

# Scorecard - Oshawa PUC Networks 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	92.30%	91.00%	91.00%	97.60%	95.60%		90.00%		
		Scheduled Appointments Met On Time	99.10%	99.90%	99.90%	98.90%	100.00%		90.00%		
		Telephone Calls Answered On Time	59.20%	71.30%	71.30%	71.50%	72.00%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution					4 calls				
		Billing Accuracy					99.88%		98.00%		
		Customer Satisfaction Survey Results					93% satisfied				
<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	NI	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	1	0	0	0			0
	Rate per 10, 100, 1000 km of line		0.000	0.105	0.000	0.000	0.000			0.015	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted	0.62	1.88	1.27	6.86	1.34			at least within 0.62 - 6.86	
		Average Number of Times that Power to a Customer is Interrupted	0.61	1.66	1.08	2.39	1.19			at least within 0.61 - 2.39	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress					Submitted				
	<b>Cost Control</b>	Efficiency Assessment			2	2	2				
Total Cost per Customer <sup>1</sup>		\$473	\$500	\$510	\$505	\$519					
Total Cost per Km of Line <sup>1</sup>		\$26,116	\$26,901	\$27,330	\$27,050	\$29,881					
<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>		11.08%	17.69%	33.40%	45.43%			12.52MW	
		Net Cumulative Energy Savings (Percent of target achieved)		19.82%	43.23%	63.77%	75.70%			52.24GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	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)	2.70	2.16	1.71	1.19	0.84				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.92	0.84	0.80	0.77	0.78				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.66%	9.42%	9.42%	9.42%			
			Achieved		12.40%	10.18%	6.47%	6.41%			

**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”)

## OSHAWA PUC NETWORKS INC. (OPUCN)

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>

### Scorecard MD&A - General Overview

In 2014, Oshawa PUC Networks Inc. (OPUCN) successfully met all mandatory industry targets. We are pleased to provide the following detailed report with commentary for each specific target.

In 2015, the company expects to continue meeting or exceeding industry standards as set out in the Ontario Energy Board’s scorecard performance measures.

### Service Quality

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

In 2014, OPUCN connected 95.6% of 872 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). OPUCN’s five-year history shows we have been consistently above the OEB-mandated threshold.

- **Scheduled Appointments Met On Time**

OPUCN scheduled almost 700 appointments with its customers in 2014 to complete work requested by customers. OPUCN met 100% of these appointments on time, which significantly exceeds the industry target of 90%, and is an improvement over the prior year. OPUCN continues to monitor its results to deliver timely service to Oshawa customers.

- **Telephone Calls Answered On Time**

In 2014, OPUCN customer contact center agents received over 58,000 calls from its customers – over 230 calls per working day. Agents answered calls within 30 seconds 72% of the time. This result significantly exceeds the OEB-mandated 65% target for timely call response. In addition to providing access to agents and an interactive voice response system, OPUCN plans to roll-out new communication channels to our customers, including the release of a new website in August 2015, and access to social media sites Facebook and Twitter, in an effort to provide customers with additional means of communicating with us.

## Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The OEB has instructed all electricity distributors to review measurements in these areas 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 ways of tracking first contact resolution, until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

For OPUCN, a tracking method for First Contact Resolution was implemented October 1, 2014. It measures the number of customer calls that are not resolved during the first call, requiring a follow-up phone call to resolve the customer's question. For the period October 1, 2014 to December 31, 2014 OPUCN logged four calls which were not resolved upon first contact, out of a total of 15,400 calls received during this period.

- **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 January 1, 2014 – December 31, 2014, OPUCN issued more than 650,000 bills and achieved a bill accuracy measure of 99.88%. This compares favourably to the prescribed OEB target of 98%.

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

- **Customer Satisfaction Survey Results**

The results of a Customer Satisfaction Survey is another new measure introduced by the OEB for the purposes of the Scorecard. 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 distributors discretion as to how they implement this measure.

OPUCN engaged UtilityPULSE (the electricity utility survey division of Simul Corporation) to conduct a customer satisfaction survey in 2014. The purpose of the survey is to provide information that will support discussions about improving customer care at OPUCN. 93% of OPUCN's customers rated their experience with OPUCN as fairly satisfied to very satisfied. Satisfaction levels were also equal to, or higher than, both National and Ontario utility results.

## Safety

- **Public Safety**

The 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**

The ESA is developing standardized survey questions and instructions for each electricity distributor. The electricity distributor will be responsible for carrying out the survey to the customers in its service area. **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**

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.

The definitions of a C, NI and NC score, as categorized by the ESA, are provided below.

Score	Definition
<b>C</b>	Compliant <ul style="list-style-type: none"><li>- Substantially meeting the requirements of Regulation 22/04.</li></ul>
<b>NI</b>	Needs Improvement <ul style="list-style-type: none"><li>- A failure to fully comply with part of Regulation 22/04; or</li><li>- Non-pervasive failure to comply with adequate, established procedures for complying with Regulation 22/04.</li></ul>
<b>NC</b>	Non-Compliance <ul style="list-style-type: none"><li>- A failure to comply with a substantial part of Regulation 22/04; or</li><li>- Continuing failure to comply with a previously identified Needs Improvement item.</li></ul>

OPUCN has been compliant with Ontario Regulation 22/04 (Electrical Distribution Safety) for the year 2014, achieving a score of C. OPUCN's 2014 score was achieved by our strong commitment to safety, and adherence to company procedures & policies. In 2012, a score of NI was given by the ESA suggesting improvements in record keeping for (i) acceptance of transformers after repairs and (ii) inspections for partial energization. An action plan was prepared and implemented by OPUCN staff in response to the findings.

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

OPUCN reported no fatalities or other serious incidents due to contact with its infrastructure in 2014, thereby achieving a score of 0.000 for the Serious Electrical Incident Index per 1,000 km of line. One general public incident was recorded in 2011, which involved OPUCN owned transformer. A 3<sup>rd</sup> Party Communications Company contractor, while installing underground equipment, accidentally struck OPUCN's secondary underground cables. The air pressure from the fault blew open the OPUCN transformer. OPUCN was not found at fault for the incident; however, based on ESA rules the incident was captured under OPUCN incident index. OPUCN takes public safety in the vicinity of its distribution equipment very seriously, and regularly carries out activities to take prompt corrective action where potential public safety issues are identified.

## System Reliability

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

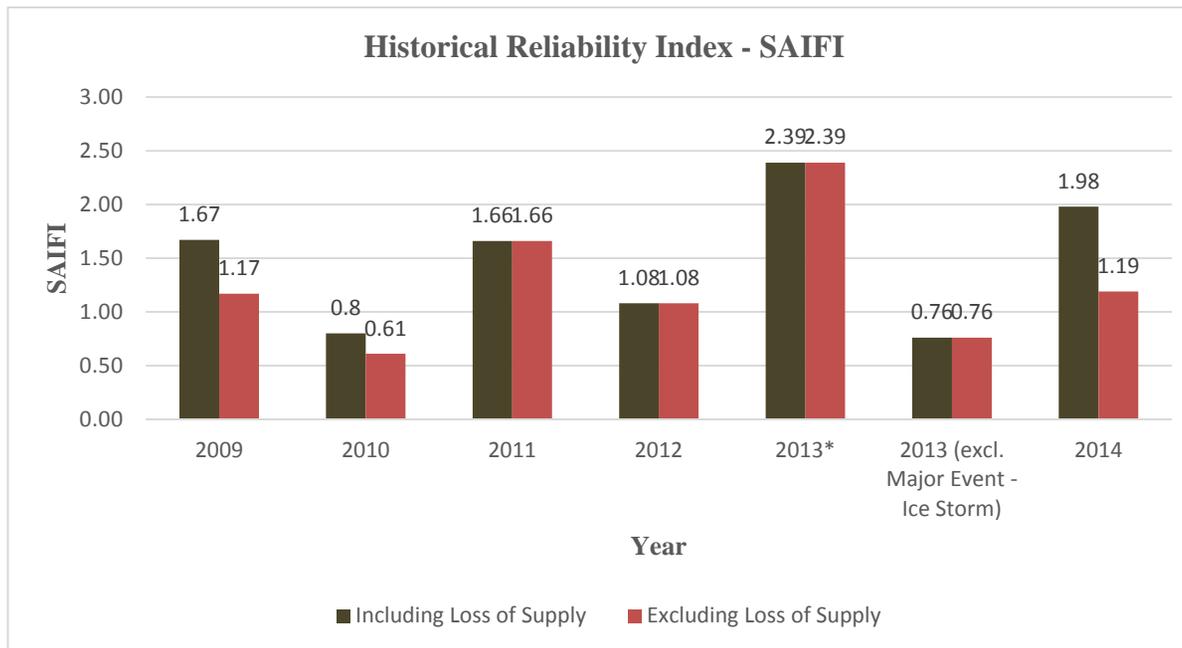
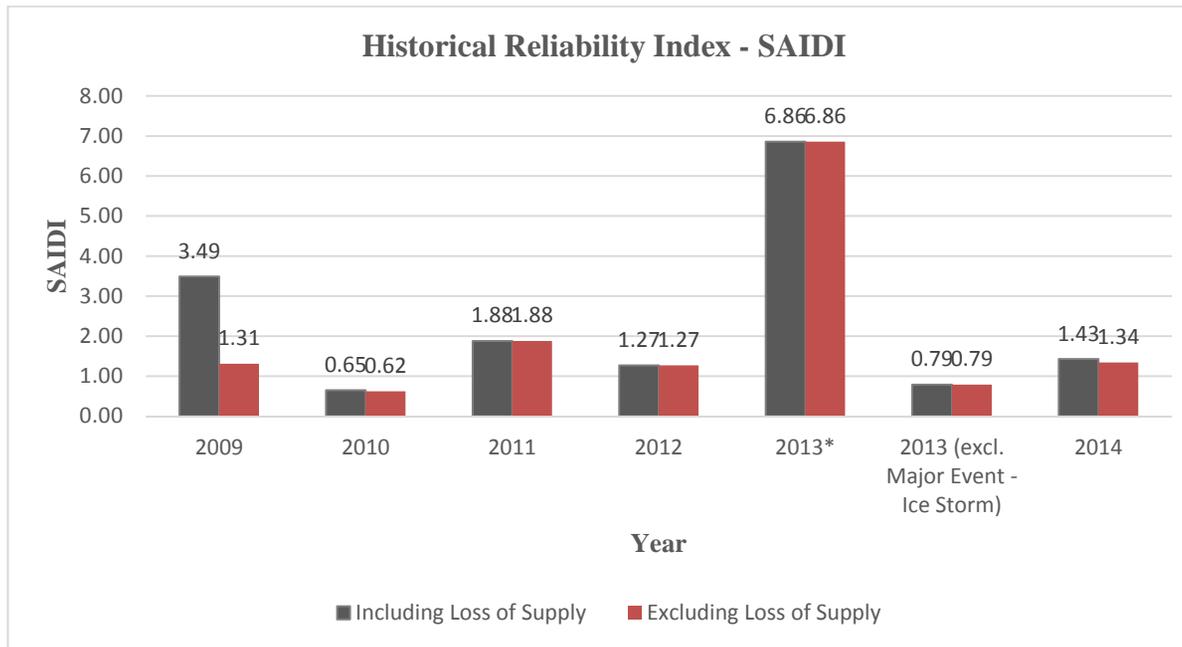
OPUCN's Average Number of Hours that Power to a Customer is Interrupted (i.e., duration) of 1.34 is within the target range of 0.62 – 6.86. The scorecard illustrates a significant decrease in the average number of hours that power to a customer was interrupted during 2014 due to a significant weather event in 2013. The ice storm in December 2013 resulted in weaker than normal system reliability. If this severe weather event is not considered, OPUCN's average number of hours that power to a customer was interrupted would be 0.79 in 2013. The severe storm event has provided OPUCN with an opportunity to review its practices with regards to a number of systems and to make improvements that will have a positive effect on reliability. For example, OPUCN's Emergency Preparedness Plan was improved by including coordination with the City of Oshawa and other regional organizations to be better prepared for major outages. Now, when we receive telephone calls and emails during and following any future service interruptions, we will be able to provide customers with enhanced information related to outages.

Overall, not including the impact of the December 2013 Ice Storm, the foregoing reliability performance indicators show an up and down trend in OPUCN's reliability performance, with each year still being within the OEB suggested threshold. This is due to capital investments completed to address significant root causes of outages as they are identified. Over the period 2015 – 2016, OPUCN will be implementing an Outage Management System (OMS) to have better visibility on the occurrence of system or customer outages and to improve its communication to its customers on which areas are experiencing an outage, how many customers are affected, and the anticipated outage response and restoration time. OPUCN also expects that the integration of the OMS with the Smart Meter system will further enhance the quality and accuracy of outage information.

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

OPUCN's Average Number of Times that Power to a Customer is Interrupted (i.e., frequency) of 1.19 is within the target range of 0.61 – 2.39. The frequency of outages has gradually increased in recent years. The failure of aging infrastructure is causing a high volume of service interruptions. OPUCN has conducted a detailed review of its distribution assets and prepared a comprehensive plan, which provides for the renewal of aged distribution assets over the next 5 years. In addition, outages due to loss of supply events have increased in 2014, and OPUCN has instituted proactive review meetings with Hydro One in 2015 as a means to track and ensure Hydro One programs are directed at the most critical assets impacting service in Oshawa.

The graphs below summarize OPUCN last 6 years of reported SAIDI and SAIFI.



## Asset Management

- **Distribution System Plan Implementation Progress**

OPUCN has filed an application with the OEB for a full review of its rates effective January 1, 2015. OPUCN submitted its Distribution System Plan (DSP) to the OEB as part of the application.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC (PEG) 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. The utility must manage its costs successfully in order to help assure its customers they are receiving value for the cost of the service they receive. Utilities' total costs are evaluated to produce a single efficiency ranking. Utilities whose actual costs are lower than predicted are considered more efficient and will be assigned to Group 1 or Group 2. Utilities that are considered average performers will be assigned to Group 3. Utilities whose actual costs are higher than predicted will be assigned to Group 4 or Group 5.

In 2014, for the third year in a row, OPUCN was placed in Group 2, where a Group 2 distributor is defined as having actual costs less than 10% to 25% of predicted costs. In 2014, 28% (20 distributors) of the 72 Ontario distributors were ranked in Groups 1 and 2, of which 19% were in Group 2. OPUCN's goal is to sustain current efficiencies, and remain a cost-effective utility. Please note - OPUCN revised its circuit kilometers of line for years 2008-2013, which may have an impact on its assigned Group. Although the kilometer discrepancy is small, PEG's benchmarking work filed with the OEB has not been updated, and therefore the impact, if any, on the assigned group is not known yet.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of OPUCN's capital and operating costs divided by the total number of customers that OPUCN serves. The cost performance result for 2014 is \$519 /customer.

OPUCN's Total Cost per Customer has increased on average by 2.4% per annum over the period 2010 through 2014. During this period, OPUCN has experienced higher than normal capital investments in property, plant and equipment, as opposed to operating, maintenance and administrative expenses, which have remained flat. Anticipated investment in capital was made to replace aging infrastructure and technology assets.

- **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 OPUCN operates to serve its customers. OPUCN's 2014 rate is \$29,881 per Km of line, which shows a 10.5% increase over prior year due to two factors. Firstly, as noted above, levels of capital expense have increased. Also, using our new Global Information System (GIS), reported circuit kilometers of line had to be adjusted. The impact was that previously reported kilometers of line were overstated. Upon correction, results of Total Cost per Km of Line would be as follows:

Year	As reported on Scorecard	As revised
2010	\$26,116	\$28,055
2011	\$26,901	\$28,829
2012	\$27,330	\$29,333
2013	\$27,050	\$28,947
2014	\$29,881	\$29,881

Based upon adjusted KM of line, the increase in 2014 is 3% compared to 2013.

## Conservation & Demand Management

OPUCN continues its focus on conservation programs to achieve demand and energy savings. The Minister of Energy and Infrastructure issued a directive to the OEB in 2010 with regard to electricity conservation and demand management targets to be met by licensed electricity distributors by the end of 2014. Each electricity distributor has its own targets which came into effect in 2011. Displayed in the distributor target column of the scorecard are OPUCN's targets for the 2011 to 2014 initiative. The Net Annual Peak Demand Savings and Net Cumulative Energy Savings are reported by the IESO (previously the Ontario Power Authority), who administers the Conservation and Demand Management Program.

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

OPUCN achieved 45.43% of its Net Annual Peak Demand Savings target as at the end of 2014. This was achieved by leveraging the 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.

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

OPUCN achieved 75.70% of its four-year net cumulative energy savings target by the end of 2014. The hurdles OPUCN encountered in achieving the full energy savings target is due to the late start of programs and cancelled province-wide programs in 2011. Some utilities were able to take advantage of savings from pre-2011 programs such as the Toronto Comprehensive program and the BOMA program, which were not available in the Oshawa area. In addition, some institutional customers were not comfortable with the SaveONenergy standard agreement language and there were financial barriers faced by customers preventing them from participating in energy efficiency projects.

The IESO has begun a new six year conservation framework commencing 2015 and ending 2020. The Conservation First Framework is designed to reduce electricity consumption by 7 terawatt-hours (TWh) or seven billion kilowatt-hours (kWh) in the province of Ontario by December 31, 2020. OPUCN is developing plans to meet the OPA's targets and has begun working towards those goals.

## Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) for renewable generation facilities >10kW within 60 days of receiving authorization from the Electrical Safety Authority. In 2014, OPUCN had no CIA connection requests for renewable generation facilities >10kW.

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

In 2014, OPUCN successfully connected 19 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, in accordance with the Distribution System Code provisions. The minimum acceptable performance level for this measure is 90% of the time, and OPUCN has significantly exceeded the target. Our workflow to connect these projects is simplified and transparent with our customers. OPUCN 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)**

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.

OPUCN’s current ratio decreased from 1.19 in 2013 to 0.84 in 2014 as the cash used in capital investing activities in 2014 exceeded the cash generated from operations. The company continues to make significant capital investments to expand and maintain the distribution system in the City of Oshawa. In order to replace operating cash reserves that have been used to build long-term infrastructure OPUCN issued long-term debt in 2015, which will normalize its working capital. OPUCN monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements.

- **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. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure.

OPUCN’s debt to equity ratio for 2014 was 0.78. OPUCN is less levered than the deemed capital structure, as the trend from 2010 to 2014 illustrates a debt to equity ratio of less than 1.5. The addition of new long-term debt in 2015 will increase the debt to equity ratio, but it is still expected to be below the deemed structure.

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

OPUCN's current distribution rates were approved by the OEB and include an expected regulatory return on equity of 9.42%, which is based on the OEB's deemed capital structure of 60% debt and 40% equity as noted earlier. 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**

In 2014, OPUCN's regulatory return on equity was 6.41%. In 2014 and 2013, the achieved ROE was less than the deemed ROE of 9.42% due to anticipated large investments in capital assets. OPUCN has applied for new rates effective January 1, 2015 under the OEB's new rate making framework. This is expected to allow OPUCN to return to a level of ROE deemed by the OEB.

## 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.