

# Scorecard - Brantford Power Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	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	100.00%	98.70%	99.60%	99.70%	100.00%	↑	90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	99.50%	100.00%	100.00%	→	90.00%		
		Telephone Calls Answered On Time	71.20%	72.20%	64.70%	67.50%	76.90%	↑	65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution					82%				
		Billing Accuracy					100.00%	→	98.00%		
		Customer Satisfaction Survey Results					95%				
<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>	Level of Public awareness [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C	→		C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	→		0
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.000	→		0.000	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted	0.12	0.49	0.21	0.56	0.42	↑		at least within 0.12 - 0.56	
		Average Number of Times that Power to a Customer is Interrupted	0.33	1.24	0.81	0.71	0.66	↑		at least within 0.33 - 1.24	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress					87.4%				
	<b>Cost Control</b>	Efficiency Assessment			3	3	3				
		Total Cost per Customer <sup>1</sup>	\$505	\$484	\$496	\$507	\$503				
Total Cost per Km of Line <sup>1</sup>		\$37,440	\$28,324	\$37,066	\$39,373	\$39,047					
<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>		11.44%	18.81%	32.63%	79.27%	●		11.38MW	
		Net Cumulative Energy Savings (Percent of target achieved)		36.61%	68.77%	89.53%	167.94%	●		48.92GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time	0.00%	83.33%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time				100.00%	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)	2.01	2.23	2.15	2.05	1.92				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.25	1.23	1.30	1.20	1.11				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.57%	8.57%	8.98%	8.98%			
			Achieved		7.50%	3.20%	11.60%	11.15%			

**Notes:**

- 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.
- The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

**Legend:**

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

# 2014 Scorecard Management Discussion and Analysis (“2014 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 2014 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard\\_Performance\\_Measure\\_Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf)

## Scorecard MD&A - General Overview

In 2014, Brantford Power Inc. (“Brantford Power”) generally exceeded the industry performance targets set by the Ontario Energy Board (“the OEB”) and improved its previous performance in service quality and system reliability.

During the year, Brantford Power measured for the first time elements of customer satisfaction. Brantford Power is focused on providing quality services to its customers and these initial measures establish a baseline upon which Brantford Power can improve. Although the initial measures reflect significant client satisfaction, Brantford Power will continue to pursue initiatives that are expected to improve these performance measures.

Brantford Power aims to maintain performance levels which meet or exceed both internal and industry targets. Additionally, Brantford Power is pursuing initiatives which will mitigate risks that exist to continue delivering these performance levels. Brantford Power plans to achieve these goals through prudent investments and operational programs.

Customers are encouraged to review the specific commentary on each of the reported performance categories outlined on the Scorecard in order to obtain further information on the particular measures. Brantford Power welcomes any customer feedback regarding its 2014 Scorecard.

## Service Quality

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

In 2014, Brantford Power connected 100% of the 258 eligible low-voltage customers, i.e. those utilizing connections under 750 volts, to its distribution system within the 5-day timeline prescribed by the OEB. The result is consistent with the previous year, and the high level of meeting customer expectations is attributed to the diligent coordination of Brantford Power’s engineering, construction, and operations teams with the local municipality, developers and contractors.

### **Scheduled Appointments Met On Time**

Brantford Power scheduled 1,092 appointments in 2014 to complete work requested by its customers, including: connection and reconnection of services, inspections and meter reading. Again, consistent with the previous year, 100% of these commitments were met on time, exceeding the industry target of 90%.

## **Telephone Calls Answered On Time**

Brantford Power's customer service group handled 36,707 calls in 2014, 76.9% of which were answered within 30 seconds or less. The outcome exceeds the prescribed target of 65% by 11.9%, and also represents a 9.4% year-over-year increase. The upward trend is largely due to Brantford Power's improved focus on managing inbound customer telephone inquiries versus off-phone administrative activities.

## **Customer Satisfaction**

### **First Contact Resolution**

In the absence of a prescribed approach to measurement, Brantford Power has implemented two parallel measures to track First Contact Resolution. Beginning in July 2014, Brantford Power initially implemented an internal mechanism to track First Contact Resolution on the basis of the number of incoming calls which did not require escalation internally. While that process indicated a first contact resolution rate of 100%, Brantford Power later concluded that transactional surveys, conducted by an independent third party, would provide a more meaningful measure of First Contact Resolution and those results would more closely reflect performance from the customers' perspective. This transactional survey result of 82% was reported on the scorecard, based on a random survey of 150 customers who had contact with Brantford Power between October and December, and indicates a large majority of customers responded favourably when asked whether their specific question or issue was resolved during their initial call to Brantford Power.

### **Billing Accuracy**

For the period of October 1 to December 31, Brantford Power issued 117,534 bills, and achieved a billing accuracy result of 99.99% (rounded to 100%), exceeding the OEB's prescribed target of 98%. To derive this number, Brantford Power tracks and reports all billing adjustments made after a bill is issued to and received by the customer as a percentage of total bills issued within a defined period, regardless of whether an error internal to Brantford Power or customer driven, resulted in the adjustments.

### **Customer Satisfaction Survey Results**

With the introduction of the Customer Satisfaction Survey Results measure by the OEB in 2013, electricity distributors are mandated to measure and report these results every other year at a minimum. In the absence of a standardized approach and methodology, Brantford Power worked with an industry leading independent third party to develop and administer its first annual customer satisfaction survey, with questions focused on key areas identified by both the OEB and the distributor, including: power quality and reliability, price, billing and payment, communications, customer service experience, and brand image. The overall satisfaction result of 95% is derived from a survey of 500 residential and 100 business customers in October 2014. The survey has proved valuable in identifying both customer preferences and opportunities for improvement for two distinct customer segments, many of which will be incorporated into Brantford Power's business planning activities. While 2014 was a benchmark year and a follow-up survey is not required by the OEB again until 2016, Brantford Power has chosen to survey its customers once annually, and in addition, conducts an ongoing monthly transactional satisfaction survey of customers who have made recent contact with the distributor.

The OEB introduced the Safety measure in 2015. This measure looks at safety from a customers' point of view as safety of the distribution system is a high priority. Safety is the first priority for Brantford Power, as safety is the first on its list of commitments to customers, employees and the shareholder. The Safety measure is generated by the Electrical Safety Authority ("ESA") and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

### **Public Safety**

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

The Public Awareness of Electrical Safety component of the public safety measure does not have performance data for the 2014 scorecard because the survey result is not available. Results for this component of the Public Safety measure will be available beginning with the 2015 scorecard, which will be released next year.

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

Over the past five years, Brantford Power was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved through a strong commitment to safety, and adherence to company procedures and policies. Ontario Regulation 22/04 establishes objective-based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

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

Over the past five years, Brantford Power has recorded zero serious electrical incidents. Brantford Power owns and maintains over 500 km of high voltage distribution feeders in the City of Brantford.

## System Reliability

Brantford Power customers experienced a small reduction in both the average number of hours their power was interrupted and the average number of times their power was interrupted in 2014. These reductions are partially the result of fewer outages occurring during 2014. Both performance measures were within the target range set by Brantford Power.

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

The number of interruption hours dropped to an average of 0.42 outage hours per customer.

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

The number of interruption times dropped to an average of 0.66 outages per customer.

## Asset Management

### **Distribution System Plan Implementation Progress**

Brantford Power is now in the process of drafting its first Distribution System Plan (“DSP”) and plans to file it with an application with the OEB for a full review of its distribution rates.

Brantford Power currently measures its Asset Management performance based on the five-year average of its capital expenditures relative to its capital budget. Brantford Power has reported an average of 87.4% completion of its capital budget expenditures. Brantford Power acknowledges that this number does not represent implementation of a DSP.

## Cost Control

The Pacific Economics Group LLC evaluates a total cost level and an efficiency assessment for each Ontario local electricity distribution company annually on behalf of the OEB. Total cost is calculated as the sum of Brantford Power’s capital and operating costs, including certain adjustments to make the costs more comparable between distributors. During the last five years, Brantford Power has demonstrated its ability to minimize annual cost increases. In fact the reported cost per customer levels in 2014 are actually 2 dollars below the level reported five years ago in 2010. Brantford Power is continually looking for ways to improve its business processes to enable it to comply with increasing responsibilities and obligations for local distribution companies without negatively impacting overall costs to the customers where possible.

Contributing to the reduced cost in 2014 were cost savings achieved due to temporary vacancies in staffing. When vacancies occur, Brantford Power evaluates the roles and current business priorities to determine how best to deliver services to customers. In some cases, the position is filled while in

other cases, other organizational changes are considered to repurpose these roles or the role remains unfilled if the function can be performed in an alternative manner. In the coming years, changing demographics introduce a risk in the area of resources to perform core operational functions. Brantford Power's planning indicates that staffing levels required to maintain performance levels and meet future demands will depart from the trend in headcount and compensation costs seen in previous years.

### **Efficiency Assessment**

Electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2014, for the third year in a row, Brantford Power was placed 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, Brantford Power's costs are within the average cost range for distributors in the Province of Ontario. In the 2015 report (based on 2014 efficiency levels), 47% (34 distributors) of the Ontario distributors were ranked as "average efficiency"; 28% were ranked as "more efficient"; and 25% were ranked as "least efficient. Although our forward looking goal is to advance to the "more efficient" group, management's expectation is that efficiency performance will not decline and will likely remain at the Group 3 level until Brantford Power has completed its renewal and integration of core information systems.

### **Total Cost per Customer**

Total cost per customer is assessed by dividing the total cost figure by the total number of customers that Brantford Power serves. The per customer cost result for 2014 is \$503/customer which is a 0.8% or \$4 per customer reduction over 2013. Total cost per customer trending can be primarily attributed to the reduced total cost levels, as described in the general cost control discussion above.

### **Total Cost per Km of Line**

Similarly, the per Km of Line cost performance is calculated by dividing the total cost figure by the total kilometers of line in Brantford Power's service territory. The result of \$39,047 represents a 0.8% or \$326 reduction from the level reported in 2013. The total cost per km of line trending can be attributed to the reduced total cost levels discussed above.

## **Conservation & Demand Management**

### **Net Annual Peak Demand Savings (Percent of target achieved).**

For the period of 2011-2014, Brantford Power achieved 79.27% of the net annual peak demand savings, falling short of the target set by the former Ontario Power Authority ("OPA"), but ahead of the overall provincial result and industry norm and most other local distribution companies. While significant efforts were directed toward leveraging and promoting the full offering of OPA province-wide demand management programs with all customers in Brantford Power's service territory, strong customer engagement and uptake in the industrial and commercial sectors was negatively offset by weaker than anticipated program participation in the residential sector.

### **Net Cumulative Energy Savings (Percent of target achieved)**

In contrast to the peak demand savings, Brantford Power's net cumulative energy savings result of 167.94% surpassed the set target. The result is attributed to a focus on working with larger industrial and institutional customers to meet their conservation goals by identifying and implementing sizable projects under the OPA guidelines, particularly in the areas of Retrofit and Process and Systems Upgrades.

## 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 a complete application. In 2014, Brantford Power completed nine CIAs. All nine CIAs were completed inside the prescribed time limit.

### **New Micro-embedded Generation Facilities Connected on Time**

Electricity distributors are required to connect micro-embedded generation facilities within five business days of receiving all required authorizations, signed agreements and connection fees for a micro-embedded generation facility. Brantford Power connected 11 micro-embedded generation facilities in 2014. All 11 micro-embedded generation facilities were connected inside the prescribed time limit.

## Financial Ratios

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

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being “liquid”. The higher the number, the more “liquid” and the larger the margin of safety to cover the company’s short-term debts and financial obligations.

Brantford Power’s current ratio decreased from 2.05 in 2013 to 1.92 in 2014. Despite the reduction, Brantford Power continues to report a strong liquidity position. Brantford Power continues the recent trend downwards as capital expenditures have been funded from working capital reducing the level of cash in the business. Brantford Power last obtained external capital financing in 2012. Brantford Power’s current ratio in subsequent years is expected to remain in the 1.5 to 2.0 range.

### **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). A 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. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

Brantford Power’s leverage position has declined to 1.11 times indicating that the current outstanding debt is only slightly higher than the equity level. As Brantford Power is currently preparing an updated Distribution System Plan, Brantford Power anticipates securing additional financing in the next few years to finance the capital program necessary to continue to replace aging infrastructure and equipment as their useful lives expire. This will ensure Brantford Power maintains its reliability performance and allow funding to make necessary investments to improve productivity or to meet other customer requirements. Once this external financing is secured, Brantford Power expects its Total Debt to Equity Ratio to range between 1.25 and 1.50.

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

Brantford Power's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.98%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

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

Brantford Power's return achieved in 2014 was 11.15%, which is within the +/-3% range allowed by the OEB. The average return over the past 3 years was 8.65% which is slightly below the return included in Brantford Power's approved rates. Brantford Power's 2014 profitability reflects the second of two years of improved financial performance. The increased performance in 2013 was largely due to a one-time tax planning opportunity that allowed Brantford Power to advance the timing of future tax deductions related to the installation of electricity distribution infrastructure. The results also reflected some temporary cost savings due to short term staff vacancies.

With respect to 2014, Brantford Power's performance was positively impacted by new distribution rates which went into effect on March 1, 2014. This was the first time Brantford Power's distribution rates had been "rebased", or re-aligned with the current cost of service since 2008. In addition payments in lieu of taxes payable were reduced as a result of being eligible for additional tax deductions resulting from the 2.2 million dollar increase in net regulatory asset balances. Once Brantford Power collects these amounts, Brantford Power will record higher taxable income which will result in higher taxes at that time. Brantford Power also benefited from some temporary cost savings due to short term staff vacancies.

**Note to Readers of 2014 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.