

Scorecard - Guelph Hydro Electric Systems Inc.

9/24/2014

Performance Outcomes	Performance Categories	Measures	2009	2010	2011	2012	2013	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	100.00%	99.80%	99.90%	100.00%	100.00%		90.00%	
		Scheduled Appointments Met On Time	96.50%	98.90%	98.60%	99.00%	97.10%		90.00%	
		Telephone Calls Answered On Time	70.60%	80.00%	92.90%	80.00%	83.70%		65.00%	
	Customer Satisfaction	First Contact Resolution								
		Billing Accuracy								
		Customer Satisfaction Survey Results					96%			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Public Safety [measure to be determined]								
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.21	0.33	1.70	0.31	2.21			at least within 0.21 - 1.70
		Average Number of Times that Power to a Customer is Interrupted	0.50	0.75	1.51	1.49	3.36			at least within 0.50 - 1.51
	Asset Management	Distribution System Plan Implementation Progress								
	Cost Control	Efficiency Assessment				3	3			
		Total Cost per Customer ¹	\$633	\$663	\$696	\$587	\$608			
		Total Cost per Km of Line ¹	\$29,341	\$31,284	\$32,650	\$27,427	\$28,952			
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 Annual Peak Demand Savings (Percent of target achieved) ²			20.00%	30.00%	36.50%			16.71MW
		Net Cumulative Energy Savings (Percent of target achieved)			72.00%	107.00%	127.40%			79.53GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			83.33%	80.00%	100.00%			
		New Micro-embedded Generation Facilities Connected On Time					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)	0.97	3.00	1.97	1.64	1.33			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.95	1.38	1.10	1.13	1.04			
		Profitability: Regulatory Return on Equity			Deemed (included in rates)	8.57%	9.42%	9.42%		
					Achieved	8.41%	7.50%	7.29%		

Legend:

- up
- down
- flat
- target met
- target not met

Notes:

1. These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.

2. The Conservation & Demand Management net annual peak demand savings do not include any persisting peak demand savings from the previous years.

Management Discussion and Analysis for Year 2013

Service Quality

Service Quality - New Residential / Small Business Services Connected on time

Guelph Hydro's New Residential/Small Business Services Connected on time rate continues to be above the industry target of 90% through a continued commitment to our customers and our process for new connections.

Service Quality -Scheduled Appointments Met on time - Locates

Guelph Hydro's Scheduled Appointments Met on time (Locates) rate continues to be above the industry target of 90% through a continued commitment to our customers and our process for completing locates within the 5 day window. Guelph Hydro meets with our locate contractor on a regular basis to review progress and discuss any improvements needed to maintain high standard of appointments met on time.

Telephone Calls Answered on Time: Guelph Hydro Electric Systems Inc.'s Customer Engagement Strategy was based on improving the Guelph Hydro's overall customer service experience. By shifting to online services and giving customers other channels such as online chat, Interactive Voice Recognition (IVR), improved email services promoted a culture of first contact resolution with Guelph Hydro customers. Our focus is to develop measures that reflect the customer's experience by improving energy literacy and responding to customer's expectations.

Customer Satisfaction

Customer Satisfaction Survey Results: Through our third-party conducted Customer Satisfaction Survey it was recognized that understanding the new TOU bill was one of the highest rated concerns that customers have. We began by empowering our Customer Service Representatives (CSRs) to adopt more of an analytical approach by learning TOU concepts in billing.

Training sessions on the relationship between our Customer Information System (CIS) and the Meter Data Management and Repository system (MDM/R) educated our CSRs on the complexities of billing in a smart meter environment compared to a basic meter reading environment.

This enhanced knowledge of our CSRs has resulted in the development of a culture of first-call resolution with Guelph Hydro customers. Today, emphasis is put on handling every individual element of an interaction with a customer.

To ensure future development within our Customer Service department we needed a tool to measure customer satisfaction. A Customer Satisfaction survey was implemented within our IVR. This will ensure that Guelph Hydro has metrics to improve future customer centric strategies.

Safety

System Reliability

System Reliability - Average Number of Hours that Power to a customer is interrupted (SAIDI) & System Reliability ? Average Number of Times that Power to a customer is interrupted (SAIFI)

In 2013, Guelph Hydro's system reliability statistics for both SAIDI and SAIFI fell outside our distributor target of 0.21-1.70 and 0.50-1.51 respectively. Guelph Hydro has reviewed the interruption data for 2013 along with previous years going back to 2009 in order to determine the root causes for the outages. Based on the data it was evident that Guelph Hydro experienced a higher number of significant events (major event days, MED's) in 2013 as compared to previous years causing our statistics to steer outside our normal high reliability rate. From our analysis of the interruption data, Guelph Hydro has determined that in 2013 our distribution system alone experienced 5 major event days removing loss of supply from our analysis. In comparison to previous year major event days [1(2009), 1(2010), 4(2011), 1(2012)], it was clear that the reason for the increase in our reliability numbers in 2013 was caused by a select number of major events. The major event day calculation was done using the IEEE 1366-2003, "IEEE Guide for Electric Power Distribution Reliability Indices". Of the 5 major event days in 2013, 4 can be directly related to storms which are outside the control of Guelph Hydro. By removing the effects of the 4 storms from the reliability calculation the new SAIDI and SAIFI statistics are 0.60 and 1.66 respectively.

Asset Management

Cost Control

In 2013, Guelph Hydro Inc. (GHI), the parent company of Guelph Hydro Electric Systems Inc. (GHESI), actively began exploring whether mergers, acquisitions or divestitures fit with the shareholder's long-term strategy and overall vision. This required a great deal of management time at the holding company level. In recognition of this effort, the Boards of Directors of both GHI and GHESI authorized the replacement of two regularly scheduled dividend payments from GHESI to GHI, with an equivalent amount of management fees repayable via inter-company promissory note. The impact of this was higher operating expenses in GHESI and has resulted the increase in Total Cost per Customer and Total Cost per KM of Line in 2013. GHESI does not anticipate the same expenses in 2014 and beyond.

Conservation & Demand Management

Since 2006, through two previous tranches of Conservation and Demand Management (CDM) programming, Guelph Hydro has consistently demonstrated a strong commitment to serving our customers. In the current tranche (2011-2014), Guelph Hydro was allocated 4-year targets of 16.71 MW of Net Summer Peak Demand Savings and 79.53 GWh of Net Cumulative Energy Savings.

Since 2011, Guelph Hydro's efforts in promoting CDM programs and educating our customers in their energy use, understanding their electricity billing as well as electricity savings opportunities, including participation in our province-wide saveONenergy CDM programs, has paid great dividends for our customers. This is validated through our 2013 Annual OPA DRAFT Verified CDM Results reporting, which at year-end 2013 indicates we have achieved over 127% of our 2014 cumulative energy savings target and just under 50% of our 2014 net summer peak demand savings target under the OPA's "Scenario 1" Reporting. The Scenario 1 reporting assumes that demand response resources have a persistence of only one year, and are therefore excluded from the 2011, 2012 and 2013 results reporting against 2014 target. "Scenario 2" reporting assumes that demand response resources remain in our service territory until 2014. As reported on our 2013 Annual OPA DRAFT Verified CDM Results report, under Scenario 2 Guelph Hydro's demand savings are calculated as 79.8% of 2014 target achieved, which places Guelph Hydro in the top 4 of all LDCs for 2013 life-to-date results. Although achieving the 2014 demand target will be difficult, Guelph Hydro will continue its efforts to meet or exceed its targets for 2014. We note that Guelph Hydro's 2013 OPA Final Verified Results Report was not available to Guelph Hydro at the time of completion of the OEB 2013 Scorecard, and as a result Guelph Hydro cannot comment on the 2013 CDM reported results.

A sampling of some of the success stories of the 2013 campaign include the following: 968 households upgrading their home's Heating & Cooling System with a saveONenergyOM Heating & Cooling incentive; 76 small commercial customers upgraded their lighting systems and received incentives totaling more than \$116,000, and over 80 Retrofit projects were completed by industrial, commercial and institutional customers through the support of over \$1M in customer incentives to bring these energy efficiency projects to life.

Connection of Renewable Generation

Connection of Renewable Generation - Renewable Generation Connection Impact Assessments Completed on time.

In 2013, Guelph Hydro completed one (1) Connection Impact Assessment (CIA) and it was done within the prescribed time limit. In 2012, Guelph Hydro completed five (5) CIAs in which four (4) were completed within the prescribed time limit. Guelph Hydro outsources the CIA work to an Engineering Consultants. Historically, the reason for any delays is mainly due to the consultant's workload and unexpected delays associated with getting more information from the customer. Since then, Guelph Hydro has developed and implemented certain measures in place, to ensure that the CIAs are done within 50 days instead of 60 days and also setting strict guidelines on the information required by the customer even before we begin the CIA work.

Connection of Renewable Generation - New Micro-embedded Generation Facilities Connected on time

In 2013, Guelph Hydro connected 73 microFIT projects and 7 FIT Projects within the prescribed industry target of 90%. This was a decrease from 2012, where Guelph Hydro connected 83 microFIT projects and 18 FIT Projects. Our workflow to connect these projects is very streamlined and transparent with our customers. We work closely with customers and their contractors to tackle any connection issues to ensure the project is connected on time.

Financial Ratios

Current Ratio: Guelph Hydro's 2013 current ratio of 1.33 is reflective of generally higher cost of power relative to previous years. In 2013, the sum of the Global Adjustment and Energy charges were significantly higher than in previous years, and this caused the company's cash balances to trend lower on monthly basis. There was no discernible trend in the other accounts that factor into current assets and current liabilities.

Total Debt to Equity Ratio: In 2013, Guelph Hydro's total debt to equity ratio was reflective of the need for the company to undertake a long-term debt issue to finance long-term distribution plant. Guelph Hydro's previous long-term debt issue for \$65 million was carried out in 2010. The proceeds of this issue were used to fund the smart meter installation project, to repay a promissory note with its municipal parent, and to fund the new Arlen transformer station. However, since that time, the bulk of capital expenditures on distribution plant have been funded out of operating cash flows, and this is underpinning the under-leveraged position of the company. Guelph Hydro intends to carry out a second long-term debt issue for the purposes of funding distribution capital as soon as possible, which debt issue should also remedy the under-leveraged position.

Return on Equity Guelph Hydro's achieved ROE of 7.29% in 2013 largely reflects three aspects: (1) the under-leveraged capital structure noted in the explanation of the debt to equity ratio causing the ROE to deteriorate on a year-over-year basis. A leverage position that is in line with the deemed capital structure will lead to a pick-up in ROE, ceteris paribus. (2) the under-estimation of depreciation expense in the 2012 cost of service (CoS) rates application. This main reason for this was due to the company's conversion to IFRS. It was also the result of understating construction costs for the Arlen transformer station due in a large part to receiving cost information from Hydro One much after the rates application had been filed. (3) the adverse impact on earnings due to the mechanics of the half-year rule on overall return when the LDC is rebased in one year but then enters a multi-year IRM cycle. This is particularly true when net fixed assets are growing faster than depreciation which is the case in Guelph Hydro's situation. The confluence of these three aspects meant that Guelph Hydro's distribution rates did not properly reflect the company's actual costs in 2012 and beyond, and this manifested in lower achieved ROEs when compared to deemed ROEs. Guelph Hydro intends to

address these items as part of its 2016 cost of service rates application.