

Scorecard - Whitby Hydro Electric Corporation

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%	96.10%	96.20%		90.00%		
		Scheduled Appointments Met On Time	100.00%	98.80%	99.50%	100.00%	99.60%		90.00%		
		Telephone Calls Answered On Time	95.60%	54.50%	68.00%	73.80%	81.50%		65.00%		
	Customer Satisfaction	First Contact Resolution				99.86%	99.82%				
		Billing Accuracy				99.89%	99.83%		98.00%		
		Customer Satisfaction Survey Results			A	A	A				
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					78.90%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.43	0.96	4.95	1.89	1.40			1.94	
		Average Number of Times that Power to a Customer is Interrupted ²	1.73	1.29	2.80	2.32	1.65			1.74	
	Asset Management	Distribution System Plan Implementation Progress				94.9%	100.98%				
	Cost Control	Efficiency Assessment		3	3	3	3				
		Total Cost per Customer ³	\$628	\$600	\$612	\$628	\$676				
		Total Cost per Km of Line ³	\$23,887	\$23,109	\$23,643	\$24,275	\$26,052				
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					10.63%			58.44 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%	92.86%	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)	1.97	1.89	1.65	1.48	1.45				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.76	0.74	0.72	0.69	0.67				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.66%	9.66%	9.66%	9.66%	9.66%			
			Achieved	12.15%	12.35%	14.54%	13.89%	10.43%			

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

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

Scorecard MD&A - General Overview

Whitby Hydro continues to succeed in Customer Focus (Service Quality, Customer Satisfaction), Operational Effectiveness (Safety, Reliability, Asset Management and Cost Control), Public Policy Responsiveness (Conservation, and Connection of Renewable Generation) as well as Financial Performance (Financial Ratios). In 2015, performance either exceeded or met applicable industry-wide or Whitby Hydro specific targets.

Service Quality

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

In 2015, Whitby Hydro connected 96.2% of eligible low-voltage residential and small business customers to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB). Whitby Hydro understands the importance of connecting its customers in a timely fashion once all service requirements are met. There is a slight improvement in the 2015 figures compared to the previous year which is reflective of the positive impacts from changes in the reporting and data retention practices as compared to prior years. The 2015 connections continue to be well above the target of 90%.

- **Scheduled Appointments Met On Time**

Whitby Hydro continues to meet the requirement to schedule and attend appointments within the four hour window arranged with customers (or their representatives) during regular business hours. The majority of appointments relate to underground infrastructure locates for customers.

- **Telephone Calls Answered On Time**

Qualified incoming calls to Whitby Hydro’s customer service phone line must be answered within thirty seconds at least 65% of the time. In 2015, Whitby Hydro experienced an increase in the total number of qualified calls over 2014. Even with the increased call level, Whitby Hydro achieved levels well above the target. Prior to 2012, the reporting reflected the level of calls answered (not abandoned), but did not incorporate the requirement of a 30-second threshold due to limitations in available reporting. In 2012, a new telephone system allowed for additional information to be gathered and the results dropped primarily due to two factors: 1) more accurate reporting which incorporated the 30-second threshold; and 2) increased service level requirements resulting from the implementation of time-of-use billing. The 2013, 2014 and 2015 results demonstrate progressive improvements and a renewed focus on ensuring that customer calls are answered in a timely fashion.

Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The OEB has asked Whitby Hydro and all electricity distributors to review and develop measurements in these areas and begin tracking by July 1, 2014 so that information can be reported in subsequent years. The OEB plans to review information provided by electricity distributors over the next several 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 more specific direction regarding a commonly defined measurement.

First Contact Resolution can be measured in a variety of ways and clarity of expectations is required in order to achieve meaningful comparable data across electricity distributors. Without a CRM (customer relationship management) program to track type and frequency of telephone calls by customers, Whitby Hydro is tracking escalated telephone calls that customer service representatives resolve without added support as a percentage of the total number of eligible telephone calls. In 2015, 99.82% of customer telephone calls were successfully managed without further escalation or support.

- **Billing Accuracy**

Until July 2014, a specific measurement of billing accuracy had not been defined across the industry. After consultation with some electricity distributors, the Ontario Energy Board (OEB) prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014.

For the period from January 1 – December 31, 2015, Whitby Hydro achieved a billing accuracy of 99.83% which is similar to levels achieved in 2014. Both years compare favourably to the prescribed OEB target of 98%. As this is a relatively new and important measurement, Whitby Hydro will continue to monitor its billing accuracy closely.

- **Customer Satisfaction Survey Results**

The OEB indicated that electricity distributors will have discretion in determining how to conduct customer satisfaction surveys; however, surveys must adhere to the following principles: 1) surveys must canvas satisfaction regarding power quality and reliability, price, billing and payment, communications, and the customer service experience; and 2) surveys will follow good survey practices. The survey must be done at minimum once every two years. In 2013, prior to receiving any specific direction from the OEB, Whitby Hydro engaged UtilityPULSE (the electricity utility survey division of Simul Corporation) to conduct a customer satisfaction survey. Whitby Hydro's target is to be equal to or better than the Ontario benchmark. The utility's customers have generally indicated their satisfaction as equal to or higher than both National and Ontario results, with 95% of customers rating their experience with Whitby Hydro as fairly satisfied to very satisfied. In 2015, the Whitby Hydro survey was conducted with the same values and principles as the survey in 2013. The overall satisfaction score in 2015 was 90%. Although the satisfaction levels represent a decline, they continue to be strong and remain above the national and province-wide levels.

Electricity Customers who are fairly or very satisfied:

Year	Whitby Hydro	National	Ontario
2013	95%	91%	90%
2015	90%	89%	86%

The 2015 Report Card results have been summarized below:

Whitby Hydro Utility PULSE Report Card

	<u>Whitby Hydro</u>	<u>National</u>	<u>Ontario</u>
1. Customer Care	B+	B+	B+
Price and Value	B+	B+	B+
Customer Service	A	B+	B+
2. Company Image	A	A	B+
Company Leadership	A	B+	B+
Corporate Stewardship	A	A	A
3. Management Operations	A	A	A
Operational Effectiveness	A	A	B+
Power Quality and Reliability	A	A	A
OVERALL	A	A	B+

Safety

• **Public Safety**

The Ontario Energy Board (OEB) introduced a Public Safety reporting measure in 2015. This measure considers electrical safety awareness from the public’s perspective within the utilities service areas and accredits system safety a high priority.

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

This new component is expected to measure the level of awareness of key electrical safety precautions amongst the public within Whitby Hydro’s service area. Electrical Safety Authority (ESA) was tasked with the development of a standardized survey and methodology for delivery amongst electricity distributors in Ontario. The development was completed in consultation with the Ontario Energy Board (OEB) and key stakeholders, including distributors. Whitby Hydro’s Health and Safety Manager participated in the ESA working group and attended meetings to provide insight for development of the survey questionnaire and scoring matrix.

Whitby Hydro is also actively involved in an elementary school program promoting electrical safety awareness in the home and electrical hazards contacting distribution infrastructure (underground and overhead). This program targets grades one through eight along with school educators. From 2010 to 2015, the program has been delivered to over 34,000 students and educators in the Whitby Hydro service area.

Whitby Hydro’s first Public Awareness of Electrical Safety survey was conducted between January 19 – 24, 2016. The survey targeted Whitby residents aged 18 years and up. Whitby Hydro obtained a public safety awareness index score of 78.9% as calculated per the OEB established formula. Our survey results identified two critical areas: public awareness regarding working around and in a safe proximity to overhead power lines; and awareness in keeping a safe distance from downed overhead power lines as a result of an accident or storm. Whitby Hydro will be focusing its efforts to educate, monitor and improve public electrical safety. In 2016, plans are already underway for continued elementary school programs and newsletter articles. Subsequent surveys will be conducted once every two years.

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

Over the previous five years, Whitby Hydro was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). Ontario Regulation 22/04 establishes objective-based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

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

Whitby Hydro did not have any serious electrical incidents to report in 2015 or in the period 2010 to 2014.

System Reliability

System reliability targets are drawn from Whitby Hydro's own historical performance over previous years. The OEB intends to establish more defined standards or targets for use in the future. With system reliability measures, a lower score indicates better reliability performance.

The industry acknowledges that the measurement of customer impacts associated with an outage is compiled using different methodologies depending on the outage management tracking processes, technologies and systems available within the service area. Over the past seven years, Whitby Hydro has taken steps to improve the quality of data by refining how it quantifies customers impacted by an outage event. In 2015, Whitby Hydro implemented an outage management system which will provide a number of benefits including improved analytics which help assign resources and isolate the extent of the outage. In 2015, this system also allowed Whitby Hydro to incorporate more accurate customer information into reliability reporting.

Historically, Whitby Hydro has had strong reliability performance, following a strict schedule of asset maintenance and review to ensure appropriate investments are made to the distribution system. However, even with diligent effort, no distribution system is immune to the effects of severe weather and unexpected equipment failure etc. In 2016, the OEB has defined and introduced a reliability measure of "major events" which will be tracked in the future. However in the absence of these new requirements, Whitby Hydro has typically reviewed its reliability and outage occurrences in order to identify "significant events" in order to better understand the impact of specific outage incidents which are widespread and caused by and/or aggravated by factors outside of Whitby Hydro's control.

A description of Whitby Hydro's "significant events" during 2011-2015 include:

2015: Freezing rain and salt spray contamination along the highway 401 corridor resulted in a pole fire in March.

2014: A severe lightning storm which caused outages across a large area with restoration hindered by the high volume rush-hour traffic on the Friday afternoon of the August long weekend.

A significant failure of switchgear equipment in May 2014 prior to scheduled maintenance and not approaching the end of its expected useful life.

2013: In December 2013, much of southern Ontario felt the effects of the severe ice storm. Because of Whitby Hydro's aggressive tree trimming program and the committed efforts of operations crews during the Christmas holiday season, the outage suffered by Whitby Hydro customers (interruption occurrences and duration) were less than those experienced by neighbouring electricity distributors.

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

Whitby Hydro has reported strong reliability performance over the past five years. However, in each of the years from 2013-2015 reliability has been significantly skewed by individual significant events. To highlight the impact, reliability measurement both inclusive and exclusive of significant events has been outlined below. However, the overall average number of hours that power to a customer was interrupted in 2015 is lower than the target level of 1.94.

Average Number of Hours that Power to a Customer is Interrupted					
	2011	2012	2013	2014	2015
Including all significant events	1.43	0.96	4.95	1.89	1.40
Excluding significant events*	1.43	0.96	0.93	0.61	1.12

*significant events are described above

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

The number of times power to a customer is interrupted is largely affected by weather (e.g. frequency and extent of storms, lightning, high winds) and equipment failure. To help reduce the number of interruptions on its 44 kV system, Whitby Hydro has been installing lightning arrestors in four locations a year since 2012. To minimize outages related to equipment failure, asset assessment and replacement reviews are a regular feature of the utility's distribution planning process, identifying and addressing aging infrastructure such as underground cables, switchgear, transformers, poles and switches. The average number of times the power to a customer is interrupted shows improvement over the past 5 years and is at levels lower than the target of 1.74.

Average Number of Times that Power to a Customer is Interrupted					
	2011	2012	2013	2014	2015
Including all significant events	1.73	1.29	2.80	2.32	1.65
Excluding significant events*	1.73	1.29	0.87	1.13	1.53

*significant events are described above

Asset Management

- **Distribution System Plan Implementation Progress**

This is a new measure which is currently under development. The OEB has permitted electricity distributors to use their discretion to develop and implement a measure that they feel most effectively reflects their performance in system plan implementation.

Whitby Hydro is scheduled to file a Cost of Service rate application with the OEB for rates effective January 1, 2018. Accordingly, Whitby Hydro is in the process of preparing its Distribution System Plan. However, in the interim, Whitby Hydro has diligently managed those capital investment accounts over which Whitby Hydro has direct control, namely, System Renewal, System Service and General Plant. For those capital investments, Whitby Hydro reported an achievement of 100.98% which represents the percentage of 2015 actual capital expenditures versus budget.

Cost Control

The total cost and efficiency estimates use complex calculations that were developed by the OEB's consultant Pacific Economics Group (PEG). The results of the calculations for 2015 were provided to electricity distributors on August 4, 2016 to be incorporated into the scorecard.

- **Efficiency Assessment**

An econometric model developed by the consultant PEG has been used to predict total costs for the electricity distributor; the efficiency measure compares PEG's calculation of total actual costs with those PEG has predicted. Depending on the degree to which the average total costs for the period 2013 to 2015 are below or above the predicted costs, the electricity distributor is placed into one of five groupings and assigned a "stretch factor" for use in rate setting. Whitby Hydro's average total actual costs are 5% below the predicted costs which is a favourable outcome. The results place Whitby Hydro in the mid-range, the third grouping, for efficiency. There is no comparable data for 2011 as different efficiency measures were used.

- **Total Cost per Customer**

PEG's calculation of Whitby Hydro's 2015 total cost per customer is \$676 representing a 7.6% increase over previous year's \$628. These costs include significant third-party capital requirement costs related to the construction of Highway 407 which are beyond the control of Whitby Hydro. Although third-party construction costs are to a great extent funded by third-parties, the OEB model requires gross costs to be included in the total cost calculation. When adjustments are made to remove such costs, the 2015 total costs are reduced to \$649 representing an increase of approximately 4.5%. The year over year change is driven by an increased focus on customer initiatives as well as regulatory requirements and inflation.

From a historical perspective, in order for the appropriate comparisons to be made to years prior to 2013, it is essential that the 2013-2015 total cost figures be adjusted for significant one-time (transitional) items such as mandatory regulatory accounting changes for capitalization/depreciation (starting in 2013, costs that were previously capitalized are treated as operating expenses). If these costs were not reclassified, the comparable total cost per customer is further reduced from \$649 to \$630 in 2015; \$621 to \$604 in 2014; and from \$612 to \$601 in 2013.

- **Total Cost per Km of Line**

PEG's calculation of Whitby Hydro's 2015 total cost per Km of line is \$26,052 representing a 7.3% increase over the previous year's \$24,275. These costs include third-party capital requirement costs related to the construction of Highway 407 which are beyond the control of Whitby Hydro. Although third-party construction costs are to a great extent funded by third-parties, the OEB model requires gross costs to be included in the total cost calculation. When adjustments are made to remove such costs, the 2015 total costs are reduced to \$25,020 representing an increase of approximately 4.3%. The year over year change is driven by an increased focus on customer initiatives as well as regulatory requirements and inflation.

From a historical perspective, in order for appropriate comparisons to be made to years prior to 2013, it is essential that the 2013-2015 total cost figures be adjusted for significant one-time (transitional) items such as mandatory regulatory accounting changes for capitalization/depreciation (starting in 2013, costs that were previously capitalized are treated as operating expenses). If these costs were not reclassified, the comparable total cost per Km of line is further reduced from \$25,020 to \$24,279 in 2015; \$23,996 to \$23,352 in 2014; and from \$23,643 to \$23,204 in 2013.

Conservation & Demand Management (CDM)

2015 was marked as a transitional year into the Conservation First Framework. The new framework covers 2015 through to 2020 and includes higher energy savings targets, the removal of demand targets and a more constrained budget in order to drive cost effectiveness. Similar to the previous 2011-2014 framework, the majority of energy savings both within Whitby Hydro's territory and provincially, occurred in non-residential initiatives. Whitby Hydro's customer base remains heavily weighted towards a growing residential sector, which continues to be a challenge in Whitby Hydro's ability to achieve targets.

For the new framework, Whitby Hydro anticipates that a higher proportion of the overall target savings of 58.44 GWh will be achieved in the latter years of the framework as there is a significant push for Combined Heat and Power generation projects which typically have long lead times but generate larger quantities of energy savings. Whitby Hydro has increased its collaborative efforts with other LDCs to help reduce the cost to deliver conservation programs, and has begun refining marketing strategies to continue improving effectiveness and cost efficiency.

- **Net Cumulative Energy Savings (Percent of target achieved)**

Whitby Hydro's target for 2015 was 8.3% of its overall Conservation First Framework target. Whitby Hydro achieved 10.63% as per Final 2015 Annual Verified Results Report provided by the Independent Electricity System Operator. Whitby Hydro's performance was largely due to increased participation in the Retrofit business program as well as the residential HVAC program.

Connection of Renewable Generation

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

Upon receipt of a completed application for a renewable energy generation facility that has a nameplate rated capacity of greater than 10 kW, Whitby Hydro is required to complete the Connection Impact Assessment (CIA) within the application timeline prescribed in Ontario Regulation 326/09. For projects up to 500 kW, the timeline is (a) 60 days or (b) 120 days if an upstream electricity distributor CIA is required. For projects greater than 500 kW and less than 10 MW, the timeline is (a) 90 days or (b) 120 days if it requires the involvement of other upstream electricity distributors. While there were no applications received in 2015, Whitby Hydro has historically met this requirement.

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

This measure was introduced in 2013. For a renewable energy generation facility that has a nameplate rated capacity of less than or equal to 10 kW, an offer to connect is to be issued no later than 90 days after the date the connection request is received. After the project is installed and has passed the electrical safety inspection, Whitby Hydro must have the following information to finalize the connection: (a) Connection Authorization letter issued by the Electrical Safety Association; (b) payment for the connection costs; and (c) a signed "Micro-Embedded Generation Facility Connection Agreement". On receipt of all of the required connection information, Whitby Hydro must respond within 5 business days to install and connect the meter at least 90% of the time. Whitby Hydro continues to meet this target. In 2015, a total of 27 new micro embedded generation facilities were installed and all of them were connected within 5 business days.

Financial Ratios

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

The current ratio is one indicator of financial health and a ratio greater than one indicates that the company is in a good position to pay its short-term debts and financial obligations. 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. Whitby Hydro maintains a strong liquidity ratio and 2015 is largely unchanged from 2014. The liquidity ratio decline in 2014 was in part a result of the under recovery of energy-related pass through costs. The higher ratio in 2011 was because of borrowing needed to fund the Smart Meter Capital Program.

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

The OEB has established a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. The deemed mix is equal to an equity ratio of 1.5 (60/40). A lower debt to equity ratio usually implies a more financially stable business. Whitby Hydro maintains a very strong debt to equity ratio and its levels are lower than those provided in the OEB’s deemed structure. As a result, Whitby Hydro is well positioned to take on new borrowing should there be an investment need in the future.

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

9.66% reflects the return on equity established during the last approved cost of service rate application.

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

By definition, the regulatory rate of return on equity (ROE) calculation is based on the revenue and cost structure in the approved 2011 Cost of Service application within an allowable range of +/- 3%. Prior to filing 2015 results, the Ontario Energy Board released a new template which allowed the calculation of ROE to be more closely reflective of the intended definition and as a result, be more accurately comparable against the approved ROE. On this basis, Whitby Hydro’s 2015 ROE is 10.43% and well within the allowed threshold.

However, for 2014 and 2013, Whitby Hydro disagrees with the presentment of ROE information on the scorecard matrix since those rates of return include items outside of the revenue and cost structures in the approved 2011 Cost of Service application. These elements are regulatory requirements and include the following: lower taxes due to under recoveries in pass-through costs; and the 2013 smart meter disposition which included revenue and costs from 2006-2012; however, inclusion of them in the ROE calculation distorts any comparability to approved ROE and allowable ranges.

While Whitby Hydro provided updated ROE calculations for 2013 (12.14%) and 2014 (11.32%) based on the new template, the Ontario Energy Board did not allow Whitby Hydro to include this revised data in the Scorecard matrix. The Ontario Energy Board did however review information provided by Whitby Hydro and confirmed the ROE was materially affected by items such as the lower taxes and that the restated 2013 and 2014 ROE numbers are appropriate and within the allowable range. The 2011 and 2012 rates of return are based on the revenue and cost structure in the approved 2011 Cost of Service application and are also within the allowable range.

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, any information provided 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.