

Scorecard - Oakville Hydro Electricity Distribution 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	97.20%	95.00%	95.40%	96.60%	95.40%		90.00%	
		Scheduled Appointments Met On Time	99.90%	93.70%	100.00%	100.00%	100.00%		90.00%	
		Telephone Calls Answered On Time	74.70%	86.20%	81.10%	83.70%	82.10%		65.00%	
	Customer Satisfaction	First Contact Resolution					98.9%			
		Billing Accuracy								
		Customer Satisfaction Survey Results					93%			
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	0.77	0.74	0.46	0.81	0.83			at least within 0.46 - 0.81
		Average Number of Times that Power to a Customer is Interrupted	1.57	1.15	1.01	0.97	1.09			at least within 0.97 - 1.57
	Asset Management	Distribution System Plan Implementation Progress								
	Cost Control	Efficiency Assessment				4	4			
		Total Cost per Customer ¹	\$619	\$664	\$710	\$695	\$730			
		Total Cost per Km of Line ¹	\$26,937	\$28,912	\$31,053	\$29,135	\$26,377			
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			11.00%	9.00%	18.00%			20.70MW
		Net Cumulative Energy Savings (Percent of target achieved)			36.00%	61.00%	75.30%			74.06GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			100.00%	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)	1.09	1.12	0.83	1.83	1.80			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.41	1.88	1.27	1.26	1.18			
		Profitability: Regulatory Return on Equity			Deemed (included in rates)	9.85%	9.85%	9.85%		
					Achieved	6.78%	5.49%	6.03%		

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

New Residential Services Connected On Time

The Distribution System Code requires electricity distributors to complete a connection for new service under 750 volts within five days from the day on which all applicable service conditions are satisfied. This service quality standard must be met at least 90% of the time on an annual basis. For the five-year period from 2009 through 2013, Oakville Hydro has consistently performed better than the Ontario Energy Board's Service Quality Indicator standard to complete 90% of new low voltage connections within five business days.

Scheduled Appointments Met On Time

The Distribution System Code requires that electricity distributors offer to schedule an appointment within a window of time that is no greater than four hours. The electricity distributor must then arrive for the appointment within the scheduled timeframe 90% of the time. For the five-year period from 2009 through 2013, Oakville Hydro has consistently performed better than the Ontario Energy Board's Service Quality Indicator standard to meet 90% of its appointments.

Telephone Calls Answered On Time

The Distribution System Code requires that electricity distributors answer calls within 30 seconds 65% of the time. This measure is influenced by things such as the number of power outages and news about the electricity market in the media and varies from year to year. While there has been some variation over the five-year period from 2009 through 2013, Oakville Hydro has consistently performed better than the Ontario Energy Board's Service Quality Indicator standard to answer 65% of the calls that it receives within 30 seconds.

Customer Satisfaction

First Contact Resolution

In 2013, Oakville Hydro began tracking the number of customer contacts that were resolved on the first contact. If there is a need to call the customer back or to escalate the question or complaint, the event is logged. The measure for First Contact Resolution is then calculated as the number of customer contacts not resolved with the first contact divided by the total number of customer contacts. In 2013, Oakville Hydro resolved 98.8% of its customer contacts on the first contact.

Billing Accuracy

On July 17, 2014, the Ontario Energy Board introduced a new billing accuracy measure effective October 1, 2014. The measure has been defined as the number of accurate bills issued expressed as a percentage of total bills issued. It is calculated as:

- percentage of bills accurately issued =
- total number of bills issued for the year - number of inaccurate bills issued for the year
- divided by the total number of bills issued for the year

Oakville Hydro will begin to track this measure on October 1, 2014 and will report its results for the period October 1, 2014 to December 31, 2014 in its 2014 scorecard results.

Customer Satisfaction Survey Results

The Ontario Energy Board introduced the Customer Satisfaction Survey Results measure beginning in 2013. At this time, the Ontario Energy Board is allowing electricity distributors to have discretion as to how they implement this measure.

Over the past three years, Oakville Hydro has engaged a third party to conduct customer satisfaction surveys. These customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within Oakville Hydro. The survey asks customers questions on a wide range of topics, including: overall satisfaction with Oakville Hydro, reliability, trust, customer service, outages, billing and corporate image.

In addition, Oakville Hydro provides input to this third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data is then incorporated into Oakville Hydro's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these customer satisfaction surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps to identify the most effective means of communication.

Oakville Hydro's 2013 Customer Satisfaction Results contain a number of measures of customer satisfaction. In its 2013, Scorecard Oakville Hydro reported the number of customers that were very or fairly satisfied with Oakville Hydro. Oakville received a score of 93% on this measure as compared to a score of 90% for other electricity distributors, both provincially and nationally. Oakville Hydro will continue to reassess the appropriate measure and target for improvement in customer satisfaction over the next four years.

Safety

Safety is Oakville Hydro's first priority. Safety is critical to its customers and its employees and Oakville Hydro has developed a safety program called "Stayin' Alive". This program provides Oakville Hydro's employees with quarterly meetings that engage them on various health and safety topics that are directly related to their jobs. This program ensures that new and existing employees are aware and reminded of the importance of proper health and safety practices.

In addition, Oakville Hydro has an Occupational Health and Safety Management System (OHSMS) in order to promote a safe work environment. The OHSMS aims to continuously improve safety performance through the effective management of risks and activities in the workplace and ensures the completion of safety-related training courses for employees. The OHSMS contains a set of plans, actions and procedures that assist the organization in systematically managing health and safety risks associated with the business. Oakville Hydro's health and safety department provides training, tools and other resources with an ultimate goal of zero workforce injuries and more efficient safety practices. Oakville Hydro also assesses areas of the business that may require additional safety training and ensures that it is compliant with applicable safety standards. In October 2013, Oakville Hydro received the President's Award from the Infrastructure Health and Safety Association (IHSA) for achieving 250,000 consecutive hours without a lost time injury.

From a customer and community perspective, Oakville Hydro continues to engage local elementary and high schools to discuss and reinforce the concept of a safety culture with students. Oakville Hydro also ensures customers are kept informed about electrical safety through website information. In both May 2013 and 2014, Oakville Hydro, in partnership with a neighbouring utility, presented Powerline Safety Seminars to the contractor community during the province's Powerline Safety Week. The seminar featured presentations by industry experts on potential hazards associated with overhead and underground powerlines, and provided guidelines to help keep workers safe. In 2014 Oakville Hydro in collaboration with the Canadian Electricity Association (CEA) and Springboard Management performed in a national safety video which has been made available to the public by the CEA demonstrating proper safety measures when working in the vicinity of overhead powerlines.

Oakville Hydro understands that the Ontario Energy Board has initiated a consultation with the Electrical Safety Authority to develop a public safety measure. Oakville Hydro will report on this measure once it has been finalized by the Ontario Energy Board.

System Reliability

Oakville Hydro has and will continue to focus on reliability and safety in order to meet the expectations of its customers. Oakville Hydro has developed an Asset Management Process to ensure that distribution assets are optimized through the evaluation of asset health, capacity utilization, performance measures, and risk consequence failure analysis and balance against cost efficiency and effectiveness. Oakville Hydro makes the necessary ongoing investments in its distribution system, including measured adoption of Smart Grid technology to maintain and improve reliability.

Oakville Hydro's reliability statistics for the average number of hours that power to a customer is interrupted (SAIDI) and the average number of times that power to a customer is interrupted (SAIFI) illustrate that Oakville Hydro's distribution system is performing reliably. These two measures have been relatively consistent for the five-year period 2009 to 2013. Oakville Hydro's reliability exceeds the provincial average as shown in the table below. Therefore, customers can take comfort in knowing that they can expect that power interruptions will be minimal in any given year.

Table 1 - 2013 Reliability Measures (2013 Ontario Energy Board Yearbook)

Measure	Oakville Hydro	Provincial Average (Excluding Hydro One)	Provincial Average
SAIDI	0.83	2.92	7.33
SAIFI	1.09	1.78	2.34

In December 2013, a severe ice storm swept across southern Ontario downing powerlines and disrupting service. Although Oakville Hydro had never experienced a winter storm event of this magnitude, it was able to restore power to its customers in a relatively short period of time. Oakville Hydro's control room also directly assisted Halton Hills Hydro in their service restoral efforts.

Oakville Hydro is committed to making the necessary capital and operating investments, to maintain or improve the reliability of its distribution system.

Asset Management

Distribution System Plan Implementation Progress

Oakville Hydro filed its first Distribution System Plan under the Ontario Energy Board's Renewed Regulatory Framework for Electricity Distributors with its 2014 Cost of Service application (EB-2013-0159). The Ontario Board has not defined an asset management measure. Instead, distributors have been asked to focus on the one measure that they believe most effectively reflects their performance in implementing their distribution system plans. Electricity distributors are required to report their performance in this area beginning with the year 2014.

Cost Control

Efficiency Assessment:

In 2012, the Ontario Energy Board introduced new rate setting parameters to be used to adjust the distribution rates of electricity distributors based upon inflation rates less an allowance for efficiency gains during the interim years between cost of service applications. Electricity Distributors are assigned to one of five groups based upon their total normalized costs as compared with other electricity distributors in the Province taking into account differences in the following characteristics:

- the number of customers served;
- kWh deliveries;
- system capacity peak demand;
- average circuit km of line; and
- share of customers served that were added over the last 10 years.

Costs are normalized by excluding those costs normally incurred by electricity transmitters in order to facilitate comparisons among electricity distributors.

A "predicted cost" is then calculated against which the electricity distributors are measured.

The five groups are defined as follows:

1. Actual Costs are 25% or more below predicted costs - Stretch Factor = 0.00%
2. Actual Costs are 10% to 25% or more below predicted costs - Stretch Factor = 0.15%
3. Actual Costs are within +/- 10% of predicted costs - Stretch Factor = 0.30%
4. Actual Costs are 10% to 25% or more above predicted costs - Stretch Factor = 0.45%
5. Actual Costs are 25% or more above predicted costs - Stretch Factor = 0.60%

Based on the analysis performed by the Pacific Economics Group, a consultant retained by the Ontario Energy Board to advise it on productivity and benchmarking, is support of rate setting in Ontario. In 2013, Oakville Hydro falls into Group 4 with actual costs 12.3% above predicted costs. This is consistent with Oakville Hydro's first year ranking in Group 4 in 2012. It is also consistent with other electricity distributors in the Province with 88% of distributors remaining in the same ranking as in 2012. Oakville Hydro is committed to achieving improved efficiencies, where possible, to improve its ranking in the future.

Total Costs:

Total costs are made up of annual operating and capital costs. Operating costs are the costs associated with the maintenance, inspection and operation of Oakville Hydro's distribution assets; billing and collection; and emergencies. Capital costs are the costs of enhancement, betterments and replacement of capital assets that are required each year. Capital costs tend to fluctuate year over year depending on the need to replace existing capital assets and additional infrastructure to support growth and development in Oakville Hydro's service area.

The "Total Cost per Customer" measure on the scorecard includes both operating and capital costs discussed above. This measure shows that Oakville Hydro's costs are increasing over the five-year time period. Oakville Hydro, like other distributors in Ontario, has gone through significant change since 2009 and, as a result, Oakville Hydro's total costs per customer have increased from \$619 in 2009 to \$730 in 2013. This represents an increase of 2.3% per year over the five-year period. The main drivers of this increase are:

1. Employee compensation factors
2. Service locates
3. Time-of-Use billing and smart meter operation
4. Tree trimming
5. Enhanced asset management
6. Changes in capitalization policies effective January 1, 2013

The incremental costs associated with the increased volume of service locates as a result of the Ontario One Call Act, Time-of-Use rates and smart meter implementation are generally outside of Oakville Hydro's control. To reduce the impact of these costs on its customers, Oakville Hydro has introduced efficiencies in other areas of its business and has partnered with other electricity distributors to control its costs.

Oakville Hydro's total cost per customer is slightly lower than the Provincial average and the cost per kilometer of line is higher than the Provincial average in its scorecard. The total costs are made up of operating costs and capital costs. The actual costs to Oakville Hydro's customers based on its actual depreciation rate of 3.04% is lower than that reported in the Scorecard (refer to additional detail in Capital Cost section below).

Table 1 - Total Costs (Pacific Economics Group)

Measure	Oakville Hydro	Oakville Hydro (Actual Depreciation)	Provincial Average
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Total Cost Per Customer	\$730	\$622	\$757
Total Cost Per km of Line	\$26,377	\$22,490	\$18,914

Operating, Maintenance and Administrative Costs (OM&A):

Oakville Hydro incurs OM&A costs to maintain and operate its distribution system assets. OM&A costs also include the costs associated with metering, billing and collecting; the costs associated of the safety of its employees and the public; and costs to maintain the distribution service quality and reliability standards in compliance with the Distribution System Code and other regulations. As discussed previously, there have been a number of initiatives over the five-year period covered in the scorecard in response to customer needs and regulatory policy.

- The number of service locates has increased significantly in recent years. This is partially attributable to the introduction of the Ontario One Call Act in 2013. This provincial legislation has mandated that all utilities and infrastructure must be located prior to excavation.

- Smart meter and time-of-use billing, which was completed in 2010, has resulted in an increase in operating and maintenance costs. The smart meter initiative has accomplished its objective of allowing customers to manage their consumption and shift load to off-peak times. However, from a cost perspective, the complexity of the systems and the volume of the data that needs to be managed have resulted in additional costs.

- Tree trimming is a key element of Oakville Hydro's preventative maintenance program. Maintaining a tree trimming cycle, to ensure that standardized tree trimming clearances are met, improves the overall reliability performance of the distribution system. Oakville Hydro's tree trimming program contributed to its ability to restore power quickly to its customers after the 2013 ice storm.

- Oakville Hydro has also enhanced its asset management processes through the formalization of its preventative maintenance, asset condition assessment tracking and asset patrolling practices. Oakville Hydro's operations and maintenance personnel assess the condition of assets and perform corrective maintenance repairs to Oakville Hydro's distribution system assets, to ensure the equipment is in reliable condition and that the life of the asset is optimized.

- Effective January 1, 2013, Oakville Hydro adopted changes to its capitalization policies and depreciation rates. This change has increased Oakville Hydro's OM&A expenses significantly with an offsetting reduction in its depreciation expense.

Oakville Hydro embraces a philosophy of continuous improvement, innovation and cost efficiency. Despite the changes over the past five years, Oakville Hydro's 2013 OM&A cost of \$259 per customer. Oakville Hydro has achieved a cost level that is 2% lower than the average OM&A per customer in the province of Ontario.

Table 2 - OM&A Costs (Pacific Economics Group)

Measure	Oakville Hydro	Provincial Average
OM&A Per Customer	\$259.22	\$306.83
OM&A Per km of Line	\$9,367.28	\$7,670.25

In the 2013 Year Book of Electricity Distributors published by the Ontario Energy Board, Oakville Hydro's OM&A cost is \$270 per customer which is significantly less than the Provincial OM&A of \$325 per customer.

Capital Costs:

Oakville Hydro distributes electricity to approximately 65,000 customers in its service area through a network of remotely switched power lines of approximately 1,800 circuit kilometers powerlines of which 73% of the system is underground and 27% is above ground. Over the years, Oakville Hydro has invested in its distribution system and, as a result, the number of customers experiencing power outages and the length of those power outages is significantly lower than the Provincial averages.

In managing its distribution system assets, Oakville Hydro's main objective is to optimize the performance of its assets at a reasonable cost with due regard for customer service expectations, service reliability and public and employee safety. Oakville Hydro has implemented an Asset Management Strategy which provides for the continuous improvement of its assets through the evaluation of asset condition, capacity utilization, reliability and risk consequence failure analysis.

As discussed previously, Oakville Hydro made a change to its capitalization policies and estimated useful lives in 2013 which reduced capital expenditures and increased its OM&A costs. Under the new capitalization policies, costs that were previously capitalized and added to capital expenditures are no longer permitted and are included in OM&A expenses. In addition, Oakville Hydro also increased the useful lives of its assets. This change in estimated useful lives resulted in a significant reduction in depreciation expenses. As a result, its capital costs were reduced by approximately \$3.3 million in 2013. However, the model that is used by the Ontario Energy Board to calculate capital costs uses a single depreciation rate of 4.59% for all electricity distributors in Ontario. In 2013, Oakville Hydro's actual depreciation rate was 3.04%. Had Oakville Hydro's capital costs been based on its actual depreciation rate Oakville Hydro's capital cost per customer and capital cost per kilometer of line would have been \$363.14 and \$13,122.73 respectively. This demonstrates Oakville Hydro's ability to provide its customers with a high level of reliability at a lower cost per customer than the average customer in the province of Ontario.

Table 3 - Capital Costs

Measure	Oakville Hydro	Oakville Hydro (Actual Depreciation)	Provincial Average
Capital Cost Per Customer	\$470.72	\$363.14	\$449.76
Capital Cost Per km of Line	\$17,010.14	\$13,122.73	\$11,243.36

Conservation & Demand Management

Government Policy Directive on CDM

On March 31, 2010, the Minister of Energy and Infrastructure of Ontario directed the Ontario Energy Board to establish Conservation and Demand Management (CDM) targets to be met by electricity distributors. On November 12, 2010, the Ontario Energy Board amended Oakville Hydro's distribution licence to require that Oakville Hydro, as a condition of its licence, achieve 20.70 MW of net peak demand savings and 74.06 GWh of cumulative net energy savings, over the period beginning January 1, 2011 through December 31, 2014.

As of December 2013, Oakville Hydro has achieved 7.9 MW of net peak demand savings and 55.8 GWh of net energy savings in 2013, based on information published by the Ontario Power Authority (OPA) in its Final 2013 Results Report. These results represent 38% of Oakville Hydro's cumulative four-year net peak demand reduction target and 75.3% of the cumulative net energy savings target. These results have not yet been verified by Oakville Hydro. These results are reflect the considerable effort expended by Oakville Hydro to deliver a wide range of conservation programs across all market sectors.

In 2013, Oakville Hydro was very successful with the delivery of its peaksaverPlus initiative for residential customers which resulted in increased energy savings. Oakville Hydro also approved and completed over 100 approved applications for the Equipment Replacement Incentive Initiative program in 2013. However, Oakville Hydro remains faced with limited market potential for the industrial, commercial and institutional programs as there has been limited growth in this sector in Oakville Hydro's service area. In addition, some of the longstanding OPA programs have reached market saturation.

Oakville Hydro expects that it may not reach its assigned targets within the required timeframe as Oakville Hydro, like many other electricity distributors, has faced a number of challenges in its efforts to achieve its CDM targets. However, Oakville Hydro will continue to dedicate resources and explore new opportunities to capture its CDM market potential across all customer classes and increase participation in key OPA Programs and initiatives in an effort to meet its targets by the end of 2014.

Connection of Renewable Generation

Renewable Generation Connection Impact Assessments Completed on Time

The Distribution System Code, issued by the Ontario Energy Board, requires that distributors provide an impact assessment of a renewable energy generation facility's connection application within 60 days of the receipt of the application for a proposal to connect a mid-sized generation facility or 90 days of the receipt of an application to connect a large embedded generation facility.

As of December 31, 2013, Oakville Hydro has connected three Feed-In Tariff (FIT) projects. Oakville Hydro provided each of the applicants with an impact assessment within the time allowed under the Distribution System Code and therefore achieved a score of 100% on this measure.

Micro-embedded Generation Facilities Connected On Time

The Distribution System Code requires that distributors connect an applicant's micro-embedded generation facility to its distribution system within five business days of the applicant informing the distributor that it has satisfied all applicable service conditions, received all necessary approvals and provided the distributor with a copy of the authorization to connect form the Electrical Safety Authority. Oakville Hydro connected 17 micro-embedded generators to its distribution system in 2013, all of which were connected within the applicable timeframe. Therefore, Oakville Hydro has achieved a score of 100% in this measure.

Financial Ratios

Liquidity

Oakville Hydro's current ratio (current assets/current liabilities) has stabilized to 1.83 in 2012 and 1.80 in 2013. Prior to 2012, Oakville Hydro's current ratio was significantly lower as a result of lower cash balances. This was a result of Oakville Hydro's internal funding both the Ontario Energy Board's requirement to install smart meters for residential and small business customers by the end of 2010, and the construction of a new Municipal Transformer Station in 2011. However, in 2012 Oakville Hydro signed a loan agreement with Infrastructure Ontario to fund the Municipal Transformer Station.

Leverage

Oakville Hydro's total debt to equity ratio (total debt/total equity) was 1.18. In 2011, Oakville Hydro increased its total equity by \$22 million through the conversion of \$22 million in intercompany loans owed to its parent company, Oakville Hydro Corporation. As a result, Oakville Hydro's debt to equity ratio has decreased from 1.88 in 2010 and stabilized at 1.18 in 2013.

Profitability

The profitability measure is defined as the approved return on equity that is embedded in Oakville Hydro's distribution rates. The profitability measure is reset when an electricity distributor submits a cost of service application to the Ontario Energy Board. For the years 2011, 2012 and 2013, this measure represents the return on equity approved by the Ontario Energy Board in Oakville Hydro's 2010 Cost of Service application (EB-2009-0271). In 2014, Oakville Hydro's profitability measure was reduced to 9.36% in Oakville Hydro's 2014 Cost of Service application (EB-2013-0159).

Regulatory Return on Equity Achieved

Electricity distributors began reporting their regulatory rate of return to the Ontario Energy Board in 2011. This measure is compared to the profitability measure (approved return on equity) to assess whether electricity distributors are earning a fair return on their investment. Oakville Hydro has earned a regulatory rate of return below the rate of 9.85% as approved by the Ontario Energy Board each year since 2011. This is common in the electricity industry in Ontario as annual distribution rates are adjusted between cost of service applications by an inflationary factor less an efficiency gain. In practice, this adjustment does not keep up with the rising costs of salaries and wages, new initiatives, and regulatory compliance requirements. As a result, there is a decline the regulatory rate of return in the interim years between cost of service applications.