

# Scorecard - Oakville Hydro Electricity Distribution 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	95.00%	95.40%	96.60%	95.40%	90.70%		90.00%		
		Scheduled Appointments Met On Time	93.70%	100.00%	100.00%	100.00%	100.00%		90.00%		
		Telephone Calls Answered On Time	86.20%	81.10%	83.70%	82.10%	81.50%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution				98.9%	99%				
		Billing Accuracy					99.92%		98.00%		
		Customer Satisfaction Survey Results				93%	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	NI	C	NI	C	NI			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	0.74	0.46	0.81	0.83	0.46			at least within 0.46 - 0.83	
		Average Number of Times that Power to a Customer is Interrupted	1.15	1.01	0.97	1.09	0.58			at least within 0.97 - 1.15	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress								On Track	
	<b>Cost Control</b>	Efficiency Assessment				4	4	4			
Total Cost per Customer <sup>1</sup>		\$664	\$710	\$695	\$730	\$720					
Total Cost per Km of Line <sup>1</sup>		\$28,912	\$31,053	\$29,135	\$26,377	\$26,116					
<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>		10.67%	16.91%	32.79%	52.81%			20.70MW	
		Net Cumulative Energy Savings (Percent of target achieved)		36.38%	60.87%	75.25%	93.33%			74.06GWh	
	<b>Connection of Renewable Generation</b>	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%	
<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)	1.12	0.83	1.83	1.80	1.59				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.88	1.27	1.26	1.18	1.09				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.85%	9.85%	9.85%	9.36%			
			Achieved		6.78%	5.49%	6.03%	9.94%			

**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, Oakville Hydro performed well overall in the majority of key performance target areas. Specifically, Oakville Hydro met the targets in 20 of the 23 performance measures outlined in the scorecard, with the exception of:

- Safety Category: Level of Compliance with Ontario Regulation 22/04 with a “Needs Improvement” rating
- Conservation and Demand Management Category: Net Annual Peak Demand Savings of 52.81% of target achieved and Net Cumulative Energy Savings of 93.33% target achieved

Oakville Hydro strives to provide overall excellence in customer service quality and satisfaction. In 2014, Oakville Hydro successfully exceeded industry targets. In addition, Oakville Hydro’s annual customer satisfaction survey gathered valuable input from customers on their service expectations and overall satisfaction. The survey allows Oakville Hydro to continually assess satisfaction with services provided and make improvements as required.

Oakville Hydro’s safety and system reliability are paramount. In 2014, Oakville Hydro participated in numerous safety outreach initiatives within the community to increase the level of awareness of key electrical safety precautions among the public. Oakville Hydro’s system reliability continues to improve year over year. In 2014, Oakville Hydro reduced the average number of power interruptions to the lowest level in five years, with Oakville residents being able to rely on the power being on 99.995% of the time.

In 2014, Oakville Hydro achieved a reduction of 1.4% in its total cost per customer despite inflationary pressures. Oakville Hydro introduced initiatives such as new web presentment tool, [MyOakvilleHydro](#), and a new outage management system internally, to improve customer service. This will be launched externally in 2015.

Oakville Hydro’s Conservation and Demand Management programs continue to be very important. Oakville Hydro successfully delivered these programs to many homes and businesses in Oakville, which resulted in significant demand and energy savings.

In 2015, Oakville Hydro expects to continue to improve its overall scorecard performance results as compared to prior years. Oakville Hydro's primary goal is to provide safe and reliable electricity to residences and businesses in Oakville now, and into the future.

## Service Quality

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

Electricity distributors are required to complete a connection for new service for residential and small business customers under 750 volts within a five-day timeline prescribed by the OEB. In 2014, Oakville Hydro's performance declined slightly, as compared to prior years. This was due primarily to an increase of 76% in the number of requests for connection of low voltage services in 2014, as compared with 2013. Despite this increase in demand, Oakville Hydro connected 91% of low-voltage customers to its distribution system within the five-day timeline prescribed by the OEB and exceeded the industry standard of 90%.

- **Scheduled Appointments Met On Time**

Oakville Hydro scheduled approximately 900 appointments with its customers in 2014 to complete work requested by customers, read meters or reconnect services. For the five-year period from 2010 through 2014, Oakville Hydro has consistently performed better than the OEB's standard to meet 90% of its appointments within the required timeframe.



- **Telephone Calls Answered On Time**

Electricity distributors are required to answer calls within 30 seconds - 65% of the time. This measure is influenced by things such as the number of power outages and news about the electricity market changes in the media. While there has been some variation over the five-year period from 2010 through 2014, Oakville Hydro has consistently performed better than the OEB's requirement to answer 65% of the calls that it receives within 30 seconds.

## Customer Satisfaction

- **First Contact Resolution**

In 2013, Oakville Hydro began tracking the number of customer contacts that were resolved on the first contact. If there is a need to call the customer back or to escalate the question or complaint, the event is logged. The measure for First Contact Resolution is then calculated as the number of customer contacts not resolved with the first contact divided by the total number of customer contacts. In 2014, Oakville Hydro resolved 99% of its customer contacts on the first contact.

The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure 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.

- **Billing Accuracy**

On July 17, 2014, the Ontario Energy Board introduced a new billing accuracy measure effective October 1, 2014. The measure has been defined as the number of accurate bills issued expressed as a percentage of total bills issued. It is calculated as:

- $\text{percentage of bills accurately issued} = \frac{\text{total number of bills issued for the year} - \text{number of inaccurate bills issued for the year}}{\text{total number of bills issued for the year}}$

Oakville Hydro began to track this measure on October 1, 2014 and achieved a measure of 99.92% for the period October 1, 2014 to December 31, 2014 as compared to the provincial target of 98%. Oakville Hydro is committed to providing its customers with accurate and timely bills.

- **Customer Satisfaction Survey Results**

The 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 is allowing electricity distributor's discretion as to how they implement this measure.

Over the past four years, Oakville Hydro 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 Oakville Hydro. The survey asks customers questions on a wide range of topics, including: overall satisfaction with Oakville Hydro, reliability, trust, customer service, outages, billing and corporate image.

In addition, Oakville Hydro 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 incorporated into Oakville Hydro'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 to identify the most effective means of communication.

Oakville Hydro's 2014 Customer Satisfaction Results contain a number of measures of customer satisfaction. In its 2014, Scorecard Oakville Hydro reported the number of customers that were "very or fairly satisfied with Oakville Hydro". Oakville received a score of 92% on this measure compared with an average score of 83% for other electricity distributors in Ontario. Oakville Hydro will continue to reassess the appropriate measure and target for improvement in customer satisfaction over the course of the next three years.

## Safety

- **Public Safety**

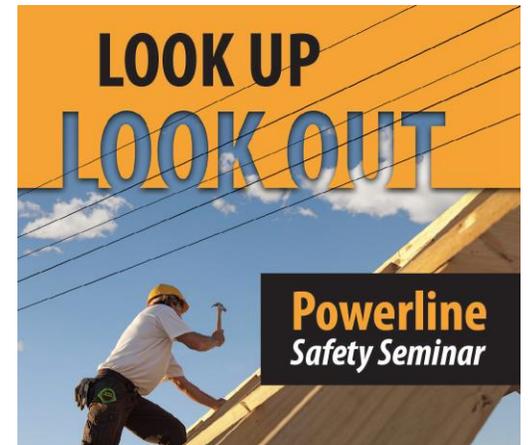
- **Component A – Public Awareness of Electrical Safety**

The Public Awareness of Electrical Safety Measure is expected to measure the level of awareness of key electrical safety precautions among the public. The Electrical Safety Authority plans to introduce a biennial survey to measure public awareness beginning in 2015.

Oakville Hydro actively engages the local elementary and high schools to discuss and reinforce the concept of an electrical safety culture with students. Oakville Hydro also ensures customers are kept informed about electrical safety through website information.

In May 2014, Oakville Hydro, in partnership with a neighbouring utility, presented Powerline Safety Seminars to the contractor community during the province's Powerline Safety Week. The seminar featured presentations by industry experts on potential hazards associated with overhead and underground powerlines, and provided guidelines to help keep workers safe.

Also in 2014, Oakville Hydro, in collaboration with the Canadian Electricity Association (CEA) and Springboard Management, performed in a national safety video to which has been made available to the public by the CEA demonstrating proper safety measures when working in the vicinity of overhead powerlines.



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

Ontario Regulation 22/04 - Electrical Distribution Safety establishes electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed electricity distributors. The regulation requires the approval of

equipment, plans and specifications as well as the inspection of electrical equipment before it is put into service. Oakville Hydro engages an auditor to audit on its compliance with the regulation and to prepare an audit report on an annual basis.

The level of compliance is scored as non-compliant, needs improvement or compliant based on the following definitions:

- Non-Compliance: A failure to comply with a substantial part of Regulation 22/04; or Continuing failure to comply with a previously identified Needs Improvement item
- Needs Improvement: A failure to fully comply with part of Regulation 22/04; or Non-pervasive failure to comply with adequate, established procedures for complying with Regulation 22/04
- Compliant: Substantially meeting the requirements of Regulation 22/04

Oakville Hydro received a measure of “Needs Improvement” due to an issue identified in its 2014 audit of compliance with Ontario’s safety regulation. Oakville Hydro is committed to ensuring that its distribution system is safe and that it complies with all electrical safety requirements. In 2014, Oakville Hydro established a monthly process to monitor and review compliance with safety Ontario Regulation 22/04. In 2015, the compliance audit has been completed and Oakville Hydro received a “Compliant” rating.



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

The Serious Electrical Incident Index measures the number and rate of serious electrical incidents involving the public and occurring on Oakville Hydro’s distribution assets. Oakville Hydro’s first priority is safety. Oakville Hydro is proud of its record of not having any serious electrical incidents occurring on its distribution assets in the five-year period measured by the scorecard.

## System Reliability

- **Introduction**

Oakville Hydro has and will continue to focus on reliability and safety in order to meet the expectations of its customers. Oakville Hydro has developed an Asset Management Process. Its distribution assets are optimized through the evaluation of asset health, capacity utilization, performance measures, and risk consequence failure analysis and balance against cost efficiency and effectiveness. Oakville Hydro makes the necessary ongoing investments in its distribution system, including measured adoption of Smart Grid technology to maintain and improve reliability.

## Average Number of Hours that Power to a Customer is Interrupted

Oakville Hydro's reliability statistic for the average number of hours that power to a customer is interrupted illustrates that Oakville Hydro's distribution system is performing reliably. This measure has been relatively consistent for the five-year period 2010 to 2014. In 2014, those customers who experienced a power outage were without power for, on average, 0.46 hours. In 2014, Oakville residents were able to rely on power being on 99.995% of the time and Oakville Hydro is committed to maintaining this level of reliability. In 2014, Oakville Hydro ranked number one out of the nineteen electricity distributors with over 50,000 customers in Ontario in this measure.

**Table 1- 2011 to 2014 System Reliability Measures**

System Reliability	2010	2011	2012	2013	2014	Trend
Average Number of Hours that Power is Interrupted	0.74	0.46	0.81	0.83	0.46	

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

Oakville Hydro's reliability statistic for the average number of times that power to a customer is interrupted also illustrates that Oakville Hydro's distribution system is performing reliably. In 2014, Oakville Hydro's customers experienced, on average, 0.58 power interruptions. This is the lowest number of power interruptions in the past five years. In 2014, Oakville Hydro ranked number one out of the nineteen electricity distributors with over 50,000 customers in Ontario in this measure.

**Table 2 - 2011 to 2014 System Reliability Measures**

System Reliability	2010	2011	2012	2013	2014	Trend
Average Number Times that Power is Interrupted	1.15	1.01	0.97	1.09	0.58	

## Asset Management

- **Distribution System Plan Implementation Progress**

Distribution system plan implementation progress is a new performance measure instituted by the OEB in 2013. Consistent with other new measures, utilities have been given an opportunity to define it in the manner that best fits their organization.

Oakville Hydro's Distribution System Plan ("DSP") outlines its forecasted expenditures from 2014 to 2018. These expenditures are required to maintain and expand the Oakville Hydro's electricity system to serve its current and future customers. The "Distribution System Plan Implementation Progress" measure is intended to assess Oakville Hydro's effectiveness at planning and implementing the DSP. Oakville Hydro measures the progress of its DSP implementation as the ratio of cumulative expenditures made over the five-year planning horizon as compared to the planned spending for the same period. In 2014, the first year of the five-year planning horizon, Oakville Hydro incurred 83% of its planned costs. Oakville Hydro is on track to implement its DSP.



## 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. Consistent with previous years, Oakville Hydro was placed in Group 4 in 2014. Group 4 distributor is defined as having actual costs 10 to 25 per cent higher than predicted costs.

Although Oakville Hydro remained in Group 4 in 2014, the difference between its actual and predicted costs has decreased from 12.3% in 2013 to 11.0% in 2014. In 2014, only two electricity distributors, or 2.6% of the 72 distributors in the province, moved into another group. Oakville Hydro is very close to achieving an efficiency ranking of Group 3 which includes distributors whose actuals costs are plus or minus 10 per cent of predicted costs.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Oakville Hydro’s capital and operating costs divided by the total number of metered customers that it serves. Oakville Hydro’s operating, maintenance and administration (OM&A) costs per customer related to electricity distribution of \$251 is lower than the provincial average of \$301 per customer while its capital cost per customer of \$469 is higher than the provincial average of \$340 resulting in a total cost per customer of \$720 which is slightly higher than the provincial average of \$641.

**Table 3 – Breakdown of the Total Cost per Customer**

Cost Per Customer	OM&A	Capital Costs	Total
Oakville Hydro	\$ 251	\$ 469	\$ 720
Provincial Average	\$ 301	\$ 340	\$ 641

Oakville Hydro has experienced cost pressures associated with the delivery of reliable services to its customers. Province wide programs such as Time of Use pricing, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased costs. Despite these pressures, Oakville Hydro was able to decrease its total cost per customer by 1.4% in 2014, as compared with the previous year, through the implementation of cost containment and shared services initiatives.

**Table 4 - Total Cost per Customer**

Cost Control	2010	2011	2012	2013	2014	Trend
Total Cost Per Customer	\$664	\$710	\$695	\$730	\$720	

In 2014, Oakville Hydro's total OM&A cost per customer, as reported in the 2014 OEB Yearbook of Distributors, was \$263. This represents a decrease of 2.6% from 2013 and is 22% lower than the provincial average of \$339 per customer.

Oakville Hydro will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts as illustrated in its 2014 rate application. Oakville Hydro will continue to implement productivity improvement initiatives to help offset some of the costs associated with future system improvement and enhancements and regulatory requirements such as the Ontario Energy Savings Program.

- **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 kilometres of distribution lines that Oakville Hydro maintains and operates to serve its customers. Oakville Hydro's operating cost per kilometres of \$9,107 is lower than the provincial average of \$12,107 per kilometre while its capital cost per kilometre of \$17,009 is higher than the provincial average of \$14,848. However, Oakville Hydro's total cost per kilometre is 6% lower than the provincial average.

**Table 5 - Breakdown of Total Cost per km of Line**

Cost per Km of Line	OM&A	Capital Costs	Total
Oakville Hydro	\$ 9,107	\$ 17,009	\$ 26,116
Provincial Average	\$ 12,907	\$ 14,848	\$ 27,756

Oakville Hydro's cost per km of line has been decreasing since 2011 as the Town of Oakville expands.

**Table 6 - Total Cost per km of Distribution Lines**

Cost Control	2010	2011	2012	2013	2014	Trend
Total Cost Per Km of Line	\$28,912	\$31,053	\$29,135	\$26,377	\$26,116	

## Conservation & Demand Management

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

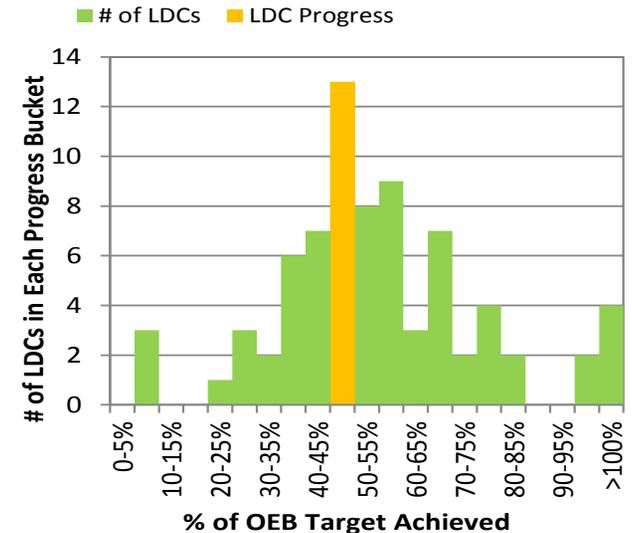
On March 31, 2010, the Minister of Energy and Infrastructure of Ontario directed the Ontario Energy Board to establish Conservation and Demand Management (CDM) targets to be met by electricity distributors. On November 12, 2010, the Ontario Energy Board amended Oakville Hydro's distribution licence to require that Oakville Hydro, as a condition of its licence, achieve 20.70 MW of net peak demand savings and 74.06 GWh of cumulative net energy savings, over the period beginning January 1, 2011 through December 31, 2014.

Based on the IESO's published final results, Oakville Hydro achieved 53% of its net annual peak demand savings target in 2014 compared with the provincial achievement of 70%. Based on Oakville Hydro's market segmentation, it was faced with limited market potential for the industrial, commercial and institutional programs which contribute significantly to achievements towards net annual peak demand savings, and there has been limited growth in this sector.

On December 17, 2014, the OEB sent a letter to all distributors advising that since the province's Long-term Energy Plan assigned responsibility for demand initiatives to the Independent Electricity System Operator it would not take any compliance actions for distributors who do not meet their peak demand targets.

Over the four-year framework, Oakville Hydro devoted a significant amount of effort in engaging the residences and businesses in Oakville with peak demand savings programs.

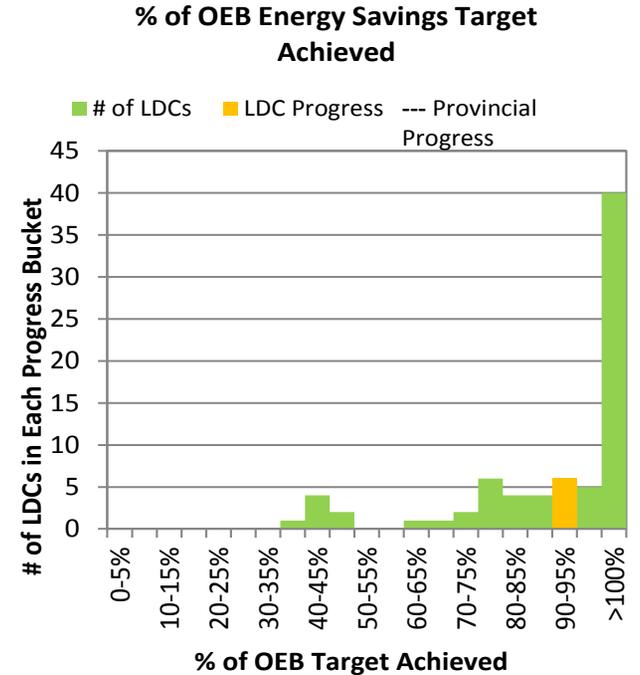
**% of OEB Peak Demand Savings Target Achieved**



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

Oakville Hydro’s cumulative energy savings target for 2010 to 2014 was 74.06 GWh. Oakville Hydro is pleased to have achieved 93% of these savings. Oakville Hydro is proud of the contribution that its customers made towards the provincial energy savings and looks forward to working with its customers to achieve additional energy savings in the new Conservation First Framework for the 2015 to 2020 period.

Although Oakville did not meet its energy savings target, it has exceeded the threshold for non-compliance actions of 80% for cumulative net energy savings announced by the OEB in a letter to distributors dated December 17, 2014.



**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, Oakville Hydro completed three CIA and each one was completed within the prescribed time limit.

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

In 2014, Oakville Hydro connected five new micro-embedded generation facilities (microFIT projects of less than 10 kW) all of which were connected within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time.

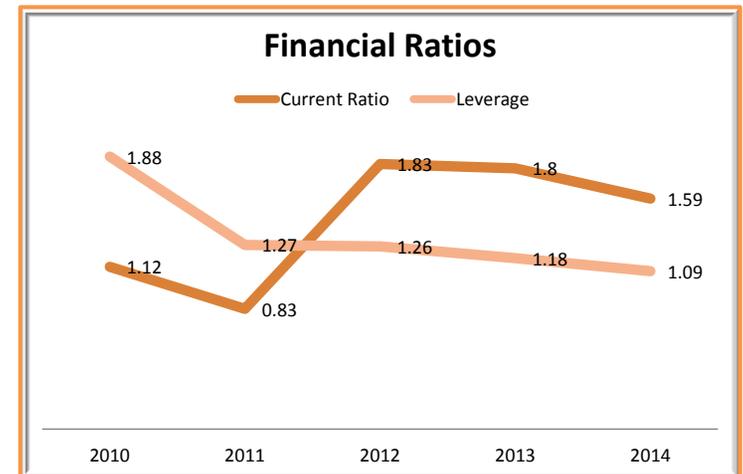
## Financial Ratios

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

As an indicator of financial health, a current ratio that is greater than one indicates that the company can pay its short-term debts and financial obligations. Companies with a ratio of greater than one 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. While, Oakville Hydro’s current ratio decreased from 1.8 in 2013 to 1.59 in 2014 it continues to be indicative of a strong financial position.

- **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). 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. Since 2011, Oakville Hydro has maintained a consistent debt to equity structure and it continues to be financially stable at 1.09 in 2014. However, Oakville Hydro has a long term capital lease obligation which, if included, would result in an adjusted Debt to Equity ratio of 1.22.

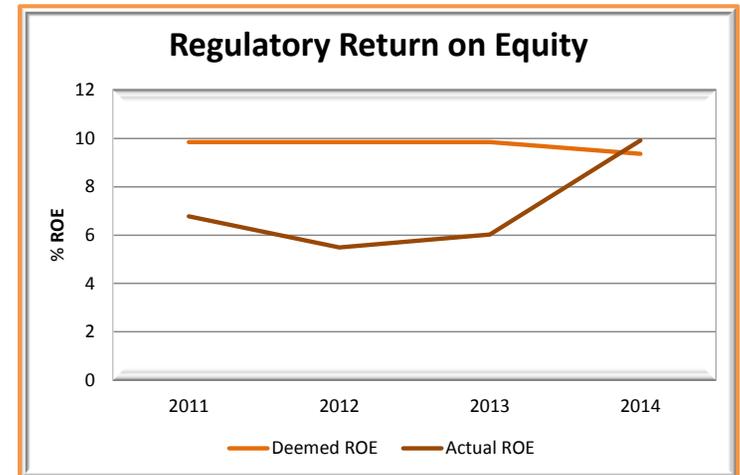


- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Oakville Hydro’s 2014 distribution rates were approved by the OEB through a cost of service application and include an expected (deemed) regulatory return on equity of 9.36%. The OEB allows distributors 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**

In 2014, Oakville Hydro achieved a regulatory return on equity of 9.94% which is well within the OEB’s range of +/- 3%. Prior to Oakville Hydro’s 2014 cost of service application, Oakville Hydro earned a regulatory return on equity of less than 7%. This is common in the electricity industry in Ontario as annual distribution rates are adjusted between cost of service applications by an inflationary factor less an efficiency gain. In practice, this revenue adjustment is not sufficient for capital requirements, operating and maintenance costs, new initiatives, and regulatory compliance requirements.



## 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.