

# Scorecard - Wasaga 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	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Telephone Calls Answered On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution						.4%			
		Billing Accuracy						99.92%	➡	98.00%	
		Customer Satisfaction Survey Results						A			
<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	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	➡		0.000
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted	0.89	1.66	1.05	0.35	1.53		⬇		at least within 0.35 - 1.66
		Average Number of Times that Power to a Customer is Interrupted	0.50	1.58	1.25	0.41	1.46		⬆		at least within 0.41 - 1.58
	<b>Asset Management</b>	Distribution System Plan Implementation Progress						In progress			
	<b>Cost Control</b>	Efficiency Assessment			1	1	1				
		Total Cost per Customer <sup>1</sup>	\$379	\$384	\$407	\$407	\$423				
Total Cost per Km of Line <sup>1</sup>		\$19,000	\$19,499	\$19,838	\$20,238	\$19,328					
<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>		8.63%	17.71%	21.99%	42.10%	●		1.34MW	
		Net Cumulative Energy Savings (Percent of target achieved)		28.35%	75.77%	87.08%	107.86%	●		4.01GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time				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)	3.46	3.49	3.22	2.27	1.66				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.38	0.36	0.35	0.35	0.35				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.00%	9.12%	9.12%	9.12%			
			Achieved		17.30%	11.91%	2.90%	4.98%			

**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

# Wasaga Distribution Inc. 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, Wasaga Distribution (“WDI”) met all performance targets except the Net Annual Peak Demand Savings (Percentage of target achieved measure). However, as discussed further in the Service Quality section, WDI was subject to a Service Quality audit and that audit resulted in the 100% targets for Service Quality to be either overstated or improper evidence to support the percentage.

Aging infrastructure continues to be the primary challenge facing utilities today. Like most utilities in Ontario, WDI must replace aging infrastructure at an accelerated pace in order to meet this challenge. In addition, vegetation control, including tree trimming activities are always a major focus to reduce the vulnerability of the distribution system to external uncontrollable events, such as weather.

Further to the above, WDI continues to focus on you, the customer. WDI makes every effort to engage its customers on a regular basis to ensure we are aware of your needs and that you are receiving the best value for your money. WDI remains committed to provide its customers with the most reliable service at the least possible cost.

In 2015, WDI will continue its efforts to improve its overall scorecard performance results as compared to prior years. This performance improvement is expected as a result of continued investment in both our infrastructure and in our response to your needs.

## Service Quality

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

In 2014, Wasaga Distribution was subject to an audit by Ontario Energy Board (OEB) regarding scorecard measure New Residential/Small Business Services Connected on Time in late 2014 for the time period of 2009-2013 in this area. During the course of the audit it was found that the results for our New Residential/Small Business Services Connected on Time was misstated due to an incorrect calculation on the number of days. Therefore, WDI is not confident regarding the accuracy of 100% results reported for New Residential/Small Business Services Connected on Time for the period 2010 to 2013. WDI took this finding very seriously and significantly changed its’ processes, controls and completed extensive training with staff so this mistake would not occur again. WDI had a follow up audit in June 2015 and received a closing letter from the OEB Audit stating that Audit found that nothing more had come to its attention to cause

concern that WDI was not following the Distribution System Code for New Residential/Small Business Services Connected on Time. Wasaga Distribution is very confident that its' 2014 results have been recorded correctly and that the 100% outcome is correct.

- **Scheduled Appointments Met On Time**

In 2014, Wasaga Distribution was subject to an audit by Ontario Energy Board (OEB) regarding scorecard measure Scheduled Appointments Met on Time in late 2014 for the time period of 2009-2013 in this area. During the course of the audit it was found that Scheduled Appointments Met on Time were not being tracked properly and were being treated the same as Appointment Scheduling. Therefore, WDI could not substantiate the accuracy of 100% results reported for Scheduled Appointments Met on Time for the period 2010 to 2013. WDI took this finding very seriously and significantly changed its' processes, controls and completed extensive training with staff so this mistake would not occur again. WDI had a follow up audit in June 2015 and received a closing letter stating that Audit found that nothing more had come to its attention to cause concern that WDI was not following the Distribution System Code for Scheduled Appointments Met on Time. The results WDI recorded in 2014 Scorecard were completed with the audit in mind but WDI cannot state with 100% confidence that there may still have been some inaccuracies in the 2014 data. Wasaga Distribution is very confident that going forward in 2015 the results will be accurate.

- **Telephone Calls Answered On Time**

In 2014, Wasaga Distribution was subject to an audit by Ontario Energy Board (OEB) regarding scorecard measure Telephone Calls Answered on Time in late 2014 for the time period of 2009-2013 in this area. During the course of the audit it was found that WDI not only did not track if calls were answered in 30 seconds, WDI also did not separate out the Resource company calls from the Distribution calls. Therefore, WDI could not substantiate the accuracy of 100% results reported by Telephone Calls Answered on Time for the period 2010 to 2013. Steps were taken late 2014 to introduce a new software solution to the phone system that would enable WDI to track any calls that were over 30 seconds. Therefore; WDI will be able to accurately report on this measure for 2015. Furthermore, in April 2015 WDI completed a hardware enhancement that separates the Wasaga Resource calls from the Wasaga Distribution calls. WDI can accurately report on the Scorecard measure with full confidence as of May 01, 2015. WDI had a follow up audit in June 2015 and received a closing letter stating that Audit found that nothing more had come to its attention to cause concern that WDI was not following the Distribution System Code for Telephone Calls Answered on Time.

## Customer Satisfaction

- **First Contact Resolution**

First contact resolution is a new scorecard measure introduced by the Ontario Energy Board midway through 2014. The Ontario Energy Board has not yet issued a common definition for this measure but is expected to do so within the next few years. As a result, this measure may differ from other utilities in the Province.

WDI defines "First Contact Resolution" as the number of customer enquiries that are resolved by the first contact at the utility, resulting in the enquiry being escalated to an alternate contact at the utility, typically a supervisor or a manager. This includes all customer enquiries that are made to a customer service representative whether by telephone, letter, e-mail or in person. WDI considers the ability to address

customer enquiries quickly and accurately be an essential component of customer satisfaction. For the period July 1, 2014 to December 31, 2014, WDI received 5,517 enquiries from its customers, of which 0.4% (22 calls) were not successfully resolved during first contact and were forwarded to senior staff. This also means that WDI resolved 99.6% of its calls with front line staff. WDI expects this trend to continue for 2015, the first full year of reporting this measure.

- **Billing Accuracy**

Billing Accuracy is a new scorecard measure introduced by the Ontario Energy Board late in 2014, and is defined as the number of accurate bills issued expressed as a percentage of total bills issued. WDI considers timely and accurate billing to be an essential component of customer satisfaction. For the period from October 1, 2014 to December 31, 2014, WDI issued more than 39,000 customer bills and achieved an accuracy of 99.92%, which is within the Ontario Energy Board mandated target of 98%. WDI expects this trend to continue for 2015, the first full year of reporting on this measure.

- **Customer Satisfaction Survey Results**

Customer Satisfaction is a new scorecard measure introduced by the Ontario Energy Board for the 2014 scorecard. The Ontario Energy Board has not yet issued a common definition for this measure but is expected to do so within the next few years. As a result, this measure may differ from other utilities in the Province.

For 2014, WDI engaged a third-party organization to conduct a customer satisfaction survey. This satisfaction survey canvassed a number of key issues including power quality, reliability, price, billing and payments, communications, and the overall customer service experience. WDI considers this customer satisfaction survey to be a useful tool for engaging the customers to get a better understanding of their wants and needs with respect to the provision of electricity services and for identifying areas that may require improvement. For 2014, WDI received an “A” rating on the customer satisfaction survey. WDI is only required to report on this measure on a biennial basis (every second year), but expects this trend to continue into the foreseeable future.

## Safety

- **Public Safety**

Public Safety is a new scorecard measure introduced by the Ontario Energy Board for the 2014 scorecard. The public safety measure is generated by the Electrical Safety Authority and is comprised of three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index. A breakdown of the three components is as follows:

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

Component A consists of a new statistical survey that gauges the public’s awareness of key electrical safety concepts related to electrical distribution equipment found in a utilities territory. The survey also provides a benchmark of the levels of awareness including identifying gaps found in a utilities territory. The survey also provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required. **Please Note: The survey for Component A**

has not yet been implemented and will not be reported until next year.

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

Component B consists of a utilities compliance with Ontario Regulation 22/04 – Electrical Distribution Safety. Ontario Regulation 22/04 establishes the safety requirements for the design, construction, and maintenance of electrical distribution systems, particularly in relation to the approvals and inspections required prior to putting electrical equipment into service. Over the past five years, WDI was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by WDI's strong commitment to safety, and the adherence to company procedures and policies.

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

Component C consists of the number of serious incidents, including fatalities, which occur within a utilities territory. In 2014, Wasaga Distribution had no fatalities and no serious incidents within its territory. This was achieved by WDI's strong commitment to safety, and the adherence to company procedures and policies.

## System Reliability

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

The average number of hours that power to a customer is interrupted is a measure of system reliability or the ability of a system to perform its required function. WDI views reliability of electrical service as a high priority for its customers and constantly monitors its system for signs of reliability degradation. WDI also regularly maintains its distribution system to ensure its level of reliability is kept as high as possible. The OEB typically requires a utility to keep its hours of interruption within the range of its historical performance, however, outside factors such as severe weather, defective equipment, or even regularly scheduled maintenance can greatly impact this measure. For 2014, WDI achieved 1.53 hours of interrupted power, which is within the required range. However, WDI was greatly impacted in June of 2014 by a wind storm that knocked out our 44kV transformer and affected all of the customers in our service territory for approximately 2 hours. In 2015, WDI expects to be back within its historical trend of around 1.0 hours of interrupted power.

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

The average number of times that power to a customer is interrupted is also a measure of system reliability and is also a high priority to WDI. As outline above, the OEB typically requires a utility to keep this measure within the range of its historical performance and outside factors can greatly impact this measure. WDI experienced interrupted power 1.46 times during 2014, which is within the required range. As with average number of hours that power to a customer is interrupted, WDI was impacted in June 2014 by a wind storm that knocked out our 44kV transformer and affected all of the customers in WDI's service territory. WDI expects to be back within its historical trend of less than 1.0 times in 2015.

## Asset Management

- **Distribution System Plan Implementation Progress**

Distribution system plan implementation progress is a new performance measure instituted by the Ontario Energy Board beginning in 2013. The Distribution System Plan outlines WDI's forecasted capital expenditures over the next five years, which are required to maintain and expand the utility's electrical system to serve its current and future customers. The Distribution System Plan Implementation Progress measure is intended to assess WDI's effectiveness at planning and implementing these capital expenditures. Consistent with other new measures, utilities were given an opportunity to define this measure in the manner that best fits their organization. As a result, the measure may differ from other utilities in the Province of Ontario.

WDI does not have a full distribution system plan in place and will therefore be using its capital asset management plan as a substitute. WDI is in the process of finalizing its distribution system plan as part of its Rate Application that is being filed in the fall of 2015.

WDI defines this measure as the tracking of actual capital projects spend to planned capital projects spend, expressed as a percentage. For 2014, WDI's spend for 2014 was 139% of the capital projects planned for 2014. A large reason for WDI's overspend is the inability to foresee new developments being constructed 5 years out from the capital asset plan. WDI plans to have this trend Improve as part of its application of the Distribution System Plan.

## Cost Control

- **Efficiency Assessment**

On an annual basis, each utility in Ontario is assigned an efficiency ranking based on its performance. To determine a ranking, electrical distributors are divided into five groups based on the magnitude of the difference between their actual costs and predicted costs. For 2014, WDI place in Cohort I, in terms of efficiency. Cohort I is considered excellent and is defined as having actual costs less than 25% of predicted costs. Overall our ranking was the same as last year and we are the second most efficient utility in the province. WDI goal is to maintain our position within this group for 2015.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of WDI's capital and operating costs and dividing this cost figure by the total number of customers that WDI serves. Similar to most distributors in the province, WDI has experienced increases in its total costs required to deliver quality and reliable services to its customers. Province wide programs such as Time of Use pricing, growth in wage and benefit costs for our employees and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs.

The total cost performance result for 2014 is \$423/customer which is an increase of 3.9% over its 2013 result. On average, WDI's total cost per customer has increased by 2.9% per annum for the period 2010 – 2014. Going forward, utility costs are expected to keep pace with economic fluctuations; however, WDI will continue to implement productivity and efficiency improvements to help offset some of the costs associated with distribution system enhancements, while maintaining the reliability and quality of its distribution system.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. Based on this, WDI's rate is \$19,328 per km of line which is a 4.9% decrease over its 2013 rate. WDI's growth rate for its territory is considered to be relatively high. A higher growth rate has assisted WDI's ability to fund future capital projects and operating costs. As a result the cost per km of line is expected to slowly increase as capital and operating costs also increase. As we progress into the future, WDI will continue to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

## Conservation & Demand Management

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

Late in 2010, the Ministry of Energy mandated a new 2011 – 2014 framework for electricity conservation and demand management (CDM) in Ontario. As a result, the OEB was required to establish CDM targets for the reduction of electrical consumption (kWh's) and electricity demand (kW's) to be met by certain licensed electricity distributors across the province. The Ontario Power Authority supported this initiative through the introduction of a number of OEB approved CDM programs designed to conserve electricity across all classes of electricity consumers.

WDI did not meet its Net Annual Peak Demand (kw) target of 1.34MW at the end of 2014. WDI did use a Roving Energy Manager to try to achieve their target, however; due to WDI's low customer GS>50 base the target was not achieved. However, only six LDC's in the Province did meet this target. Going forward, a new CDM framework and new targets are expected to be implemented for this measure for the period 2015 – 2020.

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

WDI exceeded its four-year Net Cumulative Energy (kWh's) Savings target of 4.01gWh at the end of 2014. This was achieved by leveraging the suite of OEB approved CDM programs primarily designed for the residential and small commercial classes of customers. Going forward, a new CDM framework and new targets will also be implemented for this measure for the period 2015 – 2020.

## Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIA's) on all renewable generation connections within 60 days of receiving authorization from the Electrical Safety Authority. WDI has developed and implemented an internal procedure to ensure compliance with this regulation. In 2014, WDI did not complete any CIA's and in 2013 WDI completed 100% of its CIA's within the prescribed time limit. WDI expects this trend to continue for the foreseeable future.

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

Micro-embedded generation facilities consist of solar, wind or other clean energy projects of less than 10 kW that are typically installed

by homeowners, farms or small businesses. In 2014, WDI connected 2 new micro-embedded generation facilities within its territory. 100% of these projects were connected within the prescribed timeframe of five business days, which significantly exceeds the Ontario Energy Board mandated target of 90% for this measure. WDI works closely with its customers and their contractors to ensure that the customer's needs are met and/or exceeded. WDI expects the trend for this measure to continue to exceed the mandated target for the foreseeable future.

## Financial Ratios

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

As an indicator of financial health, a current ratio indicates a company's ability to pay its short term debts and financial obligations. Typically, a current ratio between 1 and 1.5 is considered good. If the current ratio is below 1, then a company may have problems meeting its current financial obligations. If the current ratio is too high (higher than 1.5) then the company may be inefficient at using its current assets or its short-term financing facilities.

WDI's current ratio decreased from 2.27 in 2013 to 1.66 in 2014, which is indicative of WDI moving towards a financially healthy organization in the use of its current assets. WDI hopes to see the trend of a decreased ratio to continue in the foreseeable future.

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

The debt to equity ratio is a financial ratio indicating the relative proportion of shareholder's equity and debt used to finance a company's assets. The Ontario Energy Board uses a capital structure of 60% debt and 40% equity ( a debt to equity ratio of 60/40 or 1.5) when setting rates for an electricity utility. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments, while a low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that may be had through increased financial debt.

In 2014, WDI's debt-to-equity ratio was 0.35, which is much lower than the ratio expected by the Ontario Energy Board. WDI expects that its debt-to-equity ratio will remain in this range for the next several years as Wasaga Distribution can currently purchase new construction with cash and the Board of Directors is debt adverse. However, moving further into the future cash flow will become an issue and WDI will be forced to go out to market and obtain debt and this increase our debt-to-equity ratio.

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

Return on equity (ROE) measures the rate of return on shareholder equity. ROE demonstrates an organization's profitability or how well a company uses its investments to generate earnings growth. WDI's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return of 9.12%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. If a utility performs outside this range, it may trigger a regulatory review of the distributor's financial structure by the OEB.

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

WDI achieved a ROE of 4.98% in 2014, which is below the +/- 3% range allowed by the OEB (see above paragraph). The average ROE over the past four years was 9.27%, which is well within the deemed regulatory return specified in WDI's approved rates (see above paragraph). WDI's decreased rate of return in 2014 was largely due to increase capital spending and increased expenses. WDI

is seeking an approval for increased rates in their 2016 Rate Application to recover this deficiency.

## **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.