

# Scorecard - Centre Wellington Hydro Ltd.

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%	100.00%	100.00%	100.00%	96.60%		90.00%		
		Scheduled Appointments Met On Time	96.10%	90.50%	97.60%	99.40%	91.70%		90.00%		
		Telephone Calls Answered On Time	99.80%	99.70%	99.80%	99.90%	99.70%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution									
		Billing Accuracy					99.99%		98.00%		
		Customer Satisfaction Survey Results					A				
<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	NC	NC	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	0.95	0.33	0.26	2.87	0.02			at least within 0.26 - 2.87	
		Average Number of Times that Power to a Customer is Interrupted	0.71	0.89	0.74	0.89	0.08			at least within 0.71 - 0.89	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress					80				
	<b>Cost Control</b>	Efficiency Assessment			3	3	3				
		Total Cost per Customer <sup>1</sup>	\$532	\$568	\$599	\$614	\$617				
Total Cost per Km of Line <sup>1</sup>		\$23,407	\$22,916	\$26,707	\$27,271	\$27,509					
<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>		13.36%	27.84%	68.96%	100.91%			1.64MW	
		Net Cumulative Energy Savings (Percent of target achieved)		49.49%	91.73%	109.35%	137.23%			7.81GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time			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)	3.72	3.21	2.14	2.08	1.70				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.77	0.76	0.74	0.89	0.98				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.01%	8.01%	8.98%	8.98%			
			Achieved		3.34%	2.99%	10.40%	10.96%			

**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

## Appendix B – 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%20Performance%20Measure%20Descriptions.pdf)

### Scorecard MD&A - General Overview

In 2014, Centre Wellington Hydro (CWH) met all performance targets. Aging distribution infrastructure continues to be the primary challenge facing utilities today. Like most utilities in Ontario, CWH must replace aging infrastructure at an accelerated pace in order to meet this challenge. In addition, regular maintenance of the overhead and underground distribution system, including tree trimming activities, and station maintenance were consistent with previous year’s costs, and are required to maintain reliability.

Further to the above, CWH continues to focus on you, the customer. CWH makes every effort to engage its customers on a regular basis to ensure we are aware of your needs and that you are receiving the best value for your money. CWH remains committed to provide its customers with the most reliable service at the least possible cost, and will continue its efforts to maintain its high performing scorecard measures and improve its lower performing measures in 2015.

### Service Quality

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

In 2014, CWH connected 57 low-voltage (connections under 750 volts) residential and small business customers within the five-day timeline as prescribed by the Ontario Energy Board. This represents a decrease of 36% in the number of connections over 2013. CWH considers “New Services Connected on Time” as an important form of customer engagement as it is the utilities first opportunity to meet and/or exceed its customer’s expectations, which in turn affects the level of customer satisfaction within a utility’s territory. Consistent with prior years, CWH connected 96.6% of these customers on time, which exceeds the Ontario Energy Board’s mandated target of 90% for this measure. CWH expects this trend to continue into the foreseeable future.

- **Scheduled Appointments Met On Time**

CWH scheduled 192 appointments in 2014 to connect services, disconnect services, or otherwise complete work requested by its customers. CWH considers “Scheduled Appointments Met” as an important form of customer engagement as customer presence is required for all types of appointments. Consistent with prior years, CWH met 91.7% of these appointments on time, which meets the Ontario Energy Board’s mandated target of 90% for this measure. CWH expects this trend to continue into the foreseeable future.

- **Telephone Calls Answered On Time**

In 2014, CWH received over 8708 calls from its customers (over 34 calls per day). This represents a decrease of 11% in the number of calls over 2013. The decrease in call volumes is attributed to increased customer engagement through emails, our website and online account access to account balances, time of use and conservation tips. CWH considers “Telephone Calls” to be an important communication tool for identifying and responding to its customers’ needs and preferences. Consistent with prior years, a customer service representative answered 99.7% of these calls in 30 seconds or less, which significantly exceeds the Ontario Energy Board mandated target of 65% for this measure. CWH expects this trend to continue into the foreseeable future.

## Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution is a new scorecard measure introduced by the Ontario Energy Board midway through 2014. The Ontario Energy Board has not yet issued a common definition for this measure but is expected to do so within the next few years.

CWH defines “First Contact Resolution” as the number of customer enquires that are not resolved by the first contact at the utility, resulting in the enquiry being escalated to an alternate contact at the utility, typically a supervisor or a manager. This includes all customer enquires that are made to a customer service representative whether by telephone, letter, e-mail, or in person. CWH did not track specific First Contact Resolution data for the period July 1, 2014 to December 31, 2014, and started tracking in 2015. CWH has set up measures and completed training to ensure that we will be in compliance for this measure for the 2015 Scorecard.

- **Billing Accuracy**

Billing Accuracy is a new scorecard measure introduced by the Ontario Energy Board late in 2014, and is defined as the number of accurate bills issued expressed as a percentage of total bills issued. CWH considers timely and accurate billing to be an essential component of customer satisfaction. For the period from October 1, 2014 – December 31, 2014, CWH issued more than 20,250 customer bills and achieved a billing accuracy of 99.99%, which is within the Ontario Energy Board mandated target of 98%. CWH expects this trend to continue for 2015, the first full year of reporting on this measure.

- **Customer Satisfaction Survey Results**

Customer Satisfaction Survey is a new scorecard measure introduced by the Ontario Energy Board for the 2014 scorecard. The Ontario Energy Board has not yet issued a common definition for this measure but is expected to do so within the next few years. As a result, this measure may differ from other utilities in the Province.

For 2014, CWH engaged a third-party organization to conduct a customer satisfaction survey. This statistical survey canvassed a number of key areas including power quality and reliability, price, billing and payments, communications, and the overall customer service experience. CWH considers this customer satisfaction survey to be useful tool for engaging the customer and receive a better understanding of their wants and needs with respect to the provision of electricity services and for identifying areas that may require improvement. For 2014, CWH received a rating of “A” on its customer satisfaction survey. CWH is only required to report on this measure on a biennial basis (every second year), but expects this trend to continue into the foreseeable future.

## Safety

- **Public Safety**

Public Safety is a new scorecard measure introduced by the Ontario Energy Board for the 2014 scorecard. The Public Safety measure is generated by the Electrical Safety Authority and is comprised of three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index. A breakdown of the three components is as follows:

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

Component A consists of a new statistical survey that gauges the public's awareness of key electrical safety concepts related to electrical distribution equipment found in a utility's territory. The survey also provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required. **Please Note: The survey for Component A has not yet been implemented and will not be reported until next year.**

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

Component B consists of a utility's compliance with Ontario Regulation 22/04 - Electrical Distribution Safety. Ontario Regulation 22/04 establishes the safety requirements for the design, construction, and maintenance of electrical distribution systems, particularly in relation to the approvals and inspections required prior to putting electrical equipment into service. Through our strong commitment to safety, CWH was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety) over the past three years.

**Component C - Serious Electrical Incident Index:**

Component C consists of the number of serious electrical incidents, including fatalities, which occur within a utility's territory. In 2014, CWH had zero fatalities and no (0) serious incidents within its territory; which translates to a rate of 0 incidents per 1,000 km of line for 2014.

## System Reliability

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

The average number of hours that power to a customer is interrupted is a measure of system reliability or the ability of a system to perform its required function. CWH views reliability of electrical service as a high priority for its customers and constantly monitors its system for signs of reliability degradation. CWH also regularly maintains its distribution system to ensure its level of reliability is kept as high as possible. The Ontario Energy Board typically requires a utility to keep its hours of interruption within the range of its historical performance, however, outside factors such as severe weather, defective equipment, or even regularly scheduled maintenance can greatly impact this measure. For 2014, CWH's average number of hours that power to a customer was interrupted was 0.02, which is the lowest it has been over the five-year period between 2010 and 2014. CWH attributes the decline in outage duration to customers last year to major betterments to distribution substations over the last three years and limited outage causing weather/storm events in 2014.

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

The average number of times that power to a customer is interrupted is also a measure of system reliability and is also a high priority for CWH. As outlined above, the Ontario Energy Board also typically requires a utility to keep this measure within the range of its historical performance and outside factors can also greatly impact this measure. CWH experienced interrupted power 0.08 times during 2014, which, like the average duration time, is the lowest in the five year period between 2010 and 2014, and attributed to the same major system betterments and lower than average weather related incidents in 2014, as mentioned above.

## Asset Management

- **Distribution System Plan Implementation Progress**

Distribution system plan implementation progress is a new performance measure instituted by the Ontario Energy Board beginning in 2013. The Distribution System Plan outlines CWH's forecasted capital expenditures over the next five (5) years, which are required to maintain and expand the utility's electricity system to serve its current and future customers. The Distribution System Plan Implementation Progress measure is intended to assess CWH's effectiveness at planning and implementing these capital expenditures. Consistent with other new measures, utilities were given an opportunity to define this measure in the manner that best fits their organization. As a result, this measure may differ from other utilities in the Province.

CWH does not yet have a distribution system plan in place and will therefore be using its capital asset management plan as a substitute. CWH will implement its first full distribution system plan at its next cost of service application, which is currently scheduled for 2016. At that time, the distribution plan will supersede the current asset management plan.

CWH defines this measure as the tracking of actual capital projects to planned capital projects, expressed as a percentage. For 2014, CWH completed 80% of the capital projects planned for 2014.

## Cost Control

- **Efficiency Assessment**

On an annual basis, each utility in Ontario is assigned an efficiency ranking based on its performance. To determine a ranking, electricity distributors are divided into five groups based on the magnitude of the difference between their actual costs and predicted costs. For 2014, CWH was placed in Group 3 in terms of efficiency. Group 3 is considered average and is defined as having actual costs within +/- 10% of predicted costs. CWH's average cost performance calculation for 2011-2013 showed that CWH was below the predicted cost by -1.2%.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of CWH's capital and operating costs and dividing this cost figure by the total number of customers that CWH serves. Similar to most distributors in the province, CWH has experienced increases in its total costs required to deliver quality and reliable services to customers.

The total cost performance result for 2013 is \$614/customer, which is a 2.5% increase over the 2012 result, and was mainly due to capital enhancements to distribution stations that will continue to ensure reliability performance. The cost per customer in 2014 was \$617 which was an increase of \$3.00 per customer over the 2013 rate of \$614 or a modest 0.49% increase.

Going forward, utility costs are expected to keep pace with economic fluctuations; however, CWH will continue to implement productivity and efficiency improvements to help offset some of the costs associated with distribution system enhancements, while maintaining the reliability and quality of its distribution system.

- **Total Cost per Km of Line**

CWH's rate is \$27,509 per km of line which is a 0.87% increase over its 2013 rate. CWH's growth rate for its territory is considered to be low and as a result, the cost per km of line is expected to slowly increase as capital and operating costs also increase. As we progress into the future, CWH will continue to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

## Conservation & Demand Management

- **Net Annual Peak Demand Savings (100.9% of target achieved)**

Late in 2010, the Ministry of Energy mandated a new 2011 - 2014 framework for electricity conservation and demand management (CDM) in Ontario. As a result, the Ontario Energy Board was required to establish CDM targets for the reduction of electrical consumption (kWh's) and electricity demand (kW's) to be met by certain licensed electricity distributors across the province. The Ontario Power Authority supported this initiative through the introduction of a number of Ontario Energy Board approved CDM programs designed to conserve electricity across all classes of electricity customers.

CWH reached 100.9% of its Net Annual Peak Demand (kW) Savings target of 1640 kW at the end of 2014. This puts CWH as one of only six LDC's in the province that met their Peak Demand target. This was primarily achieved through the use of a Roving Energy Manager who was retained by Cornerstone Hydro Electric Concepts (CHEC) which is a cooperative group that Centre Wellington Hydro is a member of. The Energy Manager identified and pursued opportunities with large commercial, institutional and industrial customers. Going forward, a new CDM framework and new targets are expected to be implemented for this measure for the period 2015 – 2020.

- **Net Cumulative Energy Savings (137.2% of target achieved)**

CWH exceeded its four-year Net Cumulative Energy (kWh's) Savings target of 7,810,000 kWh at the end 2014. This was achieved by leveraging the suite of Ontario Energy Board approved CDM programs primarily designed for the residential and small commercial classes of customers. Going forward, a new CDM framework and new targets will also be implemented for this measure for the period 2015 – 2020. CWH was one of only four of the 76 LDC's in the province to meet both the Peak Demand Savings and the Energy Savings targets, however recognizes that realizing 37% in excess of kWh target for the 2011-2014 framework will make the new framework target more difficult to achieve.

## Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Electricity distributors are required to conduct Connection Impact Assessments (CIA's) on all renewable generation connections within 60 days of receiving authorization from the Electrical Safety Authority. CWH has developed and implemented an internal procedure to ensure compliance with this regulation.

In 2014, CWH did not complete any CIA's as we did not receive any FIT applications. In 2013, CWH completed 1 CIA, which was completed within the prescribed time limit. CWH expects the trend for this measure to continue for the foreseeable future.

- **New Micro-embedded Generation Facilities Connected On Time**

Micro-embedded generation facilities consist of solar, wind, or other clean energy projects of less than 10 kW that are typically installed by homeowners, farms or small businesses. In 2014, CWH connected 4 new micro-embedded generation facilities within its territory. 100% of these projects were connected within the prescribed timeframe of five (5) business days, which significantly exceeds the Ontario Energy Board's mandated target of 90% for this measure. CWH's process for these projects is well documented and CWH works closely with its customers and their contractors to ensure the customer's needs are met and/or exceeded. CWH expects the trend for this measure to continue to exceed the mandated target for the foreseeable future.

## Financial Ratios

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

As an indicator of financial health, a current ratio indicates a company's ability to pay its short term debts and financial obligations. Typically, a current ratio between 1 and 1.5 is considered good. If the current ratio is below 1, then a company may have problems meeting its current financial obligations. If the current ratio is too high (higher than 1.5) then the company may be inefficient at using its current assets or its short-term financing facilities.

CWH's current ratio decreased from 2.08 in 2013 to 1.70 in 2014, which is indicative of a financially healthy organization. CWH's current ratio is expected to remain financially healthy into the foreseeable future.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The debt to equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. The Ontario Energy Board uses a capital structure of 60% debt and 40% equity (a debt to equity ratio of 60/40 or 1.5) when setting rates for an electricity utility. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments, while a low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that may be had through increased financial debt.

In 2014, CWH's debt to equity ratio was 0.98, which is basically 50/50 or a net equity ratio which indicates CWH's financial stability is sound. CWH expects its

debt to equity ratio to remain close to the expected norm into the foreseeable future.

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

Return on equity (ROE) measures the rate of return on shareholder equity. ROE demonstrates an organization's profitability or how well a company uses its investments to generate earnings growth. 47CWH's current distribution rates were approved by the Ontario Energy Board and include an expected (deemed) regulatory return on equity of 8.98%. The Ontario Energy Board allows a distributor to earn within +/- 3% of the expected return on equity. If a distributor performs outside of this range, it may trigger a regulatory review of the distributor's financial structure by the Ontario Energy Board.

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

CWH achieved a ROE of 10.96% in 2014, which is within the 8.98% +/-3% range allowed by the Ontario Energy Board (see above paragraph). The average ROE over the past four years was 6.92%, which was lower than the deemed regulatory return specified in CWH's approved rates (see above paragraph). CWH anticipates the average ROE to fall within the +/-3% range in the foreseeable future.

## 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 judgment on the reporting date of the performance scorecard, and could be markedly different in the future.