

Scorecard - Toronto Hydro-Electric System Limited

9/29/2016

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	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	94.00%	92.50%	94.20%	91.50%	96.90%		90.00%		
		Scheduled Appointments Met On Time	99.60%	99.30%	99.60%	99.80%	99.90%		90.00%		
		Telephone Calls Answered On Time	72.70%	76.90%	82.00%	71.90%	76.80%		65.00%		
	Customer Satisfaction	First Contact Resolution			77%	81%	84				
		Billing Accuracy			96.6%	96.62%	97.54%		98.00%		
		Customer Satisfaction Survey Results				91%	91%				
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					71.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	NI	NI	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	1	2	3	0			1
	Rate per 10, 100, 1000 km of line		0.000	0.099	0.202	0.295	0.000			0.083	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.38	1.46	17.81	1.14	1.35			4.60	
		Average Number of Times that Power to a Customer is Interrupted ²	1.48	1.47	2.39	1.36	1.40			1.65	
	Asset Management	Distribution System Plan Implementation Progress			105%	147%	100%				
	Cost Control	Efficiency Assessment		5	5	5	5				
		Total Cost per Customer ³	\$951	\$900	\$924	\$967	\$1,000				
		Total Cost per Km of Line ³	\$67,015	\$65,273	\$66,793	\$70,688	\$73,309				
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					12.51%		1,576.05 GWh		
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	70.11%	90.79%	100.00%	97.12%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	100.00%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.26	0.59	0.80	0.68	0.67				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.43	1.37	1.34	1.65	1.57				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.58%	9.30%			
			Achieved	9.73%	7.62%	7.10%	7.41%	10.71%			

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

2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

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

4. The CDM measure is based on the new 2015-2020 Conservation First Framework. This measure is under review and subject to change in the future.

Legend:

5-year trend

up down flat

Current year

target met target not met

2015 Scorecard Management Discussion and Analysis (“2015 Scorecard MD&A”)

The link below provides a document titled “Scorecard – Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2015 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Toronto Hydro’s 2015 scorecard results reflect our emphasis on the four corporate pillars: excellence in customer service, reliable and sustainable system operations, fully engaged, safe and healthy workforce, and financial strength. As a mature utility serving a dense urban environment, Toronto Hydro continues to address the many challenges in rebuilding its aging distribution system to meet the needs of its customers during rapid urban growth. In 2015, our performance on the Scorecard measures has generally remained consistent with the previous year, with several improvements in billing accuracy, connection timeliness, public safety, and reductions in the growth rate of expenses per customer and kilometer of the line. Toronto Hydro’s results on cost efficiency (as measured by the OEB) are in large part a function of an extensive multi-year capital program that is subject to the OEB’s monitoring and approval. Moreover, Toronto Hydro faces a number of business conditions, the scope and nature of which is largely unique in the Ontario context. The utility’s cost efficiency performance (as measured by the OEB) is materially improved when normalized for the presence of these conditions, as described in more detail below. Toronto Hydro’s 2015 financial performance (as measured by the OEB) has remained relatively stable, and we invite our customers and other stakeholders to review the utility’s financial reporting documents for additional information. Appended to this MD&A document is also the discussion of our results on additional Distribution System Plan (“DSP”) performance measures approved by the OEB in the course of our 2015-2019 Custom IR application.

Important Note: The information disclosed in Toronto Hydro’s Scorecard and discussed in this MD&A (the “Scorecard MD&A”) is prescribed by, and determined in accordance with, the OEB’s *Report of the Board: Performance Measurement for Electricity Distributors: A Scorecard Approach* dated March 5, 2014 (the “Scorecard Report”), the OEB *Electricity Reporting and Record Keeping Requirements* dated May 3, 2016 (the “RRR”), the OEB *Accounting Procedures Handbook for Electricity Distributors* (the “APH”), the *2006 Electricity Distribution Rate Handbook* (the “EDR”) and related OEB guidance documents (collectively, the “OEB Documents”). In particular, the Scorecard’s performance measures, and the financial figures which underlie them, are determined exclusively by reference to the calculation methods set out in the OEB Documents. Notably, unlike the financial statements that Toronto Hydro is required to prepare and disclose, the Scorecard’s performance measures are *not* prepared in accordance with the *International Financial Reporting Standards* (“IFRS”) (“IFRS”). As a result, the performance measures presented in the Scorecard and this Scorecard MD&A may differ from similarly-termed information disclosed in Toronto Hydro’s securities documents, which are filed with the Ontario Securities Commission and available to the public. For an analysis of Toronto Hydro’s financial performance as determined in accordance with the IFRS, please refer to the Corporation’s audited consolidated financial statements for the year ended December 31, 2015, which may be read in conjunction with Toronto Hydro’s Management’s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2015, and its Annual Information Form, all of which are available on the System for Electronic Document Analysis and Retrieval website at www.sedar.com (“SEDAR”).

Service Quality

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

In 2015 Toronto Hydro connected 96.9% of 2,715 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the *Distribution System Code*. This is a substantial increase from the 2014 levels of 91.5%, and remains above the OEB-mandated threshold of 90%. Serving one of the fastest growing cities in North America, Toronto Hydro receives high volumes of requests to connect new residential developments and businesses each year. Toronto Hydro strives to integrate the connection work with its planned construction activities to help ensure that the scope, nature and timing of connection work does not adversely affect the utility's planned work program. Where possible, Toronto Hydro also coordinates its connection work with construction activities undertaken by other utilities and municipal and provincial government agencies.

- **Scheduled Appointments Met On Time**

In 2015, Toronto Hydro scheduled over 115,731 appointments to complete work requested by customers (about 78 appointments per working day). The utility met 99.9% of these appointments, surpassing the previous year's record and significantly exceeding the industry target of 90%. Providing excellence in customer service is at the core of Toronto Hydro's corporate philosophy, and the utility is consistently seeking new ways to foster meaningful two-way communication, expand the range of service offerings, improve service convenience, and integrate new technological advancements to drive service level improvements.

- **Telephone Calls Answered On Time**

In 2015 Toronto Hydro's Contact Centre received over 520,000 calls from its customers – over 2,000 calls per working day. Toronto Hydro's call center agents answered these calls in 30 seconds or less 76.8% of the time (once customers selected an option to speak to the utility's representative), above the OEB-mandated target of 65%. The 2015 result is approximately 5% higher than the 2014 result of 71.9% due to a number of factors, including a 2% reduction in call volumes, the successful promotion of online self-serve features, internal process improvements, increased social media engagement and a growing customer preference to contact Toronto Hydro via email.

Customer Satisfaction

- **First Contact Resolution**

First call resolution, which tracks the rate of customer inquiries being resolved in the first instance of contacting the utility, was 84.0% in 2015, compared to 81.0% in 2014. The increase is a function of Toronto Hydro's continued focus on maintaining a customer-centric culture and a sustained commitment to service quality. To further enhance the quality of its customer service transactions, Toronto Hydro undertook a number of initiatives in 2015, including a call quality project and side-by-side coaching sessions that offered timely feedback in an effort to drive positive and sustainable behaviours. Other service quality improvements included continuous training throughout the year, and design enhancements to a number of Contact Centre operating protocols. Based on Toronto Hydro's research, customers tend to value the resolution of their inquiries after a single point of contact more than most other service quality measures (such as timeliness of call answering). Accordingly,

the utility continues exploring ways to increase the effectiveness of consumer-utility interactions, while enabling customers with more self-service tools to resolve their issues without contacting the utility directly.

- **Billing Accuracy**

The Billing Accuracy measure represents the ratio of the number of accurate bills issued, over the total number of bills issued. Billing accuracy issues can arise for a number of reasons, including meter reading errors, estimated bills due to lack of metering data, and corrections to account information.

In 2015, Toronto Hydro's Billing Accuracy result was 97.54%, compared to 96.62% in 2014.¹ The improvement was primarily due to strategic investments to enhance the performance of metering, wireless consumption data collection and verification technologies made over the past two years to comply with the performance target of 98.0% mandated in 2014. As one of the earliest adopters of smart meter technology, Toronto Hydro employs a significant number of "first generation" smart meters, which have technological limitations as compared to newer models. In addition, Toronto's dense urban environment, proliferation of high-rise buildings, and below-grade meter rooms create material challenges in obtaining consistent wireless meter reads across its service territory. While the 2015 results were slightly less than the OEB's standard, Toronto Hydro expects to achieve this target in 2016 through the continued benefits resulting from the aforementioned investments.

- **Customer Satisfaction Survey Results**

This measure requires utilities to canvass customer satisfaction in the areas of power quality and reliability, price, billing and payment, communications and customer service. In anticipation of a standard Ontario-wide Customer Satisfaction Survey methodology being introduced later in 2016, Toronto Hydro exercised its option to report the survey results used on the last year's scorecard, as permitted by the OEB rules. As such, there was no change in the customer satisfaction score of 91% first reported in 2014.

Safety

- **Public Safety**

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

The results of a Public Safety Awareness survey, administered among the residents of utilities' service territories is the newest component of the Public Safety Scorecard measure. The survey tests the respondents' electrical safety awareness across several topics, including powerline clearance distances, emergency procedures related to vehicular collisions with utility equipment, and safety precautions related to excavation work. The overall awareness index across all categories was 71%. Toronto Hydro notes that in an effort to raise the electrical system safety awareness within its service territory, it conducted a multi-platform safety awareness campaign in 2015, with ads appearing on radio, television, and print and internet media. According to the survey's results, the respondents who recalled seeing the ad campaign materials had statistically higher scores than those who did not.

¹ Due to the timing of the OEB's introduction of this measure, the 2014 results were based on the fourth quarter bills only.

Overall, the survey has provided Toronto Hydro with a number of specific insights regarding awareness levels across various demographics of Toronto residents, which the utility will factor into its future communications activities. These efforts may also consider some specific awareness challenges affecting dense urban service areas like the City of Toronto, including the knowledge levels among the residents of multi-unit high rise buildings, who do not typically come into proximity with electricity assets on a regular basis, and as such are less likely to concern themselves with issues of electrical safety.

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

This performance measure evaluates the status of a distributor’s compliance with Ontario Regulation (O. Reg.) 22/04, which sets out the key operating parameters with respect to ensuring electrical safety for existing and newly constructed distribution assets. The annual Compliance Audit and Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations are the four elements of this performance measure.

Toronto Hydro takes public safety in the vicinity of its distribution equipment very seriously and regularly carries out activities such as proactive contact voltage scans on street-level assets, taking prompt corrective action where potential safety issues are identified by staff and customers, and fostering a robust corporate safety culture. In 2015, the Electrical Safety Authority (“ESA”) found Toronto Hydro to be fully compliant with the requirements of the O. Reg. 22/04. Of the four areas comprising the evaluation, none were found to be non-compliant or in need of improvements.

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

Serious electrical incidents are defined in Ontario Regulation 22/04. The OEB measures these incidents as a ratio of total eligible incidents per km of line comprising a distributor’s distribution system. In the case of Toronto Hydro, the utility’s 2015 ratio was 0.00 incidents per 1,000 km of line – a significant reduction from the 2014 score of 0.295. This index amounts to a total of zero serious safety incidents occurring in the course of the year – a reduction from three the year prior. Toronto Hydro takes public safety in the vicinity of its distribution equipment very seriously and regularly carries out activities such as proactive contact voltage scans on street-level assets, taking prompt corrective action where potential safety issues are identified by staff and customers, and fostering a robust corporate safety culture.

System Reliability

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

In 2015, Toronto Hydro customers experienced an average outage duration of 1.35 hours. While this is a slight increase from the 2014 result of 1.14 hours, this is consistent with the utility’s expectations of normal year-over-year volatility driven by external factors, and meets the OEB’s performance standard for reliability.

While the overall statistics remained relatively stable year-over-year, significant reductions were observed on contributions from outages caused by vegetation and foreign contacts (which includes animals, vehicles, etc.). These reductions were offset by an increase in contribution from outages caused by adverse environmental conditions, owing largely to the heavy levels of street salt spraying by the municipality in February and March of 2015 to combat weather conditions, which led to widespread outages on Toronto Hydro’s overhead system.

Average Number of Times that Power to a Customer is Interrupted

The average number of power interruptions across Toronto Hydro's system has remained stable, showing a slight increase to 1.40 interruptions in 2015 from 1.36 in the year prior, which meets the OEB performance standard. Consistent with average duration of interruptions, the contribution from outages related to vegetation management and foreign contact with the equipment have materially decreased relative to 2014, while the increased volumes of salt spray by the municipality in February and March of 2015 to combat weather conditions led to an increase in the outage contributions from adverse environmental conditions.

Asset Management

- **Distribution System Plan Implementation Progress**

The progress of the Distribution System Plan implementation is a new performance measure instituted by the OEB starting in 2013, intended to measure the success of utilities in implementing their capital investment plans. The OEB currently requires utilities to define and report the measure in a manner that provides the most meaningful assessment of their performance.

Toronto Hydro's 2015-2019 Distribution System Plan ("DSP") Implementation Progress measure is a ratio of the actual annual capital expenditure amount to the aggregate approved five-year capital expenditure amount. Owing to the timing of the 2015-2019 capital expenditure amount approval,² the actual 2015 capital expenditures occurred in the absence of the approved amounts. As such, the DSP Implementation Progress metric for 2015 has been defaulted to 100%.

Cost Control

- **Efficiency Assessment**

The OEB assesses distributor efficiency using a comprehensive econometric benchmarking study that compares each utility's actual total costs to the average efficient levels predicted by the model. While Toronto Hydro endorses the importance of a sophisticated quantitative assessment of distributor efficiency, in the utility's view the OEB's current methodology does not optimally assess efficiency performance of a utility of Toronto Hydro's size, density, and asset base. This is primarily due to the fact that the sample of utilities included in the OEB's assessment is limited to only Ontario-based utilities.

In Toronto Hydro's view, it is more appropriate to compare its efficiency levels with a sample that also includes large urban U.S. utilities in addition to Ontario, as doing so balances the important objective of reflecting Ontario's regulatory and economic conditions, with the need to conduct an "apples to apples" comparison of utilities operating in service areas similar to that of Toronto Hydro. Toronto Hydro filed a study prepared by an independent expert that balanced these objectives as a part of its 2015-2019 Custom Incentive Regulation (Custom IR) rate application to the OEB. The OEB Decision in that proceeding validated the merits of a modified benchmarking approach for Toronto Hydro. On a modified benchmarking basis, Toronto Hydro's 2015 efficiency performance was well within the average performance levels for a utility of its size.

² OEB Final Rate Order, EB-2014-0116, March 1, 2016.

- **Total Cost per Customer**

In 2015, Toronto Hydro's total cost was \$33 higher than the 2014 result. The increase in cost per customer is primarily driven by an increase in capital costs, paired with a modest increase in operating costs at a level below inflation. This increase is consistent with Toronto Hydro's ongoing efforts to find operational efficiencies while undertaking capital work to replace aging assets, meet growing demand and safeguard against extreme weather events. The year-over-year increase in cost per customer from 2014 to 2015 is lower than the increase from 2013 to 2014.

Toronto Hydro notes that its Total Cost per Customer results (as calculated by the OEB) do not account for an estimated 350,000 multi-unit dwelling residents occupying buildings that are metered by a single "bulk" meter. Adding these residents into the calculation would significantly reduce Toronto Hydro's unitized total cost result.

- **Total Cost per km of Line**

In 2015, Toronto Hydro's Total Cost per km of Line was 3.7% higher than the 2014 result. As with the Total Cost per Customer measure, Toronto Hydro's higher cost per km of Line is primarily driven by an increase in capital costs, along with a modest increase of less than inflation in OM&A costs, as the utility continues seeking operating efficiencies to manage the costs of its capital work to renew its aging infrastructure, enable Toronto's rapid urban growth, and improve grid operability through new technologies. The observed 2014 to 2015 year-over-year increase is significantly lower than the increase from 2013 to 2014.

Toronto Hydro notes that this measure, as calculated by the OEB, does not account for the presence of a unique and expansive downtown underground network of secondary (lower-voltage) wires that provides an enhanced reliability to Toronto's downtown customers. Unlike the ordinary secondary wires used to connect individual buildings to the distribution system, which are typically excluded from total line length calculations, Toronto Hydro's secondary network is unique in its size and span in Ontario and performs a function similar to that of higher-voltage primary lines that are included as part of this measure. Including the length of the downtown underground secondary network into the Total Cost per km of Line calculation would result in a lower unitized cost.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

2015 was the first year of operating under the provincial Conservation First framework, which assigned new six-year targets for energy savings to all utilities. In 2015, Toronto Hydro's total incremental energy savings amounted to about 13% of its multi-year target, and about 105% of the utility's own forecast for the year. As 2015 was the first year under the new provincial conservation framework, the year-over-year results comparisons are not applicable.

Connection of Renewable Generation

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

A Connection Impact Assessment (“CIA”) is a detailed technical study that a utility must undertake prior to connecting all new qualifying sources of supply to its electricity network. The study ensures that generators seeking connection can be safely accommodated on the system, without having an adverse impact on system reliability for the existing customers. In 2015 Toronto Hydro completed 64 CIAs following requests by connecting customers, all of which were completed within the timelines specified by the *Distribution System Code*. The 100% result is a 3% improvement from the 2014 score of 97%, and is significantly above the 83.7% average rate over the 2010-2012 timeframe, indicating a sustained improvement in service levels in recent years.

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

In 2015 Toronto Hydro successfully connected all 122 new solar micro generation facilities within the required 5-day timeline, or as negotiated with individual proponents. This result exceeds the OEB’s target of 90%, and matches Toronto Hydro’s 100% performance in 2014 when 107 facilities were connected.

Financial Ratios

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

Toronto Hydro strives to maintain its financial health and viability for the benefit of its customers, shareholder and other stakeholders. Consistent with the OEB’s *Renewed Regulatory Framework for Electricity (RRFE)*, which places Financial Performance among the four key outcomes for regulated utilities, Financial Strength is among the four corporate pillars underlying our strategic vision.

Toronto Hydro notes that the OEB’s “Liquidity Ratio” is calculated by dividing the sum of a distributor’s “Current Assets” by the sum of the distributor’s “Current Liabilities” (see the OEB’s 2014 Scorecard Report, Appendix B). Toronto Hydro’s “Current Assets” and “Current Liabilities” are determined in accordance with the requirements of the Electricity Reporting and Record Keeping Requirements (“RRR”) and the Accounting Procedures Handbook (“APH”), and not by reference IFRS. As a result, the “Liquidity Ratio” expressed in the Scorecard and this Scorecard MD&A may differ from similarly-termed financial ratios or information presented in documents that Toronto Hydro is required to file under securities laws and which are available on SEDAR (www.sedar.com).

For analysis of the financial performance of Toronto Hydro Corporation, including that of the utility, please refer to the Management Discussion & Analysis available at www.torontohydro.com.

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

Toronto Hydro strives to maintain its financial health and viability for the benefit of its customers, shareholder and other stakeholders. Consistent with the OEB’s *Renewed Regulatory Framework for Electricity (RRFE)*, which places Financial Performance among the four key outcomes for regulated utilities, Financial Strength is among the four corporate pillars underlying our strategic vision.

Toronto Hydro notes that the OEB’s “Leverage Ratio” is calculated by dividing a distributor’s “Total Debt” by the aggregate “Shareholders’ Equity” in the distributor (see the OEB’s Scorecard Report, Appendix B). Toronto Hydro’s “Total Debt” and “Shareholders’ Equity” are determined in accordance with the requirements of the OEB’s Electricity Reporting and Record Keeping Requirements for Electricity Distributors (“RRR”) and the Accounting Procedures Handbook (“APH”), and not by reference to IFRS. As a result, the “Leverage Ratio” expressed in the Scorecard and this Scorecard MD&A may differ from similarly-termed financial ratios or information presented in documents that Toronto Hydro is required to file under securities laws and which are available on SEDAR (www.sedar.com).

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

Toronto Hydro strives to maintain its financial health and viability for the benefit of its customers, shareholder and other stakeholders. Consistent with the OEB’s *Renewed Regulatory Framework for Electricity (RRFE)*, which places Financial Performance among the four key outcomes for regulated utilities, Financial Strength is among the four corporate pillars underlying our strategic vision.

Toronto Hydro notes that the OEB Documents prescribe the form and manner in which a distributor is required to report on its “Regulatory Return on Equity” (the “Regulatory ROE”) (see the OEB’s Scorecard Report, Appendix B, and the Electricity Reporting and Record Keeping Requirements (RRR)). The Regulatory ROE is calculated on the same basis that Toronto Hydro uses to establish its “base rates” for a year, which is prescribed by the EDR. The Regulatory ROE is not determined in accordance with IFRS. As such, the Scorecard’s “Profitability” performance measures, and specifically the “Deemed” and “Achieved” Regulatory ROE presented in the Scorecard and this Scorecard MD&A, may differ from similarly-termed expressions of profitability and return on equity presented in documents that Toronto Hydro is required to file under securities laws and which are available on SEDAR (www.sedar.com).

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

Toronto Hydro strives to maintain its financial health and viability for the benefit of its customers, shareholder and other stakeholders. Consistent with the OEB’s *Renewed Regulatory Framework for Electricity (RRFE)*, which places Financial Performance among the four key outcomes for regulated utilities, Financial Strength is among the four corporate pillars underlying the utility’s strategic vision.

Toronto Hydro notes that the OEB Documents prescribe the form and manner in which a distributor is required to report on its “Regulatory Return on Equity” (the “Regulatory ROE”) (see the OEB’s Scorecard Report, Appendix B, and the Electricity Reporting and Record Keeping Requirements (RRR)). The Regulatory ROE is calculated on the same basis that Toronto Hydro uses to establish its “base rates” for a year, which is prescribed by the EDR. The Regulatory ROE is not determined in accordance with IFRS. As such, the Scorecard’s “Profitability” performance measures, and specifically the “Deemed” and “Achieved” Regulatory ROE presented in the Scorecard and this Scorecard MD&A, may differ from similarly-termed expressions of profitability and return on equity presented in documents that Toronto

Hydro is required to file under securities laws and which are available on SEDAR (www.sedar.com).

For analysis of the financial performance of Toronto Hydro Corporation, including that of the utility, please refer to the Management Discussion & Analysis available at www.torontohydro.com.

Note to Readers of 2015 Scorecard MD&A

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

APPENDIX A: Toronto Hydro CIR-specified Distribution System Plan Metrics as at December 31, 2015

Background

As a part of its 2015-2019 Custom Incentive Regulation (“CIR”) application (EB-2014-0116), Toronto Hydro proposed to annually report certain performance metrics specified in its Distribution System Plan (“DSP”). These metrics supplement those reported through the OEB Scorecard for electricity distributors.

Results Summary

The following table summarizes the results of the DSP metrics as at December 31, 2015.

Performance Measure & Category	2010	2011	2012	2013	2014	2015
<i>Customer-Oriented Performance Measures</i>						
System Average Interruption Duration (SAIDI) (hours)	1.18	1.38	0.99	1.12	0.89	0.99
System Average Interruption Frequency (SAIFI) (# of times)	1.53	1.48	1.28	1.34	1.18	1.31
Customer Average Interruption Duration (CAIDI) (hours)	0.77	0.93	0.77	0.84	0.75	0.76
Feeders Experiencing 7 or More Sustained Interruptions (FESI) (# of feeders)	41	35	29	33	36	23
Average Frequency of Momentary Interruptions (MAIFI) (# of times)	2.73	2.74	2.55	2.37	2.55	2.72
<i>Plan Efficiency and Effectiveness Measures</i>						
Plan Implementation Progress (%)				105	147	100
Planning Efficiency: Engineering and Support Costs (%)	10	7	9	7	8	8
Supply Chain Efficiency: Materials Handling On-Cost (%)	10	12	10	11	14	11
Construction Efficiency: Internal vs. Contractor Cost (%)					See Discussion	
Construction Efficiency: Asset Assembly Project Progress (progress report)					See Discussion	
<i>Asset and System Operation Performance Measures</i>						
Outages Caused by Defective Equipment (# of outages)	723	696	557	636	711	572
Stations Connection Capacity Availability (# of stations)	4	3	5	5	0	0
<u>Legend</u>						
<div style="display: flex; align-items: center;"> <div style="background-color: #cccccc; width: 20px; height: 10px; margin-right: 5px;"></div> - non-comparable results reflecting different (pre-CIR) calculation methodology </div>						
Note: Consistent with the CIR filing, all reliability measures are presented exclusive of Major Event Days and Loss of Supply events						

Important Note on Comparability with the OEB Distributor Scorecard Measures: Consistent with the manner of presenting this information in the CIR application, Toronto Hydro’s reliability statistics (SAIDI, SAIFI, CAIDI, and MAIFI) are presented after exclusion of impact of Loss of Supply events and Major Event Days, which are largely outside of the utility’s control. This is different from the results presented for SAIDI and SAIFI on the OEB Distributor Scorecard, which are reported inclusive of Loss of Supply and Major Event impact.

Supporting Discussion

1 Customer-Oriented Performance Measures

1.1 System and Customer Average Interruption Duration, and System Average Frequency Performance (SAIDI, SAIFI and CAIDI)

SAIDI, SAIFI and CAIDI measure the length (SAIDI) and frequency (SAIFI) of outages experienced on average across the utility’s system, and outage duration experienced by an average customer (CAIDI). Toronto Hydro’s results for all three of these measures remained stable in 2014 and 2015, continuing the overall downward trend exhibited in recent years.

Although the 2015 results for both outage Duration and Frequency were slightly above the year prior, they were both within the recent historical levels on an aggregate level. Of note were material year-over-year reductions in outages caused by tree contacts and foreign interference (animals, vehicles, etc.), offset by increases in outages caused by winter environmental conditions. Toronto hydro expects the current trends in SAIDI, SAIFI and CAIDI to continue become more favourable over the medium term.

1.2 Feeders Experiencing Seven or More Sustained Interruptions (“FESI”)

FESI measures the number of feeders on Toronto Hydro’s system that experienced seven or more interruptions exceeding one minute.

In 2014, 36 feeders reached or exceeded the threshold of seven sustained interruptions. In 2015, 23 reached or exceeded the threshold. These results extended the favourable trend in FESI since 2010, reflecting the targeted capital investments and reactive maintenance work performed by Toronto Hydro as a part of the Worst Performing Feeders program. As illustrated by the results from the past two years, the FESI metric is subject to significant year-over-year volatility, driven by factors that are not entirely within the utility’s control. Accordingly, while the individual year performance data is expected to fluctuate, over the medium term Toronto Hydro expects the overall trend to remain relatively stable.

1.3 Momentary Average Interruption Frequency Index (“MAIFI”)

MAIFI measures the frequency of momentary outages (those shorter than one minute). This metric remained consistent with the historical trend in 2014 and 2015, in part owing to capital investments through activities such as the Momentary Outage Reduction Program and preventative maintenance work. Toronto Hydro expects the year-over-year fluctuations to continue generally in line with SAIFI results.

2 Cost Efficiency and Effectiveness Measures

2.1 Distribution System Plan Implementation Progress

The 2015-2019 Distribution System Plan (“DSP”) Implementation Progress measure is a ratio of the actual annual capital expenditure amount to the approved annual capital expenditure amount. Owing to the timing of the 2015-2019 capital expenditure amount approval,³ the actual 2015 capital expenditures occurred in the absence of the approved 2015 capital expenditure amount. As such, the DSP Implementation Progress metric for 2015 has been defaulted to 100%.

2.2 Planning Efficiency: Planning, Engineering and Support Efficiency

The Planning, Engineering and Support efficiency measure is a ratio of annual capitalized labour underlying these activities, over the total annual capital expenditures associated with the distribution plant (that is, excluding General Plant spend). For the duration of the CIR period, the measure is reportable on a five-year rolling average basis. The 2011-2015 rolling average is 7.95%, which is below the 2009-2013 average of 9.9%. While this indicates a positive result, Toronto Hydro will continue studying the interaction of this new performance measure with its planning activities, but notes that the currently observed downward trend may reverse in lieu of a lower distribution capital spend approved in the CIR application, and a series of new planning activities contemplated by the utility.

2.3 Supply Chain Efficiency: Materials Handling On-Cost

The Material Handling On-Cost rate is the rate of eligible annual capitalized supply chain and warehousing costs, over the total annual capital cost of materials processed through Toronto Hydro’s warehouse. It is advanced as a measure of efficiency of the supply chain function. In 2014, the rate increased to 14%, followed by a decrease to 11% for 2015. The fluctuation reflects an initial overlap of new up-front outsourcing costs with residual legacy costs in 2014, followed by the onset of the expected outsourcing efficiencies in 2015. Toronto Hydro notes that the impact of the 2014 results produces an outlier value that produced a slightly increasing (cautionary) multi-year trend.

2.4 Construction Efficiency: Internal vs. Contractor Cost

In keeping with the confidentiality treatment of this metric during the 2015-2019 CIR proceeding, which was based on the commercially sensitive nature of the information, Toronto Hydro intends to report on this metric in a confidential filing in its next rebasing application.

2.5 Construction efficiency: Standard Asset Assembly Labour Inputs Progress Report

This annual progress report addresses the status of Toronto Hydro’s framework for standardizing the estimation, management and reporting of construction work progress by the utility’s internal crews. Over the 2014-2015 period, Toronto Hydro completed the following activities:

³ OEB Final Rate Order, EB-2014-0116, March 1, 2016.

1. *Scoping*: Planned changes to the construction, design, and reporting processes were identified and paired with IT system requirements to enable them.
2. *Piloting*: The project methodology was applied to a total of six pilot projects of various sizes and complexity.
3. *Approvals and Stakeholdering*: The project's revised parameters, reflecting the experience from the previous stages underwent internal approvals and were stakeholdered across the utility to secure common understanding and confirm timing and resourcing requirements.

Overall, the project remained on schedule over the 2014-2015 timeframe.

3 Asset and System Operation Performance Metrics

3.1 Outages Caused by Defective Equipment

The Outages Caused by Defective Equipment metric tracks the total number of sustained interruptions attributable to faulty equipment. In 2014 and 2015, the metric was within the historical range, while continuing the downward historical trend since 2010. In 2014, the number of outages (711) was the second highest total over the past five years; however, in 2015, the number of outages (572) fell below the trend line. The overall declining trend line and the year-over-year fluctuations align with Toronto Hydro's general expectations. The trend line is consistent with the effects of the capital renewal programs set out in the Distribution System Plan.

3.2 Stations Connection Capacity Availability

Stations Connection Capacity Availability measures the number of transformer stations, where subscribed capacity exceeds 90% of total available peak capacity. While the total number of stations operated by Toronto Hydro did not change in 2014 and 2015, the number of stations with subscription levels above the 90% peak capacity threshold has declined from five to zero, as the available system-wide capacity estimate was increased by five Mega Volt Amps (MVA). This is a result of the completion of a number of long-term load transfer projects that relieved capacity constraints at certain stations, along with normal revisions to estimated future capacity needs, made in response to changing customer requirements.