

Scorecard - Oshawa PUC Networks Inc.

| Performance Outcomes  | Performance Categories             | Measures  | 2011                               | 2012     | 2013     | 2014          | 2015          | Trend | Target    |             |
|---|------------------------------------|---|------------------------------------|----------|----------|---------------|---------------|-------|-----------|-------------|
|   |                                    |   |                                    |          |          |               |               |       | Industry  | Distributor |
| <b>Customer Focus</b><br><br>Services are provided in a manner that responds to identified customer preferences.  | Service Quality                    | New Residential/Small Business Services Connected on Time                     | 91.00%                             | 91.00%   | 97.60%   | 95.60%        | 95.40%        | ↑     | 90.00%    |             |
|   |                                    | Scheduled Appointments Met On Time  | 99.90%                             | 99.90%   | 98.90%   | 100.00%       | 99.60%        | ↓     | 90.00%    |             |
|   |                                    | Telephone Calls Answered On Time  | 71.30%                             | 71.30%   | 71.50%   | 72.00%        | 70.20%        | ↓     | 65.00%    |             |
|   | Customer Satisfaction              | First Contact Resolution  |                                    |          |          | 4 calls       | 149           |       |           |             |
|   |                                    | Billing Accuracy  |                                    |          |          | 99.88%        | 99.93%        | ↑     | 98.00%    |             |
|   |                                    | Customer Satisfaction Survey Results  |                                    |          |          | 93% satisfied | 93% satisfied |       |           |             |
| <b>Operational Effectiveness</b><br><br>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                                  | NI       | C        | C             | C             | →     | C         | C           |
|   |                                    | Serious Electrical Incident Index   | Number of General Public Incidents | 1        | 0        | 0             | 0             | 0     | →         | 0           |
|   | Rate per 10, 100, 1000 km of line  |   | 0.105                              | 0.000    | 0.000    | 0.000         | 0.000         | →     | 0.001     | 0.001       |
|   | System Reliability                 | Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>  | 1.88                               | 1.27     | 6.86     | 1.34          | 1.21          | ↑     | 2.39      | 2.39        |
|   |                                    | Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>  | 1.66                               | 1.08     | 2.39     | 1.19          | 1.27          | ↑     | 1.39      | 1.39        |
|   | Asset Management                   | Distribution System Plan Implementation Progress                              |                                    |          |          | Submitted     | 99%           |       |           |             |
|   | Cost Control                       | Efficiency Assessment   |                                    | 2        | 2        | 2             | 2             |       |           |             |
|   |                                    | Total Cost per Customer <sup>3</sup>  | \$500                              | \$510    | \$505    | \$519         | \$545         |       |           |             |
|   |                                    | Total Cost per Km of Line <sup>3</sup>  | \$26,901                           | \$27,330 | \$27,050 | \$29,881      | \$31,719      |       |           |             |
| <b>Public Policy Responsiveness</b><br>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>                                    |                                    |          |          |               | 6.91%         |       | 73.01 GWh |             |
|   | Connection of Renewable Generation | Renewable Generation Connection Impact Assessments Completed On Time          | 100.00%                            | 100.00%  | 100.00%  |               | 100.00%       |       |           |             |
|   |                                    | New Micro-embedded Generation Facilities Connected On Time                    |                                    |          | 100.00%  | 100.00%       | 100.00%       | →     | 90.00%    |             |
| <b>Financial Performance</b><br><br>Financial viability is maintained; and savings from operational effectiveness are sustainable.  | Financial Ratios                   | Liquidity: Current Ratio (Current Assets/Current Liabilities)                 | 2.16                               | 1.71     | 1.19     | 0.84          | 1.16          |       |           |             |
|   |                                    | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 0.84                               | 0.80     | 0.77     | 0.78          | 1.12          |       |           |             |
|   |                                    | Profitability: Regulatory Return on Equity                                    | Deemed (included in rates)         | 9.66%    | 9.42%    | 9.42%         | 9.42%         | 9.30% |           |             |
|   |                                    |   | Achieved                           | 12.40%   | 10.18%   | 6.47%         | 6.41%         | 7.59% |           |             |

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

- **General overview:**

In 2015, Oshawa PUC Networks Inc. (OPUCN) successfully met all mandatory industry targets. We are pleased to provide the following detailed report with commentary for each specific target.

In 2016, the company expects to continue meeting or exceeding industry standards as set out in the Ontario Energy Board’s (OEB) scorecard performance measures.

## Service Quality

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

In 2015, OPUCN connected 95.4% of the 1,363 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 OEB. OPUCN considers this service quality requirement as an important form of customer engagement as it is the utility’s first opportunity to meet and/or exceed its customer’s expectations. OPUCN’s five-year history shows we have been consistently above the OEB mandated threshold, which is reflected in the level of customer satisfaction within OPUCN’s territory.

- **Scheduled Appointments Met On Time**

OPUCN scheduled over 700 appointments to complete work requested by its customers in 2015. OPUCN met 99.6% of these appointments on time, which significantly exceeds the industry target of 90%. OPUCN continues to monitor its results to deliver timely service to Oshawa customers.

- **Telephone Calls Answered On Time**

In 2015, OPUCN customer contact center agents received close to 55,000 qualifying calls from its customers – over 212 calls per working day. Agents answered calls within 30 seconds 70.2% of the time. This result exceeds the OEB-mandated 65% target for timely

response. In 2015, OPUCN rolled out a new website and access to social media sites Facebook and Twitter, to provide customers with additional means of communicating with us. This increase in our online presence offers customers with 24/7 service, addressing the most common customer inquiries and service needs without compromising quality or service excellence.

## Customer Satisfaction

- **First Contact Resolution**

In 2014 OPUCN tracked 4 calls from October 1, 2014 to December 31, 2014. The tracking method in 2014 was implemented on October 1<sup>st</sup> and included customers who required a follow-up phone call to resolve their question. In 2015, OPUCN tracked 149 calls where customers' questions were not resolved during their initial call and required a follow-up phone call or were escalated to a Team Leader, Supervisor or Manager. As noted above, OPUCN received close to 55,000 qualifying calls during the year.

- **Billing Accuracy**

For the period from January 1, 2015 to December 31, 2015, OPUCN issued over 650,000 bills and achieved a bill accuracy measure of 99.93%. This compares favorably to the prescribed OEB target of 98%. OPUCN has maintained a high level of billing accuracy in 2015 as a result of a number of process improvements and quality checks to ensure accuracy of bills issued to customers.

- **Customer Satisfaction Survey Results**

In 2014 OPUCN engaged Simul Corporation to conduct a customer satisfaction survey. The findings from the annual survey results are utilized to make enhancements in processes, services and communications strategies throughout the organization. 93% of OPUCN's customers rated their experience with OPUCN as fairly satisfied to very satisfied. Satisfaction levels were also equal to, or higher than, both the National and Ontario utility results. Some examples of changes that have been made as a result of customer feedback in prior years include improvements in the telephone IVR system, increase in online presence through social media, and the implementation of an Outage Management System (OMS) which improves communication to customers experiencing an outage. OPUCN did not conduct a Customer Satisfaction Survey in 2015.

## Safety

- **Public Safety**

In May 2015, the OEB requested the implementation of a public safety measure for all Local Distribution Companies (LDCs). The OEB stated that the public safety metric will have the following components and will be included on the LDCs' annual scorecards:

- a) Component A - Public Awareness of Electrical Safety
- b) Component B - Compliance with Ontario Regulation 22/04
- c) Component C - Serious Electrical Incident Index

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

Component A, Public Awareness of Electrical Safety, measures the level of awareness of key electrical safety precautions among the public within the electricity distributor’s service territory, and the degree of effectiveness for distributors’ activities on preventing electrical accidents.

In November 2015, the OEB requested that all LDCs carry out a survey using ESA’s approved methodology and pre-formed set of questions, so that a final LDC Awareness Score (bound between 0-100%) can be calculated.

OPUCN, and 35 other utilities, engaged UtilityPULSE to administer the survey as well as calculate the final score. OPUCN’s final public awareness index score is 85%. The average score for the 36 utilities who engaged UtilityPULSE is 82%.

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

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.

The definitions of a C, NI and NC score, as categorized by the ESA, are provided below.

| <b>Score</b> | <b>Definition</b>   |
|--------------|---|
| <b>C</b>     | Compliant<br>- Fully or substantially meeting the requirements of Regulation 22/04.   |
| <b>NI</b>    | Needs Improvement<br>- A failure to comply with part of Regulation 22/04; or<br>- Non-pervasive failure to comply with adequate, established procedures for complying with Regulation 22/04 |
| <b>NC</b>    | Non-Compliance<br>- A failure to comply with a substantial part of Regulation 22/04; or<br>- Continuing failure to comply with a previously identified Needs Improvement item.              |

OPUCN has been fully compliant with Ontario Regulation 22/04 (Electrical Distribution Safety) for the year 2015, achieving a score of C. OPUCN’s continued achievement of compliance is due to our strong commitment to safety, and adherence to standards and company procedures & policies.

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

OPUCN reported no fatalities or other serious incidents due to contact with its infrastructure in 2015, thereby achieving a score of 0.000 for the Serious Electrical Incident Index per 1,000 km of line. In the first six (6) months of 2016, OPUCN is also pleased to report that there have been no serious electrical incidents. OPUCN takes public safety in the vicinity of its distribution equipment very seriously, and regularly carries out activities to take prompt corrective action where potential public safety issues are identified. OPUCN promotes public safety messages through bill inserts, web and social media.

## System Reliability

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

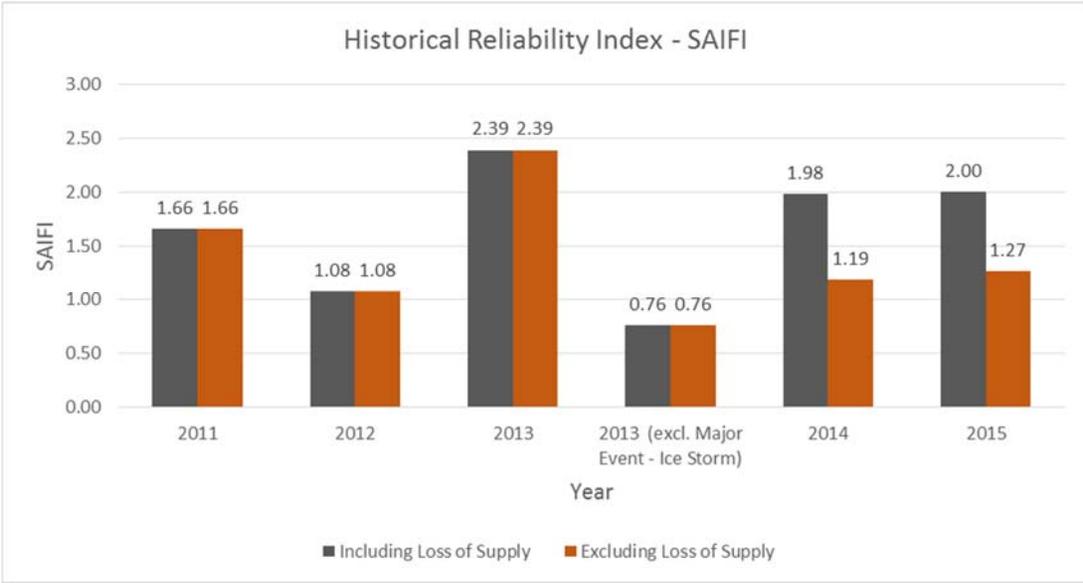
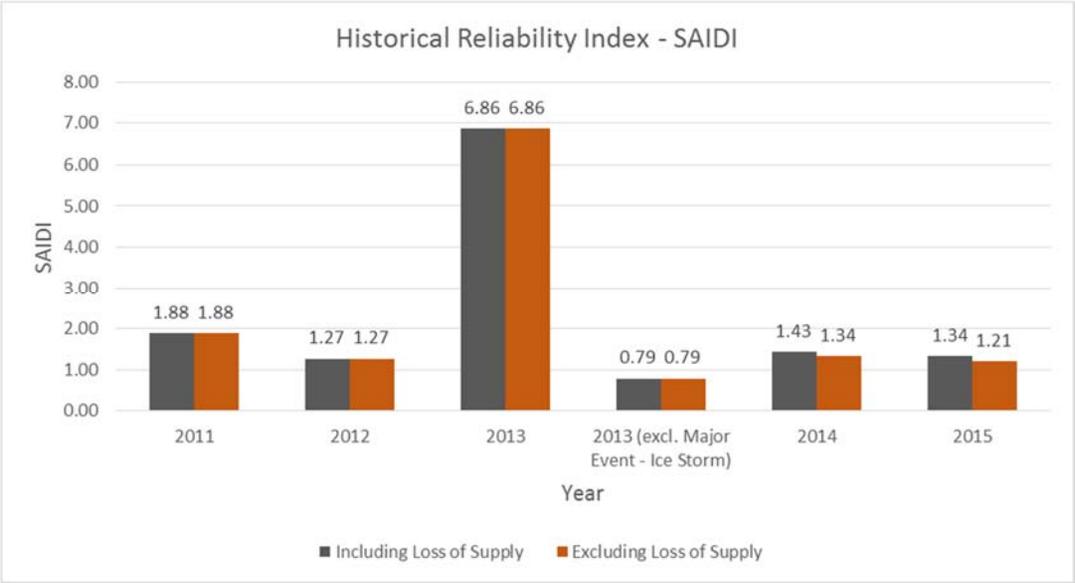
OPUCN's Average Number of Hours that Power to a Customer is Interrupted (i.e., duration excluding loss of supply) of 1.21 is better than the target of 2.39 (based on a fixed five-year average performance from 2010 to 2014). The scorecard illustrates an improvement in the average number of hours that power to a customer was interrupted during 2015 compared to the previous year due to completion of planned capital investments to address the significant root outages. This includes continued rebuild of faulty and aged distribution infrastructures and implementation of the Outage Management System (OMS). The OMS provides us with better visibility on the occurrence of system or customer outages and improves the communication to the customers experiencing an outage. It provides information regarding the outage area, number of customers affected and the anticipated outage response and restoration time.

Overall, not including the impact of the December 2013 Ice Storm, the foregoing reliability performance indicators show an up and down trend in OPUCN's reliability performance with an improvement in 2015 compared to 2014.

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

OPUCN's Average Number of Times that Power to a Customer is Interrupted (i.e., frequency excluding loss of supply) of 1.27 is better than the target of 1.39 (based on a fixed five-year average performance from 2010 to 2014). The frequency of outages has gradually increased in recent years as a result of the failure of aging infrastructure causing a high volume of service interruptions and OPUCN is currently implementing the distribution system plan to mitigate this. OPUCN's renewal of aged distribution assets is in progress to better improve the reliability performance indicators along with OPUCN's on-going coordination with Hydro One to ensure that Hydro One programs are directed at the most critical assets impacting service in Oshawa and to improve outages caused by loss of supply. OPUCN has also included in the planned capital investments the installation of additional equipment that will provide rapid isolation of fault to reduce the number of customers affected during an outage.

The graphs below summarize OPUCN last 5 years of reported SAIDI and SAIFI.



## Asset Management

- **Distribution System Plan Implementation Progress**

In 2014, OPUCN filed an application with the OEB for a full review of its rates effective January 1, 2015. OPUCN submitted its Distribution System Plan (DSP) to the OEB as part of the application. The metric that OPUCN chose to most effectively reflect our performance in System Plan Implementation Progress, is the ratio of actual total capital expenditures made in a calendar year, over the total amount of planned capital expenditures for that calendar year. For the twelve months ended December 31, 2015, OPUCN spent 99% of its OEB approved capital budget for the year. The measure indicates that OPUCN stayed within its approved project spending.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group Research, LLC (PEG) on behalf of the OEB to produce a single efficiency ranking for each distributor. The performance rankings for 2015 are included in PEG's Empirical Research in Support of Incentive Rate-Setting: 2015 Benchmarking Update Report to the OEB issued on August 4, 2016.

The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. Utilities whose actual costs are lower than predicted are characterized as efficient and are assigned to Group 1 (25% or more below predicted cost) or Group 2 (between 10% and 25%). Utilities that are considered average performers will be assigned to Group 3 (actual costs are within +/-10% of predicted costs). Utilities whose actual costs are higher than predicted will be assigned to Group 4 (between 10% and 25% above predicted cost) or Group 5 (in excess of 25% above predicted cost).

OPUCN continues to be ranked in Group 2, where a Group 2 distributor is defined as having actual costs less than 10% to 25% of predicted costs. OPUCN ranked amongst the top 28%; 20 of the 71 Ontario distributors listed were ranked in Groups 1 and 2, of which 20% were in Group 2. OPUCN's goal is to sustain current efficiencies, and remain a cost-effective utility.

- **Total Cost per Customer**

Total cost per customer is evaluated by PEG on behalf of the OEB, and is calculated as the sum of OPUCN's capital and operating costs, divided by the total number of customers served. OPUCN's 2015 cost performance is \$545 per customer resulting in: an average annual increase of just over 2% for the reporting period 2011 through 2015; and a 5% increase over the prior year.

Similar to most distributors in the Province, OPUCN has experienced increases in its total costs required to deliver quality and reliable services to customers although, as noted above, OPUCN's costs are ranked as efficient under PEG's assessment.

The renewal and growth of the distribution system, Province wide programs and costs required to address higher than normal customer growth in Oshawa have all contributed to increased capital expenditures and operating costs.

In accordance with the OEB's decision on our Custom IR (incentive regulation) Cost of Service rate application, OPUCN will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer value and add new infrastructure to address capacity constraints resulting from growth. OPUCN will also continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement, enhancements and growth.

- **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 OPUCN operates to serve its customers. OPUCN's 2015 rate is \$31,719 per Km of line which is an increase of 6% over the prior year.

OPUCN has been investing in infrastructure renewal at higher than normal rate over the last several years in response to its aging distribution system. As capital investments for replacement and rehabilitation of existing lines grows at a faster rate than additions of lines within OPUCN's service area, total cost per km of line has increased.

As reported in its Distribution System Plan (Custom IR Cost of Rate Application), OPUCN anticipates that renewal expenditures will normalize over the next five years.

## Conservation & Demand Management

LDCs across the province prepared for the new Conservation First energy efficiency framework throughout 2015. Under the new 2016 to 2020 framework, OPUCN was assigned an energy savings target of 73 GWh, which is to be achieved during the five-year timeframe. The achievement of this energy efficiency target is governed via an Energy Conservation Agreement (ECA), which OPUCN signed with the Independent Electricity System Operator (IESO) during the spring of 2015.

During the 2015 preparatory year, LDCs were able to accumulate energy savings that would count toward the 2016-2020 targets. The following section describes the net cumulative energy savings that were achieved.

- **Net Cumulative Energy Savings**

As per the IESO's Final 2015 Annual Verified Results Report, OPUCN achieved Net Verified Annual Energy Savings of 5,046.073 MWh, or 5.05 GWh in 2015. This represents a total of 6.91% achievement against the Conservation First Framework target. It is important to note that this number excludes the savings that were achieved by the Lakeridge Health Combined Heat and Power plant, which commissioned on December 31, 2015. The IESO's fourth quarter status report for 2015 estimates that the Lakeridge initiative will add an additional 9.87 GWh of savings to the 2015 results, bringing the savings total for the year to 15.02 GWh. These savings will be accounted-for in December 2016; after a full year's worth of evaluation of the energy efficiency equipment has taken place. Overall, it is estimated that the final results for 2015 will account for approximately 20% of the Conservation First Framework target.

## Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) for renewable generation facilities >10kW within 60 days of receiving a complete application from the Generator. In 2015, OPUCN had one (1) CIA connection request for renewable generation facilities >10kW and this was completed well within the prescribed 60-day timeline.

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

In 2015, OPUCN successfully connected 69 new micro-embedded generation facilities (microFIT and net-meter projects of less than 10 kW), all of which were connected within the prescribed time frame of five business days, in accordance with the Distribution System Code provisions. The minimum acceptable performance level for this measure is 90% of the time, and OPUCN has significantly exceeded the target. Our workflow to connect these projects is simplified and transparent with our customers. OPUCN works closely with its customers and their contractors to tackle any connection issues to ensure the project 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”. Generally, 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.

OPUCN’s current ratio increased from 0.84 in 2014 to 1.16 in 2015. As reported last year, OPUCN issued long-term debt in 2015 to reposition its liquidity condition in preparation for planned future capital expenditure requirements. OPUCN monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements.

- **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.

OPUCN’s debt to equity ratio for 2015 was 1.12 compared with 0.78 in 2014. OPUCN continues to be below the OEB’s deemed capital structure, as the trend from 2011 to 2015 illustrates a debt to equity ratio of less than 1.5. As reported in 2014, the addition of new debt in 2015 has increased the debt to equity ratio and remains below the deemed structure.

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

OPUCN's current distribution rates were approved by the OEB and include an expected regulatory return on equity (ROE) of 9.30%, which is based on the OEB's deemed capital structure of 60% debt and 40% equity as noted earlier. 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**

OPUCN's ROE for 2015 and 2014 was 7.59% and 6.41% respectively compared with a regulatory ROE of 9.42% and 9.30% respectively.

OPUCN forecast a ROE less than 3% resulting from its planned capital expenditures in the years following its Cost of Service rate application in 2012 and requested early rebasing in July 2013. Pursuant to its request, OPUCN filed a Custom IR Cost of Service application for rates effective 2015 through 2019. In December 2015, the OEB issued its decision and awarded OPUCN final rates for the period October 1, 2015 through December 31, 2017 and interim rates for the years 2018 and 2019.

OPUCN was awarded a fair decision from the OEB utilizing the Custom IR methodology introduced in 2012 under the OEB's Renewed Regulatory Framework for Electricity Distributors (RRFE) initiative and expects to have a reasonable opportunity to earn a ROE at or near the regulatory rate for the years noted above.

## 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.