

Scorecard - Waterloo North Hydro Inc.

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	99.70%	99.80%	99.90%	99.60%	100.00%		90.00%		
		Telephone Calls Answered On Time	91.50%	87.60%	95.10%	88.80%	88.10%		65.00%		
	Customer Satisfaction	First Contact Resolution				99.93%	99.95%				
		Billing Accuracy				99.96%	99.95%		98.00%		
		Customer Satisfaction Survey Results				96%	96%				
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							82.00%		
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	2	1	1	0	1			1
	Rate per 10, 100, 1000 km of line		1.293	0.649	0.642	0.000	0.633			0.450	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.75	1.66	5.17	0.81	0.90			1.83	
		Average Number of Times that Power to a Customer is Interrupted ²	0.85	1.39	3.14	1.21	1.58			1.49	
	Asset Management	Distribution System Plan Implementation Progress				99.73%	119.44%				
	Cost Control	Efficiency Assessment		3	3	3	3				
		Total Cost per Customer ³	\$695	\$673	\$728	\$760	\$762				
		Total Cost per Km of Line ³	\$23,717	\$23,080	\$25,066	\$26,299	\$26,109				
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							15.54%	82.38 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	77.78%	100.00%	100.00%	100.00%	87.50%				
		New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	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)	0.96	0.83	0.97	0.89	0.94				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.92	1.07	1.06	1.24	1.33				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.58%	9.58%			
			Achieved	10.04%	7.41%	8.70%	7.26%	6.65%			

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, Waterloo North Hydro Inc. (WNH) exceeded all performance targets, with the exception of the Average Number of Times that Power to a Customer is Interrupted and the Serious Electrical Incident Index.

In 2016, WNH expects to maintain its overall scorecard performance results compared to prior years. Performance improvements are expected as a result of major investments in the distribution system and approval of WNH’s new rates effective January 2016.

Service Quality

New Residential/Small Business Services Connected on Time

In 2015, WNH connected 100% of the 737 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 maintains the high level of service from the previous year and above the OEB-mandated threshold of 90%. WNH expects to maintain this level of service in 2016.

Scheduled Appointments Met On Time

WNH scheduled over 12,700 appointments with its customers in 2015 to complete work requested by customers, read meters, reconnect services, or perform necessary maintenance. Consistent with prior years’, the utility met 100% (2014 - 99.6%) of these appointments on time, which significantly exceeds the OEB target of 90%. WNH expects to continue this level of service in 2016.

Telephone Calls Answered On Time

In 2015, WNH's customer contact centre received over 42,000 calls from its customers. Our call centre agents answered 88.1% of these calls in 30 seconds or less. While this amount represents a very slight decrease from 2014 (88.8%), this rate significantly exceeds the OEB-mandated 65% target for timely call response.

Customer Satisfaction

First Contact Resolution

For WNH, First Contact Resolution is measured based on the number of calls that are escalated after a call centre agent first assisted the customer. For 2015, only 29 calls needed to be escalated after the first contact resulting in a 99.95% resolution on first contact (2014 – 99.93%). This rate is well above the OEB mandated target of 98%. WNH expects this level of resolution to continue in 2016.

Billing Accuracy

During 2015, WNH issued more than 344,000 bills and achieved a billing accuracy of 99.95% (2014 – 99.96%). This compares favourably to the prescribed OEB target of 98%. WNH expects this level of accuracy to continue in 2016.

Customer Satisfaction Survey Results

The OEB introduced the Customer Satisfaction Survey Results measure in 2013. At a minimum, electricity distributors are required to measure and report customer satisfaction results at least every other year.

In 2014, WNH engaged a third party to conduct customer satisfaction surveys. These surveys provide information that supports discussions surrounding improving customer service at all levels and departments within WNH. The survey asks customers questions on a wide range of topics including: overall satisfaction with WNH, reliability, customer service, outages, cost, billing and corporate image. In addition, WNH provides guidance to this third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data is then incorporated into WNH's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps to identify the most effective means of communication. In its 2014 Scorecard, WNH reported that it received a Satisfaction score of 96% from its customers in 2014 on this measure compared to a score of 95% in 2011. Customer feedback and the satisfaction score reflects the efforts that WNH continues to make in the community, listening to customer feedback and incorporating it

into WNH's business plans. WNH's next Customer Satisfaction survey is scheduled to occur in the Fall of 2016.

Safety

Public Safety

Component A – Public Awareness of Electrical Safety

For the first time in 2015, the OEB introduced the Public Awareness of Electrical Safety component of the public safety measure. This performance measure attempts to measure the level of awareness of key electrical safety precautions among the public in the electricity distributor's service territory. In 2016 (for the 2015 scorecard), WNH was able to achieve a score of 82%. WNH is satisfied with these first time results; however the company will strive to improve upon this score through public education initiatives going forward.

Component B – Compliance with Ontario Regulation 22/04

The Compliance with Ontario Regulation 22/04 component of the public safety measure will address the level of distributor compliance to Ontario Regulation 22/04, Electrical Distribution Safety. It includes an audit of compliance, declaration of compliance, reports evaluated (e.g., due diligence inspections, audits, public safety concerns, etc.), and outcome (e.g., compliant, needs improvement, non-compliant).

The performance target for level of compliance with Ontario Regulation 22/04 is for the distributor to be fully compliant with Ontario Regulation 22/04.

WNH has been compliant with Ontario Regulation 22/04 since the measure was tracked in 2010 through to 2015.

Component C – Serious Electrical Incident Index

The Serious Electrical Incident Index component of the public safety measure is intended to address the resultant impact in improving public electrical safety on the distribution networks over time. It measures the number of and rate of serious electrical incidents occurring on a distributor's assets and is normalized per 10, 100 or 1,000 km of line. Both the actual number and the rate per km of line are shown on the Scorecard.

The performance target for Serious Electrical Incident Index will be set based on a distributor's specific performance target using the distributor's historical data and prior performance.

In 2015 there was one electrical incident within Waterloo North Hydro's service territory resulting in rate of 0.633 per 1,000 km of line (2014 – nil). This rate is above the established performance target of 0.450 incidents per 1,000 km.

System Reliability

Average Number of Hours that Power to a Customer is Interrupted

During 2015, there were 735 total interruptions resulting in 49,295 customer hours with an average duration of 0.90 hours per customer. While this average represents a slight increase from the 2014 duration period (0.81 hours per customer), it is well within the OEB prescribed target of 1.83 hours per interruption.

WNH continues to view reliability of electricity service as a high priority for its customers and as such developed programs several years ago for the continuous improvement of reliability. The program includes a constant review of reliability within the 24/7 control room and a response plan for any areas of the distribution system experiencing a degradation in reliability. This, combined with WNH's commitment to review the worst performing feeders on an ongoing basis to improve reliability, will ensure customers continue to receive high value from their electricity service.

In April 2015, WNH integrated their meter alarms to its Outage Management System allowing dispatch to outage areas often times before customers call in. Also in addition to installing 20 more Electronic Vacuum Reclosers, WNH began to publish a Customer Public Outage Map to their corporate website alerting customers of any outages.

Average Number of Times that Power to a Customer is Interrupted

WNH's Average Number of Times that Power to a Customer is Interrupted for 2015 was 1.58 times per customer. This rate is slightly above WNH's target of 1.49 and the 2014 average of 1.21 times per customer. Although total customer interruptions were actually down 12% during 2015 (735 compared to 838 in 2014), the magnitude of the interruptions were more severe impacting more customers. The largest outage occurred late in the year as a result of a failure at a Hydro One tower structure which affected more than 5,400 customers.

WNH 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. WNH has described above the initiatives

that it has undertaken, or will undertake, to improve its reliability.

Asset Management

Distribution System Plan Implementation Progress

Distribution System Plan implementation progress is a performance measure instituted by the OEB starting in 2014. Consistent with other new measures, utilities were given an opportunity to define it in the manner that best fits their organization. The Distribution System Plan (“DSP”) outlines WNH’s forecasted capital expenditures over the next five (5) years that are required to maintain and expand the distributor’s electricity system to serve its current and future customers. The “Distribution System Plan Implementation Progress” measure is intended to assess WNH’s effectiveness at planning and implementing the DSP.

WNH filed an application with the OEB for a full review of its rates effective January 1, 2016 that included a proposed DSP. The application and DSP were approved by the OEB in fall 2015.

WNH has reported 119.44% (2014 - 99.3%) in its Distribution System Plan Implementation Progress measured at December 31, 2015. This measure was calculated by comparing WNH’s actual capital expenditures for 2015 compared to budget. In 2015, WNH’s capital expenditures were significantly higher than budget due to higher than anticipated relocation costs associated with the Region of Waterloo’s Light Rail Transit (LRT) construction project.

Cost Control

Efficiency Assessment

The total costs for Ontario local electricity distribution companies are evaluated by 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. In 2015, for the fourth year in a row, WNH was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered “average efficiency” – in other words, WNH’s costs are within the average cost range for distributors in the Province of Ontario. In 2015, 51% (36 distributors) of the Ontario distributors were ranked as “average efficiency”; 28% were ranked as “more efficient”; 21% were ranked as “least efficient. WNH’s forward looking goal is to maintain its efficiency ranking.

Total Cost per Customer

Total cost per customer is calculated as the sum of WNH's capital and operating costs per customer. The cost performance result for 2015 is \$762/customer which represents a much lower than inflation increase of 0.26% over 2014. WNH is pleased with these results as they demonstrate our efficiency efforts, which resulted in 2015 operating costs per customer that are lower than the prior two years.

Similar to most distributors in the province, WNH 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 our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. WNH will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts as demonstrated in our 2016 rate application. WNH will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements.

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 WNH operates to serve its customers. WNH's 2015 rate is \$26,109 per Km of line, a 0.72% decrease from 2014. WNH continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Conservation & Demand Management

Net Cumulative Energy Savings

As part of a six year net cumulative energy savings target which began in 2015, WNH has a targeted energy savings by year 2020 of 82.38 GWh. Through strong participation particularly by local commercial customers in energy efficiency programs and lower costs spent, WNH was able to achieve a net cumulative energy savings of 15.54% or 12.7 GWh by the end of 2015. Although slightly less than 1/6th of the total 6 year budget, these results are significantly higher than the estimated results for the first year of WNH's plan which was to achieve energy savings of 9.7% or 8 GWh.

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, WNH completed six of seven CIAs within the prescribed time limit for a rate of 87.50%. In 2014, WNH had completed ten CIAs and all within the prescribed time limit.

The one exception was a result of a delay involving an agreement with another distributor. To ensure that this issue does not occur in the future, WNH will better monitor these agreements.

New Micro-embedded Generation Facilities Connected On Time

In 2015, WNH connected 29 new micro-embedded generation facilities (microFIT projects 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. WNH works closely with its customers and their contractors to resolve any connection issues to ensure the project is connected on time and expects this level of service in 2016.

Financial Ratios

Liquidity: Current Ratio (Current Assets/Current Liabilities)

As an indicator of financial health, a current ratio of 1.0 or greater is considered good as it indicates that the company can meet its short-term financial obligations.

WNH's current ratio increased from .89 in 2014 to .94 in 2015. This was mainly attributed to a significant increase in receivables associated with the Region of Waterloo's LRT project. WNH's current ratio in subsequent years is expected to be in line with the 2010 to 2015 results.

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. WNH's 2015 ratio of 1.33 is well below the OEB threshold of 1.5.

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

WNH's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.58%. 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

WNH's return achieved in 2015 was 6.65%, which is within the +/-3% range allowed by the OEB. The average return over the past 3 years was 7.5% which is well within return included in WNH's approved rates. The reason for the slight decline in ROE is attributed to 2015 being the last year of rates associated the previous Cost of Service filing (COS). With new COS rates taking effect January 1, 2016 WNH anticipates that their 2016 return will be closer to the deemed regulatory return on equity for 2016 of 9.19%

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 judgment on the reporting date of the performance scorecard, and could be markedly different in the future.