

Scorecard - Milton Hydro Distribution 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	99.10%	99.00%	98.60%	98.00%	99.50%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	99.70%	99.80%		90.00%		
		Telephone Calls Answered On Time	79.00%	76.80%	82.60%	74.50%	77.80%		65.00%		
	Customer Satisfaction	First Contact Resolution					84%				
		Billing Accuracy					99.96%		98.00%		
		Customer Satisfaction Survey Results					91%				
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	C	NI	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	1	0			0
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.102	0.000			0.014	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.55	1.05	0.81	7.94	1.22			at least within 0.55 - 7.94	
		Average Number of Times that Power to a Customer is Interrupted	0.40	1.12	1.05	0.99	1.06			at least within 0.40 - 1.12	
	Asset Management	Distribution System Plan Implementation Progress								on track	
	Cost Control	Efficiency Assessment				3	2	2			
		Total Cost per Customer ¹	\$659	\$676	\$644	\$654	\$679				
Total Cost per Km of Line ¹		\$20,478	\$21,698	\$21,166	\$22,402	\$23,629					
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		13.47%	17.56%	23.56%	47.87%			8.05MW	
		Net Cumulative Energy Savings (Percent of target achieved)		48.99%	60.40%	72.86%	92.23%			33.50GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		100.00%	100.00%		100.00%				
		New Micro-embedded Generation Facilities Connected On Time				100.00%	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)	1.64	1.56	1.59	1.68	1.59				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.72	0.79	0.90	0.92	1.17				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.58%	9.58%	9.58%	9.58%			
			Achieved		8.90%	8.15%	10.60%	10.29%			

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, Milton Hydro exceeded all performance targets except the Net Annual Peak Demand Savings (47.9% of target achieved) and the Net Cumulative Energy Savings (92.2% of target achieved) measures. Major Storms in 2013 impacted Milton Hydro’s reliability statistics in that year, however as can be seen on the Scorecard for 2014, Milton Hydro’s system reliability is back on track. Unlike most utilities in Ontario, Milton Hydro is the distributor for Ontario’s fastest growing community and is adding to its capital infrastructure at an accelerated pace. Milton Hydro has both Rural and Urban area and has 1,009 km of lines, 422 being Underground and 587 Overhead circuits. Vegetation control, including tree trimming activities are conducted regularly during the year to reduce the vulnerability of the distribution system to bad weather events.

Milton Hydro’s vision, Reliably Powering Our Community, supports the Scorecard requirements for service quality, customer satisfaction, public policy and financial stability. Reliably Powering Our Community focuses not only on the reliable supply of power or electricity but also to empower our community to engage in growth and to participate in conservation and renewable generation. Milton Hydro is committed to be available for questions and answers, to assist our customers as needed. Milton Hydro values include Safety, Innovation and Integrity.

In 2014, Milton Hydro engaged UtilityPULSE to conduct a customer satisfaction survey targeting our Residential and General Service customers. Customer engagement has always been important to the success of Milton Hydro and this was positively identified with an overall “A” rating (91%) in Customer Satisfaction, Company Image and Operational Effectiveness and Reliability. Additional customer engagement was undertaken through Innovative Research Group where customers identified two areas that Milton Hydro could improve on including communication, especially during power interruptions and reliability in the rural distribution area, in particular tree trimming. In 2015, Milton Hydro increased its tree trimming budget to address the rural distribution area and will hire a Communication Specialist in 2015 addressing the communication concern. Customers were also interested to learn that Milton Hydro’s distribution charges required to provide the delivery of safe, reliable electricity to homes and businesses makes up only 18% of a Residential customers bill, the remaining 82% is paid to Provincial agencies.

In 2015, Milton Hydro expects to remain consistent or improve upon its overall scorecard performance result in all areas.

Service Quality

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

In 2014, Milton Hydro connected 99.50% of 1,104 eligible low voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five day timeline prescribed by the Ontario Energy Board ("OEB"). This is an improvement over the previous year and above the OEB mandated threshold of 90%.

- **Scheduled Appointments Met On Time**

Milton Hydro received requests for 439 appointments in 2014 with its customers to complete work requested, meter reads, reconnects and various other requests. Milton Hydro met 99.80% of these appointments on time which exceeds the industry target of 90%

- **Telephone Calls Answered On Time**

In 2014, Milton Hydro received 30,074 incoming calls from its customers which is over 115 calls per working day. Our Customer Service Representatives ("CSR's") answered 77.80% of the calls within 30 seconds or less. This result exceeds the 65% target set out by the OEB. This is a 4.4% improvement over 2013 driven primary by internal process and system improvements.

Customer Satisfaction

The OEB has instructed all electricity distributors to review and develop measurements in the areas of Customer Satisfaction and begin tracking by July 1, 2014 so that information can be reported in 2015. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure. As discussed here, Milton Hydro began its Customer Engagement in 2014.

- **First Contact Resolution**

This measure can be defined in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

Milton Hydro engaged UtilityPULSE to perform a Customer Satisfaction Survey which resulted in comments from customers that Milton Hydro resolved issues with Customers 84% of the time on First Contact with the customer. Milton Hydro will continue to monitor these results and use customer survey results to identify customer services improvements which will increase first contact resolution in the future.

- **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 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 Milton Hydro issued more than 118,000 bills and achieved a billing accuracy of 99.96%. This compares favourably to the prescribed OEB target of 98%.

Milton Hydro 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 OEB allowing electricity distributors discretion as to how they implement this measure.

Milton Hydro engaged UtilityPULSE in the spring of 2014 to perform an Electric Utility Customer Satisfaction Survey to obtain actionable and measureable feedback from Milton Hydro customers. This was Milton Hydro's first customer satisfaction survey and will be updated every two years as part of Milton Hydro's commitment to proactive communication and customer satisfaction. The UtilityPULSE survey reviewed responses from households and small businesses that pay or look after the electricity bills from Milton Hydro. Milton Hydro achieved an "A" rating (91%) in customer satisfaction.

Milton Hydro and Innovative Research Group collaborated in May and June 2015 on the development of a workbook that would be used in the customer consultations and that would serve as the basis of the online workbook phase of the customer engagement program.

The objective of the workbook was to provide customers with information about the provincial electricity system, Milton Hydro's role within it, and the OEB rate application process. The workbook also included information on cost drivers, and Milton Hydro's response to these drivers, their investment plan for the next five years, and the impact this investment would have on customer rates. Survey questions embedded in the workbook allowed Milton Hydro to identify customer preferences and priorities, seek customer feedback on rate increases, and to inform the subsequent telephone survey phase of the consultation. From the results of the Workbook almost nine-in-ten (88%) of respondents indicate being either *very* (43%) or *somewhat* (46%) satisfied with the service they receive from Milton Hydro. Only one-in-ten are either *somewhat* (7%) or *very* (3%) dissatisfied with their service.

This data is then incorporated into Milton Hydro's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers.

Safety

- **Public Safety**

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

n/a – Results for this measure will be reported in 2016 (for 2015). Note, this component of the public safety measure will not have performance data for the 2014 scorecard because the survey result is not available. The year 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**

For the reporting period April 1, 2013 to March 31, 2014 Milton Hydro was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by Milton Hydro's 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. 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**

In 2014 no serious electrical incidents were reported. This resulted in a Serious Incident Index of 0.000. This reflects the efforts of multiple organizations across various sectors to educate both workers and the public on the dangers associated with electricity. Milton Hydro supports the ongoing efforts to educate, inform and raise the general public's and worker's electrical safety awareness.

System Reliability

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

Milton Hydro experienced an average of 1.22 hours that power to a customer was interrupted during 2014 primarily as a result of planned outages, defective equipment, foreign interference such as animals/ birds and adverse weather.. Although 2013 is high as a comparator, this includes the December 2013 Ice Storm. When the Ice Storm is excluded the average hours of outages in 2013 drops to 1.52 hours. Milton Hydro's 2014 average of 1.22 hours falls within the OEB acceptable range of 0.55 and 1.52 hours of outage, excluding the Ice Storm.

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

Milton Hydro's average number of times that power to a Customer is interrupted (i.e. Frequency) is 1.06 times which is within the acceptable target range of 0.4 to 1.12 times per year. The frequency of times has stayed relatively consistent over the years and is mainly caused by the same reasons as stated above.

Asset Management

- **Distribution System Plan Implementation Progress**

Milton Hydro has filed an Application with the OEB for a full review of its rates effective May 1, 2016. As part of this Application, Milton Hydro has filed its Distribution System Plan which provides for a five year plan for new distribution plant and renewal of aging distribution system to ensure the safe and reliable delivery of electricity and balance ratepayer and utility affordability

Milton Hydro will measure its progress of its DSP implementation over the five year period.

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. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2014, Milton Hydro was placed in Group 2, where a Group 2 distributor is defined as having actual costs within +/- 15 percent of predicted costs. Group 2 is considered "above average efficiency" when compared to other distributors in the Province of Ontario. In 2014, 14 distributors were ranked as Group 2 "above average efficiency"; 6 distributors were ranked as "more efficient"; 34 distributors were ranked as average efficiency and 18 distributors were ranked as "least or below average efficiency."

Milton Hydro's forward looking goal is to advance to the "more efficient" group, however, it is management's expectation is that efficiency performance will not decline

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Milton Hydro's capital and operating costs and dividing this cost figure by the total number of customers that Milton Hydro serves. The cost performance result for 2014 is \$679 per customer which is a 3.8% increase. In 2014 Milton Hydro purchased land and a building for its Service Centre and Administration facilities to be occupied in the fall of 2015. The value of the land in the amount of \$4,040,000 is included in the 2014 total cost of operations. The building valued at \$3,200,000 will be capitalized in 2015 when it becomes used and useful.

- **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 Milton Hydro operates to serve its customers. Milton Hydro's 2014 cost per Km of line is \$23,629, which is 5.5% higher than 2013. See above for the explanation of the increase.

Conservation & Demand Management

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

In common with other electricity distributors in Ontario, Milton Hydro achieved Peak Demand Savings was low at 47.9% (3,854 MW) of its 8,050 MW target.

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

Milton Hydro achieved Net Cumulative Energy Savings of 30,897,796 kWh over the four year period 2011 to 2014 equivalent to 92.2% of its target of 33,500,000 kWh.

The fact that Milton is of recent construction limited the scope for some of the conservation programs such as the Appliance Retirement & Exchange, Direct Install Lighting and Retrofit programs.

Connection of Renewable Generation

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

Milton Hydro has completed all Renewable Generation Connection Impact Assessments on time 100% of the time

- **New Micro-embedded Generation Facilities Connected On Time**
Milton Hydro has connected new Micro-embedded Generation Facilities on time 100% of the time.

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.

Milton Hydro’s current ratio decreased slightly from 1.68 in 2013 to 1.59 in 2014. This is not indicative of a decline in financial performance but rather annual fluctuations in current assets and liabilities. Milton Hydro’s current ratio is expected to be in line with 2014.

- **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. The 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.

Milton Hydro’s 2014 debt to equity ratio of 1.17 is up from 2013 of .92%. It is expected that this ratio will rise in the 2015 & 2016 due to the financing and renovation of the Service Centre and Administration building. Milton Hydro does not anticipate exceeding the 60/40 debt/equity ratio but it is expected that the total debt will remain near the 60% level. The ratio is a factor in the budget approval process.

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

Milton Hydro’s current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.58%. 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**

Milton Hydro's return achieved in 2014 was 10.29%, which is well within the +/-3% range allowed by the OEB. The average return over the past 4 years was 9.49% which is slightly lower than Milton Hydro's regulated return of 9.58%. Milton Hydro's 2014 return was higher than the deemed rate due to slightly lower operating costs resulting in higher net income.

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.