

Scorecard - Greater Sudbury Hydro Inc.

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%	99.60%	99.00%	99.80%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%		
		Telephone Calls Answered On Time	46.80%	67.90%	77.30%	72.10%	69.40%		65.00%		
	Customer Satisfaction	First Contact Resolution				82%	83%				
		Billing Accuracy				99.86%	99.90%		98.00%		
		Customer Satisfaction Survey Results				97%	92%				
<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							73.68%		
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	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 <sup>2</sup>	1.06	1.60	1.35	1.21	1.01			1.18	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.03	1.04	1.16	1.83	1.25			1.18	
	Asset Management	Distribution System Plan Implementation Progress				87.54%	87.40				
	Cost Control	Efficiency Assessment		3	4	4	3				
		Total Cost per Customer <sup>3</sup>	\$604	\$605	\$560	\$648	\$627				
		Total Cost per Km of Line <sup>3</sup>	\$29,348	\$29,194	\$26,887	\$30,698	\$29,627				
<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>							20.03%	34.74 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			100.00%						
		New Micro-embedded Generation Facilities Connected On Time			100.00%	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)	0.49	0.47	0.48	0.46	0.47				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	3.79	5.13	3.31	3.26	3.04				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.01%	8.10%	8.98%	8.98%	8.98%			
			Achieved	6.07%	11.79%	19.00%	14.04%	8.36%			

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

# 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

In 2015, Greater Sudbury Hydro Inc (GSH) continued to perform strongly. Outage trends improved significantly over 2014’s anomalous performance. Otherwise, measures in all areas continued to indicate performance in line with industry expectations. GSH met its customer service obligations and this was reflected generally in high customer satisfaction.

GSH continued to demonstrate strong financial performance in 2015. While maintaining strong levels of capital spent, GSH managed cash and remained liquid throughout the year.

GSH is continuing to review business processes in efforts to further enhance efficiencies and continuously improve.

### Service Quality

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

In 2015, GSH connected 99.8% of approximately 604 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its’ system within the five-day timeline prescribed by the Ontario Energy Board (OEB). This is a +0.8% improvement of our previous year’s performance and remains firmly above the OEB-mandated threshold of 90%. Where practicable, GSH coordinates connection activities with other planned construction activities undertaken by the utility, other utilities or municipal and provincial government agencies. GSH is currently working with local municipalities to further enhance the coordination between municipal and electrical distribution construction activities.

- **Scheduled Appointments Met On Time**

There were 936 appointments involving meeting a customer or the customer’s representative where the appointment date and time is met.

Consistent with the prior year, the utility met 100% of these appointments on time, which significantly exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2015 Greater Sudbury Hydro Inc. customer contact centre agents received over 57,500 calls from its customers – over 230 calls per working day. Calls were answered 69% of the time within 30 seconds or less. This result exceeds the OEB-mandated 65% target for timely call response. Year over year, the 2015 result amounts to a slight reduction from 2014, driven primarily by an increase in call complexity.

## Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The OEB plans to review information provided by electricity distributors over the next few 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 specific direction regarding a commonly defined measure.

For Greater Sudbury Hydro, First Contact Resolution was measured based on live agent transactional phone surveys conducted by a third party service provider. For the period January to December 31, 2015, Greater Sudbury Hydro provided the third party service provider with a weekly sample of customer telephone calls into Greater Sudbury Hydro's Customer Service.

Third party telephone agents, in turn, contacted and surveyed customers - typically within a week of their initial inbound contact. Customers were asked to rate various facets of their overall customer experience. Using the results of this survey, GSH calculated a first contact resolution of 83% for 2015.

Greater Sudbury Hydro Inc. endeavors to use the customer survey results to identify customer service improvements which will increase first contact resolution in the future.

- **Billing Accuracy**

For the 2015 calendar year, GSH issued more than 347,000 bills and achieved a billing accuracy of 99.90%. This compares favourably to the prescribed OEB target of 98%.

GSH continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

Over the past three calendar years, 2013-2015 inclusive, GSH has engaged Oraclepoll Research to conduct annual customer satisfaction surveys. These surveys provide valuable information which supports discussions around improving customer service at all levels and in all departments within GSH.

The survey asks customers questions on a wide range of topics, including: overall satisfaction with GSH, customer service, price of electricity compared to other essential services, overall value, reliability, response to outages, commitment to customers, concern about public safety and safe work practices, communication with the public in general, preferred methods of communication and quality of materials, interest in information about home energy efficiency and cost savings, ease of understanding bills, and an open-ended question asking for suggestions on how to improve customer service. The final reports on these customer satisfaction surveys evaluate the level of customer satisfaction and identify areas for improvement. This data is then incorporated into GSH's planning process and forms the basis of plans to improve customer satisfaction and better meet the needs of customers.

GSH's 2015 Customer Satisfaction Results contain a number of measures of customer satisfaction, including Customer Service, Price Comparison, and Overall Value. In the "Scorecard", Overall Customer Satisfaction is reported, and in 2015, we saw a decline in the satisfaction level, from 97% in 2014 to 92% in 2015. (2013 was pegged at 90%). We saw an increase in the number of people who rated their overall satisfaction at "Total Poor"...6% in 2015 compared to 2% in 2014. Though the Price Comparison factor is not reported in this "Scorecard", our survey results show a dramatic increase in the level of dissatisfaction with the price paid for electricity when compared to what customers pay for other essential services such as heating fuel, telephone, or cable TV/Satellite. In 2013, 27% of customers surveyed considered the price of electricity to be in the "Total Poor" category; in 2014, that increased to 40%; in 2015, 52% of people surveyed considered the Price Comparison to be in the "Total Poor" category. While the price of the commodity is beyond GSH's control, we believe this price dissatisfaction has had a negative effect on our Overall Customer Satisfaction Results.

GSH will continue to use survey results to identify improvement opportunities.

## **Safety**

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

This is the first year a measurement of the Public's Awareness of Electrical Safety has been included in the Scorecard. GSH commissioned Oraclepoll Research to survey the community with the six proscribed questions created by the ESA. The survey was conducted in February

2016 via telephone, and included both landline as well as cell phone numbers. Greater Sudbury Hydro Inc. rated 73.68% when the ratings outlined by ESA were applied to the responses. As this is the first year of this survey, there are no comparative numbers to discuss.

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

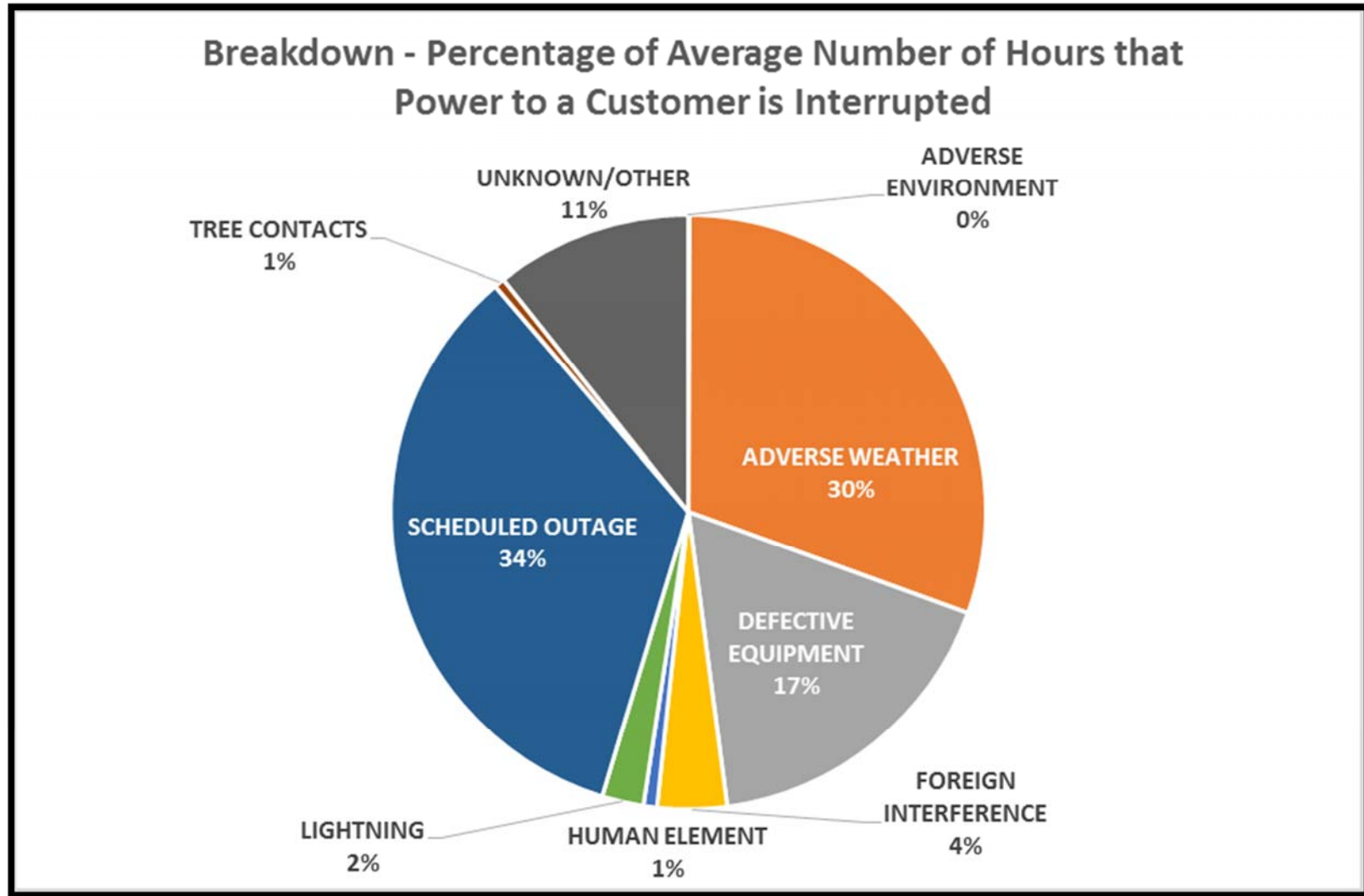
Over the past four years, GSH was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - Electrical Distribution Safety establishes objective 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**

GSH has maintained a “Serious Electrical Incident Index” value of 0 for the past 5 years.

## System Reliability

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

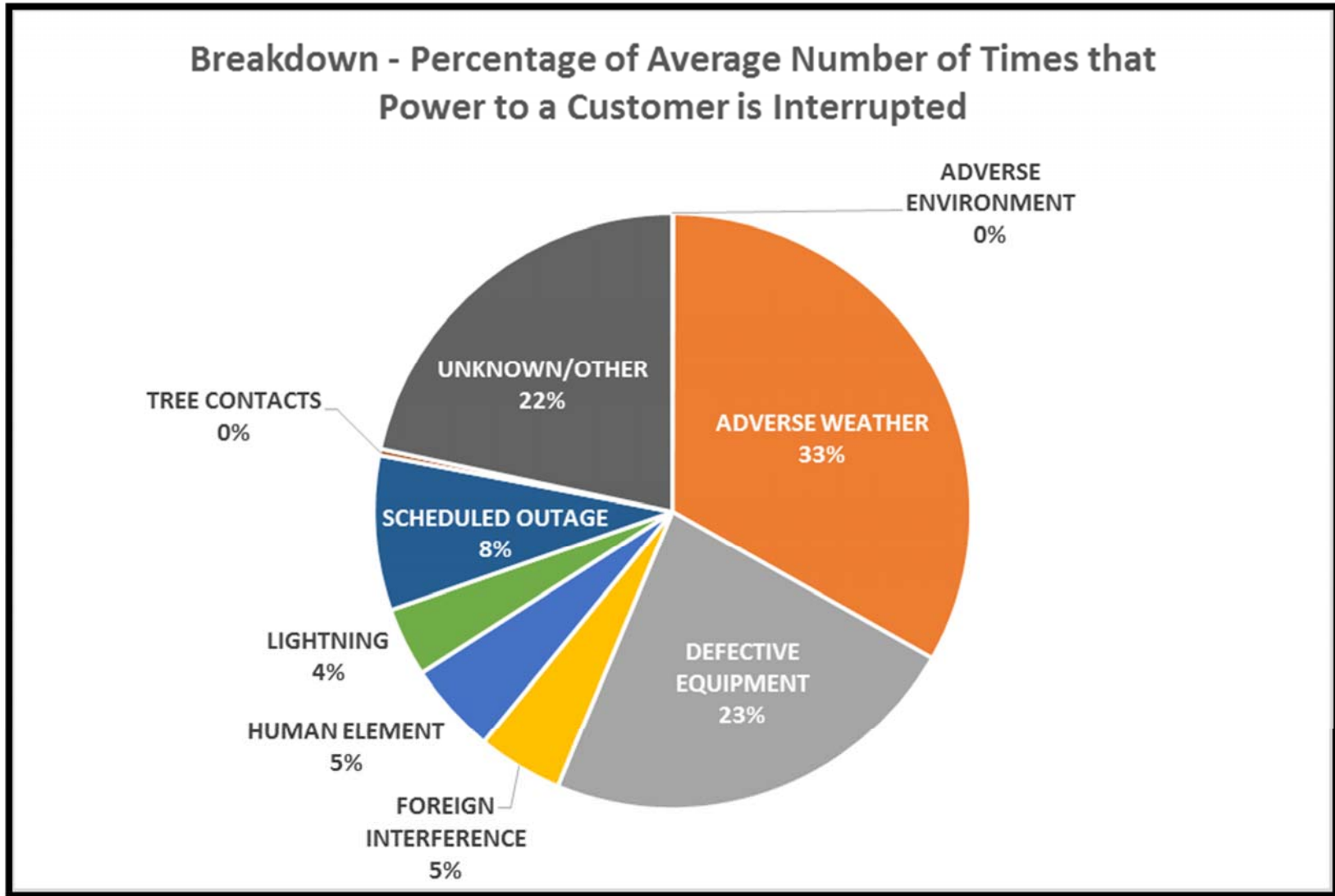


The above pie chart answers the following question: when power to a customer is interrupted, what percentage of the average hour of an outage is attributed to which cause? **Note:** the above excludes the cause "loss of supply", as this not within GSH's control.

GSH experienced a decline in the average number of hours that power to a customer was interrupted during 2015. The Average Number of Hours that Power to a Customer is Interrupted (i.e., duration) of 1.01 was below the OEB-mandated target of 1.18. The duration of service interruptions has gradually decreased in recent years.

As an outage cause directly-controlled by GSH, “Scheduled Outages” was leading cause contributing to outage duration. These type of outages have a substantial impact because of more rigorous safety procedures regarding worker safety and the type of work being undertaken. The performance of hazard analysis and job planning have resulted in frequent (and longer) planned outages. The Occupational Health & Safety Act requires that an Employer do “Everything reasonable in the circumstances for the safety of the worker” and the Infrastructure Health & Safety Association has embarked on “ZeroQuest”, a path to zero Lost-Time Injuries (LTI) in the sector. GSH has embraced both of these concepts over the years. This practice is fully supported by Senior Management at GSH. As it were, roughly 34% of this metric for 2015 was reflected in the “Scheduled Outages” cause code.

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



The above pie chart answers the following question: when power to a customer is interrupted, what's the likelihood of a given cause?

**Note:** the above excludes the cause "loss of supply", as this is not within GSH's control.



GSH's Average Number of Times that Power to a Customer is Interrupted (i.e., frequency) of 1.25 was above the target of 1.18. The frequency of outages, however, has gradually decreased in recent years. The upward trend as defined in the Scorecard is predominantly the result of a particularly bad year in 2014 that saw SAIFI increase to 1.83 – far above historical norms. The leading cause for service disruptions in 2015 was caused by 'Adverse Weather' (33%). This cause is largely out of the utility's control.

The failure of aging infrastructure used to be the leading cause for service interruptions. However, outages caused by 'Defective Equipment' are now the second leading cause of a service disruption (23%). This is a direct result of the paced system renewal program that the utility has had in place to ensure assets are replaced/refurbished appropriately to mitigate outage risk.

As an outage cause directly-controlled by GSH, "Scheduled Outages" is the fourth-leading cause (8%) contributing to outage frequency. These type of outages have a substantial impact because of more rigorous safety procedures regarding worker safety and the type of work being undertaken. The performance of hazard analysis and job planning have resulted in frequent (and longer) planned outages.

GSH has conducted a detailed review of its distribution assets and prepared a comprehensive plan, which provides for the renewal of its distribution system over the next ten years. Greater Sudbury Hydro Inc. has adopted a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance ratepayer and utility affordability.

## Asset Management

- **Distribution System Plan Implementation Progress**

GSH plans to file an application with the OEB for a full review of its rates in 2017, for rates effective January 1, 2018. Accordingly, as of August 2016, GSH is currently in the process of drafting its' inaugural Distribution System Plan ("DSP").

At its' most recent Rate Application in 2013, GSH filed an Asset Management Plan ("AMP") that outlined the utility's forecasted capital expenditures required to maintain and expand its electricity system to serve its current and future customers. The AMP is the basis for GSH's annual budget, and GSH measures the progress of this metric as a ratio of actual total capital expenditures made in a calendar year over the total amount of planned capital expenditures for that calendar year per the annual budget. Capital spending has increased year-over-year by approximately \$800,000. The 2015 measure indicates that Greater Sudbury Hydro Inc achieved 87.40% of planned spending.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. For 2015 GSH improved, and is now ranked in the third group based on the PEG calculation.

PEG uses data from GSHI's trial balance to determine total costs. The trial balance includes pro forma amounts for gains/loss on GSH's other post-employment benefits (OPEB). In the interest of conservatism GSH decided to recognize the full actuarial change in the year that it is calculated, on that year's income statement. The change in this liability is largely an inverse function of market or fair value interest rates. While the full impact of the OPEB is included in the efficiency calculation the dollars are not included in rates. Normalizing GSH's income statements over the period of study to remove the impact of the OPEB change in liability may well have produced a better efficiency rating for GSH.

GSH has continued to focus on controllable costs throughout 2015 & 2016, reviewing every significant business process in an effort to optimize those processes and drive efficiencies.

- **Total Cost per Customer**

Total Cost per Customer is calculated as the sum of Greater Sudbury Hydro Inc.'s (GSH) capital and operating costs and dividing this cost figure by the total number of customers that GSH serves. The cost performance result for 2015 is \$627 per customer as compared to \$648 per customer for 2014 and \$560 per customer for 2013. At first glance there appears to be significant variation in total cost between years on this measure.

However, included in total costs are actuarial gains and losses on OPEB that can move up and down year over year due to various factors such as general and medical inflation costs and discount rates. GSH experienced a gain in 2013, a loss in 2014 and a gain in 2015. If these costs are removed from the Total Cost per Customer calculation, the revised annual results are \$594 per customer for 2013, \$600 per customer for 2014 and \$637 per customer for 2015.

Contractual increases in wage and benefits costs for employees as well as the maintenance and renewal of the distribution system have all contributed to increasing operating and capital costs. Despite financial pressures due to increasing operating costs, GSH had a 0% increase in distribution rates charged to customers for the period of May 1, 2016 to April 30, 2017.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Total Cost per Customer calculation above. The total cost is divided by the kilometers of line that GSH operates to serve its customers. GSH's 2015 rate is \$29,627 per km of line, the 2014 rate is \$30,698 per Km of line and the 2013 rate of \$26,887 per Km of line. However, similar to the correction noted above, this cost should be adjusted for the OPEB actuarial gains and losses.

If the OPEB actuarial gains and losses are removed from total cost, the restated figures for Total Cost per Km of Line are \$30,104 for 2015, \$28,409 for 2014 and \$28,523 for 2013.

## **Conservation & Demand Management**

- **Net Cumulative Energy Savings**

GSH is committed to helping our customers understand their energy usage by offering programs that enable them to become more energy efficient. As an electrical distributor, GSH has conservation target of 34.74 Gigawatt hours over a six year period. Results for 2015 show a progression of 20.03% towards that target. As this is a six year plan, GSH expects a minimum of 17% of the target to be reached each year to be successful by 2020.

This achievement was made possible by the strong participation by local commercial customers in our retrofit and energy efficient lighting programs. Residential customers also participated in saveonenergy coupon events opting to change out lights in their own homes to more energy efficient ones as well purchasing other energy efficient equipment. The combined efforts of all such programs and participants from both residents and businesses made the achievement of substantial energy savings possible.

GSH also believes that partnerships are a key component to our overall success. To help meet GSH's conservation goals under the Conservation First Framework that was introduced in 2015 by the Independent Electricity System Operator (IESO), GSH is working with other Utilities in the province through a collaborative group called CustomerFirst to design and deliver cost effective conservation programs for our customers. By working together, CustomerFirst utilities will find efficiencies in the delivery of conservation and this will lead to cost savings for electricity customers.

As a member of CustomerFirst, GSH is part of a joint Conservation (CDM) Plan that has been approved by the IESO. The joint plan will achieve 141,877 MWh of savings which is equal to the combined targets that were allocated to each CustomerFirst member under the new framework.

GSH is committed to providing our customers with cost effective conservation programs to help them save electricity and lower their electricity bills. All sectors and customer types are covered in the joint plan and customers will have access to multiple province-wide, local and pilot

programs. The joint CDM plan includes four pilot programs that will be developed and launched to meet the local needs of our customers. In 2015, CustomerFirst received approval from the IESO to deliver a pilot residential program designed to assist residential customers with electrical heating. The program will be available to customers in the GSH service area beginning the fall of 2016.

Through the CustomerFirst joint CDM Plan, GSH will continue to work collaboratively with the other CustomerFirst utilities to find efficiencies and reduce costs. The group will be sharing resources and working together in all areas of CDM including sales, marketing, customer and project support to provide value to ratepayers.

## Connection of Renewable Generation

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

Depending on the size of a proposed embedded generation facility, electricity distributors are required to conduct Connection Impact Assessments (CIAs) within as soon as 60 days of the receipt of the application where no distribution system reinforcement or expansion is required. In 2015, GSH did not have to complete a single CIA as there were no requests with which to comply.

If a CIA is indeed requested, Greater Sudbury Hydro Inc. outsources the CIA work to an engineering consultant. Historically, the reason for any delays is mainly due to the consultant's workload and unexpected delays associated with getting more information from the proponent. To further improve the speed of CIA delivery, GSH sets strict guidelines on the information required by the proponent even before we begin the CIA work.

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

In 2015, GSH connected 14 new micro-embedded generation facilities (microFIT project of less than 10 kW) 100% of the time within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. Our workflow to connect these projects is very streamlined and transparent with our customers. GSH works closely with its customers and their contractors to tackle any connection issues to ensure a micro-embedded generation facility is connected on time.

## Financial Ratios

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

As an indicator of financial health, a current ratio that is greater than 1 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”.

While GSH’s 2015 liquidity is reported as 0.47 on the ‘Scorecard’ it is important to note that the Promissory Note valued at \$48,645,457 and payable to GSH’s shareholder (the City of Greater Sudbury) is treated as current debt for purposes of this calculation since the nature of the note is that it is ‘callable on demand’. This note has been in place since the year 2000 and each year the City confirms it will not call the note within the next year. If the promissory note was excluded from current liabilities the Current Ratio would be recalculated at 1.62.

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

The OEB (Ontario Energy Board) used 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.

GSH Inc elected to have a 70% debt, 30% equity arrangement with the City of Greater Sudbury at the time of incorporation back in the year 2000. This remains unchanged. This automatically makes the utility more leveraged than the deemed structure – the 2015 Scorecard shows a total debt to equity ratio for GSH of 3.04. GSH has also reflected all actuarial gains and losses on OPEB in Equity which significantly lowers the denominator for this calculation and skews this ratio. Only the actual cash costs of pension benefits need to be paid out annually. Despite the fluctuations in OPEB, Shareholder’s Equity continues to trend upwards.

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

Greater Sudbury Hydro's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.98%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor’s revenues and costs structure by the OEB.

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

GSH’s return achieved in 2015 was 8.36%, which is within the +/- 3% range allowed by the OEB.

The methodology the OEB uses to calculate the achieved regulatory return on equity changed in 2015. GSH performed a calculation of what previous year ROE results would be under the new methodology. This calculation indicated an 11.19% achieved ROE in 2014 and a 14.28% ROE in 2013, which would be a reduction in achieved ROE of 2.85% and 4.72% respectively.

If achieved ROE using the new methodology is averaged over the three year period from 2013 to 2015, GSH is well within the deemed ROE included in its rates.

## 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.