

# Scorecard - Welland Hydro-Electric System Corp.

9/24/2014

| Performance Outcomes  | Performance Categories                      | Measures  | 2009     | 2010     | 2011                       | 2012     | 2013     | Trend  | Target   |                             |  |
|---|---|---|----------|----------|----------------------------|----------|----------|--------|----------|-----------------------------|--|
|   |   |   |          |          |                            |          |          |        | Industry | Distributor                 |  |
| <b>Customer Focus</b><br>Services are provided in a manner that responds to identified customer preferences.  | <b>Service Quality</b>                      | 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  | 100.00%  | 99.90%   | 99.70%                     | 99.70%   | 99.40%   |        | 90.00%   |                             |  |
|   |   | Telephone Calls Answered On Time  | 99.90%   | 99.90%   | 99.90%                     | 98.40%   | 99.00%   |        | 65.00%   |                             |  |
|   | <b>Customer Satisfaction</b>                | First Contact Resolution  |          |          |                            |          |          |        |          |                             |  |
|   |   | Billing Accuracy  |          |          |                            |          |          |        |          |                             |  |
|   |   | Customer Satisfaction Survey Results  |          |          |                            |          |          |        |          |                             |  |
| <b>Operational Effectiveness</b><br>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               | 1.04     | 0.85     | 2.84                       | 1.26     | 4.86     |        |          | at least within 0.85 - 2.84 |  |
|   |   | Average Number of Times that Power to a Customer is Interrupted               | 1.16     | 1.66     | 1.92                       | 1.33     | 2.34     |        |          | at least within 1.16 - 1.92 |  |
|   | <b>Asset Management</b>                     | Distribution System Plan Implementation Progress                              |          |          |                            |          |          |        |          |                             |  |
|   | <b>Cost Control</b>                         | Efficiency Assessment   |          |          |                            | 2        | 2        |        |          |                             |  |
|   |   | Total Cost per Customer <sup>1</sup>  | \$410    | \$439    | \$463                      | \$482    | \$472    |        |          |                             |  |
|   |   | Total Cost per Km of Line <sup>1</sup>  | \$20,090 | \$21,295 | \$33,562                   | \$23,071 | \$23,533 |        |          |                             |  |
| <b>Public Policy Responsiveness</b><br>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>      |          |          | 10.00%                     | 109.00%  | 113.80%  |        |          | 5.56MW                      |  |
|   |   | Net Cumulative Energy Savings (Percent of target achieved)                    |          |          | 39.00%                     | 59.00%   | 102.10%  |        |          | 20.60GWh                    |  |
|   | <b>Connection of Renewable Generation</b>   | Renewable Generation Connection Impact Assessments Completed On Time          |          | 0.00%    | 50.00%                     |          |          |        |          |                             |  |
|   |   | New Micro-embedded Generation Facilities Connected On Time                    |          |          |                            |          | 100.00%  |        |          | 90.00%                      |  |
| <b>Financial Performance</b><br>Financial viability is maintained; and savings from operational effectiveness are sustainable.  | <b>Financial Ratios</b>                     | Liquidity: Current Ratio (Current Assets/Current Liabilities)                 | 2.79     | 2.66     | 2.87                       | 2.84     | 1.42     |        |          |                             |  |
|   |   | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 1.31     | 1.26     | 1.23                       | 1.16     | 1.15     |        |          |                             |  |
|   |   | Profitability: Regulatory Return on Equity                                    |          |          | Deemed (included in rates) | 8.01%    | 8.01%    | 8.93%  |          |                             |  |
|   |   |   |          |          | Achieved                   | 5.70%    | 6.70%    | 10.50% |          |                             |  |

**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

Welland Hydro has always insisted on providing high quality customer service as we strongly believe the service excellence provided to our customers is a valuable asset to the community. The Customer Service and Operations teams work together with customers and contractors to ensure 100% of new services are connected as soon as the service has been inspected and approved by the ESA. The majority (99%) of appointments are also completed on time and usually within minutes of the scheduled time. This ensures locates are completed when required and customers have their power turned on in a timely manner. Welland Hydro also invested in a new telephone system in 2013. The new phone system records calls received by Customer Service Representatives which provides a valuable training tool to enhance service to customers. The new system is equipped with tracking software to provide accurate results for incoming calls used in OEB reporting. Customers can also now bypass the opening message in an emergency for immediate assistance. Enhancements are also being made to the phone system for power outage notifications.

### Customer Satisfaction

Welland Hydro believes in measuring the satisfaction level that customers receive and using the survey results to continuously improve service provided to customers. A survey was conducted in early 2014 to measure customer satisfaction levels and our ability to provide First Contact Resolution to customers. Welland Hydro will also be conducting a customer survey in 2015 to identify areas where customer communication and satisfaction can be improved. Welland Hydro has started tracking billing accuracy as outlined by the Ontario Energy Board and strives to maintain an accuracy level higher than required by the OEB. During 2014, Welland Hydro will installing new online software (Customer Connect) that will provide customers with online access to their billing and consumption data.

### Safety

Welland Hydro is committed to the safety of the public. This is accomplished by complying with applicable legal requirements and following good utility practice while constructing and maintaining the electrical distribution system. The Asset Management Plan specifically details all processes involved in the annual testing and inspection of the distribution system. Welland Hydro's Construction Verification Program, approved by the Electrical Safety Authority has been independently audited annually since 2009.

In addition, Welland Hydro annually conducts the following programs to promote Public Safety and will begin collecting statistics starting in 2014:

- 1) Reporting to the Electrical Safety Authority of any Serious Electrical Incidents that involve the Public.
- 2) Summer and Winter Public Safety Radio Announcement Programs.
- 3) Elementary School Safety Seminars - 3 Year Rotational Schedule.
- 4) Safety Link Postings on Welland Hydro's Website

### System Reliability

SAIDI and SAIFI remained within target during 2009 through 2012. There were five significant events that affected reliability in 2013 with the ice storm of December 22nd having the single largest impact on reliability statistics. The ice storm alone accounted for 3.9 of SAIDI and 1.39 of SAIFI.

### Asset Management

Welland Hydro's Asset Management Plan is the cornerstone of our Distribution System Planning Process. The plan lays out the criteria for how the system is inspected and assessed. Assessment Criteria such as Safety, Reliability, Environment, Efficiency and End of Life are used as tools to determine the Project Timelines for completion. This data is then used as part of the budgeting process and development of the Business Plan.

The Asset Management Plan was developed in 2012 with the assistance of AESI and used for the Capital Expenditure planning starting with the 2013 Budget/Business Plan.

There are currently no short term plans that require Welland Hydro to participate in a regional planning exercise.

### Cost Control

For the second year in a row Welland Hydro has been ranked in the second most efficient group of LDCs in Ontario. This group consists of LDCs whose actual costs are 10%-25% below predicted. Welland Hydro improved its actual to predicted ratio from 10.2% below predicted in 2012 to 15.2% below predicted in 2013. During 2013, Welland Hydro reduced its manpower levels by 2 resulting in only a 0.2% increase in 2013 OM&A expenditures compared to 2012. Welland Hydro is committed to maintaining inflation rates at or below levels set out by the OEB.

Total Cost used to calculate Total Cost per Customer and Total Cost per Km of line consist of OM&A expenses and Capital expenditures. Actual Total Cost per Customer decreased in 2013 compared to 2012. This

same trend did not materialize for Total Cost per Km of Line as a result of a reduction in the total Km of line in 2013 compared to 2012. In most cases new designs at higher distribution voltages allowed for the removal of lower voltage distribution circuits. This accounts for 2.5 Km of Underground Circuits and 2 Km of Overhead Circuits. In addition to this, the GIS status of a Welland Canal cable crossing was changed to inactive during 2013 accounting for an additional reduction of 2.4 Km of Circuit Length. When evaluating the cost of replacing the canal cable crossing, a decision was made to defer the replacement of this cable.

Welland Hydro implemented a GIS system in 2011. This system is used to calculate the total Km of line within Welland's distribution system. The first measurement of Km of line was incorrect in 2011 resulting in a Total Cost per Km of line during that year which is overstated. The calculation of Km of line was corrected in 2012 and Welland was able to update the RRR reporting to the OEB for the 2011 year. However, the scorecard has not been updated to reflect this correction.

### **Conservation & Demand Management**

Welland Hydro-Electric System Corp. is a small/medium size utility that has become a leader in Conservation and Demand Management in Ontario. Welland Hydro has helped shape the landscape of Conservation and Demand Management with staff sitting on the EDA CDM Caucus and the Commercial and Institutional Working Group of the Ontario Power Authority. The Conservation and Demand Management Team's dedication to assist all customer classes in reducing energy costs and improving system processes and demand allowed Welland Hydro to be the first LDC in Ontario to hit both the energy savings and energy demand targets by December 31, 2013 (1 year early). Some of the highlights in the CDM program include the ERII Program that has assisted a large use customer improve system processes and reduce their demand on the grid. Welland Hydro was also one of the first utilities in Ontario to launch the Home Assistance Program to assist Low Income Customers in our Community. The team's dedication to low income, residential, commercial, institutional and large use customers in the community has resulted in the CDM program at Welland Hydro being a tremendous success.

### **Connection of Renewable Generation**

There are six FIT projects within the service area. By the end of 2013 five had been connected. All Welland Hydro Connection Impact assessments were completed on time during the years 2010 through 2011. There have been no connection impact assessments required since 2011.

There are currently 48 Micro-FIT projects within our Service Area. All were connected within the timeline requirements stipulated in the Distribution System Code.

### **Financial Ratios**

Welland Hydro's liquidity ratio decreased from 2.84 in 2012 to 1.42 in 2013. This is the result of a reclassification of a \$3.7 million dollar loan from long term in 2012 to short term in 2013. Welland Hydro has subsequently paid off this loan from cash reserves in 2014. The liquidity ratio in subsequent years is expected to be in line with 2013 results as opposed to 2009 to 2012 levels.

The reclassification of the loan from long term to short term had no impact on the leverage ratio in 2013 as this ratio is calculated as total debt (short term and long term) divided by total equity. As a result, there was little change in this ratio compared to 2012. Welland Hydro continues to maintain a debt to equity ratio below the deemed 60%/40% target as set out by the OEB.

Welland Hydro achieved a 10.5% regulatory return on equity in 2013 which is greater than the deemed return rate of 8.93%. The major contributor to the improved performance has been the result of decreased operating and tax expenses. This return differs from the Financial Statement Return on Equity included in the 2013 Yearbook of Electricity Distributors which are based on actual returns and equity figures. The regulatory return on equity is used as a better comparison to deemed returns included in the last cost of service rate application.