

Scorecard - Whitby Hydro Electric Corporation

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	100.00%	100.00%	100.00%	100.00%	96.10%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	98.80%	99.50%	100.00%		90.00%		
		Telephone Calls Answered On Time	95.50%	95.60%	54.50%	68.00%	73.80%		65.00%		
	Customer Satisfaction	First Contact Resolution						99.86%			
		Billing Accuracy						99.89%		98.00%	
		Customer Satisfaction Survey Results					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	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	0.48	1.43	0.96	4.95	1.89			at least within 0.48 - 4.95	
		Average Number of Times that Power to a Customer is Interrupted	0.54	1.73	1.29	2.80	2.32			at least within 0.54 - 2.80	
	Asset Management	Distribution System Plan Implementation Progress								94.9%	
	Cost Control	Efficiency Assessment				3	3	3			
		Total Cost per Customer ¹	\$632	\$628	\$600	\$612	\$628				
Total Cost per Km of Line ¹		\$23,853	\$23,887	\$23,109	\$23,643	\$24,275					
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		9.53%	19.90%	39.77%	55.51%			10.90MW	
		Net Cumulative Energy Savings (Percent of target achieved)		31.00%	47.74%	65.80%	83.02%			39.07GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time				100.00%	92.86%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.56	1.97	1.89	1.65	1.48				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.65	0.76	0.74	0.72	0.69				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.66%	9.66%	9.66%	9.66%			
			Achieved		12.15%	12.35%	14.54%	13.89%			

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

2014 Scorecard Management Discussion and Analysis

For plain language descriptions as well as technical and comparison definitions of the performance measures in Whitby Hydro's 2014 Scorecard, see the Ontario Energy Board's "Scorecard – Performance Measure Descriptions" document:

http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

- Whitby Hydro continues to succeed in Customer Focus (Service Quality, Customer Satisfaction), Operational Effectiveness (Safety, Reliability, Asset Management and Cost Control) and Financial Performance (Financial Ratios). In 2014, performance either exceeded or met industry-wide or Whitby Hydro specific targets.

Conservation and Demand Management (CDM) results trended upward in 2014 but this area continued to be challenging. While Whitby Hydro has made strong progress in educating and engaging its customers in conservation measures and programs, achievement has fallen short of targets due in part to the strong consumer participation in pre-2011 CDM programs. Additionally, Whitby Hydro's customer base is heavily weighted towards residential consumers, consequently limiting the opportunities for larger demand and energy savings available with commercial and industrial customers.

Service Quality

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

In 2014, Whitby Hydro connected 96.1% of eligible low-voltage residential and small business customers to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB). Whitby Hydro understands the importance of connecting its customers in a timely fashion once all service requirements are met. While the 2014 figure has declined slightly, this is largely reflective of changes in reporting practices as compared to prior years. The 2014 connections continue to be well above the target of 90%.

- **Scheduled Appointments Met On Time**

Whitby Hydro continues to meet the requirement to schedule and attend appointments within the four hour window arranged with customers (or their representatives) during regular business hours. The majority of appointments relate to underground infrastructure locates for customers.

- **Telephone Calls Answered On Time**

Qualified incoming calls to Whitby Hydro's customer service phone line must be answered within thirty seconds at least 65% of the time. In 2014, Whitby Hydro achieved levels well above the target. Prior to 2012, the reporting reflected the level of calls answered (not abandoned), but did not incorporate the requirement of a 30-second threshold due to limitations in available reporting. In 2012, a new telephone system allowed for additional information to be gathered and the results dropped primarily due to two factors: 1) more accurate reporting which incorporated the 30-second threshold; and 2) increased service level requirements resulting from the implementation of time-of-use billing. The 2013 and 2014 results demonstrate progressive improvements and a renewed focus on ensuring that customer calls are answered in a timely fashion.

Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The OEB has asked Whitby Hydro and all electricity distributors to review and develop 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 several years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides more specific direction regarding a commonly defined measurement.

First Contact Resolution can be measured in a variety of ways and clarity of expectations is required in order to achieve meaningful comparable data across electricity distributors. Without a CRM (customer relationship management) program to track type and frequency of telephone calls by customers, Whitby Hydro is tracking escalated telephone calls that customer service representatives resolve without added support as a percentage of the total number of eligible telephone calls. Whitby Hydro has reported its results from July 1 – December 31 which indicate that 99.86% of customer telephone calls were successfully managed without further escalation or support.

- **Billing Accuracy**

Until July 2014, a specific measurement of billing accuracy had not been defined across the industry. After consultation with some electricity distributors, the Ontario Energy Board (OEB) prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014.

For the period from October 1 – December 31, 2014, Whitby Hydro achieved a billing accuracy of 99.89%. This compares favourably to the prescribed OEB target of 98%. As this is a new and important measurement, Whitby Hydro will continue to monitor its billing accuracy closely.

- **Customer Satisfaction Survey Results**

The OEB indicated that electricity distributors will have discretion in determining how to conduct customer satisfaction surveys; however, surveys must adhere to the following principles: 1) surveys must canvas satisfaction regarding power quality and reliability, price, billing and payment, communications, and the customer service experience; and 2) surveys will follow good survey practices. The survey must be done at minimum once every two years. In 2013, prior to receiving any specific direction from the OEB, Whitby Hydro engaged UtilityPULSE (the electricity utility survey division of Simul Corporation) to conduct a customer satisfaction survey. Whitby Hydro’s target is to be equal to or better than the Ontario benchmark. The utility’s customers have generally indicated their satisfaction as equal to or higher than both national and Ontario results, with 95% of customers rating their experience with Whitby Hydro as fairly satisfied to very satisfied. Whitby Hydro will conduct a similar survey in 2015. The 2013 results have been summarized below:

Whitby Hydro Utility PULSE Report Card

	<u>Whitby Hydro</u>	<u>National</u>	<u>Ontario</u>
1. Customer Care	A	B+	B+
Price and Value	A	B	B
Customer Service	A	B+	A
2. Company Image	A	A	A
Company Leadership	A	A	A
Corporate Stewardship	A	A	A
3. Management Operations	A	A	A
Operational Effectiveness	A	A	A
Power Quality and Reliability	A+	A	A
OVERALL	A	A	A

Safety

- **Public Safety**

The Ontario Energy Board (OEB) introduced the Safety measure in 2015. This measure considers safety from the customer’s perspective and accords system safety a high priority. The safety measure is determined 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**

This new component is expected to measure the level of awareness of key electrical safety precautions amongst the public within Whitby Hydro’s service area. The ESA is currently working on developing a standard set of survey

questions which all electricity distributors will incorporate into a survey to be performed every two years. The first survey is expected to be performed in 2015. While further insight will be gained once survey results are available and this new measure evolves, Whitby Hydro has already been actively involved in an elementary school program promoting electrical awareness in the home and overall distribution safety. The program targets grades one through eight along with school educators. From 2010 to 2014, the program has been delivered to over 30,000 students and educators in the Whitby area.

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

Over the previous five years, Whitby Hydro was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). Ontario Regulation 22/04 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.

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

Whitby Hydro did not have any serious electrical incidents to report in 2014 or in the period 2010 to 2013.

System Reliability

System reliability targets are drawn from Whitby Hydro's own historical performance over previous years. The OEB intends to establish more defined standards or targets for use in the future. With system reliability measures, a lower score indicates better reliability performance.

The industry acknowledges that the measurement of customer impacts associated with an outage is compiled using different methodologies depending on the outage management tracking processes, technologies and systems available within the service area. Over the past six years, Whitby Hydro has taken steps to improve the quality of data by refining how it quantifies customers impacted by an outage event. The years 2010 to 2011 saw an increase in the average number of hours of interruption experienced by Whitby Hydro customers because of a change in the method of reporting. In 2011, Whitby Hydro moved from a "flat rate" method to estimate the number of customers affected by an outage (per feeder or substation) to one which uses peak load per feeder or substation as a weighting to determine how many customers lost power. Whitby Hydro has implemented an outage management system which will provide a number of benefits including improved analytics which help assign resources and isolate the extent of the outage. It will also allow Whitby Hydro to incorporate more accurate customer information into reliability reporting in 2015.

Historically, Whitby Hydro has had strong reliability performance, following a strict schedule of asset maintenance and review to ensure appropriate investments are made to the distribution system. However, even with diligent effort, no distribution system is immune to the effects severe weather and unexpected equipment failure etc. The term "major event" refers to an incident which is widespread and caused by and/or aggravated by factors outside of Whitby Hydro's control.

Whitby Hydro experienced two major events in 2014:

1. A severe lightning storm which caused outages across a large area with restoration hindered by the high volume rush-hour traffic on the Friday afternoon of the August long weekend.
2. A significant failure of switchgear equipment in May 2014 prior to scheduled maintenance and not approaching the end of its expected useful life.

The utility experienced one major event in 2013:

1. In December 2013, much of southern Ontario felt the effects of the severe ice storm. Because of Whitby Hydro's aggressive tree trimming program and the committed efforts of operations crews during the Christmas holiday season, the outage suffered by Whitby Hydro customers (interruption occurrences and duration) were less than those experienced by neighbouring electricity distributors.

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

Whitby Hydro has reported strong reliability performance over the past five years. However, both 2014 and 2013 reliability has been significantly skewed by individual major events. In 2014, the two major events (described above) accounted for more than 50% of the total customer interruptions and outage duration. With these events removed, the 2014 average hours of interruption are well below those reported in the previous three years.

Average Number of Hours that Power to a Customer is Interrupted					
	2010	2011	2012	2013	2014
Including all outage events	0.48	1.43	0.96	4.95	1.89
Excluding major events*	0.48	1.43	0.96	0.93	0.61

* a description of the major events in 2014 (2) and 2013 (1) are provided above

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

The number of times power to a customer is interrupted is largely affected by weather (e.g. frequency and extent of storms, lightning, high winds) and equipment failure. To help reduce the number of interruptions on its 44 kV system, Whitby Hydro has been installing lightning arrestors in four locations a year since 2012. To minimize outages related to equipment failure, asset assessment and replacement reviews are a regular feature of the utility's distribution planning process, identifying and addressing aging infrastructure such as underground cables, switchgear, transformers, poles and switches. Adjusting for the effects of major events, the average number of times the power to a customer is interrupted in 2013 and 2014 are lower or comparable to the previous three years.

Average Number of Times that Power to a Customer is Interrupted					
	2010	2011	2012	2013	2014
Including all outage events	0.54	1.73	1.29	2.80	2.32
Excluding major events*	0.54	1.73	1.29	0.87	1.13

* a description of the major events in 2014 (2) and 2013 (1) are provided above

Asset Management

- **Distribution System Plan Implementation Progress**

This is a new measure which is currently under development. The OEB has permitted electricity distributors to use their discretion to develop and implement a measure that they feel most effectively reflects their performance in system plan implementation.

Whitby Hydro plans to file an application with the OEB for a full review of its rates effective January 1, 2017. Accordingly, Whitby Hydro is in the process of preparing its Distribution System Plan. However, in the interim, Whitby Hydro has reported an achievement of 94.9% which represents a measure of the percentage of the 2014 actual capital expenditures versus budget for those investment accounts over which Whitby Hydro has direct control, namely, System Renewal, System Service and General Plant. In 2014 budget variances were attributable largely to three areas: material shortages which affected the timeline for planned office space reconfiguration and improvements; accommodation of customer scheduling for transformer change-outs required for the voltage conversion project; and delays in civil work related to a feeder project on Henry Street. These items are planned for completion in 2015.

Cost Control

The total cost and efficiency estimates use complex calculations that were developed by the OEB's consultant Pacific Economics Group (PEG). The results of the calculations for 2014 were provided to electricity distributors on July 30, 2015 to be incorporated into the scorecard.

- **Efficiency Assessment**

An econometric model developed by the consultant PEG has been used to predict total costs for the electricity distributor; the efficiency measure compares PEG's calculation of total actual costs with those PEG has predicted. Depending on the degree to which the average total costs for the period 2012 to 2014 are below or above the predicted costs, the electricity distributor is placed into one of five groupings and assigned a "stretch factor" for use in rate setting. Whitby Hydro's average total actual costs are 6.5% below the predicted costs which is a favourable outcome. The results place Whitby Hydro in the mid-range, the third grouping, for efficiency. There is no comparable data prior to 2012 as different efficiency measures were used.

- **Total Cost per Customer**

PEG's calculation of Whitby Hydro's 2014 total cost per customer is \$628 representing a 2.6% increase over previous year's \$612. These costs include third-party capital requirement costs related to the construction of Highway 407 which are beyond the control of Whitby Hydro. Although third-party construction costs are to a great extent funded by third-parties, the OEB model requires gross costs to be included in the total cost calculation. When adjustments are made to remove such costs, the 2014 total costs are reduced to \$621 representing an increase just slightly greater than inflation. In addition, in order for the appropriate comparisons to be made to years prior to 2013, it is essential that the 2014 (and 2013) total cost be adjusted for significant one-time (transitional) items such as mandatory regulatory accounting changes for capitalization/depreciation (starting in 2013, costs that were previously capitalized are treated as operating expenses). If these costs were not reclassified, the comparable total cost per customer is further reduced from \$621 to \$604 in 2014, and from \$612 to \$601 in 2013 which is reflective of a below inflationary increase for 2014.

- **Total Cost per Km of Line**

PEG's calculation of Whitby Hydro's 2014 total cost per Km of line is \$24,275 representing a 2.7% increase over the previous year's \$23,643. These costs include third-party capital requirement costs related to the construction of Highway 407 which are beyond the control of Whitby Hydro. Although third-party construction costs are to a great extent funded by third-parties, the OEB model requires gross costs to be included in the total cost calculation. When adjustments are made to remove such costs, the 2014 total costs are reduced to \$23,996, representing an increase just slightly greater than inflation. In addition, in order for appropriate comparisons to be made to years prior to 2013, it is essential that the 2014 (and 2013) total cost be adjusted for significant one-time (transitional) items such as mandatory regulatory accounting changes for capitalization/depreciation (starting in 2013, costs that were previously capitalized are treated as operating expenses). If these costs were not reclassified, the comparable total cost per Km of line is further reduced from \$23,996 to \$23,352 in 2014, and from \$23,643 to \$23,204 in 2013 which is reflective of a below inflationary increase for 2014.

Conservation & Demand Management (CDM)

The majority of provincial demand and energy savings through the 2011-2014 framework occurred in non-residential initiatives. While making strong progress in educating and engaging its customers in conservation measures and programs, Whitby Hydro faced some challenges in achieving its utility specific targets. Whitby Hydro's customer base is more heavily weighted towards residential consumers, which limits opportunities for larger demand and energy savings that are available with commercial and industrial customers. Whitby Hydro also had strong customer participation in pre-2011 CDM programs especially in the small business community. Although falling short of overall framework targets, Whitby Hydro made significant gains in 2014 achieving notably higher incremental demand (+33%) and energy savings (+94%) compared to 2013.

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

Whitby Hydro's CDM results trended up from 39.8% in 2013 to 55.5% as per the Final Verified Annual 2014 CDM Report issued by the Independent Electricity System Operator (IESO) on September 1, 2015. The increase was largely due to the attribution of Time-of-Use savings which was included for 2014, as well the introduction of a new contractor for Direct Install Lighting which generated significant activity and demand savings compared to prior year.

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

Results trended upward year-over-year from 65.6% in 2013, to 83.0% as per the Final Verified Annual 2014 CDM Report

issued by the IESO on September 1, 2015. The significant gains in 2014 are reflective of Whitby Hydro's focused efforts to increase direct contact with commercial and industrial customers; increased participation in residential coupon events (provincially); and the introduction of a new Direct Install Lighting contractor assisting in the completion of identified projects and generation of additional program participation.

Connection of Renewable Generation

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

Upon receipt of a completed application for a renewable energy generation facility that has a nameplate rated capacity of greater than 10 kW, Whitby Hydro is required to complete the Connection Impact Assessment (CIA) within the application timeline prescribed in Ontario Regulation 326/09. For projects up to 500 kW, the timeline is (a) 60 days or (b) 120 days if an upstream electricity distributor CIA is required. For projects greater than 500 kW and less than 10 MW, the timeline is (a) 90 days or (b) 120 days if it requires the involvement of other upstream electricity distributors. Whitby Hydro continues to consistently meet this requirement.

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

This measure was introduced in 2013. For a renewable energy generation facility that has a nameplate rated capacity of less than or equal to 10 kW, an offer to connect is to be issued no later than 90 days after the date the connection request is received. After the project is installed and has passed the electrical safety inspection, Whitby Hydro must have the following information to finalize the connection: (a) Connection Authorization letter issued by the Electrical Safety Association; (b) payment for the connection costs; and (c) a signed "Micro-Embedded Generation Facility Connection Agreement". On receipt of all of the required connection information, Whitby Hydro must respond within 5 days to install and connect the meter at least 90% of the time. Whitby Hydro continues to meet this target.

Financial Ratios

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

The current ratio is one indicator of financial health and a ratio greater than one indicates that the company is in a good position to pay its short-term debts and financial obligations. 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.

Whitby Hydro maintains a strong liquidity ratio. The liquidity ratio decline in 2014 was in part a result of the under recovery of energy-related pass through costs. In 2010, the liquidity ratio was lower as a result of the Smart Meter Capital Program. The ratio increased in 2011 because of borrowing needed to fund the program.

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

9.66% reflects the return on equity established during the last approved cost of service rate application.

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

By definition, the regulatory rate of return on equity (ROE) calculation is based on the revenue and cost structure in the approved 2011 Cost of Service application within an allowable range of +/- 3%. For 2014 and 2013, the scorecard rates of return include items outside of the revenue and cost structures in the approved 2011 Cost of Service application. However, these elements are regulatory requirements and include the following: lower taxes due to under recoveries in pass-through costs; and the 2013 smart meter disposition which included revenue and costs from 2006-2012. Removing the most significant element (lower taxes resulting from under recoveries), Whitby Hydro's regulatory returns would be 11.17% in 2014 and 11.77% in 2013, well within +/- 3% of the approved return. The Ontario Energy Board has reviewed this information and confirmed Whitby Hydro's ROE was materially affected by the lower taxes and that the restated 2013 and 2014 ROE numbers are appropriate and within the allowable range. The 2011 and 2012 rates of return are based on the revenue and cost structure in the approved 2011 Cost of Service application and are also within the allowable range.

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, any information provided 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.