

Scorecard - Waterloo North Hydro 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%	100.00%		90.00%		
		Scheduled Appointments Met On Time	99.90%	99.60%	100.00%	98.10%	96.40%		90.00%		
		Telephone Calls Answered On Time	95.10%	88.80%	88.10%	86.70%	72.77%		65.00%		
	Customer Satisfaction	First Contact Resolution			99.93%	99.95%	99.92%	99.90%			
		Billing Accuracy			99.96%	99.95%	99.73%	99.97%		98.00%	
		Customer Satisfaction Survey Results			96%	96%	92%	92%			
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			82.00%	82.00%	82.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	0	1	1	1			1
	Rate per 10, 100, 1000 km of line		0.642	0.000	0.633	0.618	0.618			0.356	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.59	0.47	0.69	0.71	0.76			0.62	
		Average Number of Times that Power to a Customer is Interrupted ²	1.59	0.91	1.42	1.15	1.50			1.16	
	Asset Management	Distribution System Plan Implementation Progress		99.73%	119.44%	23.05%	41.81%				
	Cost Control	Efficiency Assessment	3	3	3	4	3				
		Total Cost per Customer ³	\$728	\$760	\$762	\$809	\$773				
		Total Cost per Km of Line ³	\$25,066	\$26,299	\$26,109	\$28,094	\$26,800				
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			15.54%	29.69%	65.16%			82.38 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%	87.50%	80.00%	100.00%				
New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	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)	0.97	0.89	0.94	1.01	1.08				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.06	1.24	1.33	1.23	1.18				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.19%	9.19%			
			Achieved	8.70%	7.26%	6.65%	10.13%	8.37%			

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](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

In 2017, Waterloo North Hydro Inc. (WNH) exceeded all performance targets with the exception of: the Average Number of Times that Power to a Customer is Interrupted, Average Number of Hours that Power to a Customer is Interrupted and the Serious Electrical Incident Index.

WNH had discovered a material misstatement in the data used for capital additions in 2016 (see section on cost control) and made a request to the OEB to correct this error. The error has been verified with OEB staff and corrected on the 2017 Benchmarking Report, however the OEB will not reflect the correct information on the Scorecard as a matter of policy.

Service Quality

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

In 2017, WNH connected 100% of the 700 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). This maintains the high level of service from the previous year and is above the OEB-mandated threshold of 90%. WNH expects to maintain this level of service in 2018.

- **Scheduled Appointments Met On Time**

WNH scheduled over 13,200 appointments with its customers in 2017 to complete work requested by customers, read meters, reconnect services, or perform necessary maintenance. The utility met 96.4% (2016 – 98.1%) of these appointments on time, which significantly exceeds the industry target of 90%. WNH expects to continue this level of service in 2018.

- **Telephone Calls Answered On Time**

In 2017, WNH's customer contact centre received well over 42,000 calls from its customers. The call centre agents answered 72.77% of these calls in 30 seconds or less, although representing a decrease from 2016 (86.7%). This rate exceeds the OEB-mandated 65% target for timely call response. In early 2017, WNH successfully launched its updated Customer Information System, which was configured to include all customer information. As a result of the change, there was a period of learning and transition for the Customer Service Representatives, which caused longer processing times, and as a result, lower telephone response times. The new system implemented helps to easily adapt to OEB regulatory and rate changes, ability to make in-house changes, and provide quick access to information which assist WNH to respond to customers in a timely manner. WNH expects that the call response percentage will increase back to normal levels in 2018.

Customer Satisfaction

- **First Contact Resolution**

For WNH, First Contact Resolution is measured based on the number of calls escalated to a supervisor after a call centre agent first assisted the customer. For 2017, only 41 calls needed to be escalated to a supervisor after the first contact resulting in a 99.90% resolution on first contact (2016 – 99.92%). This rate is well above the OEB mandated target of 98%. WNH expects this level of resolution to continue in 2018.

- **Billing Accuracy**

During 2017, WNH issued approximately 599,000 bills and achieved a billing accuracy of 99.97%, compared to 353,000 bills in 2016 with a billing accuracy of 99.73%. These rates compare favourably to the prescribed OEB target of 98%. Despite the challenges faced in the implementation of the new Customer Information System and to meet the OEB's mandate of transitioning into monthly billing, WNH was able to increase its billing accuracy from 2016. WNH expects this high level of accuracy will continue in 2018.

- **Customer Satisfaction Survey Results**

The OEB introduced the Customer Satisfaction Survey measure in 2013. At a minimum, electricity distributors are required to measure and report customer satisfaction results at least every other year.

In 2016, WNH engaged a third party to conduct customer satisfaction surveys. These surveys provide information that supports discussions surrounding improving customer service at all levels and departments within WNH. The survey asks customers questions on a wide range of topics including: overall satisfaction with WNH, reliability, customer service, outages, cost, billing and corporate image. In addition, WNH provides guidance to the third party to enable them to develop questions that will aid

in gathering data about customer expectations and needs. This data is then incorporated into WNH's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps to identify the most effective means of communication. In its 2017 Scorecard, WNH reported that it received a Satisfaction score of 92% from its customers, based on its 2016 survey results. While this score represents a slight decrease from the 2014 survey of 96%, WNH's results are significantly above the provincial average of 74%. WNH believes that its customer feedback and the satisfaction score reflects the efforts that we continue to make in the community, listening to customer feedback and incorporating it into our business plans. WNH's next Customer Satisfaction survey is scheduled to occur in 2018.

Safety

- **Public Safety**

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

Starting in 2015, the OEB introduced the Public Awareness of Electrical Safety component of the public safety measure. This performance measure attempts to measure the level of awareness of key electrical safety precautions among the public in the electricity distributor's service territory. Utilities are required to carry out a survey as developed by the Electrical Safety Authority every two years. WNH was able to achieve a score of 82% in 2017, which was the same score received in the first survey conducted in 2015. While WNH is satisfied with these results, the company will strive to improve upon this score through public education initiatives going forward. The next survey is scheduled to be completed in 2019.

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

The Compliance with Ontario Regulation 22/04 component of the public safety measure will address the level of distributor compliance to Ontario Regulation 22/04, Electrical Distribution Safety. It includes an audit of compliance, declaration of compliance, reports evaluated (e.g., due diligence inspections, audits, public safety concerns, etc.), and outcome (e.g., compliant, needs improvement, non-compliant).

The performance target for level of compliance with Ontario Regulation 22/04 is for the distributor to be fully compliant with Ontario Regulation 22/04.

WNH has been compliant with Ontario Regulation 22/04 since the measure was tracked in 2010 through to 2017.

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

The Serious Electrical Incident Index component of the public safety measure is intended to address the resultant impact in improving public electrical safety on the distribution networks over time. It measures the number of and rate of serious electrical incidents occurring on a distributor's assets and is normalized per 10, 100 or 1,000 km of line. Both the actual number and the rate per km of line are shown on the Scorecard.

The performance target for Serious Electrical Incident Index will be set based on a distributor's specific performance target using the distributor's historical data and prior performance.

In 2017 there was one serious electrical incident within Waterloo North Hydro's service territory resulting in rate of 0.618 (2016 – 0.618). This rate is above the established performance target of 0.356 incidents per 1,000 km.

System Reliability

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

During 2017, there were 737 total interruptions resulting in 91,158 customer interruptions with an average duration of 0.76 hours per customer. This average represents a slight increase from the 2016 duration period (0.71 hours per customer), and is slightly outside the OEB prescribed target of 0.62 hours per interruption.

WNH continues to view reliability of electricity service as a high priority for its customers and as such developed programs several years ago for the continuous improvement of reliability. The program includes a constant review of reliability within the 24/7 control room and a response plan for any areas of the distribution system experiencing a degradation in reliability. This, combined with WNH's commitment to review the worst performing feeders on an ongoing basis to improve reliability, will ensure customers continue to receive high value from their electricity service.

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

WNH's Average Number of Times that Power to a Customer is Interrupted for 2017 was 1.50 times per customer. This rate is above WNH's target of 1.16, and has increased from 2016 (1.15). WNH has adopted a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets, to manage distribution system risks, to ensure the safe and reliable delivery of electricity, and to balance customer and utility affordability.

Asset Management

- **Distribution System Plan Implementation Progress**

Distribution System Plan (DSP) implementation progress is a performance measure instituted by the OEB in 2014. Consistent with other new measures, utilities were given an opportunity to define it in the manner that best fits their organization. The DSP outlines WNH's forecasted capital expenditures over the next five (5) years that are required to maintain and expand the electricity system to serve current and future customers. The "Distribution System Plan Implementation Progress" measure is intended to assess WNH's effectiveness at planning and implementing the DSP.

WNH filed an application with the OEB for a full review of its rates effective January 1, 2016 that included a DSP. The application and DSP were approved by the OEB in the Fall of 2015. In 2017, during the second year of the current five year DSP (2016-2020), WNH has reported 41.81% in its Distribution System Plan Implementation Progress as at December 31, 2017. This measure was calculated by comparing WNH's actual capital expenditures for 2016 and 2017 compared to the total five-year capital expenditures as per the DSP.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario's local electricity distribution companies are evaluated by the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective actual and predicted costs. In 2017, WNH was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered "average efficiency" – in other words, WNH's costs are within the average cost range for distributors in the Province of Ontario. In 2017, 45% (29 distributors) of the Ontario distributors were ranked as "average efficiency"; 34% were ranked as "more efficient" (22 distributors); 21% were ranked as "least efficient" (14 distributors). WNH's forward looking goal is to maintain its efficiency ranking.

When the 2016 Scorecard was published, WNH had made a request to the OEB to correct a material misstatement in the data used for capital additions in 2016. The error has been verified with OEB staff and corrected on the 2017 Benchmarking Report, however the OEB will not change this to reflect the correct information on the Scorecard as a matter of policy. The actual verified data places WNH in Group 3 for 2016, but the Scorecard has the original incorrect information placing WNH in Group 4.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of WNH's capital and operating costs per customer. The cost performance result for 2017 is \$773/customer which represents a decrease of 1.5% from 2016 (\$785/customer verified and corrected on the 2017 Benchmarking Report).

WNH's initial cost performance result for 2016 was \$809/customer at the time the 2016 Scorecard was published. As noted above, WNH had discovered a material misstatement in the data used for capital additions in 2016 and made a request to the OEB to correct this error. WNH had submitted to the OEB revised data on capital additions that would have resulted in a Total Cost per Customer of \$785/customer. The error has been verified with OEB staff and corrected on the 2017 Benchmarking Report, however the OEB will not change this to reflect the correct information on the 2017 Scorecard as a matter of policy.

WNH will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts as demonstrated in our 2016 rate application. WNH will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements.

- **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 WNH operates to serve its customers. WNH's 2017 rate is \$26,800 per Km of line, a 1.6% decrease from 2016 (\$27,251 – verified and corrected). The Scorecard has the incorrect Total Cost per Km Line for 2016 (\$28,094) as the OEB will not change this on the Scorecard as a matter of policy. WNH continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

As part of the Conservation First Framework, which runs from 2015 to 2020, WNH was assigned a target of 82.38 GWh, which is to be achieved by the end of 2020. WNH's 2017 Final Verified Results, as reported by the IESO, shows a net cumulative energy savings, as of the end of 2017 of 53.7 GWh, which equates to 65.2% of the six-year target. WNH is on track to meet and potentially exceed targets on budget. Continued success in meeting and exceeding the annual targets is attributed to strong participation by all customer segments including residential, commercial, institutional, and industrial customers.

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 from the Electrical Safety Authority. In 2017, WNH completed seven CIAs within the prescribed time limit for a rate of 100.00% (2016 - 80%).

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

In 2017, WNH connected 76 new micro-embedded generation facilities (microFIT and net-meter projects of less than 10 kW) 100% of the time within the prescribed time frame of five business days (2016 – 100%). The minimum acceptable performance level for this measure is 90% of the time. Our workflow to connect these projects is streamlined and transparent with our customers. WNH works closely with its customers and their contractors to resolve any connection issues to ensure the project is connected on time.

Financial Ratios

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

As an indicator of financial health, a current ratio of 1.0 or greater is considered good as it indicates that the company can meet its short-term financial obligations.

WNH's current ratio increased from 1.01 in 2016 to 1.08 in 2017. This was mainly attributed to an increase in cash management compared to prior year. WNH's current ratio in subsequent years is expected to be in line with the 2010 to 2017 results.

- **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. WNH's 2017 ratio of 1.18 (2016 – 1.23) is well below the OEB threshold of 1.5.

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

WNH's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.19%. The OEB allows a distributor to earn within +/- 3% of the deemed 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**

WNH's return achieved in 2017 was 8.37%, which is well within the +/-3% range allowed by the OEB. The average return over the past 3 years was 8.01% which is also well within the return included in WNH's approved rates.

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.