Scorecard - St. Thomas Energy 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	98.80%	99.40%	100.00%	100.00%	100.00%	↑	90.00%	
		Scheduled Appointments Met On Time	99.70%	100.00%	100.00%	100.00%	100.00%	↑	90.00%	
		Telephone Calls Answered On Time	89.50%	82.60%	83.80%	76.50%	68.20%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution				100%	100%			
		Billing Accuracy				99.94%	99.91%	→	98.00%	
		Customer Satisfaction Survey Results				A A A+	B+ A A			
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	NI	NI	↓		C
		Serious Electrical Incident Index – Number of General Public Incidents	0	0	0	0	0	→		0
		Serious Electrical Incident Index – 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	0.34	0.99	0.22	0.99	1.26	↑		at least within 0.22 - 0.99
		Average Number of Times that Power to a Customer is Interrupted	0.57	1.00	1.05	1.42	1.93	↑		at least within 0.57 - 1.42
	Asset Management	Distribution System Plan Implementation Progress				100%	100%			
	Cost Control	Efficiency Assessment			3	3	3			
		Total Cost per Customer [1]	$475	$496	$570	$533	$516			
		Total Cost per Km of Line [1]	$31,562	$32,876	$37,496	$33,412	$33,823			
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]		8.71%	17.43%	32.38%	61.63%	●		3.94MW
		Net Cumulative Energy Savings (Percent of target achieved)		32.84%	68.13%	105.19%	119.77%	●		14.92GWh
	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)	1.51	1.38	1.41	1.42	1.17			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.89	0.92	1.00	0.83	0.77			
		Profitability: Regulatory Return on Equity – Deemed (included in rates)		9.58%	9.58%	9.58%	9.58%			
		Profitability: Regulatory Return on Equity – Achieved		7.31%	1.31%	0.00%	9.36%			

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

ST. Thomas Energy Inc. Scorecard MD&A - General Overview

Overview for St. Thomas Energy Inc. ("STEI")

STEI is a licensed electricity distributor operating pursuant to license ED-2002-0523, and distributes electricity to approximately 17,000 customers in the City of St. Thomas. STEI's franchise area is primarily contained within the municipal boundaries of the city of St. Thomas and is about 33 square km in area. STEI is largely an urban service territory. STEI's distribution system is supplied by Hydro One Networks Inc. primarily from the Edgeware TS at a voltage level of 27.6 kV.

STEI continually engages its customers in various forums and assesses the effectiveness of these activities. Specifically, STEI has engaged in independent 3rd party customer surveys, internal surveys, web surveys, bill inserts, bill messages, Home Shows and Business Expos. STEI is also in the process of working collaboratively with other utilities to provide Conservation and Demand Management (CDM) programs to assist customers with load reduction. These initiatives contribute to the excellent results shown for Customer Satisfaction Survey results and CDM program uptake.

STEI works closely with the local social agency, St Thomas-Elgin Ontario Works. St Thomas Elgin Ontario Works ("OW") provides financial and employment assistance to people in financial need. OW and STEI staff work together almost daily to resolve collection type issues and concerns of customers. These efforts are taken on to provide services to our low-income customers.

STEI strives to provide a high level of service to our customer base. This can be seen in the 100% achievement in new service connections, scheduled appointments met, first contact resolution, connection impact assessment and new generator connections.

There are two performance categories that STEI is targeting for improvement:

1) The first is to improve the rating from Need Improvement (NI) to Compliance with Ontario Regulation 22/04. ESA identified that STEI needs to improve its approval process for completed capital programs. STEI is enhancing its business process and staff awareness training to address the ESA observation.

2) The other area is to improve the system reliability statistics through improved system design.
    a. There were two significant incidents that impacted the system reliability statistics;
        I. A contractor fell a large tree into the power lines that took out a major portion of the city and accounted for approximately 51% of the entire customer-hours of interruption for 2014; and

        II. A pole fire on an STEI feeder contributed to 30% of the customer interruption.

b. In addition, STEI experienced 5 animal contact incidents in 2014 as compared to 3 in 2013.

To control outages and to provide quicker restoration time STEI maintains a three year rolling tree-trimming program for rural and urban areas, whereby one-third of the city is trimmed annually. This schedule contributes to less tree contact during storm conditions. STEI also conducts annual infra-red testing on all substations and one-third of switches and transformers on an annual basis. The result has been a reduction in the number of outages caused by defective equipment in 2014.

Service Quality

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

  STEI continues to provide a high level of service to connect customers on time. STEI achieved 100% of connections being made on time for the third year in a row. There were 286 new services (< 750 V) connected within the 5 working day target established by the OEB. STEI will endeavor to continue providing his reliable level of customer service.

- **Scheduled Appointments Met On Time**

  STEI has met 100% of the scheduled appointments again in 2014; this is the fourth year in a row where the utility achieved this result. This is an excellent result considering that the number of appointments varies significantly from year to year. For example the numbers of appointments were; 2011-(1106), 2012-(440), 2013-(401) and 2014-(503).

- **Telephone Calls Answered On Time**

  STEI exceeded the OEB target of 65% as it achieved 68.2% for 2014. This result is lower than previous years as the staffing level was lower for several months this year following a customer service representative vacancy. STEI in an effort to assess operational effectiveness did not immediately fill the vacancy. STEI reviewed workflow responsibilities and operational activities in an effort to determine if OEB telephone call target could be achieved while maintaining pre-vacancy customer service levels at a reduced cost. After three months it was determined that the lower staffing level could not sustain acceptable service delivery and the vacancy was filled. Call answering results are now steadily increasing in 2015. The average for the year ending June 2015 is 70.02%.

Customer Satisfaction

- **First Contact Resolution**

  The first contact resolution has been tracked for two years and STEI has achieved a success rating of 100% for both 2013 and 2014.

- **Billing Accuracy**

  The billing accuracy result for 2014 is 99.91% which is very close to the 2013 result of 99.94%. This result exceeds the target value of 98%. STEI works collaboratively with eight other utilities to share a billing platform to achieve cost savings. STEI's customer base of around 17,000 customers all receive their bill on a monthly basis.

- **Customer Satisfaction Survey Results**

  STEI has surveyed its customers every two years since 2002 as a means to assess the level of customer satisfaction. STEI continues to have excellent Customer Satisfaction results. In the survey conducted by UtilityPulse, the customer satisfaction ratings were B+, A, A, for Customer Care, Company Image and Management Operations respectively. These ratings exceed the Ontario and National averages. The findings are based on telephone interviews with 407 respondents who pay or look after the electricity bill. The sample of the phone numbers was drawn randomly to ensure each number on the list has an equal opportunity of being included in the poll. The sample was stratified so that 85% of the interviews were conducted with residential customers and 15% with commercial customers. STEI will conduct its next customer survey in the spring of 2016.

Safety

- **Public Safety**

  - **Component A – Public Awareness of Electrical Safety**
    No data available for 2014.

  - **Component B – Compliance with Ontario Regulation 22/04**
    Annual audit and Due Diligence Inspections (DDI) form part of Component B.

    The Annual Audit is performed by ESA approved independent auditor, the primary focus is to assess the extent of compliance of LDCs

to Ontario Regulation 22/04, to measure whether the distributor has appropriate processes in place to comply with the safety standards set out in the Regulation and whether the distributor correctly follows its process.

The Due Diligence inspections compliment the annual audit report. The DDI primary emphasis is to ensure the construction in the field is in accordance with a plan, work instruction, and/or standard design. The DDI inspection are performed by ESA inspectors.

In 2014 STEI was compliance with the annual Ontario Regulation 22/04 audit. The 2014 DDI revealed a few instances of intermittent process failures and opportunities for improvement. STEI has a quality management system in place that complies with the international ISO-9001 framework. The resulting business processes are intended to help organizations to meet all customer needs and expectations and to comply with all relevant regulatory and statutory requirements. Continuous improvement is an integral part of a Quality Management System. STEI is in the process of enhancing its business process and staff awareness training to address the ESA observations.

- **Component C – Serious Electrical Incident Index**
  Thankfully, STEI doesn't not have any serious electrical incident to report for 2014. STEI takes public safety seriously. In addition to the prescribed *Minimum Inspection Requirements* (as set forth in Appendix C of the OEB's Distribution System Code), it annually carries out infrared inspection to identify thermal anomalies condition on electrical equipment within the selected area (1/3 of the assets) and promptly addresses any issue identified.

System Reliability

Although the reliability indices increased in 2014, STEI scores well above the Canadian utility average for SAIFI and is in the top quartile for SAIDI as measured in the CEA's Electric Power System Reliability Assessment.

Foreign interference was the major cause of services interruption in 2014. Two major incidents were a contractor fell a large three into the power lines and took out a major portion of the City. This incident accounted for approximately 51% of the entire customer hours of interruption and a pole fire on an STEI feeder contributed to 30% of the customer interruption. In addition there were five animal contact incidents in 2014 as compared to 3 in 2013.

To control outages and to provide quicker restoration time STEI maintains a three year rolling tree-trimming program for rural and urban areas, whereby one-third of the city is trimmed annually. This schedule contributes to less tree contact during storm conditions. STEI also conducts annual infra-red testing on all substations and one-third of switches and transformers on an annual basis. The result has been a reduction in the number of outages caused by defective equipment in 2014.

SAIDI and SAIFI increase during 2014 are mostly attributed to the outage caused by contractor fell a large tree into the power lines and took out a major portion of the city. This incident accounted for approximately 0.70 increase in SAIDI and 0.36 increase in SAIFI. There

was a slight increase of animal contact in 2014 (from 3 in 2013 to 5 in 2014).

STEI will continue monitoring outage cause and frequencies of event to identify trends to develop an action if needed to improve reliability and safety.

- **Average Number of Hours that Power to a Customer is Interrupted**
  In 2014 STEI's SAIDI increased by 0.26 from previous year mostly attributed to foreign interference.

- **Average Number of Times that Power to a Customer is Interrupted**
  The 0.51 SAIFI increase from 2013 is mostly due to foreign interference as previously noted.

Asset Management

- **Distribution System Plan Implementation Progress**
  STEI has developed a long-term Distribution System Plan that supports the cost-effective planning and operation of a reliable and sustainable distribution system to provide value to STEI customers. In 2015, STEI started to measure and report on its progress in executing the long-term plans as described in the DSP. The plan will be optimized in an on-going basis to align the asset performance with public & worker safety, customer service requirement and system reliability.

  In 2014, STEI reported a 91% spending of its forecasted capital expenditure.

  The goal for 2016 projects is to leverage our Geographic Information System to minimize design time-frames and to substantially complete design plans for most of the capital project in the previous year.

  Administrative capital expenditures were 27% below budget as various building and equipment capital items were deferred.

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.

Per the 2014 Benchmarking Update issued July 2015. In 2015, STEI was once again placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered "average efficiency" – in other words, STEI's costs are within the average cost range for distributors in the Province of Ontario. In 2014, 47% (34 distributors) of the Ontario distributors were ranked as "average efficiency"; 28% were ranked as "more efficient"; 25% were ranked as "less efficient"

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of STEI's capital and operating costs (excluding amortization) and dividing this cost figure by the total number of customers that STEI serves. The total cost is derived by using the financial data within the OEB Year Books of Electricity Distributors with some minor adjustments.

The total cost per customer for 2014 is $373.04 per customer which is a 3.7% increase over the 2013 cost per customer of $359.68. 2013 and 2014 administrative costs were impacted by the recognition of actuarial gains in 2013 and losses in 2014. These gains and losses are not a component of STEI's cost of service approved expenditures and are "extraordinary" from actual operating costs. When operating costs are normalized for these amounts, the 2014 total cost per customer is reduced to $364.17 and is 1.3% less than the 2013 amount of $368.84 per customer.

The 2014 total cost per costumer reduction is in part attributed to decreased staffing levels in 2014 as compared to 2013. 2013 labour costs included positions that were vacant throughout 2014 and filled January 2015.

STEI experienced increase in its total costs required to deliver quality and reliable services to customers that includes, inflationary increases, wage and benefit increase as well as increased capital cost.

STEI in an effort to increase operational effectiveness is aiming to optimize asset performance at a reasonable cost in consideration of; customer expectations, system reliability, technology innovation and public and employee safety. To achieve these goals STEI is implementing a geographical information system ("GIS") and new financial subsystems that will eventually interface with the Customer Information System ("CIS"). This will enable STEI to better manage the distribution assets and customer responsiveness through new programs such as an improved outage identification process and outage communications. STEI is investing in the conversion of it 2,400 V system with the modern 27.6 kV system. Replacing this system will enhance STEI's system reliability, decrease access to customer backyard and provide greater safety to STEI customers and employees. The conversion plan also reduces the number substations. STEI is also party to a Mutual Assistance Plan between eight distributors and is a member of two additional collaborative groups, Utility Collaborative Services Group ("UCS") and CustomerFirst initiative. STEI derives a variety of benefits from these collaborative groups such as shared systems and incorporating lessons learned from various projects.

- **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 STEI operates to serve its customers.

STEI's 2014 rate is $24,461 per Km of line, a 2.7% increase over the 2013 total cost per km of line amount of $23,829. As with the Total cost per Customer, when the total cost is normalized the, the 2014 total cost per km of line is $23,880 which is a 2.3% decrease from the adjusted 2013 total cost per km of line amount of $24,436.

STEI's km of line increased by 2.0% from 253 kms in 2013 to 258 kms in 2014.

Conservation & Demand Management

STEI is working with 7 other distributors to deliver a joint CDM plan to achieve savings of another 17.5 GWh in St. Thomas under the 2015-2020 Conservation First Framework.

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

St. Thomas Energy made significant gains towards the Net Annual Peak Demand Savings target as at the end of 2014. (62%- from the IESO 2011-2014 Final Results Report) St. Thomas Energy was ranked 27th out of the 76 Local Distribution Company's (LDC's) as indicated by the report. Although, the peak demand savings are below target, St. Thomas Energy continued for the four years to work actively on customer engagement. In addition St. Thomas Energy has partnered with other LDCs, and has been working with the Ontario Power Authority ("OPA") and the Electrical Distribution Association ("EDA") to improve program effectiveness,

An Energy Manager Hub (EMH) was established in 2012 to identify and pursue opportunities within the large commercial, industrial and institutional customers. The EMH has increased the number of projects in the St. Thomas area by 30%.

Despite the additional effort, St. Thomas Energy did not fully overcome the peak demand savings shortfall. The Provincial "Verified Portion of Peak Demand Savings Target Achieved by 2014" was (69.8%). It was determined that the "Peak Demand Savings Target" was not achievable with the programs in place during the time period.

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

St. Thomas Energy is pleased to have achieved its four-year net cumulative energy savings target by the end of 2014. (120%- from the IESO 2011-2014 Final Results Report) St. Thomas Energy played an active role in the promotion of the saveONenergy programs,

attending local home shows, hosting contractor engagement sessions, in-store events and advertising in the local newspaper. Because of this, customer engagement continued to rise in both the Consumer and Business Programs.

Participation peaked in 2014 due to increasing brand awareness and promotion by St. Thomas Energy and the OPA. Both Consumer and Business programs saw significant increases in participation, most notably, Annual Coupon redemptions; RETROFIT Program and the Home Assistance Program. Customers in RETROFIT continue to declare a positive experience participating in the program with 86% likely to recommend.

The saveONenergy brand has seen a steady and significant increase in unaided brand awareness by 33% from 2011-2014.

Conclusion

Over the course of 2014, St. Thomas Energy has achieved 2.4 MW in peak demand savings and 17.9 GWh in energy savings, which represents 61.6% and 119.8% of St. Thomas Energy 2014 target, respectively. (From the IESO 2011-2014 Final Results Report)These results are representative of a considerable effort expended by St. Thomas Energy, in cooperation with other LDCs, customers, channel partners and stakeholders to overcome many operational and structural issues that limited program effectiveness across all market sectors. This achievement is a success and the relationships built within the 2011-2014 CDM program term will aid results in a subsequent CDM terms.

Connection of Renewable Generation

STEI supports the renewable generation programs in Ontario and as of December 31, 2014 there were 41 microFIT projects (≤10 kW) connected representing 353 kW of generation and another 8 projects pending for 78.4 kW. There are four larger solar projects (>10 kW) connected for another 648 kW.

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

  STEI completed 100% of the connection impact assessments on time.

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

  STEI connected 100% of the generation facilities on time.

Financial Ratios

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

  As an indicator of financial health, a current ratio that is greater than 1.0 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.

  STEI's current ratio decreased from 1.42 in 2013 to 1.17 in 2014. This is not indicative of a decline in financial performance but rather a timing difference related to an intercompany payables and cash and cash equivalents. Removing the timing difference of the intercompany increase from STEI's 2014 current assets and current liabilities the 2014 current ratio increases to 1.31.

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

  STEI's actual debt to equity structure is 44% debt and 56% equity or 0.77.

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

  STEI's 2014 distribution rates were approved by the OEB in the 2011 Cost of Service Application 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**

  STEI's achieved regulated rate of return (based upon the deemed equity) for 2014 was 9.36%, which is well within the +/-3% range allowed by the OEB. STEI's 2013 rate of return was 11.61%.

  STEI was restructured into a fully operational utility in 2012. Prior to this it had been run and regulated as a virtual utility owning most but not all assets required to conduct business and having no dedicated staff.

A benefit of the restructuring along with the emphasis on operational effectiveness is that STEI has seen rate of returns more closely aligned with the deemed rate of return. STE's average regulatory return on equity from 2011 to 2013 was 5.81%

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.