

Scorecard - Espanola Regional Hydro Distribution Corporation

9/24/2017

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	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%	94.70%	100.00%	100.00%	100.00%	↑	90.00%		
		Scheduled Appointments Met On Time	93.00%	95.40%	100.00%	100.00%	100.00%	↑	90.00%		
		Telephone Calls Answered On Time	65.70%	74.80%	77.30%	76.10%	76.20%	↑	65.00%		
	Customer Satisfaction	First Contact Resolution				100%	99.8	99.17 %			
		Billing Accuracy				99.83%	99.93%	99.95%	↑	98.00%	
		Customer Satisfaction Survey Results				89%	87 %				
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					85.00%	85.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	→	C		
		Serious Electrical Incident Index	Number of General Public Incidents	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	1.13	1.05	0.21	0.27	0.55	↓	0.67		
		Average Number of Times that Power to a Customer is Interrupted ²	0.50	0.44	0.13	0.07	1.10	↓	0.33		
	Asset Management	Distribution System Plan Implementation Progress				In progress	On Track	On Track			
	Cost Control	Efficiency Assessment	2	2	2	2	2				
		Total Cost per Customer ³	\$619	\$612	\$602	\$658	\$670				
		Total Cost per Km of Line ³	\$14,921	\$14,642	\$14,388	\$15,465	\$15,702				
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					20.83%	35.54%		2.41 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time					0.00%	0.00%			
		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)	1.09	1.17	0.83	1.47	1.34				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.04	0.76	1.10	1.30	1.22				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.12%	9.12%	9.12%	9.12%			
			Achieved	-13.19%	29.90%	28.00%	15.91%	6.29%			

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.

Legend:

5-year trend

↑ up ↓ down ↔ flat

Current year

● target met ● target not met

Appendix A – 2016 Scorecard Management Discussion and Analysis (“2016 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 2016 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

Scorecard MD&A - General Overview

In 2016 Espanola Regional Hydro Distribution Inc. (ERH) met all prescribed targets with the exception of one which was the Average Number of Times that Power to a Customer is interrupted.

ERH continued with strong performance in most of the Customer Focus, Operational Effectiveness and Public Policy Responsiveness areas of our scorecard. This has generally been reflected in maintaining our good customer satisfaction measure results.

Service Quality

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

In 2016, ERH connected 14 eligible low-voltage residential and small business customers (connections under 750 volts) to its distribution system, with 100% of these connections completed within the five-day timeline prescribed by the Ontario Energy Board (OEB).

- **Scheduled Appointments Met On Time**

In 2016, ERH scheduled 37 appointments with customers to complete customer requested work (e.g. meter installs/removals, service disconnects/reconnects, meter locates etc.). ERH exceeded the OEB target of 90% by meeting this performance measure 100% of the time.

- **Telephone Calls Answered On Time**

In 2016, ERH’s Customer Care Department received 4,235 calls from its customers, 244 more calls than the previous year. Of those calls, a Customer Care Representative answered the call in 30 seconds or less, 76.20% of the time. This was a slight increase over 2015’s score even though ERH saw an increase in call volume in 2016. This result exceeds the OEB mandated 65% target for timely call response. ERH will continue to monitor this performance measure to further identify opportunities for improvement.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors. ERH's First Contact Resolution was measured by tracking the number of electric related calls which were escalated to a Supervisor/Manager and a Senior Customer Care Representative. This was accomplished by creating two specific call types in our Customer Information System (CIS) which would then be queried to provide the number of customer concerns which were escalated. To establish the number of calls which were handled without escalation, the total number of calls which were escalated to a higher level of management were subtracted from the total number of calls received.

In 2016, ERH had 4,235 calls, of which, 35 contacts were escalated to a higher level of management. This resulted in a First Contact Resolution percentage of 99.17%.

- **Billing Accuracy**

ERH issued approximately 40,000 bills for the period from January 1, 2016 – December 31, 2016 and achieved an accuracy of 99.95%. This compares favorably to the prescribed OEB target of 98%. ERH continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

ERH engaged the UtilityPulse Division of Simul Corporation to conduct our 2016 customer satisfaction survey. The UtilityPulse Electric Utility Survey is on its 19th year of annual surveys and is used by a number of Ontario distributors. The final report on our customer satisfaction survey was received in March 2017 and ERH received a Customer Satisfaction score of 87% (post survey result) down a bit from our last survey at 89%. The survey asked customers questions on a wide range of topics, including: overall satisfaction with reliability, customer service, outages, billing and corporate image. The survey provides a totalized UtilityPulse Report Card grade score that combines the 3 areas of Customer Care, Company Image and Management Operations to reflect a broader measure of our performance from our customer's perspective. We are proud to have maintained an "A" grade which is above the Ontario benchmark survey that had a grade of "B".

Safety

- **Public Safety**

The Public Safety measure was introduced by the OEB in 2015 and focuses on the safety of the distribution system from a customer's point of view. The Electrical Safety Authority (ESA) provides an assessment as it pertains to Component B – Compliance with Ontario Regulation 22/04 and Component C – Serious Electrical Incident Index.

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

ERH is committed to continually improving public awareness of electrical safety. In that spirit, ERH participated in a public electrical safety awareness survey in 2015. The purpose of the survey was to provide a benchmark level regarding the public's electrical safety awareness of key electrical safety concepts, and to identify opportunities where additional education and outreach may be required.

Results of the survey were analyzed in 2016 for opportunities to improve existing customer care processes and identify any public safety communication needs. ERH is pleased to report it received an index score of 85% on the 2015 survey and has budgeted to resurvey the customer base for 2017.

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

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, and specifications, and the inspection of construction before they are put in service.

Component B is comprised of an External Audit, a Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns, and Compliance Investigations. All these elements are evaluated as a whole to determine the status of compliance. Over the past seven years, ERH was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). ERH attributes this continued success to our strong commitment to safety, and adherence to company policies and procedures.

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

ERH had no serious electrical incidents to report for 2016. The utility has not had a serious electrical incident to report in the last five years. For 2016 the results are zero incidents with a rate of 0.0 per 100 km of line.

ERH remains strongly committed to both the safety of staff and the general public. ERH regularly provides its customers with electrical safety information via its website and bill inserts. Additionally, ERH has made significant maintenance and capital infrastructure investments in the past several years to enhance system safety and reliability.

System Reliability

A key change for 2016, as required by the OEB, is the revised reporting of reliability data with respect to Major Events. Specifically the change serves to adjust the reliability data to remove the impact of Major Events. Additionally, distributors are required to report criteria to monitor the distributor's performance related to the Major Event.

The 2016 Scorecard system reliability data, excludes both Loss of Supply and Major Events. The adjusted reliability measures capture interruptions caused by circumstances within the distributor's control and are published in the 2016 scorecard.

A "Major Event" is defined as an event that is beyond the control of the distributor and is; unforeseeable, unpredictable, unpreventable, or unavoidable. Such events disrupt normal business operations and occur so infrequently that it would be uneconomical to take them into account when designing and operating the distribution system. Such events cause exceptional and/or extensive damage to assets, take significantly longer than usual to repair, and affect a substantial number of customers.

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

The System Average Interruption Duration Index (SAIDI) of 0.55 in 2016 was below the target of 0.67. There are ongoing efforts to continue improving system reliability, including replacing aging infrastructure and improving vegetation management.

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

The System Average Interruption Frequency Index (SAIFI) of 1.10 in 2016 was above the target of 0.33. Consistent with SAIDI, there are ongoing efforts to improve reliability, including replacing aging infrastructure and improving vegetation management.

Asset Management

- **Distribution System Plan Implementation Progress**

Although Espanola Regional Hydro has employed some degree of distribution system planning for several years, the OEB has instituted a mandatory requirement for this activity provincially, along with associated performance measures, beginning in 2013. ERH expects that implementation of this standardized approach will allow it to strengthen its commitment to responsible long-term planning and sustainable asset management and to align our objectives with those of the OEB ultimately maximizing benefit to our ratepayers.

All distributors are required to file a Distribution System Plan (DSP) when filing a cost of service application for the rebasing of their

rates. ERH is presently engaged in expanding its existing distribution system planning to create a formal DSP that meets all OEB requirements. The new plan will be accompanied by performance measures and once completed will be filed with ERH's next OEB rate application.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC (PEG) on behalf of the OEB to produce a single efficiency ranking. The PEG econometrics model attempts to standardizes costs to facilitate more accurate cost comparisons among distributors by accounting for differences such as number of customers, treatment of high and low voltage costs, kWh deliveries, capacity, customer growth, length of lines, etc. All Ontario electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual costs versus the PEG model predicted costs. The following table summarizes the distribution of all distributors across the 5 groupings for 2016.

Group	Demarcation Points for Relative Cost Performance	Group Ranking	# of Ontario LDCs in Group
1	Actual costs are 25% or more below predicted costs	Most Efficient	6
2	Actual costs are 10% to 25% below predicted costs	More Efficient	14
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	32
4	Actual costs are 10% to 25% above predicted costs	Less Efficient	13
5	Actual costs are 25% or more above predicted costs	Least Efficient	3

In 2016, for the fifth year in a row, ERH was placed in Group 2, where a Group 2 distributor is defined as having actual costs between 10% and 25% below predicted costs under the PEG model. ERH's efficiency performance based on the PEG model was under the predicted costs by 20.9% in 2016 compared to 20.4% in 2015.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of ERH's capital and operating costs, including certain adjustments to make the costs more comparable between distributors (i.e. under the PEG econometrics model) and dividing this cost figure by the total number of customers that ERH serves. The cost performance result for 2016 is \$670 per customer which is a 1.82% increase over 2015.

Overall, ERH's Total Cost per Customer has increased on average by 2.1% per annum over the period 2012 through 2016. ERH will

continue to replace distribution assets proactively in a manner that balances system risks and customer rate impacts. Customer engagement initiatives that commenced in 2015 will continue in order to ensure customers have an opportunity to share their viewpoint on ERH's capital spending plans.

- **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 the company operates to serve its customers. ERH's 2016 rate is \$15,702 per Km of line, a 1.53% increase over 2015.

ERH continues to experience a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Such a low growth rate has reduced the ability to fund capital renewal and increasing operating costs through customer growth. As a result, total cost per Km of line has increased an average of 1.35% since 2012 with the increase in capital and operating costs.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

ERH is committed to helping its customers understand their energy usage by offering programs that enable them to become more energy efficient. ERH has a conservation target of 2.4 Gigawatt hours by the end of 2020. Results for 2016 show progress of 36% towards that target. This achievement was made possible by the strong participation by local customers participating in the retrofit program. Residential customers also participated in saveONenergy coupon events opting to replace lights in their homes to more energy efficient ones, as well purchasing other energy efficient equipment.

ERH remains committed to providing its customers with cost effective conservation programs to help them save electricity and lower their electricity bills. ERH will continue to innovate new ways to promote and support customers in reducing their consumption today and for the future.

As a member of CustomerFirst, ERH is part of a joint Conservation (CDM) Plan that has been approved by the IESO. The joint plan will achieve 141,877 MWh of savings which is equal to the combined targets that were allocated to each CustomerFirst member under the new framework. Through the CustomerFirst joint CDM Plan, ERH will continue to work collaboratively with the other CustomerFirst utilities to find efficiencies and reduce costs. The group will be sharing resources and working together in all areas of CDM including sales, marketing, customer and project support to provide value to ratepayers.

Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of receiving authorization for their project from the Electrical Safety Authority.

For 2016, there was one request received for a CIA which was not completed within the prescribed timelines.

ERH conducted a review of this particular FIT application and has revised its processes to ensure they are streamlined and efficient.

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

In 2016, interest in the micoFIT program was less than in previous years. Espanola Regional Hydro only received one application and connected within the prescribed time frame of five business days representing a performance score of 100%. The minimum acceptable performance level for this measure is 90%. Outside of the micoFIT program, no applications for net metering (load displacement) installations were received.

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.

ERH’s current ratio decreased from 1.47 in 2015 to 1.34 in 2016 which is still above 1.

- **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. A low debt to equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

ERH has a debt to equity ratio of 1.22 in 2016 which is below the deemed capital structure.

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

ERH's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.12%. The OEB allows a distributor to earn within +/- 3 percentage points 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**

ERH's return on equity achieved in 2016 was 6.29%, which is within the +/-3 percentage points range allowed by the OEB.

Note to Readers

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.