

Scorecard - Waterloo North Hydro Inc.

Performance Outcomes	Performance Categories	Measures	2017	2018	2019	2020	2021	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time	96.40%	99.33%	98.58%	99.68%	98.45%	⬆	90.00%		
		Telephone Calls Answered On Time	72.77%	92.72%	90.73%	86.59%	94.71%	⬆	65.00%		
	Customer Satisfaction	First Contact Resolution	99.90%	99.87%	99.82%	99.90%	99.95%	➡			
		Billing Accuracy	99.97%	99.97%	99.89%	99.97%	99.95%	➡	98.00%		
		Customer Satisfaction Survey Results	92%	96%	96%	96%	96%				
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	82.00%	82.00%	82.00%	82.00%	86.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C	➡		C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	6	1	3	0	⬇		2
			Rate per 10, 100, 1000 km of line	0.618	3.645	0.605	1.820	0.000	⬇		1.023
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.76	0.92	0.85	0.80	0.61	⬇		0.81	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.50	1.32	1.29	1.02	0.72	⬇		1.25	
	Asset Management	Distribution System Plan Implementation Progress	41.81%	61.36%	82.07%	101.83%	20.45%				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer <sup>3</sup>	\$773	\$819	\$833	\$797	\$826				
		Total Cost per Km of Line <sup>3</sup>	\$26,800	\$28,499	\$29,241	\$28,166	\$29,276				
<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).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time <sup>4</sup>	100.00%	100.00%	100.00%	100.00%					
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.08	1.08	0.93	1.04	0.97				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.18	1.14	1.13	1.24	1.11				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.19%	9.19%	9.19%	9.19%	8.34%			
			Achieved	8.37%	8.20%	7.13%	7.94%	7.74%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).  
 2. 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. Value displayed for 2021 reflects data from the first quarter, as the filing requirement was subsequently removed from the Reporting and Record-keeping Requirements (RRR).

**Legend:**

5-year trend  
 ⬆ up   ⬇ down   ➡ flat

Current year  
 ● target met   ● target not met

# 2021 Scorecard Management Discussion and Analysis (“2021 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 2021 Scorecard MD&A:

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

## Scorecard MD&A - General Overview

Waterloo North Hydro Inc. (WNH) exceeded all of its performance targets in 2021, and has continued to show strong performance in customer service quality, connections of renewable generation, financial management and capital plan implementation.

WNH’s team of 124 employees effectively manage a distribution system that serves over 58,000 customers spanning 683 square kilometers and includes more than 1,600 kilometers of overhead and underground distribution lines.

### Service Quality

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

In 2021, WNH connected 100% of the 376 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 OEB. This maintains the high level of service from the previous year and is above the OEB-mandated threshold of 90%. WNH works with customers and customer representatives to ensure very timely responses to their requests and expects to maintain this level of service in 2022.

- **Scheduled Appointments Met On Time**

WNH scheduled over 350 appointments with its customers in 2021 to complete work requested by customers, read meters, reconnect services, or perform necessary maintenance. The utility met 98.45% (2020 – 99.68%) of these appointments on time, which significantly exceeds the industry target of 90%. WNH focuses on ensuring high levels of customer service when requested to meet with customers or customer representatives. It is very rare for WNH to miss an appointment or require an appointment to be rescheduled. Where this could occur is during a major outage, or inclement weather. WNH expects to continue this level of service in 2022.

- **Telephone Calls Answered On Time**

WNH's customer contact centre received over 25,000 calls from customers in 2021. The call centre agents answered 94.71% of these calls in 30 seconds or less, representing an increase from 2020 (86.59%). This performance exceeds the industry target of 65.0% for timely call response. Although OEB's target is 65%, WNH has an internal target of 90% to maintain its high level of customer satisfaction rating and continues to develop new ways for customers to connect with our staff quickly and easily to reduce wait times and call volumes.

## Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution is measured based on the number of calls escalated to a supervisor after a call centre agent first assisted the customer. In 2021, only 13 calls needed escalation to a supervisor after the first contact resulting in a 99.95% resolution on first contact (2020 – 99.90%). WNH expects this level of resolution to continue in 2022.

- **Billing Accuracy**

During 2021, WNH issued more than 716,000 bills and achieved a billing accuracy of 99.95% (2020 – 99.97%). This compares favourably to the industry target of 98%. WNH expects this level of accuracy to continue in 2022.

- **Customer Satisfaction Survey Results**

The OEB introduced the Customer Satisfaction Survey measure in 2013. Electricity distributors are required to measure and report customer satisfaction results at least every other year.

In 2020, WNH engaged an independent third party to conduct customer satisfaction surveys. The survey asks customers questions on a wide range of topics including: overall satisfaction with WNH, customer service, outages, cost, billing and corporate image, customer expectations and needs. This feedback is incorporated into WNH's planning process and forms the basis of plans to improve customer satisfaction, meet the needs of customers, and address areas of improvement. In 2020, WNH received a satisfaction score of 96% from its customers which is consistent with the 2018 survey of 96%, WNH's results are above the provincial average of 90%. WNH believes that its customer feedback and satisfaction score reflects efforts that it continues to make in the community by listening to customer feedback and incorporating it into business plans.

## Safety

- **Public Safety**

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

In 2015, the OEB introduced the Level of Public Awareness indicator which attempts to measure the level of awareness of key electrical safety precautions among the public in the electricity distributor's service territory. Utilities are required to carry out a survey developed by the Electrical Safety Authority every two years. WNH improved its score to 86% in 2021, which was an increase from 82% received in the first three surveys conducted in 2015, 2017 and 2019. While WNH is satisfied with these results, the utility will strive to improve upon this score through public education initiatives going forward. The next survey is scheduled to be completed in 2023.

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

This measure addresses the level of distributor compliance to Ontario Regulation 22/04, Electrical Distribution Safety. This regulation establishes a standard for safety performance that deals with electrical safety requirements for the design, construction, and maintenance of electrical distribution systems. It includes an audit of compliance, declaration of compliance, reports evaluated (e.g., due diligence inspections, audits, public safety concerns, etc.), and outcome (e.g., compliant, needs improvement, non-compliant). The performance target for the level of compliance with Ontario Regulation 22/04 is for the distributor to be fully compliant with Ontario Regulation 22/04. WNH has been compliant with Ontario Regulation 22/04 since the measure was initially tracked in 2010 through to 2021.

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

The Serious Electrical Incident Index component of the public safety measure is intended to address the resultant impact in improving public electrical safety on the distribution networks over time. It measures the number of and rate of serious electrical incidents occurring on a distributor's assets and is normalized per 1,000 km of line. Both the actual number and the rate per km of line are shown on the Scorecard.

The performance target for Serious Electrical Incident Index is set based on a distributor's specific performance target using the distributor's historical data and prior performance.

The data reported on the 2021 scorecard are the results from the 2021 ESA audit of 2020 events. In 2020 there were no serious electrical incidents within Waterloo North Hydro's service territory. WNH takes a diligent and highly cooperative approach to the ESA audits in order to be proactive and ensure the safest environment possible. WNH reviews all incidents and makes appropriate

adjustments to system renewal and maintenance activities as required. WNH continues to make public safety a priority through its educational activities and programs.

## System Reliability

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

During 2021, there were 649 interruptions resulting in 58,945 total customer interruptions with an average duration of 0.61 hours per customer. This average represents a decrease from the 2020 duration period (0.80 hours per customer), and is below the target of 0.81 hours per interruption.

WNH continues to view the reliability of electricity service as a high priority for its customers and as such developed programs several years ago for the continuous improvement of reliability. The program includes a constant review of reliability within the 24/7 control room and a response plan for any areas of the distribution system experiencing a degradation in reliability. This, combined with WNH's commitment to review the worst performing feeders on an ongoing basis to improve reliability, will ensure customers continue to receive high value from their electricity service.

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

WNH's Average Number of Times that Power to a Customer is Interrupted for 2021 was 0.72 times per customer. This rate is below WNH's target of 1.25 and has decreased from 2020 (1.02). WNH has adopted a proactive, balanced approach to distribution system planning and infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets, to manage distribution system risks, to ensure the safe and reliable delivery of electricity, and to balance customer and utility affordability.

## Asset Management

- **Distribution System Plan Implementation Progress**

Distribution System Plan (DSP) implementation progress is a performance measure instituted by the OEB in 2014. Consistent with other new measures, utilities were given an opportunity to define it in the manner that best fits their organization. The DSP outlines WNH's forecasted capital expenditures over the next five (5) years that are required to maintain and expand the electricity system to serve current and future customers. The "Distribution System Plan Implementation Progress" measure is

intended to assess WNH's effectiveness at planning and implementing the DSP.

WNH filed an application with the OEB for a full review of its rates effective January 1, 2021, that included a DSP. The application and DSP were approved by the OEB in the Fall of 2020. In 2021, during the first year ("Test year") of the current five year DSP (2021-2025), WNH has reported 20.45% which is slightly higher than the 20% that was expected to be spent in its Distribution System Plan Implementation Progress as of December 31, 2021. This measure was calculated by comparing WNH's actual capital expenditures from 2021 compared to the total five-year capital expenditures as per the DSP.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario's local electricity distribution companies are evaluated by 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 actual and predicted costs. In 2021, WNH maintained its place in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered "average efficiency" – in other words, WNH's costs are within the average cost range for distributors in the Province of Ontario. WNH's forward-looking goal is to maintain its efficiency ranking.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of WNH's capital and operating costs per customer. The cost performance result for 2021 is \$826/customer which represents an increase of 3.6% from 2020 (\$797).

WNH will continue to replace distribution assets proactively, along a carefully managed timeframe in a manner that balances system risks and customer rate impacts as demonstrated in the 2021 rate application. WNH will continue to implement productivity improvement initiatives to help offset some of the costs associated with future system improvements and enhancements.

- **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 WNH operates. WNH's 2021 rate is \$29,276 per Km of line, an increase of 3.9% from 2020 (\$28,166). WNH continues to seek innovative solutions to help ensure cost/km of line remains competitive and is affordable for customers.

## 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 2021, WNH performed no CIAs. WNH has connected 100% of its CIA reviews over the past five years.

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

In 2021, WNH connected one new micro-embedded generation facility (microFIT and net-meter projects of less than 10 kW) within the prescribed time frame of five business days (2020-100%). The minimum acceptable performance level for this measure is 90%. WNH's workflow to connect these projects is streamlined and transparent with customers. WNH works closely with its customers and their contractors to resolve any connection issues to ensure projects are connected on time.

## Financial Ratios

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

As an indicator of financial health, a current ratio of 1.0 or greater is considered good as it indicates that a company can meet its short-term financial obligations.

WNH's current ratio decreased slightly from 1.04 to 0.97 from 2020 to 2021. 2021's lower current ratio was mainly attributable to the increase in capital spending and borrowing less funds. WNH's current ratio in subsequent years is expected to have a current ratio of 1.0 or greater.

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

The OEB uses a deemed capital structure of 60% debt, 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). 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. Debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. WNH's 2021 ratio of 1.11 (2020 – 1.24) is well below the OEB threshold of 1.5.

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

WNH's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.34%. The OEB allows a distributor to earn within +/- 3% of the deemed return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review by the OEB of the distributor's revenues and costs structure .

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

WNH's return achieved in 2021 was 7.74%, which is within the +/-3% range allowed by the OEB. The average return over the past 3 years was 7.60%, which is also within the return included in WNH's approved rates.

### Note to Readers of 2021 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.