

Scorecard - Hearst Power Distribution Company Limited

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	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	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time	0.00%	0.00%	0.00%	100.00%	100.00%	⬆	90.00%		
		Telephone Calls Answered On Time	96.70%	95.00%	92.50%	100.00%	96.70%	⬆	65.00%		
	Customer Satisfaction	First Contact Resolution					98%				
		Billing Accuracy					99.98%	➡	98.00%		
		Customer Satisfaction Survey Results					97% Good				
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public awareness [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	NI	NI	NI	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	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	1.48	6.05	4.95	5.32	0.98	⬇		at least within 1.48 - 6.05	
		Average Number of Times that Power to a Customer is Interrupted	0.76	1.02	2.20	1.41	0.35	⬇		at least within 0.76 - 2.20	
	Asset Management	Distribution System Plan Implementation Progress					Submitted				
	Cost Control	Efficiency Assessment			1	1	1				
		Total Cost per Customer ¹	\$419	\$412	\$418	\$414	\$479				
Total Cost per Km of Line ¹		\$16,840	\$17,073	\$17,131	\$16,980	\$19,161					
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		5.92%	13.86%	26.47%	49.99%	●		0.68MW	
		Net Cumulative Energy Savings (Percent of target achieved)		14.00%	30.83%	49.16%	67.27%	●		3.91GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time									
		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)	3.86	4.97	3.05	2.52	2.27				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.59	0.58	0.55	0.59	0.38				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.85%	9.85%	9.85%	9.85%			
			Achieved		21.25%	41.81%	27.17%	24.31%			

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 A – 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, Hearst Power Distribution Corporation Ltd. (HPDC) exceeded all performance targets with the exception of the two measures of Conservation and Demand Management.

In 2014, the first period for recording Customer Satisfaction items proved to be very successful as all items achieved 97% or better results.

In 2015, the company expects to maintain, or increase where possible, its overall scorecard performance results as compared to prior years. HPDC expects similar or better performance as a result of enhanced system reliability due to the company’s major investment in its distribution system plant, as per HPDC’s implemented Distribution System Plan, and continued responsiveness to customer feedback.

Service Quality

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

In 2014, HPDC connected 100% of the 4 eligible low-voltage residential and small business customers. As usual, HPDC views customer connections as a top priority and continues to exceed the 90% OEB-mandated threshold of 90%.

- **Scheduled Appointments Met On Time**

HPDC scheduled 449 appointments in 2014 which have been 100% completed on-time and as required. HPDC continues to exceed the industry target of 90%. The work requests include, but is not limited to, disconnection, reconnection, electrical line locates, etc.

- **Telephone Calls Answered On Time**

In 2014, HPDC received 1,413 calls, of which 1,366 were answered within 30 seconds. That is an annual 96.70% achievement for HPDC, which is significantly greater than the 65% OEB-mandated target.

Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. In order to comply with this requirement, we used the results from the survey completed in September 2014. One question in the Customer Service section of the survey was: "Did the Customer care representative provide you with the information you needed?"; 98% of respondents answered yes to this question.

- **Billing Accuracy**

For the period of October 1, 2014 to December 31, 2014 HPDC issued 8,569 bills and achieved a billing accuracy of 99.98%. This compares favorably to the prescribed OEB target of 98%. HPDC continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time, the Ontario Energy Board is allowing electricity distributors discretion as to how they implement this measure.

HPDC conducted a customer satisfaction survey in September 2014 with its residential class. The survey was developed in-house through a collaborative effort of, Hearst Power Distribution Company Limited Inc., Hydro Hawkesbury Inc., Hydro 2000 Inc., Cooperative Hydro Embrun, Renfrew, Hydro and Ottawa River Power Corporation ("the Group"). The Group was also assisted with Tandem Energy Services Inc. in developing the survey. The main purpose of the collaborative effort was to minimize the cost of the survey by the sharing of intellect and resources. HPDC conducted its survey during the first 2 weeks of September 2014.

Customers were given a possibility to express their needs and opinions by completing an online or hard copy survey. Fifteen percent (15%) of HPDC's residential customers responded to the survey. The results identified an overall good or better performance.

Safety

- **Public Safety**

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

In 2014, HPDC launched a bi-monthly educational publications program which provides written educational publications on various electrical subjects via newspapers and the online portal. This program was developed to keep customers educated & informed on electrical safety, and to provide some background on the complex electrical sector.

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

In 2014, HPDC was found to be compliant, once again, with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - *Electrical Distribution Safety* establishes objective based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors.

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

Over the past five years, HPDC did not have any serious electrical incident.

System Reliability

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

HPDC's average number of hours that power to a customer is interrupted was 0.98, a great decrease over 2013 which was at 5.32. In 2014, there were no pole failure, there were less defective equipment related interruptions; additionally, the weather was favorable as there weren't too many high winds or storm storm related outages.

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

For the same reasons as stated above, the average number of times that power to a customer was interrupted decreased significantly from 1.41 in 2013 to 0.35 in 2014.

Asset Management

- **Distribution System Plan Implementation Progress**

HPDC's Distribution System Plan (DSP) was built in 2014 for the period of 2015 to 2020. The plan, which was included with our 2014 OEB rate application, was implemented in 2015 and included a pole replacement program. The pole replacement program was built after a pole survey that identified the pole assets that were in bad condition and in need of replacement. This pole survey showed that over 100 poles were in poor or below average condition.

The main driver for the pole replacement program is the risk of plant failing in service and creating long outages for customers, and added O&M costs for the utility. This is intensified if there are simultaneous failures if the failures are the result of weather stressors such as high winds. Also, there are some safety benefits to doing the pole replacement project. First is the reduction of the possibility of poles falling in adverse weather and causing accidents or damage to property. Second is the safety related to the potential loss of power during extreme cold weather and the loss of heat for an extended period of time

The Distribution System Plan is 100% completed and implemented by HPDC, but it is yet approved by the OEB due to delays in our rate application.

Cost Control

- **Efficiency Assessment**

Same as the last two year, HPDC received an efficiency assessment of 1. HPDC expects to maintain the same efficiency performance going forward.

- **Total Cost per Customer**

The cost performance results in 2014 is 479\$ per customer which is a significant increase over 2013, 414\$ per customer. The increase is due higher regulatory costs in 2014 which is directly related to the 2014 rate application, as well as the hiring of a 3rd office employee to assist with customer service and billing. HPDC has always had two office employees prior to 2014.

It is also important to note that there is no customer growth, but rather a slight decrease over 2013.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above, The Total cost is divided by the kilometers of line that HPDC operates to serve its customers. HPDC's 2014 rate is \$19,161 per Km of line, an increase of \$2,181 over 2013. HPDC experienced no growth in its total kilometers See above cost per customer section for cost drivers commentary. HPDC continues 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 (Percent of target achieved)**

HPDC did not successfully meet its Net Annual Peak Demand Savings target as at the end of 2014 with and achieved target of 49.99%. The entire suite of Ontario Power Authority ("OPA") province-wide demand management programs were leveraged by HPDC during 2011-2014, including emphasis on supporting conservation efforts of large commercial, industrial and institutional customers. The Net Annual Peak Demand Savings target was not met due to insufficient customer uptake of program participation. Outreach efforts from 2011-2014 to encourage customer participation in the province-wide demand management programs included mailing, telephone, and visitation campaigns of business and industrial customers; newspaper ads for residential customers; and direct outreach to the top 20 energy users in HPDC's service territory. In lieu of retaining a full time energy manager to identify and pursue opportunities within the sectors, HPDC contracted such activities out to Burman Energy Consultants Group Inc.

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

HPDC did not achieve its four-year net cumulative energy savings target by the end of 2014. As of December 31st 2014, HPDC had achieved 67.27% of the set savings target. Strong and early participation by local commercial customers was exclusive to the direct install lighting program. The retrofit program did not have strong and early participation by customers. Efforts taken to increase participation in the retrofit program included printed program marketing material distributed; visitation conducted to campaign to business and industrial customers; and individually targeting top 20 energy users in HPDC's service territory.

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 authorization from the Electrical Safety Authority. In 2014, HPDC did not complete any CIA in 2014 since the transmission line in our area has been constrained and can't accept any new loads since 2012. Hydro One does not anticipate any expansion of that line in the near future, therefore, HPDC forecast the same for next year.

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

As discussed above, the transmission line is constrained in our area, therefore no new micro-embedded generation facilities were connected in 2014. The same is forecasted for next year.

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.

HPDC's current ratio decreased from 2.52 in 2013 to 2.27 in 2014. This is not indicative of a decline in financial performance but rather the result of investments in the distribution and general plant, and a larger repayment of the long term debt. HPDC's current ratio in subsequent years is expected to continue to decline slowly and in small increments as larger capital investments in the distribution plant is required and is implemented with the distribution system plan for the period of 2015 to 2020.

- **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).

HPDC lowered its debt to equity ratio to 0.38 in 2014 as it made a repayment of over 25% of its long term debt.

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

HPDC's current distribution rates were approved by the OEB in 2010 and includes an expected (deemed) regulatory return on equity of 9.85%. 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**

HPDC's return achieved in 2014 was 24.31%, which is over the +/-3% range allowed by the OEB. The main contributor of the 2014 ROE was that regulated net income was adjusted for the OEB deemed interest expense; a large increase of merchandise, jobbing revenues in 2014 as compared to the 2010 rate application and the decrease of amortization due to change in HPDC capitalization and depreciation policies for extended asset lives.

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.