

Scorecard - Oshawa PUC Networks Inc.

Performance Outcomes	Performance Categories	Measures	2013	2014	2015	2016	2017	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	97.60%	95.60%	95.40%	92.60%	99.47%	↑	90.00%		
		Scheduled Appointments Met On Time	98.90%	100.00%	99.60%	100.00%	98.53%	↓	90.00%		
		Telephone Calls Answered On Time	71.50%	72.00%	70.20%	73.70%	90.52%	↑	65.00%		
	Customer Satisfaction	First Contact Resolution			4 calls	149	521	277			
		Billing Accuracy			99.88%	99.93%	99.94%	99.94%	↑	98.00%	
		Customer Satisfaction Survey Results			93% satisfied	93% satisfied	92% satisfied	92% satisfied			
<b>Operational Effectiveness</b>  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%	85.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	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 <sup>2</sup>	0.79	1.34	1.21	2.61	0.73	↑		1.18	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.76	1.19	1.27	2.06	0.98	↑		1.06	
	Asset Management	Distribution System Plan Implementation Progress		Submitted	99%	97%	101.3%				
	Cost Control	Efficiency Assessment	2	2	2	2	2				
		Total Cost per Customer <sup>3</sup>	\$505	\$519	\$545	\$546	\$532				
		Total Cost per Km of Line <sup>3</sup>	\$27,050	\$29,881	\$31,719	\$31,962	\$31,280				
<b>Public Policy Responsiveness</b>  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 <sup>4</sup>			6.91%	24.21%	71.65%			73.01 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%		100.00%		0.00%				
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%	100.00%	100.00%	→	90.00%		
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.19	0.84	1.16	1.16	0.99				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.77	0.78	1.12	1.04	0.96				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.42%	9.42%	9.30%	9.30%	9.19%			
			Achieved	6.47%	6.41%	7.59%	9.97%	7.62%			

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

# 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

- **General Overview:**

In 2017, Oshawa PUC Networks Inc. (OPUCN) successfully exceeded all mandatory industry targets. We are pleased to provide the following detailed report with commentary for each specific target.

OPUCN will continue to focus its efforts in 2018 on achieving operating efficiencies and demonstrating continuous improvement in its performance measures. Key objectives in 2018 include: (i) customer engagement initiatives to solicit feedback from our customers on our long-term business and investment plans; (ii) improvements in the area of asset management, including the development of a new long-term Distribution System Capital Plan; and (iii) helping customer’s access grants and incentives for conservation investments from provincial Save on Energy programs.

## Service Quality

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

In 2017, OPUCN connected 99.47% of the 944 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 OEB. OPUCN considers this service quality requirement an important customer engagement initiative as it is the utility’s first opportunity to meet and/or exceed its customer’s expectations. OPUCN’s six-year history shows it has been consistently above the OEB mandated threshold, which is reflected in the level of customer satisfaction within OPUCN’s territory.

- **Scheduled Appointments Met On Time**

OPUCN scheduled over 7,900 appointments to complete work requested by its customers in 2017, which included approximately 7,200 requests for underground cable locates. OPUCN met 98.5% of these appointments on time, which significantly exceeds the industry target of 90%.

The percentage of appointments met on time in 2017 was lower than 2016 due to higher than expected increases in the volume of

underground cable locate appointments, particularly in the month of June. The City of Oshawa is experiencing significant growth in residents which presents a challenge in upholding top performance in service quality. OPUCN makes every effort to meet these challenges in 2018, as shown through our ability to exceed service quality targets. In the first six month of 2018, OPUCN has met 100% of its scheduled appointments on time. OPUCN continues to monitor its results to deliver timely service to Oshawa customers.

- **Telephone Calls Answered On Time**

In 2017, OPUCN customer contact center agents received over 57,000 qualifying calls from its customers – over 215 calls per working day. Agents answered calls within 30 seconds 90.52% of the time. This result exceeds the OEB-mandated 65% target for timely response. OPUCN offers customers 24/7 service through various online forms and interactive voice response tools. This allows us to address the most common customer inquiries and service needs cost-effectively without compromising quality or service excellence.

## Customer Satisfaction

- **First Contact Resolution**

In 2017, OPUCN tracked 277 calls where customers' questions were not resolved during their initial call and required a follow-up phone call, or were escalated to a Team Leader, Supervisor or Manager. As noted above, OPUCN received over 57,000 qualifying calls during the year, of which 0.5% were not resolved on first contact.

- **Billing Accuracy**

For the period from January 1, 2017 to December 31, 2017, OPUCN issued over 695,000 bills and achieved a bill accuracy measure of 99.94%. This compares favorably to the prescribed OEB target of 98%.

- **Customer Satisfaction Survey Results**

In 2017, OPUCN engaged Simul Corporation to conduct a customer satisfaction survey. The findings from the annual survey results are utilized to make enhancements in processes, services and communications strategies throughout the organization. 92% of OPUCN's customers rated their experience with OPUCN as fairly satisfied to very satisfied. Satisfaction levels for OPUCN were 8% higher than the Ontario utility satisfaction result of 84%. Some examples of changes that have been made as a result of customer feedback in prior years include improvements in the telephone interactive voice response (IVR) system, increase in online presence through social media, and the implementation of an outage management system (OMS) that communicates to customers experiencing an outage.

## Safety

- **Public Safety**

In May 2015, the OEB requested the implementation of a public safety measure for all Local Distribution Companies (LDCs). The OEB stated that the public safety metric will have the following components and will be included on the LDCs' annual scorecards:

- a) Component A - Public Awareness of Electrical Safety
- b) Component B - Compliance with Ontario Regulation 22/04
- c) Component C - Serious Electrical Incident Index

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

Component A, Public Awareness of Electrical Safety, measures the level of awareness of key electrical safety precautions among the public within the electricity distributor’s service territory, and the degree of effectiveness for distributors’ activities on preventing electrical accidents. The OEB requested that all LDCs carry out a survey using the Electrical Safety Authority’s (ESA) approved methodology and pre-formed set of questions, so that a final LDC Awareness Score (bound between 0-100%) can be calculated.

OPUCN, and 33 other utilities, engaged UtilityPULSE to administer the survey as well as calculate the final score. The survey ran in January 2018, and OPUCN’s final public awareness index score was 85%. Based upon the survey results of the participants, OPUCN customer awareness index was higher than the average score of 82% for the utilities who engaged in the survey.

In 2018, OPUCN has further engaged the public in health and safety awareness by: producing a *Hazard Hamlet* demonstration during a customer care event; displaying health and safety posters geared towards the six awareness areas of the Electrical Safety survey; and, incorporating a new health and safety webpage on our website.

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

Ontario Regulation 22/04 - *Electrical Distribution Safety* 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.

The definitions of a C, NI and NC score, as categorized by the ESA, are provided below:

<b>Score</b>	<b>Definition</b>
<b>C</b>	Compliant <ul style="list-style-type: none"> <li>- Fully or substantially meeting the requirements of Regulation 22/04.</li> </ul>
<b>NI</b>	Needs Improvement <ul style="list-style-type: none"> <li>- A failure to comply with part of Regulation 22/04; or</li> <li>- Non-pervasive failure to comply with adequate, established procedures for complying with Regulation 22/04.</li> </ul>
<b>NC</b>	Non-Compliance <ul style="list-style-type: none"> <li>- A failure to comply with a substantial part of Regulation 22/04; or</li> <li>- Continuing failure to comply with a previously identified Needs Improvement item.</li> </ul>

OPUCN was fully compliant with Ontario Regulation 22/04 for the year 2017, achieving a score of C. OPUCN's continued achievement of compliance is due to our strong commitment to safety, and adherence to standards and company procedures & policies.

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

OPUCN reported no fatalities or other serious incidents due to contact with its infrastructure in 2017, thereby achieving a score of 0.000 for the Serious Electrical Incident Index per 1,000 km of line. In July of 2018, OPUCN reported one serious electrical incident to the ESA, which was a result of a contractor failing to follow safety precautions. No one was injured as the contractor's equipment came in contact with a power line.

OPUCN takes public safety in the vicinity of its distribution equipment very seriously, and regularly carries out activities to take prompt corrective action where potential public safety issues are identified. OPUCN achieved the Infrastructure Health & Safety Association's Certificate of Recognition™ (COR) and has done so for three consecutive years. The utility scored a near-perfect 96% in an audit conducted under the highest safety standard in the province. OPUCN is also a member in good standing with the Canada Safety Council. OPUCN promotes public safety messages through bill inserts, our website and social media so our customers stay informed.

## **System Reliability**

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

OPUCN's reported Average Number of Hours that Power to a Customer is Interrupted (i.e., duration excluding loss of supply) of 0.73 exceeds its target of 1.18 (based on a fixed five-year average performance from 2010 to 2014), and was lower than the previous year's result of 2.61.

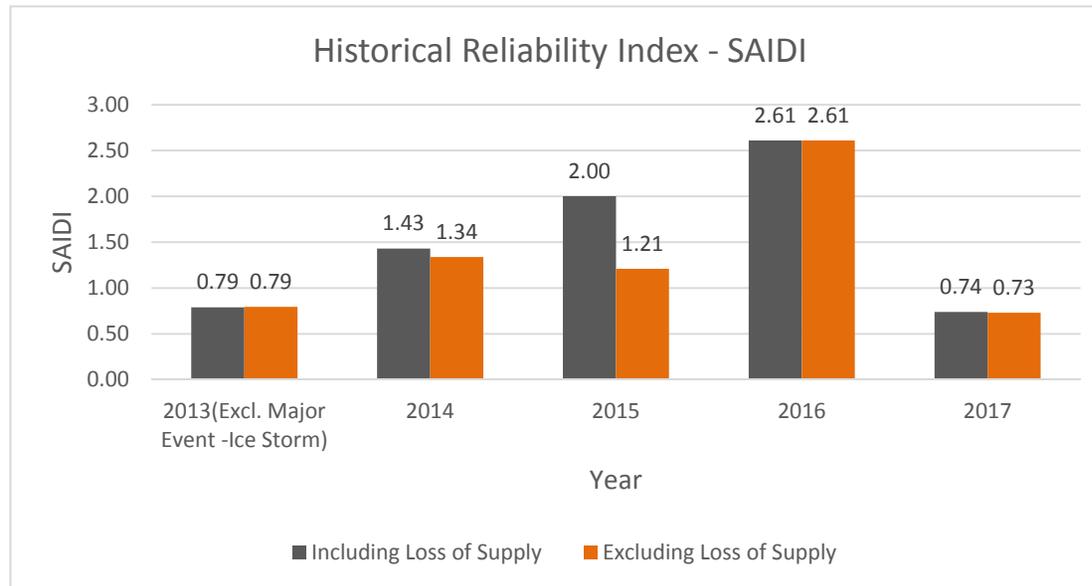
The average Number of Hours that Power to a Customer is interrupted, during the first 6 months of 2018, has slightly increased but is still expected to meet target with the completion of planned capital investments that address root causes of significant outages. This includes continued rebuild of faulty and aged distribution infrastructure, and optimization of the OMS and smart grid technologies. The OMS continues to provide us with better visibility on the occurrence of system or customer outages, and improves communication to customers experiencing an outage. It automatically provides information regarding the outage area, number of customers affected and the anticipated outage response and restoration time.

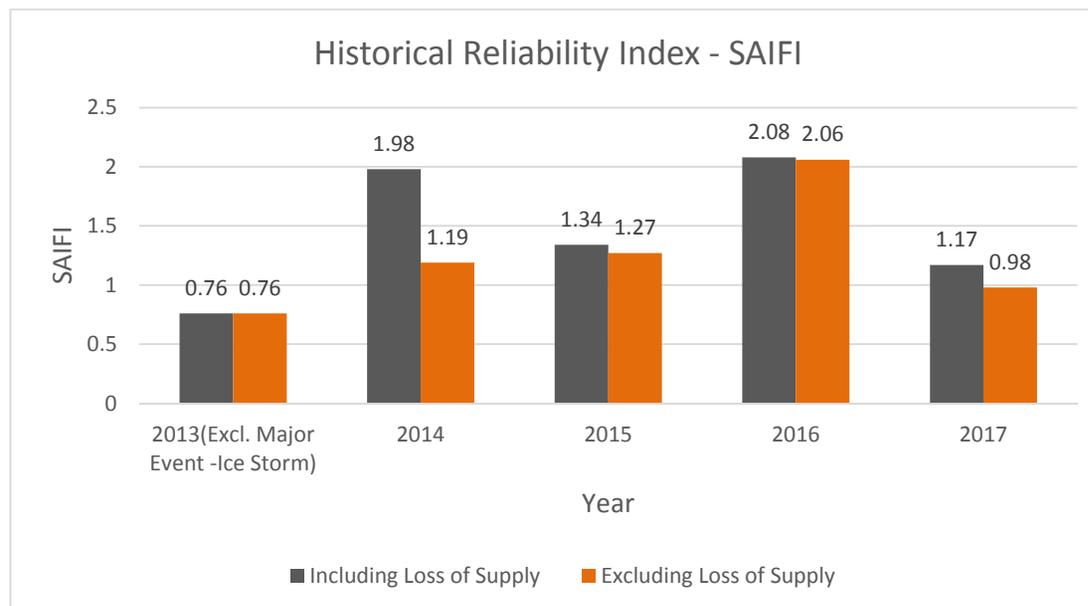
- **Average Number of Times that Power to a Customer is Interrupted**

OPUCN's reported Average Number of Times that Power to a Customer is Interrupted (i.e., frequency excluding loss of supply) for 2017 was 0.98 which is lower compared to its target of 1.06, and previous year's performance of 2.06.

The frequency of outages has reduced in 2018 as a result of continued implementation of the utility's distribution system plan. OPUCN's renewal of aged distribution assets is in progress to better improve the reliability performance indicators along with OPUCN's on-going coordination with Hydro One to ensure that Hydro One programs are directed at the most critical assets impacting service in Oshawa and to improve outages caused by loss of supply. OPUCN has also included in the planned capital investments the installation of additional equipment that will provide rapid isolation of fault to reduce the number of customers affected during an outage.

The graphs below summarize OPUCN last 5 years of reported SAIDI and SAIFI:





## Asset Management

- ### Distribution System Plan Implementation Progress

In 2014, OPUCN filed an application with the OEB for a full review of its rates effective January 1, 2015. OPUCN submitted its Distribution System Plan (DSP) to the OEB as part of the application. The metric that OPUCN chose to most effectively reflect our performance in Distribution System Plan Implementation Progress, is the ratio of actual total capital expenditures made in a calendar year, over the total amount of planned capital expenditures for that calendar year. For the twelve months ended December 31, 2017, OPUCN spent 101% of its OEB approved capital budget for the year. We were able to successfully deliver our capital program, while staying within budget. OPUCN's capital spending tackles the importance and complexity associated with the significant population growth in Oshawa. In 2018, we continue to overcome these challenges while delivering on our capital program.

## Cost Control

- ### Efficiency Assessment

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group Research, LLC (PEG) on behalf of the OEB to produce a single efficiency ranking for each distributor. The performance rankings for 2017 are included in PEG's *Empirical Research in Support of Incentive Rate-Setting: 2017 Benchmarking Update Report* to the OEB issued on August 23, 2018.

The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. Utilities whose actual costs are lower than predicted are characterized as efficient and are assigned to Group 1 (25% or more below predicted cost) or Group 2 (between 10% and 25%). Utilities that are considered average performers will be assigned to Group 3 (actual costs are within +/-10% of predicted costs). Utilities whose actual costs are higher than predicted will be assigned to Group 4 (between 10% and 25% above predicted cost) or Group 5 (in excess of 25% above predicted cost).

OPUCN continues to be ranked in Group 2, where a Group 2 distributor is defined as having actual costs less than 10% to 25% of predicted costs. OPUCN's goal is to sustain current efficiencies, and remain a cost-effective utility.

- **Total Cost per Customer**

Total Cost per Customer is evaluated by PEG on behalf of the OEB, and is calculated as the sum of OPUCN's capital and operating costs, divided by the total number of customers served. OPUCN's 2017 cost performance is \$532 per customer, resulting in a 2.6% decrease over the prior year.

Over the reporting period 2013 through 2017, OPUCN's Total Cost per Customer has increased by an average annual rate of just 1.3%. In addition to inflationary pressure, the renewal and growth of the distribution system, Province wide programs and costs required to address higher than normal customer growth in Oshawa have all contributed to the increase in capital expenditures and operating costs.

In accordance with the OEB's decision on our Custom IR (incentive regulation) Cost of Service rate application, OPUCN will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer value and add new infrastructure to address capacity constraints resulting from growth. OPUCN will also continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement, enhancements and growth.

- **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 OPUCN operates to serve its customers. OPUCN's 2017 rate is \$31,280 per Km of Line which represents a decrease of 2.13% over the prior year. The average annual increase over the reporting period is 3.7%.

OPUCN has been investing in infrastructure renewal at higher than normal rate over the last several years in response to its aging distribution system. As capital investments for replacement and rehabilitation of existing lines grows at a faster rate than additions of lines within OPUCN's service area, Total Cost per Km of Line has increased over the past five years.

As reported in its Distribution System Plan (Custom IR Cost of Rate Application), OPUCN anticipates that renewal expenditures will normalize over the next five years.

## Conservation & Demand Management

OPUCN has continued to successfully deliver the Save On Energy programs, under the province's Conservation First Framework (CFF). Efforts in 2017 focused on expanding the number of programs being offered (following a province-wide Ministerial Directive) and helping customers navigate numerous new incentive programs; including those from the Green Ontario Fund and the gas sector.

Under the 2015 to 2020 CFF, OPUCN was assigned an energy savings target of 73 GWh. The achievement of this energy efficiency target is governed via an Energy Conservation Agreement (ECA). The IESO periodically issues updates to the ECA and OPUCN regularly commits to the updated terms.

The following section describes the net cumulative energy savings that were achieved in each of 2015 (the preparatory year for the new framework), 2016 and 2017.

- **Net Cumulative Energy Savings**

As per the IESO's *2017 Final Verified Annual LDC CDM Program Results Report*, OPUCN has achieved the following net annual energy savings:

- ✓ 15,583 MWh in 2015
- ✓ 13,731 MWh in 2016
- ✓ 23,040 MWh in 2017

OPUCN's net cumulative total energy savings for the CFF as of December 31, 2017 is therefore 52.3 GWh, or 71.6% of the multi-year target. At the half-way point in the framework, OPUCN is well-positioned to achieve or exceed our 2020 conservation targets.

## Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) for renewable generation facilities >10kW within 60 days of receiving a complete application from the Generator. In 2017, OPUCN had one CIA connection request for renewable generation facilities >10kW which was completed after the prescribed time of 60 days due to a delay in receiving prerequisite paperwork for the service address.

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

In 2017, OPUCN successfully connected 55 new micro-embedded generation facilities (microFIT and net-meter projects of less than 10 kW), all of which were connected within the prescribed time frame of five business days, in accordance with the Distribution System Code

provisions. The minimum acceptable performance level for this measure is 90% of the time, and OPUCN has significantly exceeded the target. Our workflow to connect these projects is simplified and transparent with our customers. OPUCN works 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)**

The current ratio is an indicator of a company's ability to repay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being "liquid". Generally, 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.

OPUCN's current ratio for 2017 is 0.99. OPUCN monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements.

- **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.

OPUCN's debt to equity ratio for 2017 was 0.96 compared with 1.04 in 2016. OPUCN continues to be below the OEB's deemed capital structure, as the trend from 2013 to 2017 illustrates a debt to equity ratio of less than 1.5.

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

OPUCN's current distribution rates were approved by the OEB and include an expected regulatory return on equity (ROE) of 9.19%, which is based on the OEB's deemed capital structure of 60% debt and 40% equity as noted earlier. 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. The regulated return for the year 2018 decreases to 9.00%.

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

OPUCN's ROE for 2017 was 7.62%, compared with a regulatory ROE of 9.19% for the same period. For 2017, OPUCN earned a lower return than the approved rate, however; results are within the expected ROE set out by the OEB.

## 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 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.