

# Scorecard - Hydro Hawkesbury 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	97.20%	100.00%	100.00%	100.00%	100.00%	↑	90.00%		
		Scheduled Appointments Met On Time	94.10%	100.00%	97.80%	97.40%	100.00%	↑	90.00%		
		Telephone Calls Answered On Time	99.90%	99.80%	99.90%	100.00%	99.90%	↑	65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution						94%			
		Billing Accuracy						99.99%	→	98.00%	
		Customer Satisfaction Survey Results						92%			
<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	1.17	0.19	0.76	1.09	0.13	↓		at least within 0.19 - 1.17	
		Average Number of Times that Power to a Customer is Interrupted	0.90	0.19	0.69	0.47	0.25	↓		at least within 0.19 - 0.90	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress						46%			
	<b>Cost Control</b>	Efficiency Assessment			1	1	1				
Total Cost per Customer <sup>1</sup>		\$241	\$254	\$262	\$284	\$260					
Total Cost per Km of Line <sup>1</sup>		\$20,107	\$21,240	\$22,134	\$23,045	\$21,050					
<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>		7.11%	15.27%	23.03%	39.61%	●		1.82MW	
		Net Cumulative Energy Savings (Percent of target achieved)		30.36%	52.56%	66.09%	82.16%	●		9.28GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time			100.00%						
		New Micro-embedded Generation Facilities Connected On Time					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)	1.85	1.12	1.18	0.97	0.95				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.27	0.17	0.31	0.43	0.39				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.01%	8.01%	8.01%	9.36%			
			Achieved		20.35%	7.69%	1.00%	12.48%			

**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 Hawkesbury Inc.

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

### Scorecard MD&A - General Overview

In 2014, the Hydro Hawkesbury Inc (“HHI”) either maintained or exceeded all performance targets with the exception of the 2 measure related to Conservation and Demand Management. 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. Hydro Hawkesbury has been ranked as the most efficient utility in Ontario for the past 5 years with cost per customer far lower than other utilities. In 2015, the company plans on continuing its efforts to improve its overall scorecard performance results.

### Service Quality

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

In 2014, HHI connected 21 services of which 100% were connected to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB). Where possible, HHI also coordinates connection activities with local municipalities and other agencies, to further enhance the coordination between municipal and electrical distribution construction activities.

- **Scheduled Appointments Met On Time**

In 2014, HHI scheduled 13 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 HHI customer service received 8,022 calls from its customers. An agent answered calls in 30 seconds or less in all except 6 calls. This result significantly exceeds the OEB-mandated 65% target for timely call response. The 2014 result amounts to a 0.1% decline over 2013. Call volumes decreased slightly due to better weather conditions.

## Customer Satisfaction

- **First Contact Resolution**

For HHI, First Contact Resolution was measured based on surveyed customers - HHI 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.

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. HHI'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. HHI continues to monitor its first contact resolution with its customer to identify opportunities for improvement.

- **Billing Accuracy**

Billing accuracy represents the number of customer invoices within the utility's control that were created without errors. For the period from October 1, 2014 – December 31, 2014 HHI issued more than 16,747 bills and achieved a billing accuracy of 99.99% with only one bill which was erroneous. This compares favourably to the prescribed OEB target of 98%.

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

- **Customer Satisfaction Survey Results**

HHI surveyed its customers in September of 2014. The 2014 survey is 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 utility published its survey through their website.

In HHI.'s case, a bill insert was sent along with the customer bills, to all customers indicating that the survey was available through the website. The responses to the survey were less than expected but the utility will continue to find other ways of reaching out to its customers to get their input.

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.

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

Note that this measure is still under development by the OEB and that Hydro Hawkesbury'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**

HHI 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, HHI 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.

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

HHI did not encounter any electrical incidents in the past three years.

## **System Reliability**

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

HHI experienced a significant decrease in the average number of hours that power to a customer was interrupted during 2014. The result of the decrease was that 2014 had better overall weather and less storms than 2013. The number of interruptions decreased from 6123 in 2013 to 752 in 2014.

HHI’s system reliability is very stable and tends to 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 responding and rectifying the issue. HHI 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**

HHI experienced a significant decrease in the average number of interruptions during 2014. The result of the decrease was that 2014 had generally more stable weather and less storms than 2013. The results reported show that the interruptions decreased from 0.47 in 2013 to 0.25 in 2014.

## **Asset Management**

- **Distribution System Plan Implementation Progress**

HHI filed an Asset Management Plan as part of its 2014 Cost of Service application. Accordingly, HHI is now in the process of working on its Distribution System Plan (“DSP”).

HHI has reported 46% completion of the DSP at December 31, 2014. These results are reported with the understanding that the measure refers to

the percentage represented on a project management progress view of the drafting of the DSP document itself, and does not reflect implementation.

## 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. HHI has been placed in group I which represents the most efficient group. This also represents no change from 2013. The utility has been ranked No 1 for 4 years in a row. HHI's costs have decreased by 9.1% in 2014 compared to 2013. HHI 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 HHI's capital and operating costs and dividing this cost figure by the total number of customers that HHI serves. The cost performance result for 2014 is \$260 /customer which is an 8% decrease from 284/customer 2013.

HHI will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts as demonstrated in its 2014 Cost of Service application, HHI 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 HHI's capital spending plans.

- **Total Cost per Km of Line RRR (2.1.5 utility characteristics)**

HHI's 2014 rate is \$21,050 per Km of line, an 8% decrease over 2013. HHI generally experienced a low level of growth in its total kilometers of lines due to the fact that HHI is not seeing much growth in its service area. Regardless of the lack of growth, HHI continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to its customers.

## Conservation & Demand Management

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

HHI achieved 39.61% of its net annual peak demand savings. The utility has not been able to meet its target for the simple fact that there is little

interest in conservation investments in the service area. Also, many general service business have shut down their operation over the past several years and as such, the utility is finding it difficult to engage its general service customers. As indicated the Board's letter issued on December 17, 2014, collectively, distributors reduced provincial peak demand by approximately 405 MW in 2013 which represented approximately 30% of the peak demand savings target. A large majority of distributors cautioned the Board that they did not expect to meet their peak demand targets.

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

HHI achieved 82.16% of its targets for the period of 2011-2014 which fell below the 100% goal. Similarly to the explanation of the Net Annual Peak Demand Savings, there is a lack of interest in conservation initiatives in the service area. Despite the lack of interest from the customers, HHI continues to work with 3<sup>rd</sup> party provider in implementing conservation measures.

## Connection of Renewable Generation

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

HHI does not have any Fit projects in 2014 and as such did not need Connection Impact Assessments

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

HHI did not have any MicroFit projects in 2014.

## Financial Ratios

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

HHI's current liquidity rating of 0.95 decreased slightly from 0.97 in 2013 which is close to 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)**

HHI's current distribution rates were rebased and approved by the OEB in 2014 and include an expected (deemed) regulatory return on equity of 9.36%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity.

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

HHI's current return is 12.48% which represents an increase 3.11%. This is not particularly indicative of an overearning performance but rather the result of delays in investments cause by factors outside of the utility's control. HHI's actual rate of return is 6.03% which creates a sufficiency of 1.78% or -\$86,849. As mentioned above, the utility has put several analysis tools in place to ensure that the utility's rate of return is more in lined with the approved rate of return. HHI has put in place financial tools and spreadsheets which is insure that its capital and operational spending will be in line with 2014 results.

## 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.