

# Scorecard - Espanola Regional Hydro Distribution Corporation

9/29/2016

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  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%	94.70%	100.00%	100.00%		90.00%		
		Scheduled Appointments Met On Time	89.20%	93.00%	95.40%	100.00%	100.00%		90.00%		
		Telephone Calls Answered On Time	67.50%	65.70%	74.80%	77.30%	76.10%		65.00%		
	Customer Satisfaction	First Contact Resolution				100%	99.8				
		Billing Accuracy				99.83%	99.93%		98.00%		
		Customer Satisfaction Survey Results					89%				
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness							85.00%		
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	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 <sup>2</sup>	0.38	1.13	1.05	0.29	0.28			0.68	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.32	0.50	0.40	0.15	0.03			0.32	
	Asset Management	Distribution System Plan Implementation Progress				In progress	On Track				
	Cost Control	Efficiency Assessment		2	2	2	2				
		Total Cost per Customer <sup>3</sup>	\$577	\$619	\$612	\$602	\$658				
		Total Cost per Km of Line <sup>3</sup>	\$13,884	\$14,921	\$14,642	\$14,388	\$15,465				
<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).	Conservation & Demand Management	Net Cumulative Energy Savings <sup>4</sup>							20.83%	2.41 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time								0.00%	
		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.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.10	1.09	1.17	0.83	1.47				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.93	1.04	0.76	1.10	1.30				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.57%	9.12%	9.12%	9.12%	9.12%			
			Achieved	-0.56%	-13.19%	29.90%	28.00%	15.91%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).  
 2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.  
 3. A benchmarking analysis determines the total cost figures from the distributor's reported information.  
 4. The CDM measure is based on the new 2015-2020 Conservation First Framework. This measure is under review and subject to change in the future.

**Legend:**

5-year trend  
 up down flat

Current year  
 target met target not met

## Appendix A – 2015 Scorecard Management Discussion and Analysis (“2015 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 2015 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

For the year 2015, Espanola Regional Hydro (ERH) met or exceeded all prescribed targets for all scorecard measures. In particular, system reliability performance for the year 2015 continued significant improvement over prior years. Much of this can be attributed to major capital investments such as the new MS4 distribution substation as well as related distribution system upgrades, and significant improved vegetation control in the distribution system.

In addition, ERH achieved a very high level of customer satisfaction bolstered by our strong reliability performance and excellent service quality levels. Based on the results of our first Customer Satisfaction Survey in 2015, we achieved an overall satisfaction level of 89%.

### Service Quality

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

In 2015, ERH connected 6 eligible low-voltage residential and small business customers (connections under 750 volts) to its system, 100% of which were completed within the five-day timeline prescribed by the Ontario Energy Board (OEB). This exceeds the target of 90% set by the OEB.

ERH may be a relatively small utility, but its small size allows it to capitalize on efficiencies in its service delivery. For example, Operation staff is directly involved with most of the service functions, which contributed to timely customer connections.

- **Scheduled Appointments Met On Time**

Scheduled appointments are made with ERH customers to complete customer requested work (ex. meter re-reads, reconnections, meter locates etc.). In 2015, ERH exceeded the OEB target of 90% by meeting this performance target 100% of the time.

- **Telephone Calls Answered On Time**

In 2015, ERH’s Customer Care Department received 3,991 calls from their customers. Of those calls, a Customer Care Representative answered the call in 30 seconds or less, 76.10% of the time. While this result exceeded the OEB mandated target of 65%, it is a slight

decline from the previous year's result. ERH will continue to monitor this performance measure to identify opportunities for improvement.

## Customer Satisfaction

- **First Contact Resolution**

For 2015, ERH handled 99.8% of calls without escalating the calls to a Senior Customer Care Representative, Supervisor, or Manager. However, it's important to note that First Contact Resolution can be measured in a variety of ways, and further regulatory guidance is necessary in order to achieve meaningful statistic that is comparable across electricity distributors.

First Contact Resolution was determined by creating two specific call types in our Customer Information System (CIS) which could then be queried to provide the number of customer concerns which were escalated. To establish the number of calls which were handled without escalation, the CIS was queried based on the associated call types to arrive at the total number of customer calls handled by the Customer Care Team.

To determine the number of repeat calls for the same issue, a review of the escalated calls was conducted on the premise that if the call reached the Senior Customer Care level the concern would not have been satisfactorily resolved at the time of first contact.

- **Billing Accuracy**

ERH issued approximately 40,000 bills for the period from January 1, 2015 – December 31, 2015 and achieved an accuracy of 99.93%. This compares favorably to the prescribed OEB target of 98%. ERH continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

ERH engaged the UtilityPulse Division of Simul Corporation to conduct our 2015 customer satisfaction survey. The UtilityPulse Electric Utility Survey is on its 17th year of annual surveys and is used by a number of Ontario distributors. The final report on our customer satisfaction survey was received in June and ERH received a customer satisfaction score of 89% (post survey result). The survey asked customers questions on a wide range of topics, including: overall satisfaction with reliability, customer service, outages, billing and corporate image. These customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within ERH.

## Safety

- **Public Safety**

The OEB introduced the Safety Measure in 2015. This measure looks at safety from a customer's point of view as safety of the distribution system is a high priority. The Safety measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04 and the Serious Electrical Incident Index.

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

ERH is committed to continually improving public awareness of electrical safety. In that spirit, ERH participated in a public electrical safety awareness survey in 2015. The purpose of the survey was to provide a benchmark level regarding the public's electrical safety awareness of key electrical safety concepts, and to identify opportunities where additional education and outreach may be required. ERH is pleased to report it received an index score of 85% on the survey.

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

Component B is comprised of an External Audit, a Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns, and Compliance Investigations. All these elements are evaluated as a whole to determine the status of compliance. Over the past six years, Espanola Regional Hydro (ERH) was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by a strong commitment to safety and continued adherence to company procedures.

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, and specifications, and the inspection of construction before they are put in service.

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

ERH had no serious electrical incidents to report for 2015. The utility has not had a serious electrical incident to report in the last 5 years. For 2015 the results are zero incidents (0) with a rate of 0.0 per 100km of line. ERH continues to have a strong commitment to the safety of both staff and the general public. ERH continues to provide its customers and the general public with information about electrical safety via its website and bill inserts. Additionally, ERH has made significant maintenance and capital infrastructure investments in the past several years to enhance system safety and reliability.

## System Reliability

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

The System Average Interruption Duration Index (SAIDI) of 0.28 in 2015 was lower than the target of 0.68 and the average number of hours that a customer was interrupted in 2015 was lower than in any of the preceding four years. Much of this improvement can be attributed to major capital investments such as the new MS4 distribution substation as well as related distribution system upgrades and significant vegetation control in the distribution system.

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

The System Average Interruption Frequency Index (SAIFI) of 0.03 in 2015 was lower than the target of 0.32 and the average number of times that a customer was interrupted in 2015 was significantly lower than any of the preceding four years. As in the comment above, much of this can be attributed to major capital investments such as the new MS4 distribution substation as well as related distribution system upgrades, significant vegetation control and regular maintenance activities within the distribution system.

## Asset Management

- **Distribution System Plan Implementation Progress**

All distributors are required to file a Distribution System Plan (DSP) when filing a cost of service application for the rebasing of their rates. It is expected that implementation of this standardized approach will re-inforce the existing commitment to long term planning and sustainable asset management. Espanola Regional Hydro plans to file an application with the OEB in 2016, which will include a complete DSP.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC (PEG) on behalf of the OEB to produce a single efficiency ranking. The PEG econometrics model attempts to standardizes costs to facilitate more accurate cost comparisons among distributors by accounting for differences such as number of customers, treatment of high and low voltage costs, kWh deliveries, capacity, customer growth, length of lines, etc. All Ontario electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual costs versus the PEG model predicted costs. The following table summarizes the distribution of all distributors across the 5 groupings for 2015.

Group	Demarcation Points for Relative Cost Performance	% of Ontario LDCs in Group
1	Actual costs are 25% or more below predicted costs	8
2	Actual costs are 10% to 25% below predicted costs	20
3	Actual costs are within +/-10% of predicted costs	51
4	Actual costs are 10% to 25% above predicted costs	15
5	Actual costs are 25% or more above predicted costs	6

In 2015, for the fourth year in a row, ERH was placed in Group 2, where a Group 2 distributor is defined as having actual costs between

10% and 25% below predicted costs under the PEG model. Group 3 is considered "average efficiency".

ERH's efficiency performance based on the PEG model was under the predicted costs by 20.4% in 2015 compared to 25.4% in 2014.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of ERH's capital and operating costs, including certain adjustments to make the costs more comparable between distributors (i.e. under the PEG econometrics model) and dividing this cost figure by the total number of customers that ERH serves. The cost performance result for 2015 is \$658 per customer which is a 9.3% increase over 2014.

Overall, ERH's Total Cost per Customer has increased on average by 2.8% per annum over the period 2011 through 2015. Similar to most distributors in the province, ERH has experienced increases in its total costs required to deliver quality and reliable services to customers. Province-wide programs such as Time of Use pricing, growth in wage and benefits costs for employees, as well as the renewal of the distribution system, have all contributed to increased operating and capital costs.

ERH will continue to replace distribution assets proactively in a manner that balances system risks and customer rate impacts. ERH's capital and operating programs will be further defined in its 2017 rate application to be filed in 2016. Customer engagement initiatives that commenced in 2015 will continue in order to ensure customers have an opportunity to share their viewpoint on ERH's capital spending plans.

- **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 the company operates to serve its customers. ERH's 2015 rate is \$15,465 per Km of line, a 7.5% increase over 2014.

ERH continues to experience a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Such a low growth rate has reduced the ability to fund capital renewal and increasing operating costs through customer growth. As a result, total cost per Km of line has increased since 2011 with the increase in capital and operating costs.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

2015 was a transition year from the previous framework to the new Conservation First Framework. This framework will continue until 2020 with a new MWh target.

This transition year allowed LDC's to close out projects from the previous framework and submit new projects under the new framework. ERH worked diligently with businesses and channel partners to complete all outstanding projects in addition to updating

the changes in rules and submission process for the new framework. As a result of this work the final net savings for 2015 was 502 MWh, slightly better than double our target for the year, and giving us a head start going forward to 2020.

## Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of receiving authorization for the project from the Electrical Safety Authority. Although there has been considerable interest from developers to connect distributed generation in the ERH service territory, in 2015 only two of fourteen potential projects proceeded to the CIA stage.

For the 2015 calendar year, the two CIA requests received were not completed within the prescribed timelines. Adjustments to the established process for Generator CIAs were implemented in order to address this issue going forward.

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

In 2015, ERH experienced limited interest in the microFIT program and was not requested to connect any new micro-embedded generation facilities (microFIT projects of less than 10 kW).

## Financial Ratios

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

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations.

ERH's current ratio increased from 0.83 in 2014 to 1.47 in 2015 due to the conversion of the 2014 new substation construction loan to long term debt in 2015.

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

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

ERH has a debt to equity ratio of 1.30 which is below the deemed capital structure.

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

ERH's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.12%. The OEB allows a distributor to earn within +/- 3 percentage points 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**

ERH's return on equity achieved in 2015 was 15.91%, which is outside the +/-3 percentage points range allowed by the OEB. ERH achieved returns higher than the deemed rate in 2015 mainly due to the rate mitigation plans designed to assist customers which was approved by the Ontario Energy Board during the last Cost of Service Rate Application (2012). ERH's revenue also includes rate riders for the Smart Meter Disposition, Lost Revenue Adjustment Mechanism (LRAM), and LRAM Recoveries. These rate riders were not included in the Cost of Service Rate Application and if removed from Revenue, ERH's return on equity is within the +/-3 percentage points range of deemed equity allowed by the OEB.

### **Note to Readers of 2015 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.