

Scorecard - Tillsonburg Hydro Inc.

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%	94.00%	93.10%	94.60%	97.60%		90.00%		
		Scheduled Appointments Met On Time	100.00%	0.00%	95.20%	100.00%	98.30%		90.00%		
		Telephone Calls Answered On Time	84.50%	0.00%	71.80%	68.40%	64.00%		65.00%		
	Customer Satisfaction	First Contact Resolution			89.4%	95.04%	96.87%				
		Billing Accuracy			99.81%	99.94%	98.91%		98.00%		
		Customer Satisfaction Survey Results				Satisfied	satisfied				
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					83.00%	83.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹	NC	NC	NC	NI	NC			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	0.57	2.08	0.29	0.75	1.42			1.25	
		Average Number of Times that Power to a Customer is Interrupted ²	0.55	2.58	0.56	1.07	0.77			0.96	
	Asset Management	Distribution System Plan Implementation Progress			In Progress	In Progress	In progress				
	Cost Control	Efficiency Assessment	4	4	4	3	3				
		Total Cost per Customer ³	\$667	\$736	\$658	\$648	\$672				
		Total Cost per Km of Line ³	\$28,812	\$32,796	\$34,312	\$34,135	\$35,562				
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				16.68%	24.79%			11.31 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%		100.00%						
		New Micro-embedded Generation Facilities Connected On Time							90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.59	2.22	1.80	1.78	2.03				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.10	0.08	0.05	0.04	0.02				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.01%	8.98%	8.98%	8.98%	8.98%			
			Achieved	-2.65%	6.50%	6.63%	11.02%	5.75%			

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

Scorecard MD&A- General Overview Tillsonburg Hydro Inc.

During 2016, Tillsonburg Hydro Inc. (THI) did not meet the performance target in 3 specific areas, namely, (1) Telephone Calls Answered on Time, (2) Level of Compliance with Ontario Regulation 22/04 and (3) System Reliability – Average Number of Hours Interrupted (SAIDI).

- (1) During 2016, THI results for the Telephone Accessibility metric that below both the OEB minimum threshold and our internal standards. During Q4 2016 changes to workflow were put in place and 2017 metrics have turned around with a YTD metric of 84%. The below standard metric during 2016 was a short-term issue that has been rectified.
- (2) THI takes safety seriously and compliance with Ontario Regulation 22/04 is a key component of safety. THI is working towards a Compliant rating during 2017.
- (3) THI's SAIDI metric was impacted during 2016 by an overall increase in the number of outages and the hours of interruptions. This is a result of a combination of controllable (maintenance activities) and uncontrollable (weather, animal contacts) events.

Service Quality

Tillsonburg Hydro Inc. (THI) strives to provide customer service that exceeds the Ontario Energy Board (OEB) Industry Targets. During 2016 THI continued to exceed the industry targets for all Service Quality measures on the scorecard with the exception of Telephone calls answered on time.

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

THI connected 160 of 164 new services (97.60%) within the 5 business day standard during fiscal 2016; this exceeds the OEB target of 90%. 2016 results improved compared to 2013, 2014 and 2015 results.

- **Scheduled Appointments Met On Time**

During fiscal 2016, THI attended 230 of 234 scheduled appointments as scheduled. THI consistently exceeds the OEB target of 90%.

- **Telephone Calls Answered On Time**

THI received a total of 6,678 incoming calls, which met OEB reporting guidelines, during 2016. Of these calls, 4,271 were answered within the 30 second metric used by the OEB resulting in a 64% metric. This metric did not meet either internal or OEB industry targets. During Q4 2016 the call response workflow was reviewed and augmented to improve THI's ability to meet this metric. To date (July 2017), THI has drastically improved our Telephone metrics and is achieving an 84% metric for 2017. The 2016 experience was short-term in nature and has been actioned to ensure THI's customers are able to reach a representative in a timely manner.

Customer Satisfaction

The satisfaction of customers is of high importance to THI. The Customer Satisfaction metrics on the Scorecard both exceed OEB industry targets and have improved from 2014 and 2015 results.

- **First Contact Resolution**

THI resolved customer issues 96.87% during the first contact with THI staff during 2016. This is an improvement from both the 2014 and 2015 reported values. While there currently is not an OEB published industry target, THI will continue to value customer's time by empowering our staff to resolve customer issues during the first contact.

- **Billing Accuracy**

During 2016, THI produced 80,239 bills and achieved 98.91% accuracy metric. This metric exceeds the 98% industry target set by the OEB and is consistent with 2014 results.

- **Customer Satisfaction Survey Results**

During 2016, THI participated in a Strategic Planning exercise that included reaching out to the public to identify opportunities and current satisfaction levels. THI also contracted with a 3rd party to obtain customer satisfaction levels from an outbound phone survey. During 2016, THI is also updating our Distribution System Plan (DSP) with increased reached-out to our customers to obtain satisfaction levels.

All of these contact points will be used to obtain a satisfaction rating for 2016.

Safety

- **Public Safety**

The Ontario Energy Board (OEB) introduced the Safety measure in 2015. This measure looks at safety from a customers' point of view as safety of the distribution system is a high priority. The Safety measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

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

THI engaged a 3rd party to survey residents within the THI service territory on the level of public awareness on electrical safety. THI achieved a result of 83%. While there is currently not an industry target published by the OEB, peer review of other Local Distribution Companies (LDCs) show that of 36 LDCs data that was available the safety metrics were between 77% and 86% with the median score of 82%. THI's results are favorable compared to this group. THI will be updating this metric for 2017 reporting.

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

During 2016, THI received a "NC" rating (Non-Compliant), which is a downgrade to our 2015 rating of "NI" (Needs Improvement). During 2017, THI is implementing procedure changes that will move THI towards a "C" (Compliant) rating.

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

For the years 2012 through 2016 THI has not had any "Serious Electrical Incidents". As a result the numbers submitted for THI's scorecard by the Electrical Safety Authority are zeros. THI continues to work with ESA to ensure the distributor has done everything necessary to maintain this level of compliance.

System Reliability

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

During 2016, THI reported an increase in the Average number of Hours that Power to a customer is interrupted (SAIDI) compared to 2014 and 2015. 2016 experienced 2X the number of outages experienced during 2015. The majority of these were experienced during February and May. The majority of outages were related to 2 cause codes, Defective equipment – which within the control of THI and Foreign Interference – which is not in direct control of THI. The Distribution System Plan (including an Asset Management Plan) and Maintenance Plan are being developed during 2017 that will positively impact the SAIDI results going forward.

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

During 2016, THI reported a decrease in the Average Number of Times that Power to a customer is interrupted (SAIFI i.e. Frequency) compared to 2014. 2016 results (0.77) are below the distributor target of 0.96.

This metric indicates that the average customer in THI service territory experienced less than 1 outage during 2016.

Asset Management

- **Distribution System Plan Implementation Progress**

Tillsonburg Hydro Inc. is in the process of completing our Distribution System Plan and anticipates filing a revised DSP during 2017. Reporting on implementation will commence during 2017/2018 scorecard activity.

Cost Control

- **Efficiency Assessment**

The OEB contracts with 3rd party vendors to rank LDCs in Ontario on an annual basis. The LDCs are ranked into 1 of 5 efficiency categories with category 1 being the most efficient and 5 being the least efficient. During 2016, THI maintained our ranking of group 3. Group 3 LDCs are defined as having actual costs within +/- 10% of predicted costs. Group 3 is the “average LDC”.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of THI capital and operating costs and dividing this cost figure by the total number of customers that THI serves. THI's total cost per customer in 2016 was \$672 which is a slight increase from 2014 and 2015.

- **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 THI operates to serve its customers. THI's total cost per Km of Line in 2016 is \$35,562 based on 134km of line. This is a slight increase over 2015 results.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

THI's Net Cumulative Energy Savings for 2016 were reported at 2,804 MWh (or 2,804,000 kWh) as a percentage of our 2015-2020 allocated target of 11,310 MWh, representing 24.79% of the allocated target. THI has partnered with London Hydro to deliver the Conservation First Framework (CFF) conservation program.

Connection of Renewable Generation

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

All of THI's current feeders are supplied out of the Hydro One owned Tillsonburg TS. Due to an upstream restriction on the Transmission system THI has historically, not allowed to connect any Renewable Generation. A combination of this restriction and the industry environment resulted in THI not processing any Connection Impact Assessments during 2016.

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

As a result of the Hydro One Transmission System restriction upstream of the Tillsonburg TS, THI did not accepting or connecting applications for Micro-embedded generation facilities during 2016.

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 it's 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 risk to cover the company's short-term debts and financial obligations.

Tillsonburg Hydro Inc.'s current ratio marginally increased from 1.78 in 2015 to 2.03 during 2016.

- **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.

THI has a debt to equity structure that is less levered – this is demonstrated by the 2016 debt to equity ratio of 0.02.

Capital investments during 2016 and future years will see this ratio climb towards industry norms.

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

THI's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.98%. 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**

THI's return achieved in 2016 is reported as slightly outside the +/-3% range allowed by the OEB (3.23%) and is impacted by Tax items that has lowered this ratio. Projections for 2017 will have THI back within the +/-3% target band of the 8.98% ROE.

Note to Readers of 2016 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.