

# Scorecard - Toronto Hydro-Electric System Limited

9/24/2014

Performance Outcomes	Performance Categories	Measures	2009	2010	2011	2012	2013	Trend	Target	
									Industry	Distributor
<b>Customer Focus</b> Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	96.60%	96.20%	94.00%	92.50%	94.20%		90.00%	
		Scheduled Appointments Met On Time	99.70%	99.90%	99.60%	99.30%	99.60%		90.00%	
		Telephone Calls Answered On Time	83.70%	69.90%	72.70%	76.90%	82.00%		65.00%	
	<b>Customer Satisfaction</b>	First Contact Resolution					77%			
		Billing Accuracy					96.6%			
		Customer Satisfaction Survey Results								
<b>Operational Effectiveness</b> Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Public Safety [measure to be determined]								
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted	2.76	1.19	1.38	1.46	17.81			at least within 1.19 - 2.76
		Average Number of Times that Power to a Customer is Interrupted	1.71	1.54	1.48	1.47	2.39			at least within 1.47 - 1.71
	<b>Asset Management</b>	Distribution System Plan Implementation Progress					105%			
	<b>Cost Control</b>	Efficiency Assessment				5	5			
		Total Cost per Customer <sup>1</sup>	\$821	\$885	\$951	\$900	\$924			
		Total Cost per Km of Line <sup>1</sup>	\$57,785	\$62,061	\$67,015	\$65,273	\$66,793			
<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).	<b>Conservation &amp; Demand Management</b>	Net Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>			17.00%	21.00%	32.70%			286.27MW
		Net Cumulative Energy Savings (Percent of target achieved)			52.00%	78.00%	99.80%			1,303.99GWh
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time		90.32%	70.11%	90.79%	100.00%			
		New Micro-embedded Generation Facilities Connected On Time					100.00%			90.00%
<b>Financial Performance</b> Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.69	1.05	1.26	0.59	0.80			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.40	1.52	1.43	1.37	1.34			
		Profitability: Regulatory Return on Equity			Deemed (included in rates)	9.58%	9.58%	9.58%		
					Achieved	9.73%	7.62%	7.10%		

**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

#### 1. New Residential/Small Business Services Connected on Time

In 2013 Toronto Hydro-Electric System Limited (“Toronto Hydro” or “utility”) connected 94.2% of approximately 2,700 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 2% improvement from the previous year and 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 or businesses each year. Toronto Hydro integrates the connection work with its planned construction activities to help ensure that the scope, nature and timing of connection work do not adversely affect the utility’s planned work program. Where possible, Toronto Hydro strives to identify and leverage any potential synergies between the connection work and other planned construction activities undertaken by the utility, other utilities or municipal and provincial government agencies. Toronto Hydro is currently working with its shareholder, the City of Toronto, to further enhance the coordination between the City’s and the utility’s construction activities.

#### 2. Scheduled Appointments Met on Time

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. In 2013, Toronto Hydro scheduled almost 14,700 appointments with its customers (about 55 appointments per working day) to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. The utility met 99.6% of these appointments, surpassing the previous year’s record by 0.3% and significantly exceeding the industry target of 90%.

#### 3. Telephone Calls Answered on Time

In 2013 Toronto Hydro customer contact centre agents received over 534,000 calls from its customers – over 2,000 calls per working day. An agent answered a call in 30 seconds or less in 82% of these calls, once customers selected an option to speak to the utility’s representative. This result significantly exceeds the OEB-mandated 65% target for timely call response. Year over year, the 2013 result amounts to a 5% improvement over 2012, driven primarily by a reduction in the number of calls. Call volumes decreases are attributed to successfully promoting online self-serve features, internal process improvements, and increased customer preference to contact Toronto Hydro via email. In performing this work, Toronto Hydro closely monitors the quality and efficiency of its customer contact activities using a combination of OEB-mandated and internally developed measures and metrics. Toronto Hydro reviews and sets target Telephone Call Answer times on an annual basis based on customer feedback and customer satisfaction priorities, and allocates resources between the various contact centre activities to ensure appropriate levels of service across all types of customer interactions.

### Customer Satisfaction

#### 4. First Contact Resolution

In providing assistance to its customers, Toronto Hydro strives to resolve customer enquiries as quickly and efficiently as possible. Starting in 2013, the OEB implemented a new measure to gauge the success rate with which distribution utilities are able to address customer requests at the first instance of contact. For the purposes of 2013 reporting, and given the novelty of this measure, utilities were given an opportunity to define the First Contact Resolution measure in the manner that provides the most meaningful assessment of their performance.

Toronto Hydro measures its first contact resolution as a percentage of telephone enquiries resolved in one call over a 21-day time period. An eligible enquiry is considered resolved in the first call, if a customer does not call back regarding the same enquiry for the same account within 21 calendar days. The metric includes all residential and commercial customer account-related enquiries including those related to:

- Billing;
- Moves;
- Payment and account arrears assistance;
- Online tools; and
- Conservation programs.

Based on the above definition, in 2013 Toronto Hydro successfully resolved 77% of customer requests at the first instance of contact with the utility’s customer contact centre. As with other performance measures, Toronto Hydro is exploring opportunities for continuous and sustained improvement on this measure, thus enhancing the value of service delivered to its customers.

#### 5. Billing Accuracy

Every year, Toronto Hydro issues about 5.1 million electronic and paper-based bills to approximately 730,000 customers. Similar to the First Contact Resolution, Billing Accuracy is a measure that has not been tracked by the OEB prior to this year’s rollout of the LDC Scorecard. For the purposes of 2013 reporting and given the novelty of this measure, utilities were given an opportunity to define the Billing Accuracy measure in the manner that provides the most meaningful assessment of their performance. In measuring billing accuracy, Toronto Hydro gauges its ability to effectively set up, maintain, and retrieve on an ongoing basis all billing inputs needed to produce a bill. These activities can be broken down into two main areas:

- a) Success in obtaining actual meter read data in a timely manner; and
- b) Ensuring that meters, meter configurations, rate classes, pricing, customer transactions and other factors that impact the accuracy of the bill are set up and processed accurately, in a timely manner, and are properly maintained.

Accordingly, Toronto Hydro measures Billing Accuracy using a composite approach comprised of two distinct but complementary metrics:

- Percent of Actual Meter Reads Obtained (displayed on the 2013 Scorecard);

- Percent of Bills Cancelled (described for additional context below).

Toronto Hydro measures Percent of Actual Meter Reads Obtained as the combined actual meter readings received by Toronto Hydro's four meter data collection systems, divided by the total number of expected meter reads. The percent of actual meter reads obtained is a weighted average of the four systems, weighted based on number of meters in each system. In 2013, Toronto Hydro was able to obtain Customer Meter Reads 96.6% of the time.

The Percent of Bills Cancelled measure is calculated by comparing the number of all cancelled bills due to an error by Toronto Hydro in a month, versus the aggregate number of completed bills in the same month. The calculation excludes customer-initiated cancels (such as a failure of the customer to provide move notification in a timely manner). In 2013, Toronto Hydro cancelled 1.65% of the bills it issued to its customers in the course of the year.

Toronto Hydro notes that starting October 1, 2014, the OEB is implementing a standard definition of billing accuracy for all distributors, which will not align with the definitions and results provided in this update.

Accordingly, the Billing Accuracy results reported on this Scorecard will not be comparable to the 2014 results on the next edition of Toronto Hydro's LDC Scorecard.

#### 6. Customer Satisfaction Survey Results

The Results of a Customer Satisfaction Survey is another new measure introduced by the OEB for the purposes of the Scorecard. As with most other newly introduced measures, the utilities were allowed to define the measure themselves, but were not required to submit the results for the inaugural edition of the Scorecard. Toronto Hydro is not submitting results for this measure in the 2013 reporting year. The utility is in the process of investigating the customer satisfaction survey is best suited for the purposes of the LDC Scorecard. Consistent with OEB guidance, Toronto Hydro expects to submit the results of a Customer Satisfaction Survey for the purposes of the next edition of the Scorecard.

### Safety

#### 7. Public Safety Measure.

The OEB is still in the process of determining the suitable parameters for this measure in cooperation with the Electrical Safety Authority (ESA). As such, there are no reporting requirements associated with this measure for 2013. 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 public safety issues are identified.

### System Reliability

#### 8. Average Number of Hours that Power to a Customer is Interrupted.

The average duration of outages experienced by Toronto Hydro customers in 2013 has significantly increased from the prior year, from 1.46 hours to 17.81 hours. The vast majority of this increase is attributable to two weather events that had a major impact on the utility's system and its customers, namely the July 8-9, 2013 major rainstorm and the December 21-26 ice storm. Both events left significant portions of Toronto Hydro's customers without power for an extended period of time. In both instances, Toronto Hydro moved to restore service to its customers as quickly as possible, providing regular updates through a variety of media channels. When controlling for the impact of these major events, outages on the provincial transmission grid, and scheduled outages, Toronto Hydro's 2013 average outage duration statistics have been showing a stable trend over the last five years. This trend is attributable in part to infrastructure renewal investments that the utility has made during that period to address a major portion of its assets that have surpassed and/or are rapidly approaching the end of their useful lives. Going forward, and as described in detail in the Distribution System Plan filed with the OEB as a part of the utility's 2015-2019 Custom Incentive Regulation (CIR) rate application, Toronto Hydro needs to continue making significant investments into its aging distribution system to maintain reliability and safety, modernize the grid and support Toronto's urban growth.

Following the December ice storm, Toronto Hydro engaged an independent expert panel to examine the utility's response to this major weather event. The panel released its final report on June 18, 2014, generally endorsing Toronto Hydro's response to the weather event, and providing a series of recommendations for further improvements. Toronto Hydro is in the process of assessing these recommendations – some of which have already been implemented – and is developing an action plan for implementation that considers all recommendations in the report. It should be noted that many of the recommendations require significant resources and, consequently, factors such as funding, cost benefit analysis, customer impact and environmental impact will have to be carefully considered.

#### 9. Average Number of Times that Power to a Customer is Interrupted.

Similar to outage duration, the average number of times Toronto Hydro customers experienced an outage in 2013 has also increased from 1.47 times in 2012 to 2.39 times in 2013. As with the outage duration measure, a predominant driver for this negative trend is the impact of the July 2013 rainstorm and the December 2013 ice storm. When controlling for the impact of these major events, outages on the provincial transmission grid, and scheduled outages, Toronto Hydro's average outage frequency statistics have been showing a stable trend over the last five years. This trend is attributable in part to infrastructure renewal investments that the utility has made during that period to address a major portion of its assets that have surpassed and/or are rapidly approaching the end of their useful lives. Going forward, and as described in detail in the Distribution System Plan filed with the OEB as a part of the utility's 2015-2019 Custom IR rate application, Toronto Hydro needs to continue making significant investments into its aging distribution system to maintain reliability and safety, modernize the grid and support Toronto's urban growth.

### Asset Management

#### 10. 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. Consistent with other new measures, utilities were given an opportunity to define it in the manner that provides the most meaningful assessment of their performance. Toronto Hydro measures the progress of its Distribution System Plan implementation as a ratio of total capital expenditures made in a calendar year over the total amount of OEB-approved capital expenditures for that calendar year. Given the dynamic, dense, urban environment in which Toronto Hydro operates, a number of issues emerge over the

course of the year that require the management to postpone, re-prioritize or otherwise amend the capital work plan adopted at the start of the year. The measure excludes capital funding for special projects (such as Copeland Transformer Station currently under construction in downtown Toronto).

Toronto Hydro deems its year-end results to be successful if the year-end results are within a +/- 20% deadband from the approved amount. Toronto Hydro notes that it has recently submitted to the OEB a five-year application for electricity rates for the 2015-2019 years, which includes a comprehensive five-year distribution system plan prepared in accordance with the OEB requirements. Based on the outcomes of this future proceeding, Toronto Hydro may consider revising its approach to this particular measure in the future years.

## **Cost Control**

### **11. 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 sophisticated quantitative assessment of utility efficiency, in the utility's view the current methodology used by the OEB does not optimally assess efficiency performance of a utility of Toronto Hydro's size, location, and asset base. This is primarily due to the fact that the sample of utilities included in the OEB's assessment is limited to Ontario-based LDCs only. In Toronto Hydro's view, the operating conditions and the ensuing cost pressures facing its Ontario peers are in many ways different in scale, scope and nature to those experienced by the utility. Accordingly, Toronto Hydro believes that a more optimal assessment of its efficiency involves expanding the sample of observed utilities beyond Ontario, to include other large North American utilities, such as those serving Chicago, New York, Boston, San Francisco and other major U.S. metropolitan centres.

In Toronto Hydro's view, an econometric efficiency study based on a combined Ontario-U.S. sample balances an important objective of maintaining relevance with Ontario's regulatory and economic conditions, with the need to conduct an "apples to apples" comparison that includes other utilities similar to Toronto Hydro. The utility has filed such an econometric study as a part of its 2015-2019 CIR rate application to the OEB. This econometric benchmarking study produced by a third-party expert compares Toronto Hydro's total cost performance against that of 156 Ontario and U.S. utilities, including all Ontario LDCs. Based on this assessment, Toronto Hydro's total cost performance is in the top 13% for comparable U.S. utilities and in the top quartile – or 30th – out of 156 Ontario and U.S. utilities. The study, along with the remainder of the CIR rate application, is subject to OEB review.

### **12. Total Cost per Customer**

In 2013, Toronto Hydro's total cost per customer was \$924, or \$24 higher than the 2012 result. The cost per customer increase is consistent with Toronto Hydro's ongoing operating activities and capital work to replace, refurbish and modernize the utility's aged distribution plant, connect new customers in one of the fastest growing North American cities, and modernize the grid through the use of emerging technologies. Toronto Hydro notes that its Total Cost per Customer results as calculated by the OEB do not account for an estimated 352,000 multi-unit dwelling residents occupying buildings that are meter by a single "bulk" meter. Adding these residents into the calculation would significantly reduce Toronto Hydro's unitized total cost result. In addition, Toronto Hydro understands that the calculation of total costs of the purposes of this analysis (the numerator) follows a methodology used by the OEB's external quantitative analysis consultant.

### **13. Total Cost per Km of the Line**

In 2013, Toronto Hydro's Total Cost per Km of Distribution Line was \$66,793, or \$1,520 higher than the 2012 results. As with Total Cost per Customer measure, Toronto Hydro's higher expenditures are driven by the cost of the utility's operating activities and capital program to address the utility's aging asset base, connect new customers and modernize the grid. 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 comprise the calculation. Including the length of the downtown underground secondary network into the Total Cost per Line Km calculation would result in a lower unitized cost. In addition, Toronto Hydro understands that the calculation of total costs of the purposes of this analysis (the numerator) follows a methodology used by the OEB's external quantitative analysis consultant.

## **Conservation & Demand Management**

### **14. Net Annual Peak Demand Savings (Percent of Target Achieved)**

As at the end of 2013, Toronto Hydro's 2013 Net Annual Peak Demand Savings amounted to 32.70% of the OEB-mandated target. A comprehensive description of Toronto Hydro's conservation program results for the year 2013 will be provided in the utility's 2013 Conservation and Demand Management Annual Report expected to be submitted to the OEB at the end of September 2014.

### **15. Net Cumulative Energy Savings (Percent of Target Achieved)**

As at the end of 2013, Toronto Hydro's 2013 Net Cumulative Peak Demand Savings amounted to 99.8% of the OEB-mandated target. A comprehensive description of Toronto Hydro's conservation program results for the year 2013 will be provided in the utility's 2013 Conservation and Demand Management Annual Report expected to be submitted to the OEB at the end of September 2014.

## **Connection of Renewable Generation**

### **16. Renewable Generation Connection Impact Assessments Completed On Time**

A Connection Impact Assessment 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 2013 Toronto Hydro completed 239 of such studies following requests by

connecting customers. In every case, the eligible studies were completed within the timelines specified by the Distribution System Code. The 100% result in 2013 constitutes a 9% improvement from the 2012 results due to process enhancements and dedicated interconnection team.

#### 17. New Micro-Embedded Generation Facilities Connected on Time

In 2013 Toronto Hydro successfully connected 159 solar micro generation facilities, all of which were connected within the 5-day timeline, or as negotiated with individual proponents, in accordance with the Distribution System Code provisions.

### **Financial Ratios**

#### 18. Liquidity: Current Ratio

The financial performance measures reflected in the related Scorecard are in compliance with the OEB's methods of calculation for the purposes of electricity sector regulation in Ontario. These methods are not consistent with generally accepted methods of calculating similar financial ratios or are not based on the financial amounts reflected in the audited financial statements filed with the Ontario Securities Commission.

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](http://www.torontohydro.com).

#### 19. Leverage: Total Debt to Equity Ratio

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#### 20. Profitability: Regulatory Return on Equity

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