of answering calls within 30 seconds or less, 80 per cent of the time. The Company has significant improvements planned to improve the customer experience with the call centre and to work towards achieving the internal target.

The planned improvements include enhancements to Hydro One's My Account. My Account is Hydro One's secure web portal which allows customers to self-serve, including: view and pay their bills; view their electricity usage; request service upgrades; sign up for paperless billing; and request outage alerts. Improved tools and analytics such as High Usage Alerts, energy usage information, personalized energy savings recommendations based on usage patterns, and access to an enhanced customer web portal will provide both Hydro One and its customers with a better understanding of energy usage and improve the ability to communicate more effectively, thereby reducing the need for customers to call into the call centre. The ability to route calls to the appropriate call centre representative with modern speech recognition and text-to-speech technologies, along with the integration of relevant caller information into a unified dashboard for call centre agents is expected to improve the overall customer experience with the call centre, while at the same time improving the overall performance of the call centre.

A further improvement in the performance of the call centre is expected to be recognized through the planned redesign of the customer bill. The bill redesign will make it easier for customers to understand their bills, resulting in lower billing-related call volumes into the call centre. Investments are also planned for the implementation of a dedicated customer complaint management system to track issues from initiation to resolution, improving both the overall customer satisfaction and reducing call volumes into the call centre.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution (FCR) reports the success of the distributor in resolving a customer's issue during the first contact, as reported by the customer. Hydro One measures FCR based on transactional surveys that are performed within five days of our interaction with the customer. In 2016, 82 per cent of issues were resolved during our first contact with the customer, matching the performance reported in 2015. Although performance for this metric has been flat compared to last year, Hydro One expects to improve performance over the coming years, ultimately reaching 88 per cent.

The Company expects to achieve its internal target through many of the same investments as outlined in the Telephone Calls Answered On-Time section above. The planned improvements to the Company's tools and analytics are expected to directly improve FCR performance by providing both Hydro One and its customers with a better understanding of energy usage and individual customer needs. The OEB requires all distributors to report this measure, however there is no common measurement standard for it among distributors.

- **Billing Accuracy**

In 2016, the Company issued 12,648,056 bills and achieved a 99.04 per cent billing accuracy, exceeding the industry target by about 1 percentage point and above the Company's internal target of 99 per cent. Compared to last year, the Company issued 650,876 additional bills in 2016, and improved billing accuracy by about 0.5 percentage points. The notable increase in the number of bills issued compared to last year (11,997,180 bills were issued in 2015) was mainly driven by customer growth and the OEB's direction to eliminate bi-monthly billing for customers acquired from acquisitions.

The Company's continued improvement is mainly attributable to ongoing business process optimization, investing in the smart meter network to expand and replace various network support tools, and a continued focus on addressing smart meters that do not meet the necessary quality levels. The company will continue to make ongoing investments in smart meters and the associated network to ensure Bill Accuracy meets internal and OEB targets. Additionally, Hydro One expects that it will continue to see a reduction in the number of smart meter communication issues as commercial cellular coverage improves throughout the Province, which will benefit billing accuracy.

- **Customer Satisfaction Survey Results**

The customer satisfaction survey result for 2016 was 84 per cent, representing a marginal decrease of 1 percentage point compared to 2016 Scorecard MD&A

last year. Hydro One measures customer satisfaction using an equally weighted composite index, which tracks seven components: Outage Handling, Agent Handled Calls, Forestry Services, New Connections and Upgrades, My Account, Large Distribution Accounts (LDAs), and Distribution Generator Per Cent of Milestones Met. The marginal decrease in customer satisfaction compared to last year was mainly attributable to execution and customer communication regarding service updates and new connections. Although the four-year trend is showing a decline in customer satisfaction, Hydro One expects to improve performance over the coming years, ultimately reaching 89 per cent.

Hydro One has several planned investments to improve overall customer satisfaction, including high usage alerts, paperless billing notifications, and the bill redesign discussed above. Planned improvements to Outage Handling include enhancements to the outage map on the Company's external website, a smartphone application, text message notifications, automated calls to land lines, and email messages. Along with improving overall data accuracy and the accuracy of estimated restoration times, these channels are expected to deliver valuable and timely information to customers, helping to improve overall customer satisfaction. The Forestry Services and New Connections and Upgrades teams are also taking steps to enhance their customer communication, scheduling, and execution of customer requests.

The OEB requires all distributors to report this measure, however there is no common measurement standard for it among distributors.

Safety

- **Public Safety**

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

Surveys are conducted every other year and are not scheduled again until 2017. For years without a survey, the OEB repeats the result from the previous year. For a discussion on the Company's 2015 results, please refer to the 2015 Scorecard Management Discussion & Analysis.

Although a survey was not conducted in 2016, the Company continued its public awareness and safety programs. Hydro One has several programs in-place that support the Company's Public Safety Policy, including the Hazard Hamlet, participating in community safety events

and agricultural fairs, the mobile Electricity Discovery Center (EDC), partnering with the Electrical Safety Authority (ESA), safety donations and sponsorships, and providing safety information on the Company's external website. In 2016, more than 80,000 visitors to the EDC learned about electrical safety, energy conservation, and the role Hydro One plays in their communities. The program connected with 70 communities throughout Ontario.

Public safety is also reinforced through internal requirements to include a public safety component when performing work on the distribution system to ensure that work activities do not create public hazards.

As was highlighted in the 2015 Scorecard Management Discussion & Analysis, 2015 was the first year results for this metric were reported, and surveys are completed every two years. 2015 results represent a baseline year and until additional results are available, the OEB has not set an industry target. While the Company also does not have an internal target, it expects to maintain or improve its performance by continuing with similar community outreach and educational initiatives as discussed above, and remains committed to participating in educating the general public on electrical safety.

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

Ontario Regulation 22/04 was introduced in early 2004 following recommendations from the ESA to ensure electrical safety and to track and report the safety records and compliance of electricity distributors. Distribution companies are required to submit declarations of compliance on the design, construction, and maintenance of distribution systems in accordance with the regulation, on an annual basis. An external auditor reviews and submits a final report along with a signed declaration of compliance by an officer of the Company. The performance target for compliance with Ontario Regulation 22/04 is for the distributor to be fully compliant, and is recorded as Compliant (C), Non-Compliant (NC), or Needs Improvement (NI). For 2016, the Company did not meet the performance target, and received a Needs Improvement (NI) score. The result was due to internal process non-compliance with tagging equipment removed from the Company's distribution poles. The Company has reinforced the related business process and is conducting spot audits to drive compliance.

Hydro One maintains an internal target of C, or Compliant and expects to achieve this through enforcing established processes to ensure full compliance with Regulation 22/04. Internal quality assurance audits, combined with due diligence inspections are also being implemented and will create opportunities for continuous improvement.

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

For 2016, the ESA identified eleven serious recordable electrical public incidents, resulting in an index value of 0.091 incidents per 1,000 kilometer of line for Hydro One. The Company experienced seven more incidents on its distribution system than the ESA distributor assigned value of four. The results were mainly attributable to a doubling in the number of motor vehicle accidents (MVAs) compared to 2015 (eight MVAs in 2016 vs. four MVAs in 2015). While Hydro One's public safety initiatives are not designed to specifically address MVAs, the Company has programs that reinforce public safety messaging, and safety campaigns focused on electrical safety and awareness for children and the public living or working in the vicinity of power lines.

Hydro One has an internal limit or maximum allowable level for serious electrical incidents of less than five, and will continue to report all incidents on the distribution system to the ESA. While there are no planned investments or process enhancements to specifically address MVAs, the Company has initiated enhancements to the managed process for reporting incidents to the ESA, including investigations of public safety events to identify opportunities for improvement to standards, work practices, and communications to mitigate the risk of future incidents.

The Serious Electrical Incident Index was designed to track and help improve public electrical safety on the distribution network over time. A distributor and any of its contractors or operators are required to report to the ESA any serious electrical incident involving members of the general public to the ESA within 48 hours. A serious electrical incident is defined as any electrical contact or any fire or explosion that caused or has the potential to cause, critical injury or death in any part of the distribution system operating at greater than 750 Volts (except as caused by lightning strikes).

System Reliability

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

For the 2016 Scorecard, the OEB restated the historical results to align with a revised reporting requirement for 2016, to report this metric exclusive of the effect of Major Events. Previously, this metric only excluded the effects of Loss of Supply – defined as an interruption due to problems associated with assets owned and/or operated by another party and/or problems with the bulk electrical system in Ontario. The OEB's revised reporting guidelines now exclude both Major Events and Loss of Supply. The revised guidelines effectively eliminate two categories which are beyond the control of the distributor, Loss of Supply and Major Events, to allow for a more representative measure of a distributor's performance during an outage caused by circumstances within its control.

In 2016, the Company reported an average outage duration of 7.83 hours, representing an increase of 0.18 hours or about 11 minutes compared to the restated performance in 2015. Due to the revised reporting requirements, the OEB also revised the distributor target for this metric. The target of 10.31 is based on the 2010 to 2014 simple average. However, the years 2010 to 2011 are adjusted for Loss of Supply only, whereas the years 2012 to 2014 are adjusted for both Loss of Supply and Major Events. The increase in 2016 was mainly attributable to the impact resulting from small to medium scale storms.

Hydro One's internal target (excluding both Major Events and Loss of Supply) is 7.1. When setting this target, Hydro One considered the distribution system outcomes that aligned with customer preferences and which would provide outcomes valued by its customers. Gradual investments in the distribution system will help achieve continued performance levels that are in-line with historical performance and the internal target. Some improvements in vegetation management programs may yield modest improvements, i.e. a reduction, to the number of hours that power to a customer is interrupted.

The metric represents the duration of interruptions, as the ratio of the total customer hours of interruption to the total number of customers served, and expressed as the average time in hours over the reporting period. The measure captures all planned and unplanned interruptions of one minute or longer, excluding the effects of Loss of Supply and Major Events. The OEB allows distributors the flexibility to select between three approved approaches when assessing whether or not an outage can be categorized as a Major Event. Hydro One uses the approved fixed percentage approach for defining a major event – a Major Event is one which affects ten per cent or more of Hydro One's customers. When comparing Hydro One's performance against other distributors, the method chosen by the comparator should be taken into consideration.

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

The OEB revised reporting guidelines for this metric in the same manner as described in the section above, Average Number of Hours that Power to a Customer is Interrupted. For 2016, the Company reported the Loss of Supply and Major Events adjusted average frequency of customer interruptions at 2.47 per customer – an improvement of 0.16 fewer average interruptions per customer compared to last year. The target of 2.93 is based on the 2010 to 2014 simple average. However, the years 2010 to 2011 are adjusted for Loss of Supply only, whereas the years 2012 to 2014 are adjusted for both Loss of Supply and Major Events. The overall trend continues to improve, showing a reduction to the number of times that power is interrupted to customers by about 0.10 fewer average interruptions per customer since 2012.

Hydro One's internal target (excluding both Major Events and Loss of Supply) is 2.6. This target was established based on the same principles discussed in the section above, and is expected to be achieved through the same gradual investments in the distribution systems and improvements in vegetation management.

Due to the significant rural aspect of the Company's distribution systems, all weather in the Province affects some part of the Company's network and can result in significant variations in the duration and frequency portions of the System Reliability metrics.

Asset Management

- **Distribution System Plan Implementation Progress**

For 2016, the Company exceeded its planned investments in the system by 5 per cent, which was mainly attributable to higher spending on trouble calls and storm damage restoration, as well as, higher spending on metering work. Hydro One is replacing meters because its service provider is phasing out network cellular technology by April 2018. The new meters align with the service provider's new technology and prevent loss of data communication between Hydro One and its customers.

Hydro One maintains an internal target of 100 per cent for this metric. The Company's Distribution System Plan (DSP) outlines the forecasted capital expenditures over the next five years, required to maintain and expand the electricity system to serve current and future customers. Progress is measured as the ratio of actual total in-service capital expenditures made in a calendar year to the total amount of planned in-service capital expenditures for the same year.

The OEB requires all distributors to report this measure, however there is no common measurement standard for it among distributors.

Cost Control

- **Efficiency Assessment**

The three cost control metrics are evaluated on behalf of the OEB by an independent party, the Pacific Economics Group LLC (PEG). The PEG study segments electrical distributors into five groups based on a benchmarking evaluation of cost efficiency as measured by the difference between actual costs and PEG's prediction of costs. Group 1 distributors are considered most efficient, with actual costs 25 per

cent or more below predicted costs and Group 5 distributors are considered least efficient, according to the PEG methodology, with actual costs 25 per cent or more above predicted costs. Cost benchmarking is impacted by the nature and profile of distribution systems, with rural system such as Hydro One generally ranking lower than the results of typical urban utilities. For 2016, PEG assessed Hydro One's efficiency as Group 4, translating to an assessment of costs in excess of 10 per cent to 25 per cent of the PEG predicted costs.

The Company has set an internal target of Group 5. Hydro One recognizes that it is an extreme outlier within the Ontario dataset that underlies the PEG model and results. Future expected cost savings are not expected to result in a shift outside of Group 5 as assessed by PEG.

- **Total Cost per Customer**

In 2016, Hydro One's total cost per customer as assessed by PEG was \$987, a nominal increase of \$4 per customer compared to the previous year. This increase was mainly attributable to an increase in spending on the Company's brush control program in 2016. Funding for the program was reduced in 2014 and 2015 to manage work prioritization, and as a result, funding was significantly increased in 2016 to catch up on the brush clearing cycles.

The total cost per customer is defined as the total Capital and Operations, Management, & Administration (OM&A) costs, divided by the total number of customers served, including certain adjustments prescribed by the PEG methodology.

While the Company does not have an internal target for this metric, Hydro One does have a separate target for the total OM&A costs per customer as part of its Distribution OEB Scorecard. The Distribution OEB Scorecard is a scorecard proposed by Hydro One in its most recent Distribution application, to help demonstrate the distribution system outcomes and performance. In its Distribution application, Hydro One proposed to report the Distribution OEB Scorecard on an annual basis, or as determined by the OEB. Both the Distribution application and the Distribution OEB Scorecard remain to be approved by the OEB.

- **Total Cost per km of Line**

In 2016, the Company's total cost per kilometer of line as assessed by PEG was \$10,551, representing an increase of \$353 per kilometer of line. The increase was attributable to the same factors discussed in the Total Cost per Customer section above.

The total cost per kilometre of line is defined as the total Capital and OM&A costs, divided by the total number of kilometres of line operated to serve customers, along with certain PEG prescribed adjustments.

While the Company does not have an internal target for this metric, Hydro One does have a separate target for the total OM&A costs per kilometer of line as part of its Distribution OEB Scorecard, as described in the section above.

Conservation & Demand Management

- **Net Cumulative Energy Savings (Per cent of target achieved)**

Under the Conservation First Framework issued by the Minister of Energy in 2014, Local Distribution Companies must submit Conservation & Demand Management (CDM) Plans to the Independent Electricity System Operator (IESO) to demonstrate their plan to meet their assigned CDM targets within their allocated budgets. Hydro One's recently updated CDM Plan Submission reflects (1) the Company's increased target of 1,221 GWh and budget of \$338.4 million as a result of acquiring Norfolk Power Distribution Inc., Haldimand County Hydro Inc., and Woodstock Hydro Services Inc.; (2) entering into a Joint CDM Plan with Festival Hydro which would allow both utilities to earn additional 50 per cent (1.5 ¢ per kWh) in bonus at midterm and/or 2020 targets if their target is achieved or exceeded; and (3) a new Province-Wide Business Refrigeration Program.

For 2016, the Company achieved 42.5 per cent, or 519 GWh, of its 1,221 GWh target. Hydro One is on track to achieve its 611 GWh mid-term target by December 2017. Hydro One plans to achieve its target through ongoing monthly monitoring and reporting efforts, performing transactional customer surveys, and through regular monitoring and performance tracking of its CDM support vendors.

Connection of Renewable Generation

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

A Connection Impact Assessment (CIA) is used to assess the impact of a new connection on the distribution system, and is applicable to facilities that are greater than 10 kW. For 2016, and for the fourth consecutive year, the Company completed 100 per cent of the CIAs received, on time (i.e., within 60 days from the date the CIA is received). Performance continues to be mainly attributable to process

improvements and due diligence oversight for CIA work.

The Company's internal target is 99 per cent, which was set based on the historical average performance. The decision for setting this target was based on various factors such as a significant increase in the Feed-In-Tariff (FIT) 4.0 applications received since December 2016; the expected FIT 5.0 applications in the second half of 2017; the expected increases in the number of net metering customers; and uncertainty due to changes in the FIT programs overall. Further process improvements and workflow automation, including regular monitoring of CIA application volumes and performance monitoring, are expected to help achieve the internal target of 99 per cent.

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

For the fourth consecutive year, the Company exceeded the industry target, achieving a 99.22 per cent on-time rate for connecting new micro-embedded generation facilities. The metric measures the Company's ability to connect micro-embedded generation facilities – those less than 10 kW – within five business days, measured against an industry target of 90 per cent.

The Company's internal target is 99 per cent. This target was set based on the Company's expected ability to maintain its current historical performance of 99.7 per cent. The Company expects that its ability to meet its internal target may be moderately affected by an expected increase in net metering applications; the challenges presented with customers connecting MicroFIT and net metering generation on the same premises; and the expected introduction of Federal and Provincial programs, such as microGrid and Net Zero which will required the definition of standard processes. The expectation is that Hydro One will meet its internal target through similar process optimization and workflow automation as described in the section above, and also through improved work notifications and an overhaul of working instructions, better education, and improved communication of expectations to field staff.

Financial Ratios

The basis for these financial ratios is the Company's Distribution Business Financial Statements as at December 31, 2016, filed with the OEB under the Electricity Recording & Record-Keeping Requirements (RRR) submission.

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

For 2016, the current ratio was reported as 0.80, lower compared to last year's value of 0.97. This result indicates that for every one dollar

of debt due within the year, the Company had \$0.80 in cash or cash equivalents on-hand to cover the obligations. The measure is defined and calculated by the OEB, using a uniform statement of accounts based on the Company's Distribution financial statements. Generally, liquidity is calculated as the ratio of current assets, defined as cash or other assets to be converted to cash within the year and which can be used to fund daily operations and pay ongoing expenses to current liabilities, defined as short term debts or financial obligations that become due within the year.

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

The debt-to-equity ratio is a measure of the Company's financial leverage and serves to identify the ability to finance assets and fulfill obligations to creditors. The OEB-deemed capital structure is 60 per cent to 40 per cent debt-to-equity structure (a ratio of 1.5). For 2016, the Company's debt-to-equity ratio was 1.46.

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

Hydro One's deemed regulatory return on equity (ROE) for 2016 was 9.19 per cent.

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

For the year 2016, the Company achieved a regulatory return on equity of 8.41 per cent for its Distribution business, compared to the deemed ROE of 9.19 per cent. This represents a decrease of 0.36 percentage points compared to 2015, and 0.78 percentage points lower than the deemed ROE for the year. The results were mainly attributable to lower net income and higher rate base compared to the deemed values. OM&A costs were lower than the deemed values, however this was offset by lower revenues and a higher interest amount attributable to the higher total rate base.

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.

FORWARD-LOOKING STATEMENTS AND INFORMATION

Words such as "expect," "anticipate," "intend," "attempt," "may," "plan," "will", "can", "believe," "seek," "estimate," and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Some of the factors that could cause such differences include legislative or regulatory developments, an unexpected increase in call centre volumes, financial market conditions, general economic conditions and the weather. We do not intend, and we disclaim any obligation to update any forward-looking statements, except as required by law.