

Scorecard - Thunder Bay Hydro Electricity Distribution Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	Trend	Target		
									Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	98.30%	99.80%	99.10%	99.80%	100.00%		90.00%		
		Scheduled Appointments Met On Time	99.10%	91.90%	99.60%	97.80%	100.00%		90.00%		
		Telephone Calls Answered On Time	92.70%	91.80%	90.10%	91.80%	87.10%		65.00%		
	Customer Satisfaction	First Contact Resolution						A+			
		Billing Accuracy						99.97%		98.00%	
		Customer Satisfaction Survey Results						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	NI	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	2.60	2.77	1.28	1.03	1.92			at least within 1.03 - 2.77	
		Average Number of Times that Power to a Customer is Interrupted	3.68	3.65	3.12	2.02	2.69			at least within 2.02 - 3.68	
	Asset Management	Distribution System Plan Implementation Progress						On track			
	Cost Control	Efficiency Assessment				3	3	3			
Total Cost per Customer ¹		\$572	\$577	\$568	\$585	\$606					
Total Cost per Km of Line ¹		\$24,057	\$24,196	\$24,533	\$25,631	\$26,864					
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		5.63%	32.68%	43.97%	69.93%			8.48MW	
		Net Cumulative Energy Savings (Percent of target achieved)		17.95%	35.76%	67.29%	99.19%			47.38GWh	
	Connection of Renewable Generation	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%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	3.68	1.85	1.72	1.62	1.85				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.90	0.86	0.81	0.66	0.72				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		3.75%	3.75%	7.00%	7.00%			
			Achieved		7.24%	7.74%	6.34%	5.99%			

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”)

Scorecard MD&A - General Overview

Weather continues to test our planning and resources. In 2014, we wrapped up the coldest winter in 35 years with frequent and above average snowfalls that lasted through to the end of April. A late spring storm created extensive power outages and equipment damages.

Service Quality

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

Connections for a new service request for a low voltage (< 750 volts) service are to be completed within five business days from the day on which all applicable service conditions are satisfied.

Thunder Bay Hydro has consistently performed better than the Ontario Energy Board quality standard of at least 90% of the time on an annual basis.

- **Scheduled Appointments Met On Time**

Offers to schedule an appointment must be made within a window of time that is no greater than four hours. The distributor must then arrive for the appointment within the scheduled timeframe 90% of the time on an annual basis.

Thunder Bay Hydro has consistently performed better than the Ontario Energy Board standard of 90%.

- **Telephone Calls Answered On Time**

Calls must be answered within 30 seconds 65% of the time. This measure is influenced by things such as the number of power outages and staffing levels, which can vary from year to year.

Thunder Bay Hydro has consistently performed better than the Ontario Energy Board standard to answer 65% of the calls that it receives within 30 seconds.

Customer Satisfaction

- **First Contact Resolution**

Thunder Bay Hydro aims to minimize and address customer complaints as quickly as possible. In doing so, the organization tracks and monitors customer service inquiries.

- **Billing Accuracy**

Thunder Bay Hydro measures the number of accurate bills it issues throughout the year.

During 2014, Thunder Bay Hydro performed better than the Ontario Energy Board prescribed accuracy target of 98%.

- **Customer Satisfaction Survey Results**

Thunder Bay Hydro is required to measure and report a customer satisfaction results at least every other year.

Thunder Bay Hydro completed the 14th annual Electrical Utility Customer Satisfaction Survey, conducted by a 3rd party, UtilityPULSE. Based on telephone interviews, the survey randomly sampled residential and small to medium sized business customers supplied by Thunder Bay Hydro.

The survey findings covered multiple categories: Customer Care (price and value, customer service), Company Image (company leadership, corporate stewardship) and Management Operations (operational effectiveness, power quality and reliability). The UtilityPULSE report card yielded an overall ranking of A.

Safety

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

The Ontario Energy Board is currently developing this measure and as a result, there is no data to report.

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

The Ontario Energy Board requires all distributors to be in compliance with Ontario Regulation 22/04, which outlines electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors.

Thunder Bay Hydro meets the performance target level of compliance with Ontario Regulation 22/04.

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

The Serious Electrical Incident Index component of the public safety measure is intended to address the resultant impact in improving public electrical safety on the distribution networks over time. It measures the number of and rate of serious electrical incidents occurring on a distributor's assets and is normalized per 10, 100 or 1,000 km of line.

Both the actual number and the rate per km of line are shown on the scorecard.

Thunder Bay Hydro's Serious Electrical Incident Index is 0.0, as there have been no serious incidents.

System Reliability

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

This average duration of outages is often due to severity of weather events.

Thunder Bay Hydro results are within OEB targets.

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

The number of times power to a customer is interrupted is often due to accidents, storms, lightning, high wind and defective equipment.

Thunder Bay Hydro results are within OEB targets.

Asset Management

- **Distribution System Plan Implementation Progress**

The Distribution System Plan (“DSP”) outlines forecasted capital expenditures over a five year period required to maintain and expand Thunder Bay Hydro’s electricity system to service its current and future customers.

The OEB requires that all distributor DSP’s optimize investments and reflect regional and smart grid considerations; serves present and future customers; places a greater focus on delivering value for money; aligns the interests of the distributor with those of customers; and supports the achievement of public policy objectives.

Thunder Bay Hydro is currently executing its Asset Management Plan and is in the process of developing its DSP in preparation for the next Cost of Service application.

Cost Control

- **Efficiency Assessment**

Total costs for all electricity distribution companies are evaluated by the Pacific Economics Group LLC (“PEG”) on behalf of the Ontario Energy Board to produce an efficiency ranking. A “predicted cost” is then calculated. The magnitude of the difference between distributor’s actual and predicted costs will assign a distributor into one of five groups.

For a third year, Thunder Bay Hydro was placed in Group 3, which is defined as having actual costs within +/- 10 percent of predicted costs.

- **Total Cost per Customer**

An evaluation by the Pacific Economics Group LLC (“PEG”) on behalf of the Ontario Energy Board produces a cost per customer metric. This measure sums the total capital and operating costs and divides the cost figure by the total number of customers.

Total costs include annual operating and capital costs. Operating costs are the costs associated with the maintenance, inspection and operation of Thunder Bay Hydro’s distribution assets, customer and general administration costs. Capital costs include enhancement, betterments and replacement of capital assets that are required each year. Capital costs tend to fluctuate depending on the need to replace existing capital assets and additional infrastructure to support growth and develop.

The increase in costs is consistent with ongoing operating activities and Asset Management Plan, to replace, refurbish and modernize the utility’s aged distribution system and to connect new customers.

- **Total Cost per Km of Line**

An evaluation by the Pacific Economics Group LLC (“PEG”) on behalf of the Ontario Energy Board produces a cost per kilometer of line metric. This measure sums the total capital and operating costs and divides the cost figure by the kilometers of line that Thunder Bay Hydro operates to serve its customers.

Total costs include annual operating and capital costs. Operating costs are the costs associated with the maintenance, inspection and operation of Thunder Bay Hydro’s distribution assets, customer and general administration costs. Capital costs include enhancement, betterments and replacement of capital assets that are required each year. Capital costs tend to fluctuate depending on the need to replace existing capital assets and additional infrastructure to support growth and develop.

The increase in costs is consistent with ongoing operating activities and Asset Management Plan, to replace, refurbish and modernize the utility’s aged distribution system and to connect new customers.

Conservation & Demand Management

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

The Net Annual Peak Demand Savings are reported by the Independent Electricity System Operator (“IESO”), who administers the Conservation and Demand Management Program. These savings are measured at a point in time and are non-cumulative. The current conservation target period runs from January 2, 2011 to December 31, 2014.

As a result of a government policy decision, the Demand Response 3 program was discontinued, impacting Thunder Bay Hydro’s achieved net annual peak demand savings.

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

The Net Cumulative Energy Savings are reported by the Independent Electricity System Operator (“IESO”), who administers the Conservation and Demand Management Program. The current conservation target period runs from January 2, 2011 to December 31, 2014.

Thunder Bay Hydro achieved a net cumulative energy savings of 99%.

Connection of Renewable Generation

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

A Connection Impact Assessment is required for all facilities that have a nameplate rated capacity of greater than 10kW.

In 2014, Thunder Bay Hydro completed 2 such requests within the time allowed under the Distribution System Code.

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

Thunder Bay Hydro is required to connect an applicant's micro-embedded generation facility to its distribution system within five business days of the applicant informing the distributor that it has satisfied all applicable service.

In 2014, Thunder Bay Hydro successfully connected 22 micro-embedded generation facilities, all of which were connected within the 5-day timeline.

Financial Ratios

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

The current ratio measures whether or not a firm has enough resources to pay its debts over the next 12 months. A current ratio that is greater than 1 means good short term financial strength, as it indicates that short term debts and financial obligations can be met and that the organization is in good financial health.

At 1.85, Thunder Bay Hydro maintains a strong liquidity ratio. In 2011, Thunder Bay Hydro's current ratio reflected a change in regulatory accounting to an accrued basis.

- **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).

Thunder Bay Hydro's solid debt to equity ratio of less than 1.5 indicates that the organization is less levered than the deemed capital structure. In 2013,

Thunder Bay Hydro converted a portion of the outstanding Note Payable to the Corporation of the City of Thunder Bay to equity, thus, reduced the leverage ratio in that year.

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

The profitability measure is defined as the approved return on equity that is embedded in Thunder Bay Hydro's distribution rates. This measure assesses whether distributors are earning a fair return on their investment.

Profitability in both 2011 and 2012 reflects better than deemed return on equity due to unanticipated one-time transactions (Smart Meter revenue for previously expensed interest, regulatory settlement relating to payment-in-lieu of taxes (PILS) and Ministry of Finance interest on PILS assessment).

In 2014, the actual rate of 5.99% earned was lower than the approved rate of 7.00%. A lower rate is common, as annual distribution rates are adjusted between Cost of Service applications by an inflationary factor less an efficiency gain. In practice, this adjustment does not keep up with various costs such as rising salaries and wages, new initiatives and regulatory compliance requirements. As a result, there is often a decline in the regulatory rate of return in the years between Cost of Service applications.

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.