

Scorecard - Hydro 2000 Inc.

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%			90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Telephone Calls Answered On Time	99.60%	100.00%	98.50%	99.70%	99.40%	⬇	65.00%		
	Customer Satisfaction	First Contact Resolution					95%				
		Billing Accuracy					99.86%	➡	98.00%		
		Customer Satisfaction Survey Results					97%				
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	C	C	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	3.24	0.47	0.17	0.02	0.01	⬇		at least within 0.02 - 3.24	
		Average Number of Times that Power to a Customer is Interrupted	1.40	0.49	0.09	0.02	0.01	⬇		at least within 0.02 - 1.40	
	Asset Management	Distribution System Plan Implementation Progress					in progress				
	Cost Control	Efficiency Assessment			3	3	3				
		Total Cost per Customer ¹	\$429	\$464	\$525	\$531	\$480				
Total Cost per Km of Line ¹		\$24,410	\$26,713	\$30,417	\$30,838	\$27,930					
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		8.92%	24.78%	42.89%	108.95%	●		0.19MW	
		Net Cumulative Energy Savings (Percent of target achieved)		25.78%	70.23%	140.55%	159.78%	●		1.04GWh	
	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)	1.78	1.62	1.55	1.54	1.74				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.26	0.22	0.19	0.12	0.05				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.57%	9.12%	9.12%	9.12%			
			Achieved		9.12%	-17.49%	7.40%	31.78%			

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

Hydro 2000 Inc.

2014 Scorecard Management Discussion and Analysis (“2014 Scorecard MD&A”)

Scorecard MD&A - General Overview

In 2014, Hydro 2000 Inc (“Hydro 2000”) exceeded all performance targets. The most significant improvement in 2014 is the cost control measures where the utility managed to improve its efficiency assessment, and reduce both its cost per customer and cost per km of line. This is a result of the utility continuously seeking ways to implement cost saving solution and promoting cost sharing with neighboring utilities

In 2015, the company will continue to strive to improve its overall scorecard performance results as compared to prior years.

Service Quality

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

In 2014, Hydro 2000 did not have any new connection in 2014.

- **Scheduled Appointments Met On Time**

Hydro 2000 met 100% of its scheduled 28 appointments with its customers to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. Consistent with the prior year, the utility met 100% of these appointments on time, which significantly exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2014 Hydro 2000 customer service agents received over 3397 calls from its customers. An agent answered a call in 30 seconds or less in 99.4% of these calls. This result significantly exceeds the OEB-mandated 65% target for timely call response. The 2014 result were marginally lower than 2013's 99.7% results.

Customer Satisfaction

- **First Contact Resolution**

For Hydro 2000, First Contact Resolution was measured based on surveyed customers - Hydro 2000 has only recently started tracking its "First Contact Resolution" metric. In order to comply with this requirement, the utility used the results 9 related survey questions. The utility is of the opinion that the results reflect accurate results of 95%

Customers were asked to rate various facets of their customer experience, including Courtesy, Knowledge and Promptness and were also asked if their issue (i.e. their reason for calling) was resolved on their first call to the utility. Hydro 2000's internal process dictates that within 24 hours of their initial inbound contact, a customer service representative will contact the customer either via phone or email in an attempt to answer questions or attempt to resolve the issue. If need be, the general manager will intervene to help resolve the issue.

- **Billing Accuracy**

Until July 2014 a specific measurement of billing accuracy had not been previously defined across the industry. After consultation with some electricity distributors, the Ontario Energy Board (OEB) has prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014.

For the period from October 1, 2014 – December 31, 2014, Hydro 2000 issued more than 3681 bills and achieved a billing accuracy of 99.86%. This compares favorably to the prescribed OEB target of 98%.

Hydro 2000 continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

Hydro 2000 conducted a customer satisfaction survey in September of 2014. The survey was the first survey conduction by the utility. The survey's objectives included measuring:

- Utility's overall performance.
- Reliability.
- Billing and Payment Options
- Quality of service provided by customer care.
- Quality of service provided by field employees.

- Customer awareness and usage of the department's online services.
- Customer support for greater use of renewable energy.
- Customer opinions regarding how aggressively sustainable practices should be pursued.
- Cost of Electricity
- Overall Performance

The survey was developed in-house through a collaborative effort of 6 utilities.

Developing an in-house survey gave the group more control and flexibility surrounding the delivery of the survey. The group approached a select number of customer for their opinion on the method in which they would prefer to be approached by the surveyors (e.g. written survey, online survey or phone survey). The customer's least preferred method was a phone survey.

The survey was also sampled with a select group of customers before it was published. Based on the comments received by the sample group, the survey was further revised the survey to adopt the recommendations of the customer.

In Hydro 2000's case, a written survey was sent along with the customer bills, to all its customers. In its 2014 Scorecard Distributor Hydro 2000 reported the number of customers that were very or fairly satisfied with the utility. Distributor Hydro 2000 Inc received an overall score of 97%.

The utility intends on conducting the survey on a bi-annual basis in an effort monitor and assess residential and commercial customer knowledge, perceptions and satisfaction regarding utility services.

Safety

- The Ontario Energy Board (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. 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.
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- **Component A – Public Awareness of Electrical Safety**
- Note that this measure is still under development by the OEB and that Hydro 2000's data is not available for 2014. 2016 will be the first year that the data for this component of measure will be shown on the scorecard for the 2015 results.

- **Component B – Compliance with Ontario Regulation 22/04**
- H2000 hires the services of a third party service (Quasar) to conduct yearly audits – usually conducted in the spring. During the fall of the same year, the ESA will conduct a full field audit and collect the results of Quasar’s spring audit. Over the past three years, H2000 was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by a commitment to safety, and adherence to company procedures & policies.
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- **Component C - Serious Electrical Incident Index**
- H2000 did not encounter any electrical incidents in the past three years.

System Reliability

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

Hydro 2000 experienced in 2014 a decrease in the average number of hours that power to customers was interrupted. In 2014 Hydro 2000 did not have any major storm in its service are. Squirrel and animal damages also declined in 2014 which directly contribute to the decrease of hours of interruption. Hydro 2000’s construction standards are being reviewed to improve resiliency to severe weather.

Hydro 2000’s system reliability is very stable and only varies with adverse weather which tends to fall outside of the utility’s control. If a power failure occurs inside of the utility’s distribution system, the utility is quick in contacting it third party provider in order to rectify the issue. Hydro 2000 Inc continues to view reliability of electricity service as a high priority the utility continues to monitor its distribution assets on a regular basis.

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

Hydro 2000’s Average Number of Times that Power to a Customer is Interrupted (i.e., frequency) of 0.01 was below the target range of 0.02 – 1.4. The frequency of outages has gradually decreased in recent years. Hydro 2000 has adopted a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; ensure the safe and reliable delivery of electricity; and balance ratepayer and utility affordability.

Asset Management

- **Distribution System Plan Implementation Progress**

Hydro 2000 is working on its Distribution System Plan in advance of its 2017 Cost of Service application. Hydro 2000 Inc is currently working on the asset registry and asset management plan portion of its distribution system plan. The utility expects to have its DSP completed by December 31, 2015

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. Hydro 2000 was placed in Group 3 which represents a stretch factor of 0.30. Group 3 is considered “average efficiency” – in other words, Hydro 2000’s costs are within the average cost range for distributors in the Province of Ontario. Hydro 2000’s costs have decreased by 9.9% in 2014 compared to 2013. Although Distributor Hydro 2000’s forward looking goal is to advance to the “more efficient” group, management’s expectation is that efficiency performance will not decline. Hydro 2000 will continue to monitor its costs and strive to manage both its capital and operating costs to achieve the best efficiency results possible.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Hydro 2000’s capital and operating costs and dividing this cost figure by the total number of customers that Hydro 2000 serves. The cost performance result for 2014 is \$480 /customer which is a 9% decrease over 2013.

Hydro 2000 will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts. Hydro 2000 will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on Hydro 2000’s capital spending plans.

- **Total Cost per Km of Line**

Hydro 2000's 2014 rate is \$27,930 per Km of line, a 9% decrease over 2013. Hydro 2000 experienced a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Hydro 2000 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)**

Hydro 2000 successfully met its Net Annual Peak Demand Savings target as at the end of 2014. This was achieved by fully leveraging the entire suite of IESO province-wide demand management programs and placing increased emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers.

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

Distributor Hydro 2000 is pleased to have achieved its four-year net cumulative energy savings target by the end of 2014. This successful achievement was made possible by the strong and early participation by local residential customers as well as commercial customers participating in the retrofit and energy efficient lighting programs.

Connection of Renewable Generation

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

Hydro 2000 did not receive any applications for renewable generation connection impact Assessments.

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

Hydro 2000 did not receive any applications for new micro-embedded generation facilities.

Financial Ratios

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

Hydro 2000's current ratio increased from 1.54 in 2013 to 1.74 in 2014 which far exceeds the indicator of good financial health

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

In accordance with Board policy the utility 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).

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

Hydro 2000's current distribution rates were rebased and approved by the OEB in 2014 and include an expected (deemed) regulatory return on equity of 9.12%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity

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

Hydro 2000's return achieved in 2014 was 31.78%, which is well over the +/-3% range allowed by the OEB. The average return over the past 3 years was 7.23% which is also well within return included in Hydro 2000's approved rates. Hydro 2000 achieved returns higher than the deemed rate in 2013 and 2014 mainly due to increased energy consumption; and lower operating costs. Hydro 2000 will be filing a cost of service application shortly which is intended to correct the current return on equity.

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.