

Scorecard - Hydro 2000 Inc.

Performance Outcomes	Performance Categories	Measures	2013	2014	2015	2016	2017	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%	↔	90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	98.80%	100.00%	↓	90.00%		
		Telephone Calls Answered On Time	99.70%	99.40%	99.60%	99.70%	100.00%	↑	65.00%		
	Customer Satisfaction	First Contact Resolution			95%	95%	92%	99.00%			
		Billing Accuracy			99.86%	99.98%	99.93%	99.95%	↑	98.00%	
		Customer Satisfaction Survey Results			97%	97%	98%	99.00%			
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%	99.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	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	0.02	0.01	0.03	0.00	0.00	↓		0.78	
		Average Number of Times that Power to a Customer is Interrupted ²	0.02	0.01	0.06	0.00	0.00	↓		0.40	
	Asset Management	Distribution System Plan Implementation Progress		in progress	30%	45%	25.00%				
	Cost Control	Efficiency Assessment	3	3	3	2	2				
Total Cost per Customer ³		\$531	\$480	\$545	\$496	\$565					
Total Cost per Km of Line ³		\$30,838	\$27,930	\$31,773	\$31,348	\$33,741					
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			5.93%	25.15%	52.40%			1.36 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time									
New Micro-embedded Generation Facilities Connected On Time		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)	1.54	1.74	1.75	1.07	0.77				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.12	0.05	0.00	0.01	0.30				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.12%	9.12%	9.12%	9.12%			
			Achieved	7.40%	31.78%	11.22%	5.25%	-6.52%			

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 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

Hydro 2000 Inc.

2017 Scorecard Management Discussion and Analysis (“2017 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 2017 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

In 2017, Hydro 2000 Inc. (“Hydro 2000”) either met or exceeded most performance targets. Hydro 2000 continues to seek new cost control measures leading to improvements in cost per customer which continued in 2017. Hydro 2000 inc’s ranking is the second most efficient group (2) in the province – this since 2016. Going forward, the utility continued to seek cost saving solution and promoting cost sharing with neighboring utilities.

Service Quality

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

Hydro 2000 connected 100% of its 6 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).

- **Scheduled Appointments Met On Time**

In 2017 Hydro 2000 scheduled 112 appointments with its customers to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. Consistent with the prior year, the utility met 100% of these appointments on time, which significantly exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2017 Hydro 2000 customer service received 2,777 calls from its customers. An agent answered a call in 30 seconds or less in 100% of these calls. This result also significantly exceeds the OEB-mandated 65% target for timely call response. The 2017 result has increased by 0.03% over 2016. Hydro 2000’s goal is to ensure that this measure will continue to improve in future years.

Customer Satisfaction

- **First Contact Resolution – Customer Satisfaction Survey**

Hydro 2000 tracks its "First Contact Resolution" metric using its customer satisfactions survey. In order to comply with this requirement, the utility used an average of the following survey questions below. The utility is of the opinion that the results reflect accurate results.

- 1) During the past 12 months, have you contacted the utility's customer service for any information or assistance?
- 2) Thinking about your most recent contact with Hydro 2000, did the customer care representative provide you with the information you were looking for?
- 3) If not, what information did you need that the customer care representative did not provide?
- 4) Overall, how would you rate the customer care representative's performance in handling your request for information?

The utility reported results of 99%.

- **First Contact Resolution – Billing Accuracy**

Billing accuracy represents the number of customer invoices within the utility's control that were created without errors. For the period from January 1, 2017 – December 31, 2017, Hydro 2000 issued more than 14,781 bills and achieved a billing accuracy of 99.95%. This result is in line with the prescribed OEB target of 98%. Hydro 2000 continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

Hydro 2000 conducted a customer satisfaction survey in December 2016. The survey's objectives included measuring:

- Utility's overall performance
- Reliability
- Billing and Payment Options
- Quality of service provided by customer care
- Quality of service provided by field employees

- Customer awareness and usage of the department's online services
- Customer support for greater use of renewable energy
- Customer opinions regarding how aggressively sustainable practices should be pursued
- Cost of Electricity
- Overall Performance

The utility developed its own survey in collaboration with neighboring utilities. The survey was posted on Facebook and sent via bill insert. The utility established that the desired sampling margin of error (confidence interval) was to be no greater than (+/-) 5 percentage points at a 95% confidence level. With those parameters, the recommended sample size was determined to be 182. The margin of error is a measure of the precision of a sample estimate of the population value. It uses probability to demonstrate the precision of a sample estimate by providing a range of values in which a sample value would be expected to fall. In general, the margin of error provides a 95% confidence interval. The utility received 279 responses. Therefore, the survey is representative of the public opinion.

The survey was conducted between December 4 and 24, 2016 and yielded a customer satisfaction ranking of 99%. The utility intends on continuing surveying its customers on a bi-annual basis in an effort to monitor and assess residential and commercial customer knowledge, perceptions and satisfaction regarding utility services.

Hydro 2000 is scheduled to conduct its bi-annual customer satisfaction survey at the end of 2018. The new results will be reported in its 2018 MD&A

Safety

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

The intent of the Public Awareness of Electrical Safety component of the public safety measure is to measure the level of awareness of key electrical safety precautions among public within the electricity distributor's service territory. It measures the degree of effectiveness for distributors' activities on preventing electrical accidents. The utility conducted an online survey between January 12, 2018 to April 15, 2018. 362 respondents completed the survey which resulted in a 99% score on Public Awareness. Going forward, the utility plans on improving its results by communicating safety measures to its customers.

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

As a licensed distributor, Hydro 2000 must comply with Ontario Regulation 22/04 Electrical Distribution Safety and compliance with this regulation is subject to annual Audits and Declarations of Compliance. Hydro 2000 received a non-compliance rating during its last ESA inspection. The ESA found that Hydro 2000 had failed to provide an approved equipment list for checking/crosschecking material ordered on the system. The ESA also found that records of inspections were not properly signed by a Hydro 2000 representative. Hydro 2000 has since then established proper practices

and procedures which will ensure that the approval and inspection of the equipment is done in compliance with Ontario Regulation 22/04. The ESA also undertook a series of due diligence inspections where were satisfactory. No other issues arose from the ESA inspection.

Component C – Serious Electrical Incident Index

Hydro 2000 did not have any serious electrical incident to report in 2017.

System Reliability

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

Hydro 2000 experienced a perfect reliability score in 2017 in comparison to 2016. The result of the increase in reliability was due to the absence of outage during the year. The number of interruptions was 0 in 2017. This result was confirmed by the supplier Hydro One.

Hydro 2000's system reliability is very stable and only varies with the poor weather which tends to fall outside of the utility's control. 2017 showed no such weather disruptions. That said, if a power failure occurs inside of the utility's distribution system, the utility is quick in responding and rectifying the issue. Hydro 2000 continues to view reliability of electricity service as a high priority the utility continues to monitor its distribution assets on a regular basis.

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

The number of interruptions for 2017 was 0 for the reasons stated in the measure above.

Asset Management

- **Distribution System Plan Implementation Progress**

Hydro 2000 is in the process of completing its Distribution System Plan ("DSP") in preparation for its 2020 Cost of Service Application which is scheduled to be filed in April of 2019 for rates effective January 1, 2020.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. Hydro 2000 was upgraded from Group 3 to Group 2 in 2016 which has a stretch factor of 0.15 and has maintained its ranking in 2017. Hydro 2000 will continue to monitor its costs and strive to manage both its capital and operating costs to achieve the best efficiency results possible.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Hydro 2000's capital and operating costs and dividing this cost figure by the total number of customers that Hydro 2000 serves. The cost performance result reported for 2017 was \$565 /customer which represented a 14% increase from 2016. Since Hydro 2000 is projecting a Cost of Service, we had to proceed with the drilling of every posts in view of the Distribution System Plan. This cost was a major impact on our Operating budget. Also, Hydro 2000 was selected for an OEB Audit. This created an impact in our accounting expenditure.

Hydro 2000 will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts. Hydro 2000 will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on Hydro 2000's capital spending plans.

- **Total Cost per Km of Line RRR (2.1.5 utility characteristics)**

In 2017, the total cost per Km was \$33,741 which represents a decrease of 14% over 2016. In 2017, Hydro 2000 experienced no growth and therefore an increase in cost per km of line is proportional to the increase in cost per customer. Hydro 2000 continues to seek innovative solutions to help ensure the cost/km of line remains competitive and within acceptable limits to its customers.

Conservation & Demand Management

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

Hydro 2000's 2015-2017 savings amounted to 152% of the IESO's Mid-Term Threshold, with 712.7 MWh. This translates to 177% of HYD's three-year CDM Plan target, and 52% of the Conservation First Framework target. Additionally, the centrally managed programs, Instant Discount/Deal Days and Heating and Cooling have reported successful results for 2017.

As experienced in previous years, a large portion of this year's energy savings is only realized in the first semester of the next year (i.e., 2018). This situation is primarily due to Retrofit projects that were completed in 2017, but which application processes will continue into the following year.

As per previous discussions, the CDM Plan was built to back-load the framework with larger savings targets to allow for existing programs to become more established, new province-wide programs to be released. Hydro 2000 seeing this plan come to fruition through increased Commercial program participation, and the introduction of new Provincial CFF programs such as the Business Refrigeration Incentive as well as the newly announced Smart-Thermostat Rebate Program.

The connection of Renewable Generation

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

Hydro 2000 did not have any Fit projects in 2017 and as such did not need Connection Impact Assessments

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

In 2017, Hydro 2000 did not connect any new micro-embedded generation facilities (MicroFit projects of less than 10 kW). Should Hydro 2000 receive a request for micro embedded generation, it will work 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)**

Hydro 2000's current ratio declined slightly from 1.07 in 2016 to 0.77 in 2017. The liquidity ratio has remained stable over the period in ratio is mostly due to the lack of debt and success in reducing liabilities. The ratio still exceeds the indicator of good financial health.

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

In 2017, Hydro 2000 did not have any debts per se however, in accordance with Board policy, the utility 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).

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

Hydro 2000's 2017 distribution rates were rebased and approved by the OEB in 2012 and included an expected (deemed) regulatory return on equity of 9.12%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity

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

Hydro 2000's 2017 achieved ROE is -6.52% which represents a difference of -15.64% from the approved 9.12%. The low ROE is mostly due to an increase in operational costs and capital additions that are not being recovered through currently approved rates. Hydro 2000 is preparing a Cost of Service application with associated revised rates for January 1 2020. The intent of the application is to realign rates with current costs.

Note to Readers of 2017 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 includes 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.