Scorecard - Newmarket-Tay Power Distribution Ltd.

9/28/2015

										Target	
Performance Outcomes	**Performance Categories**	**Measures**		**2010**	**2011**	**2012**	**2013**	**2014**	**Trend**	**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		95.90%	100.00%	100.00%	100.00%	100.00%	↑	90.00%	
		Scheduled Appointments Met On Time		100.00%	98.20%	98.60%	94.90%	96.50%	↓	90.00%	
		Telephone Calls Answered On Time		85.20%	87.80%	88.50%	83.60%	84.90%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution						85%			
		Billing Accuracy						99.98%	→	98.00%	
		Customer Satisfaction Survey Results						92%			
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	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
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted		0.30	0.93	0.72	0.78	0.68	↑		at least within 0.30 - 0.93
		Average Number of Times that Power to a Customer is Interrupted		0.21	0.73	0.50	0.54	0.79	↑		at least within 0.21 - 0.73
	Asset Management	Distribution System Plan Implementation Progress						80%			
	Cost Control	Efficiency Assessment				2	2	2			
		Total Cost per Customer [1]		$559	$534	$536	$543	$566			
		Total Cost per Km of Line [1]		$17,180	$21,464	$21,830	$22,272	$23,340			
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]			10.51%	18.95%	28.47%	52.88%	●		8.76MW
		Net Cumulative Energy Savings (Percent of target achieved)			44.45%	75.21%	93.88%	109.50%	●		33.05GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time				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)		2.43	4.70	3.13	2.69	2.66			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.61	0.66	0.65	0.61	0.61			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.66%	9.66%	9.66%	9.66%			
			Achieved		9.48%	9.39%	11.10%	8.88%			

Notes:
1. 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.
2. 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

Newmarket-Tay Power Distribution Limited 2014 Scorecard Management Discussion and Analysis

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**

NTPDL Scorecard MD&A - General Overview

In 2014, the company exceeded all performance targets with the exception of one system reliability measure, due to a specific equipment failure event, and the Net Annual Peak Demand Savings target. The company recognizes that aging distribution assets require a planned investment focus to ensure that existing reliability levels are maintained going forward and this is reflected in our Distribution System Plan (DSP) capital investments for the 2015 – 2019 period. CDM efforts continue to focus on efforts to reduce peak demand and overall energy consumption. New targets will be in place for the 2015 – 2020 period significantly above the levels achieved in 2011 through 2014.

One of the key challenges experienced by the company during the 2010 - 2014 period was the need for very high levels of investment to relocate poles and overhead conductor along Davis Drive due to the vivaNext Bus Rapid Transit (BRT) project. Labour, material and financial resource committed to this mandatory undertaking resulted in limited resources being made available to other discretionary programs, such as planned equipment replacement programs and support systems. Company management paced and prioritized the remaining available spending among investments that would best maintain existing service reliability levels while minimizing impact on customer rates.

Going forward, the next phase of the vivaNext Bus Rapid Transit (BRT) project will be a dedicated 2.4km rapidway along Yonge Street, from Mulock Drive to Davis Drive, linking to the Davis Drive rapidway. This will have similar impacts on labour, material and financial resource availability during the first few years of the 2015 – 2019 planning period in the company's DSP. System renewal spending, focusing on proactive replacement of equipment at end of life, will be modest during 2015 and 2016 and will increase in pace and priority beginning in 2017 as more resources become available. Company management believes that this investment pacing will not result in undue risk to existing to system reliability levels during the 2015 – 2019 planning period. As stated, the company's goal during the 2015 – 2019 planning period is to maintain existing reliability levels.

Also of note are the company's customer engagement efforts. In addition to determining customer satisfaction, annual customer surveys are used to engage customers and determine preferences going forward. The 2014 Annual survey determined that customers supported the company's position of maintaining existing reliability levels going forward, proactive equipment replacement programs and were generally not supportive of rate based expenditures to bury power lines underground for aesthetic reasons alone.

Renewable generation connection has not had a significant impact on investment and performance and is not expected to have a significant impact in the near term.

In 2015, the company expects to maintain its overall scorecard performance results as compared to prior years.

Service Quality

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

In 2014, the company connected 100% of its low-voltage residential and small business customers within the five-day timeline set out by the Ontario Energy Board (OEB). This is the 4th year in a row that the company has reached 100%; the OEB mandated threshold is 90%. In addition, where possible, the company also coordinates connection activities with other planned construction activities undertaken by the utility, other utilities or municipal/regional and provincial government agencies. The company is currently working with local municipalities, to further enhance the coordination between municipal/regional and electrical distribution construction activities. This is most evident with the significant coordination of effort required between the various agencies involved with the vivaNext Bus Rapid Transit (BRT) project.

- **Scheduled Appointments Met On Time**

In 2014 the company was able to meet 96.50% of its scheduled appointments within its scheduled timeframe of 4 hours. In 2014 2572 appointments were scheduled and 2483 were met within the scheduled timeframe. This is a 1.60% improvement from the previous year and above the OEB mandated threshold of 90%. The number of scheduled appointments has been steadily increasing every year (over 300% increase since 2011) and the company has managed to accommodate this increase with the required effort. The existing processes that are in place for this are expected to maintain performance above the 90% threshold level.

- **Telephone Calls Answered On Time**

The company received 36,398 phone calls in 2014 and was able to answer 84.90% of those calls within 30 seconds or less. This result significantly exceeds the OEB-mandated 65% target for timely call response. The 2014 result amounts to a 1.5% improvement over 2013. Call volumes have remained somewhat stable over the 2010 – 2014 period.

Customer Satisfaction

- **First Contact Resolution**

The company engaged a third party agent to survey customers on their overall satisfaction with Customer Service and whether the reason for calling was resolved on their first call. The survey was conducted between March 30 and April 7 2015. 404 customers participated in the survey. Random sampling resulted in 85% of the interviews being conducted with residential customers and 15% of the interviews being conducted with commercial customers. The questions specific to First Contact Resolutions resulted in information from customers with respect to satisfaction with the contact experience, whether the problem was resolved on the call, and an overall experience Customer Experience Performance rating.

Based on the information received from the survey, 85% of the residents of both Newmarket and Tay service areas responded that they were very satisfied with customer service and that the problem was solved.

The company endeavours to use the customer survey results to identify customer service improvements which will increase first contact resolution in the future.

- **Billing Accuracy**

This is a new measurement from the OEB and came into effect October 1, 2014. The company issued over 100,000 bills from October 1, 2014 to December 31, 2014 and achieved 99.98% accuracy. This compares favourably to the prescribed OEB target of 98%.

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

- **Customer Satisfaction Survey Results**

Over the 2010 – 2014 period, the company has engaged a third party to conduct customer satisfaction surveys. These customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within the company. The survey asks customers questions on a wide range of topics, including: overall satisfaction with the company, reliability, customer service, outages, billing and corporate image. In addition, the company provides input to this third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data is then incorporated into the company's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these customer satisfaction surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps identify the most effective means of communication. The company's 2014 Customer Satisfaction Results contain a number of measures of customer satisfaction. In its 2014 Scorecard the company reported the number of customers that were very or fairly satisfied with the company. The company received a score of 92% in 2014 on this measure as compared to a score of 93% for 2013. Customer feedback indicates that customer satisfaction, while still high, requires ongoing monitoring by the company to ensure that they perceive that they are getting value for monies spent. The company will continue to use the survey results to identify additional improvement opportunities.

Safety

- **Public Safety**

  - Component A – Public Awareness of Electrical Safety

    The company continues to promote continued education, awareness and application of safe work practices and as such safety continues to play a key role in ongoing activities.

  - Component B – Compliance with Ontario Regulation 22/04

The company has achieved compliance in this portion of the audit each year since the regulation came into effect in 2004. In 2014, the company is one of 37 LDCs that have achieved full compliance with O.Reg. 22/04. The company has adopted a target of “zero” non-compliance and “one” needs improvement as a performance benchmark

- Component C – Serious Electrical Incident Index

  There were “0” public Serious Electricity Incidences in 2014

System Reliability

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

The company’s Number of Hours that Power to a Customer is interrupted (ie duration) was 0.68 which was well within the target range of 0.3 – 0.93. This represents a slight improvement over the 2013 value of 0.78. 0.68 represents that the company’s customers lost power for an average of 41 minutes per year. This represents a supply availability of 99.992%. Four “nines” is an extremely high level of service availability that most utilities strive to achieve but few are able to do so.

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

The company experienced an increase in average number of times that power to a customer was interrupted during 2014. The average number of times that power is interrupted to a customer per year increased from a historical average of 0.5 (2010 – 2013) to 0.79 in 2014. This equates to less than one interruption per customer per year which is a leading performance figure in the electrical utility industry. This was primarily due to a loss of a 44kV supply feeder due to the failure of a specific overhead piece of equipment. This type of equipment failure is rare and loss of any 44kV feeders impacts significantly more customers than most other outage causes. With the defective equipment replaced, the company expects that outage frequency related statistics going forward will be within historical norms.

The company continues to monitor outage trends especially those related to equipment failure, vegetation management and foreign interference as they tend to be the cause of roughly two-thirds of the outages experienced by our customers.

Asset Management

- **Distribution System Plan Implementation Progress**

The company is in the process of finalizing its Distribution System Plan (“DSP”).

The company has reported 80% completion of the DSP at December 31, 2014 herein 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. 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, for the third year in a row, the company was placed in Group 2, meaning costs were 10 to 25% below its predicted costs. Group 2 is considered "better than average efficiency" – in other words, the company's costs are lower than the average cost range for distributors in the Province of Ontario. In 2014, 45% (33 distributors) of the Ontario distributors were ranked as "average efficiency"; 29% were ranked as "more efficient"; 26% were ranked as "least efficient. Although the company's forward looking goal is to advance to the "more efficient" group, management's expectation is that efficiency performance will not decline.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of the company's capital and operating costs and dividing this cost figure by the total number of customers that the company serves. The cost performance result for 2014 is $566/customer which is a 4.1% increase over 2013.

The company's Total Cost per Customer has increased on average by 0.3% per annum over the period 2010 through 2014. Similar to most distributors in the province, the company has experienced increases in its total costs required to deliver quality and reliable services to customers. In 2014 the company incurred considerable plant relocation cost related to the vivaNext Bus Rapid Transit (BRT) project along Davis Drive. Province wide mandated programs, growth in wage and benefits costs for our employees, as well as investments in support systems and the relocation and renewal and growth of the distribution system, have all contributed to increased operating and capital costs. The company 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 our Distribution System Plan. The company 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 the company's capital spending plans.

- **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 the company operates to serve its customers. The company's 2014 rate is $23,340 per Km of line, a 4.8% increase over 2013. The company has experienced a significant amount of plant relocation due to regional and municipal road projects especially the vivaNext Bus Rapid Transit (BRT) project along Davis Drive. Plant relocation consume funds yet, in most cases, add no new km of line. As a result, cost per Km of line has increased year over year with the increase in capital and operating costs. The company continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers (ie. no undergrounding of relocated lines unless paid for outside of rates).

Conservation & Demand Management

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

The company met 52.9% its Net Annual Peak Demand Savings target as at the end of 2014. This was achieved by fully leveraging the entire suite of Ontario Power Authority ("OPA") province-wide demand management programs and placing increased emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers. However since the time of the calculation of the target, the company has lost a number of these clients and furthermore the remaining customers cut back on their load.

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

The company exceeded its four-year net cumulative energy savings target by the end of 2014 by achieving 109.5% of its target. Our successful achievement was made possible by the participation by local commercial customers in our retrofit and energy efficient lighting programs. 207 small businesses participated in the retrofit programs and 573 small businesses participated in the lighting program.

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, the company did not receive any requests for a CIA related to renewable generation.

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

In 2014, the company connected 12 new micro-embedded generation facilities (microFIT projects of less than 10 kW) all within the prescribed time frame of five business days (100%). The minimum acceptable performance level for this measure is 90% of the time. The company's workflow to connect these projects is very streamlined and transparent with our customers. The company works closely with its customers and their contractors to tackle any connection issues to ensure the project is connected on time.

Financial Ratios

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

The current ratio is a popular financial ratio used to test a company's liquidly and a rough measure of the company's health. The ratio is a measure of a company's ability to pay short term and long obligations (such as debt and accounts payables) with its somewhat liquid assets (such as cash inventory and accounts receivable) Thus the higher the current ratio, the more capable the company is of paying its financial obligations. Whereas a ratio under 1 indicates that a company's liabilities are greater than its assets and suggests that the company in question would be unable to pay off its financial obligations if they came due at that point.

The company's 2014 current ratio is 2.66 (five year average is 3.12) and is an indication of a strong current position. The company's ratio has trended down in recent years due to the accumulation of the MIRS variances which are in a liability position. This variance account will be disposed of at the next Cost of Service hearing.

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

Debt-to-Equity Ratio is a measure of a company's financial leverage and is the proportion of debt financing in a company relative to its equity. Whereas Debt could be defined the book or market value of interest-bearing financial liabilities such as debentures, loans, redeemable preference shares, bank overdrafts and finance lease and Equity is defined as the book value of share capital and reserves (i.e. equity section of the balance sheet) or the market value of equity shares (i.e. market capitalization.)

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). A high debt to equity ratio may indicate that an company may have difficulty generating sufficient cash flows to make its debt payments.

The company's 2010, 2013 and 2014 debt to equity ratio is .61 lower than the OEB's ratio of 1.5 as stated above. The company's lower ratio is due to the original deregulation parameters where the OEB debt to equity structure for establishing rates was 50% Debt, 50% Equity. Furthermore the company's strong balance sheet and lower debt to equity ratio will help the company endure any particular economic event that may occur in the future.

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

The company's current OEB approved expected (deemed) regulatory return on equity was 9.66%. This was the decision from the company's last Cost of Service filing EB 2009-0269. The OEB allows a company to earn within +/- 3% of the expected return on equity. If a distributor is outside that +/- 3% range, it could trigger a regulatory review of the distributor's revenues and costs structure.

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

The company's regulatory return on equity for 2014 was 8.88%, which is well within the +/- 3% range allowed by the OEB. The average return over the past four years was 9.71% which is well within the OEB's +/- 3% range of the company's deemed return on equity of 9.66%.

Note to Readers of 2014 Scorecard MD&A

The information provided by Newmarket -Tay Power Distribution Inc. on its 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 Newmarket -Tay Power Distribution Inc. regarding its 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.