

Scorecard - Hearst Power Distribution Company Limited

9/29/2016

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	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%	100.00%		90.00%		
		Scheduled Appointments Met On Time	0.00%	0.00%	100.00%	100.00%	100.00%		90.00%		
		Telephone Calls Answered On Time	95.00%	92.50%	100.00%	96.70%	89.20%		65.00%		
	Customer Satisfaction	First Contact Resolution				98%	98%				
		Billing Accuracy				99.98%	99.89%		98.00%		
		Customer Satisfaction Survey Results				97% Good	97% Good				
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							76.00%		
		Level of Compliance with Ontario Regulation 22/04 ¹	NI	NI	C	C	C		C		
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0		0	
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.000		0.000		
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	6.05	4.95	5.32	0.98	2.00		3.76		
		Average Number of Times that Power to a Customer is Interrupted ²	1.02	2.20	1.41	0.35	0.71		1.15		
	Asset Management	Distribution System Plan Implementation Progress				Submitted	Established				
	Cost Control	Efficiency Assessment		1	1	1	2				
		Total Cost per Customer ³	\$412	\$418	\$414	\$479	\$579				
		Total Cost per Km of Line ³	\$17,073	\$17,131	\$16,980	\$19,161	\$23,009				
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 Cumulative Energy Savings ⁴							47.50%	3.18 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time									
		New Micro-embedded Generation Facilities Connected On Time				100.00%				90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	4.97	3.05	2.52	2.27	2.22				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.58	0.55	0.59	0.38	0.40				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.85%	9.85%	9.85%	9.19%			
			Achieved	21.25%	41.81%	27.17%	24.31%	-24.02%			

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, Hearst Power Distribution Company Ltd. (HPDC) exceeded all performance targets when compared to the industry standards.
- In 2016, the company expects to maintain, or increase where possible, its overall scorecard performance results as compared to prior years. HPDC expects similar or better performance as a result of enhanced system reliability due to the company’s major investment in its distribution system plant, as per HPDC’s implemented Distribution System Plan, and continued responsiveness to customer feedback.

Service Quality

- **New Residential/Small Business Services Connected on Time**
In 2015, HPDC connected all low-voltage residential and small business customer on-time. As usual, HPDC views customer connections as a top priority and continues to exceed the 90% OEB-mandated threshold.
- **Scheduled Appointments Met On Time**
HPDC scheduled 250 appointments in 2015 which have been 100% completed on-time and as required. HPDC continues to exceed the industry target of 90%. The work requests include, but is not limited to, disconnection, reconnection, electrical line locates, etc.
- **Telephone Calls Answered On Time**
In 2015, HPDC received 1,225 calls, of which 1,093 were answered within 30 seconds. That is an annual 89.2% achievement for HPDC, which is significantly greater than the 65% OEB-mandated target.

Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. In order to comply with this requirement, we used the results from the survey completed in September 2014. One question in the Customer Service section of the survey was: "Did the Customer care representative provide you with the information you needed?"; 98% of respondents answered yes to this question.

- **Billing Accuracy**

For the period of January 1st, 2015 to December 31st, 2015 HPDC issued 33,365 bills and achieved a billing accuracy of 99.89%. This compares favorably to the prescribed OEB target of 98%. HPDC continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure in 2013. At a minimum, electricity distributors are required to measure and report customer satisfaction result at least every other year. At this time, the Ontario Energy Board is allowing electricity distributors discretion as to how they implement this measure.

HPDC conducted a customer satisfaction survey in September 2014 amongst its residential class. The survey was developed in-house through a collaborative effort of, Hearst Power Distribution Company Limited Inc., Hydro Hawkesbury Inc., Hydro 2000 Inc., Cooperative Hydro Embrun, Renfrew, Hydro and Ottawa River Power Corporation ("the Group"). The Group was assisted by Tandem Energy Services Inc. for developing the survey. The main purpose of the collaborative effort was to minimize the cost of the survey by the sharing of intellect and resources. HPDC conducted its survey during the first 2 weeks of September 2014 and is currently conducting its second customer satisfaction survey. The data from the latest survey will be available and compiled at the end of October 2016.

In September 2014, customers were given a possibility to express their needs and opinions by completing an online or hard copy survey. Fifteen percent (15%) of HPDC's residential customers responded to the survey. The results identified 97% overall good or better performance.

Safety

- **Public Safety**

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

In 2015, HPDC conducted a Safety Awareness amongst all its customers, which resulted in an overall score of 76%. The survey was developed by the Electrical Safety Association to monitor the effort and impact LDCs are having on improving public electrical safety. HPDC also continues to publish educational communiqués, which provides written information to the general public on electrical subjects via newspaper and our website. This program was developed to keep customers educated & informed on electrical safety, and to provide some background on the complex electrical sector.

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

In 2015, HPDC was found to be compliant, once again, 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.

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

Over the past five years, HPDC did not have any serious electrical incident.

System Reliability

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

In 2015, HPDC's average number of hours that power to a customer is interrupted was 2.00, a slight increase over 2014 (0.98) but better than the previous 4 years average (4.33). Continued quick response to power interruptions contributes greatly to maintaining shorter periods of interruptions.

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

In 2015, HPDC's average number of times that power to a customer is interrupted was 0.71, a slight increase over 2014 (0.35) but better than the previous 4 years average (1.25). As per our implemented Distribution System Plan, the continued asset surveys and the replacement of deteriorated assets contributed greatly to maintaining a satisfactory average.

Asset Management

- **Distribution System Plan Implementation Progress**

HPDC's Distribution System Plan (DSP) was built in 2014 for the period of 2015 to 2020. The plan, which was included with our 2014 OEB rate application, was implemented in 2015 and included a pole replacement program. The pole replacement program was built after a pole survey that identified the pole assets that were in bad condition and in need of replacement. This pole survey showed that over 100 poles were in poor or below average condition.

The main driver for the pole replacement program is the risk of plant failing in service and creating long outages for customers, and added O&M costs for the utility. This is intensified if there are simultaneous failures, and if the failures are the result of weather stressors such as high winds. Also, there are some safety benefits to doing the pole replacement project. First is the reduction of the possibility of poles falling in adverse weather and causing accidents or damage to property. Second is the safety related to the potential loss of power during extreme cold weather and the loss of heat for an extended period of time

The 5 year Distribution System Plan was implemented in 2015, and the first year progressed as planned.

Cost Control

- **Efficiency Assessment**

HPDC received an efficiency assessment of 2 for the year 2015. The efficiency rating decreased compared to last year and the main driver is the addition of \$476,906 in expenses due to the Smart Meter accumulated variance disposal. Now that the Smart Meter variance has been disposed, HPDC expects to return to an efficiency performance rating of 1 going forward.

- **Total Cost per Customer**

As shown in the 2015 Scorecard, HPDC's total cost per customer is \$579. This number is a significant increase compared to previous year, the main driver being the addition of \$476,906 of expenses due to the Smart Meter accumulated variance disposal. The total cost per customer before the Smart Meters variance accounts disposition is below the cost of 2014 (\$479 per customer)

- **Total Cost per Km of Line**

In 2015, HPDC had an average of 39.75 customers per Km of line which reflects a total cost of \$23,009 per Km of line. For the same reason as described above, the total cost per Km of line is below the cost of 2014 (\$19,161), before the disposition of the Smart Meters variance accounts.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

HPDC achieved 47% of its 2015 to 2020 target (3.1 GWh) in its first year. With these results, HPDC is ranked 3rd out of 75 LDCs in the Province.

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 from the Electrical Safety Authority. In 2015, HPDC did not complete any CIA since the transmission line in our area has been constrained and can't accept any new loads since 2012. Hydro One does not anticipate any expansion of that line in the near future; therefore, HPDC forecasts the same for next year.

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

As discussed above, the transmission line is constrained in our area, therefore no new micro-embedded generation facilities were connected in 2015. The same is forecasted for next year.

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.

HPDC's current ratio slightly decreased from 2.27 in 2014 to 2.22 in 2015. This is not indicative of a decline in financial performance but rather the result of investments in the distribution and general plant, and a larger repayment of the long term debt. HPDC's current ratio in subsequent years is expected to continue to decline slowly and in small increments as larger capital investments in the distribution plant is required and is implemented with the distribution system plan for the period of 2015 to 2020.

- **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). HPDC had a debt to equity ratio of 0.40 in 2015 which is similar to previous year (0.38). HPDC forecasts similar debt to equity ratio in the future year.

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

HPDC's current distribution rates were approved by the OEB as of January 1st, 2016 and includes an expected (deemed) regulatory return on equity of 9.19% for 2015. 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**

HPDC's return on equity achieved in 2015 was -24.02%, which is below the +/-3% range allowed by the OEB. The main driver for the 2015 ROE under earning was the disposition of the Smart Meters variance accounts which added a total of \$476,906 OM&A expenses and \$171,620 in smart meter recoveries (revenues) in the year. Before the disposition of the Smart Meter variance account, HPDC's achieved ROE was within 3% of the expected return on equity.

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.