Scorecard - Greater Sudbury Hydro Inc.

9/29/2019

Performance Outcomes	Performance Categories	Measures		2014	2015	2016	2017	2018	Trend	Target: Industry	Target: 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		99.00%	99.80%	99.40%	98.78%	99.20%	↓	90.00%	
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	99.89%	↓	90.00%	
		Telephone Calls Answered On Time		72.10%	69.40%	66.90%	67.16%	71.25%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution		82%	83%	84%	83.52%	84.19			
		Billing Accuracy		99.86%	99.90%	99.92%	99.92%	99.92%	↑	98.00%	
		Customer Satisfaction Survey Results		97%	92%	91%	94%	90%			
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			73.68%	73.68%	80.00%	80.00%			
		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]		1.21	1.01	1.19	1.65	1.39	↑		1.18
		Average Number of Times that Power to a Customer is Interrupted [2]		1.83	1.25	0.87	1.34	1.41	↑		1.18
	Asset Management	Distribution System Plan Implementation Progress		87.54%	87.40	96.40%	93.28%	97.47%			
	Cost Control	Efficiency Assessment		4	3	4	3	3			
		Total Cost per Customer [3]		$648	$627	$648	$629	$671			
		Total Cost per Km of Line [3]		$30,698	$29,627	$30,649	$29,706	$31,690			
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]			20.03%	55.88%	90.20%	114.00%			34.74 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		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)		0.46	0.47	1.47	1.53	1.45			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		3.26	3.04	1.99	1.90	1.86			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	8.98%			
			Achieved	14.04%	8.36%	10.17%	9.30%	7.72%			

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 2015-2020 Conservation First Framework. 2018 results are based on the IESO's unverified savings values contained in the March 2019 Participation and Cost Report.

Legend:

5-year trend
↑ up ↓ down → flat

Current year
target met target not met

2018 Scorecard Management Discussion and Analysis ("2018 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 2018 Scorecard MD&A:

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

Scorecard MD&A - General Overview

In 2018, Greater Sudbury Hydro Inc. (GSH) continued to perform strongly. Measures in all areas continued to indicate performance in line with industry expectations. GSH met its customer service obligations and this was reflected generally in high customer satisfaction.

GSH continued to demonstrate strong financial performance in 2018. While maintaining strong levels of capital spent, GSH managed cash and remained liquid throughout the year.

GSH is continuing to review business processes in efforts to further enhance efficiencies and continuously improve.

Service Quality

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

In 2018, GSH connected 99.20% of 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 is a 0.42% improvement of our previous year's performance, and remains firmly above the OEB-mandated threshold of 90%. Where practicable, GSH coordinates connection activities with other planned construction activities undertaken by the utility, other utilities or municipal and provincial government agencies.

- **Scheduled Appointments Met on Time**

There were 828 appointments involving meeting a customer or the customer's representative where the appointment date and time is set. The utility met 99.89% of these appointments on time, which significantly exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2018, GSH's customer contact center agents received approximately 51,000 calls from customers. Of these calls, 71% of the time a customer received a response within 30 seconds or less. This result exceeds the OEB-mandated 65% target for timely call response and is an improvement over our 2017 results of 67%.

Customer Satisfaction

- **First Contact Resolution**

As a specific First Contact Resolution target and methodology have not been outlined by the OEB, GSH has used the same process as in past years to report its' performance.

First Contact Resolution was measured based on live agent transactional phone surveys conducted by a third-party service provider. For the period January to December 31, 2018, GSH provided the third-party service provider with a weekly sample of all inbound customer telephone calls into GSH's Customer Service.

Third party telephone agents, in turn, contacted and surveyed customers - typically within a week of their initial inbound contact. Customers were asked to rate various facets of their customer experience, and were also asked if their issue (i.e. their reason for calling) was resolved on their first call to GSH. Using the results of this survey, GSH calculated a first contact resolution of 84.19% for 2018 which is nearly identical to results from previous years.

GSH endeavors to use the transactional customer survey results to identify customer service improvements to increase first contact resolution in the future.

- **Billing Accuracy**

For the 2018 calendar year, GSH issued approximately 575,000 bills and achieved a billing accuracy of 99.92% for the third consecutive year. This compares favorably to the OEB's prescribed target of 98%.

GSH will continue to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

Over the past 6 years, 2013-2018 inclusive, GSH has engaged independent third-party survey firm Oraclepoll Research to conduct annual customer satisfaction surveys. These surveys provide valuable information to support discussions around improving customer service at all levels and in all departments within GSH.

The survey asks customers questions on a wide range of topics, including:

a) overall satisfaction with GSH,
b) customer service,
c) price of electricity compared to other essential services,
d) overall value,
e) reliability,
f) response to outages,
g) commitment to customers,
h) concern about public safety and safe work practices,
i) communication with the public in general,
j) preferred methods of communication and quality of materials,
k) interest in information about home energy efficiency and cost savings,
l) ease of understanding bills,
m) an open-ended question asking for suggestions on how to improve customer service.

Occasionally some questions are added surrounding specific activities the utility may be considering for the future. The final reports on these customer satisfaction surveys evaluate the level of customer satisfaction and identify areas for improvement. This data is then incorporated into GSH's planning process and forms the basis of plans to improve customer satisfaction and better meet the needs of customers.

GSH's 2018 Customer Satisfaction Results contain a number of measures of customer satisfaction, including Customer Service, Price Comparison and Overall Value. In the "Scorecard", Overall Customer Satisfaction is the only measurement reported. In 2018, the GSH Satisfaction score showed **90% of residential customers saying they are satisfied to totally satisfied**, down slightly from the previous year's 94%. Women surveyed were more satisfied with GSH than men were, and older customers tended to be more satisfied than younger demographic groups. Mid-range earners (in the $75-99k/yr. income range) gave the lowest satisfaction scores, while respondents in the under $50k/yr. cohort, scored satisfaction highest.

The energy portfolio remains confusing for consumers with much attention focused during the 2018 Ontario provincial election on the price of electricity and service/delivery charges. Confusion and lack of understanding often contributed to lack of satisfaction.

Safety

- **Public Safety**

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

This information is collected biennially. GSH commissioned independent third-party survey firm Oraclepoll Research to survey the community with the six proscribed questions created by the ESA. The results included on the 2018 Scorecard for Level of Public Awareness re Safety are the same results reported for 2017. That survey was conducted in February 2018 via telephone and included both landline as well as cell phone numbers. **GSH rated 80%** when the ratings and evaluation methodology outlined by ESA were applied to the responses. This was a significant improvement from the previous score of 73.68% reported for 2015 & 2016. The next survey will be conducted early in 2020 and new results reported in the 2019 Scorecard. GSH continues to communicates safety messages to the communities we serve through a variety of channels.

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

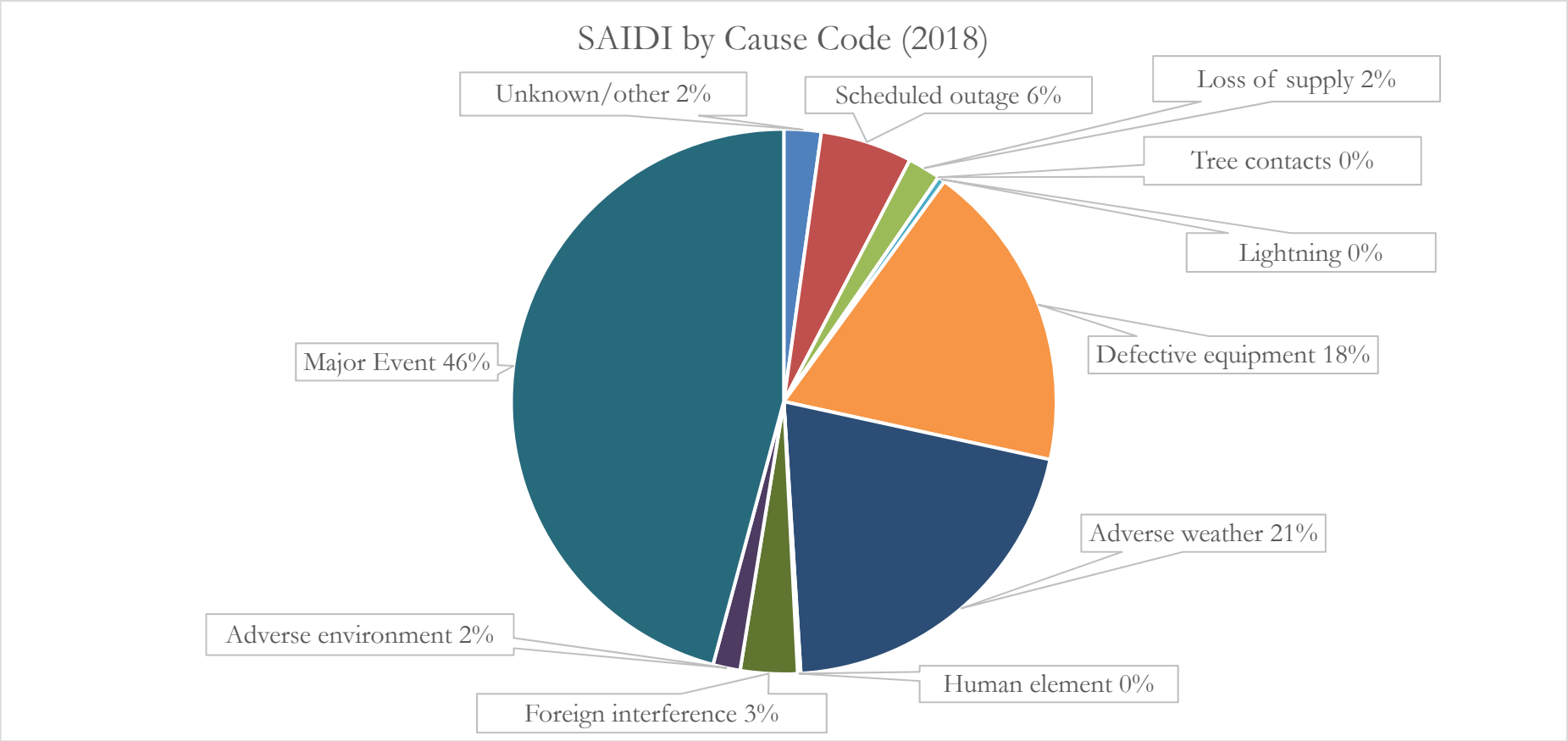
Over the past seven years, GSH was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - Electrical Distribution Safety establishes objective 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.

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

GSH has maintained a “Serious Electrical Incident Index” value of 0 for the past seven years.

System Reliability

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

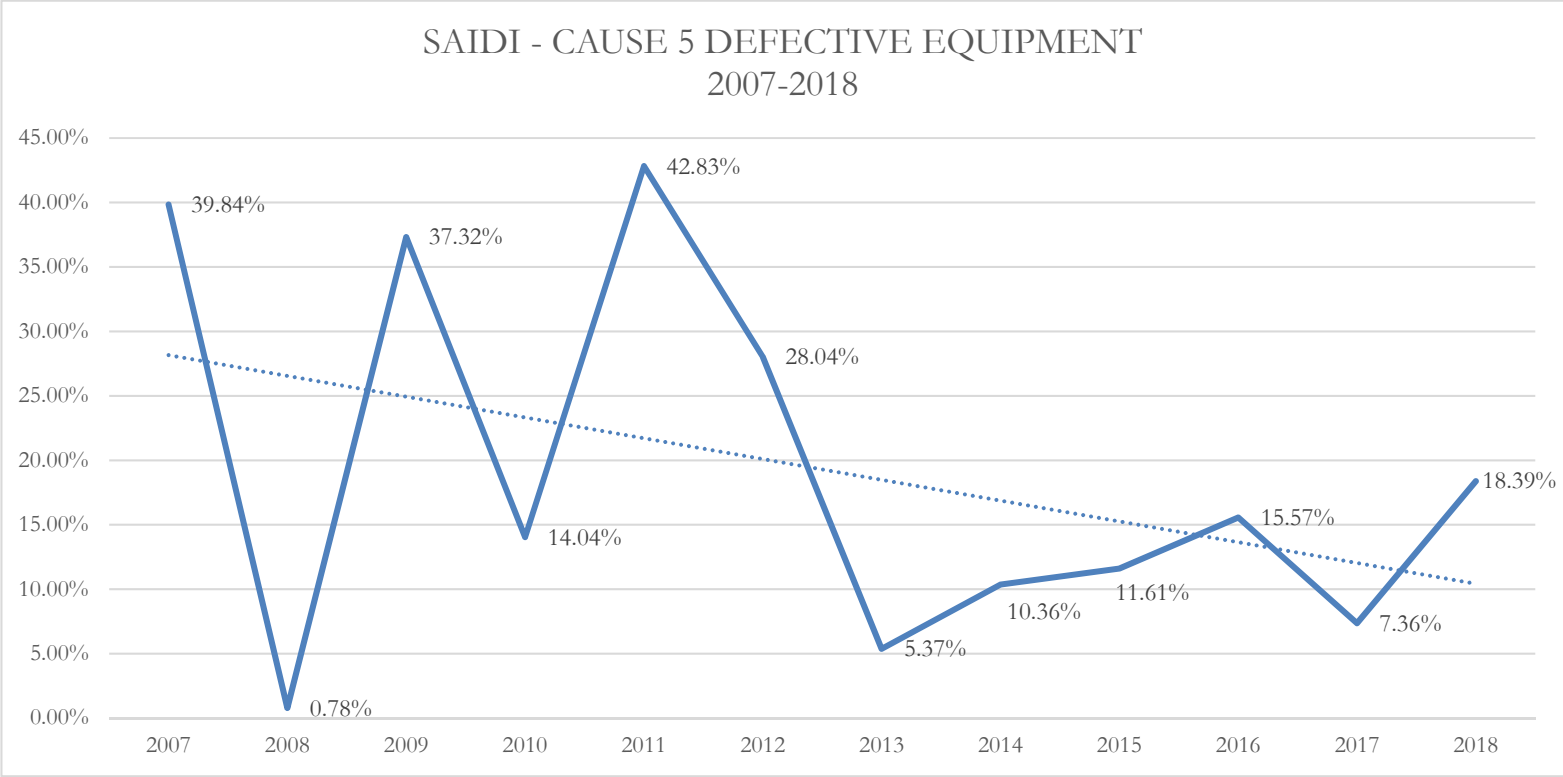


The above pie chart answers the following question: when power to a customer is interrupted, what percentage of the average hour of an outage is attributed to which cause? **Note:** the above includes the cause "loss of supply", however this parameter is not within GSH's control.

GSH experienced a decrease in the average number of hours that power to a customer was interrupted during 2018 as compared to 2017 (exclusive of "Loss of Supply" outages). The Average Number of Hours that Power to a Customer is Interrupted (i.e., duration) of 1.39 was an improvement over 2017's performance of 1.65; however, this metric is above GSH's Scorecard target of 1.18.

The year 2018 was turbulent from an “Adverse Weather” outage cause perspective. In addition to the ‘Major Event” which occurred on July 9 and was responsible for 46% of the outage minutes experienced by our customers, GSHI experienced 41 separate outage events due to this cause, which was far higher than a typical year. These types of outages are unpredictable and difficult to mitigate. For the most part, these outages occur as a result of high winds that cause trees and/or branches, to snap, causing them to fall into live conductors and triggering protection equipment to trip and isolate the faulted circuit, which in turn results in a service interruption necessitating a truck roll to fix the problem. GSHI, as part of its standard engineering practices, continues to build and design pole lines to meet or exceed the latest revision of CSA C22.3 No.1 Overhead Systems which helps to ensure that new distribution system expansions, extensions and replacements are storm-hardened to a level appropriate with the regional climate. The remaining OEB outage causes were quite small, and for the most part negligible in their impact to the overall reliability index.

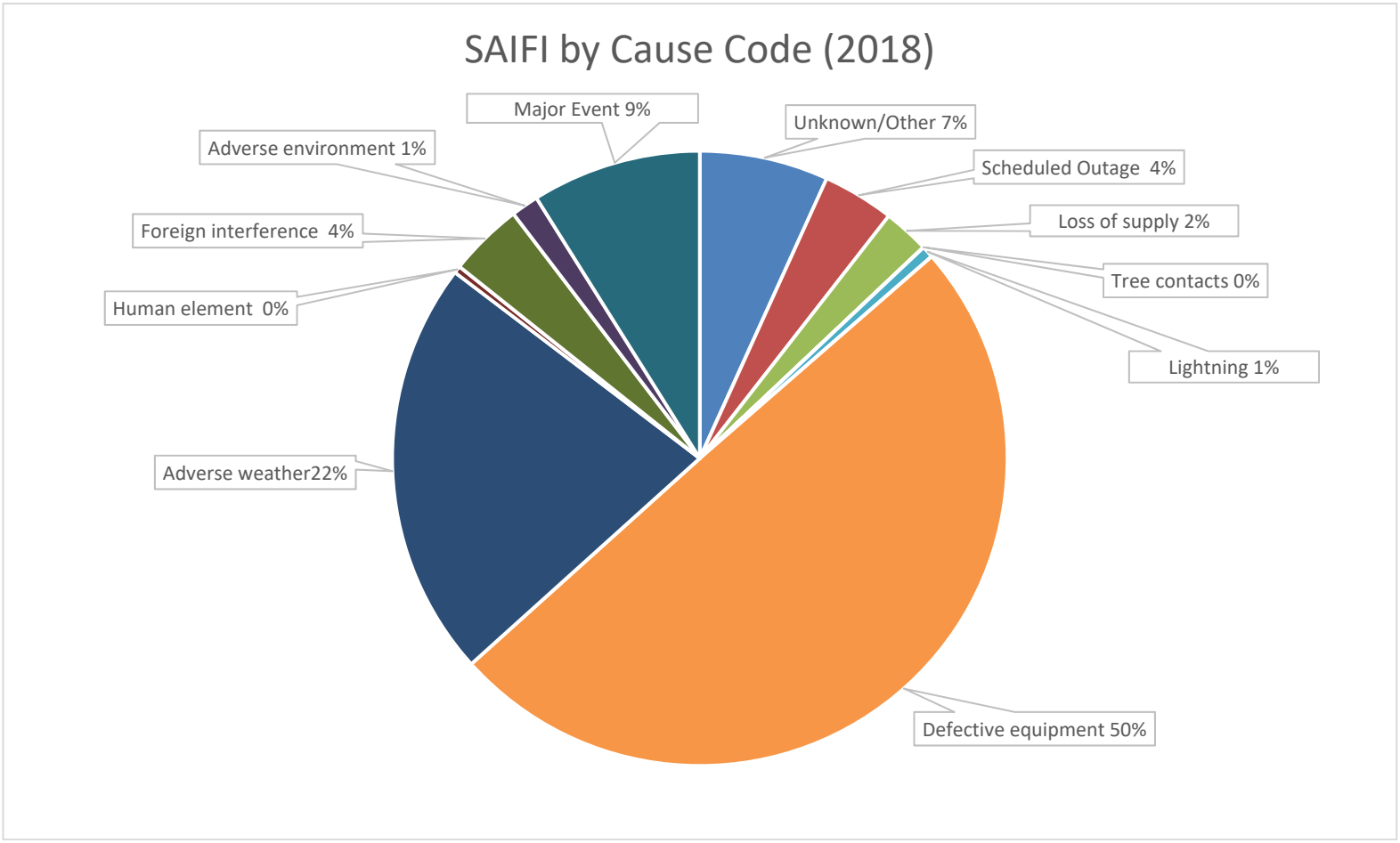
Meanwhile, the duration of service interruptions due to Cause 5 (Defective Equipment) has historically been in a downwards trend. However, 2018 saw an increase in the contribution of this outage cause code to the overall reliability index which broke through the trendline. The chart below shows the historical contribution to the overall SAIDI index for this outage cause code:



Two events in particular combined to comprise approximately 67% of the total cause 5-related outage minutes. On January 26, a failure of a cable section on the 28M4 44kV sub-transmission feeder resulted in 30 outage events and the equivalent of 8,943 customer hours of interruption. The contribution to SAIDI of 0.1869 as a result of this event was responsible for 38% of the total cause 5-related outage minutes experienced by GSHI customers for the year. On August 28, a failed 44kV circuit breaker at municipal substation Cressey MS3 resulted in five outage events and the equivalent of 6,037 customer hours of interruption. The contribution to SAIDI of 0.126 as a result of this event was responsible for approximately 26% of the total cause 5-related outage minutes experienced by GSHI customers for the year.

GSH has conducted a detailed review of its distribution assets and is in the process of developing its Distribution System plan, which provides for the renewal of its distribution system over the next five years. By focusing strategically on specific assets and/or asset populations, the plan includes among its objectives the goal of reducing the contribution of Cause 5-related outage events to the overall SAIDI index to below 15%. A reversal of this trend will boost the probability of returning the overall SAIDI index to levels commensurate with expected performance.

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

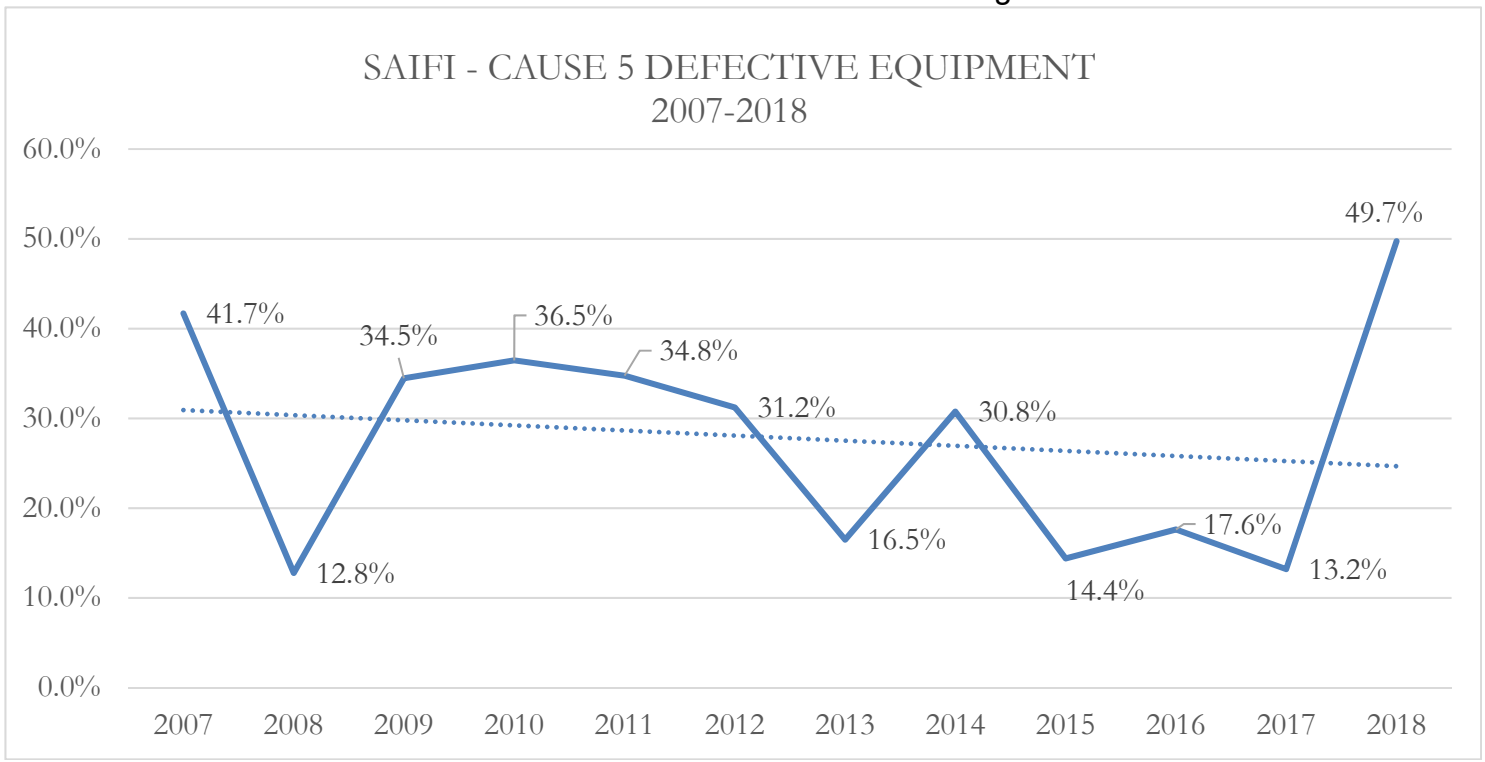


The above pie chart answers the following question: when power to a customer is interrupted, what's the likelihood of a given cause? **Note:** the above includes the cause "loss of supply", however this parameter is not within GSH's control.

GSH experienced an increase in the average number of times that power to a customer was interrupted during 2018 (exclusive of "Loss of Supply" outages). GSH's Average Number of Times that Power to a Customer is Interrupted (i.e., frequency) of 1.41 was above the target of 1.18.

The year 2018 was turbulent from an “Adverse Weather” outage cause perspective. In addition to the ‘Major Event” which occurred on July 9 and was responsible for 9% of the service interruptions experienced by our customers, GSHI experienced 41 separate outage events due to this cause, which was far higher than a typical year. These types of outages are unpredictable and difficult to mitigate. For the most part, these outages occur as a result of high winds that cause trees and/or branches, to snap, causing them to fall into live conductors and triggering protection equipment to trip and isolate the faulted circuit, which in turn results in a service interruption necessitating a truck roll to fix the problem. GSHI, as part of its standard engineering practices, continues to build and design pole lines to meet or exceed the latest revision of CSA C22.3 No.1 Overhead Systems which helps to ensure that new distribution system expansions, extensions and replacements are storm-hardened to a level appropriate with the regional climate. The remaining OEB outage causes were quite small, and for the most part negligible in their impact to the overall reliability index.

Meanwhile, the frequency of service interruptions due to Cause 5 (Defective Equipment) has historically been in a downwards trend. However, 2018 saw an increase in the contribution of this outage cause code to the overall reliability index which broke through the trendline. The chart below shows the historical contribution to the overall SAIFI index for this outage cause code:



As with the yearly result for SAIDI described previously, two events in particular combined to comprise approximately 77% of the total cause 5-related service interruptions to customers for the year. On January 26, a failure of a cable section on the 28M4 44kV sub-transmission feeder resulted in 30 outage events and the equivalent of 8,943 customer hours of interruption. The contribution to SAIFI of 0.5451 as a result of this event was responsible for 69% of the total cause 5-related outage minutes experienced by GSHI customers for the year. On August 28, a failed 44kV circuit breaker at municipal substation Cressey MS3 resulted in five outage events and the equivalent of 6,037 customer hours of interruption. The contribution to SAIFI of 0.059 as a result of this event was responsible for approximately 8% of the total cause 5-related outage minutes experienced by GSHI customers for the year.

GSH has conducted a detailed review of its distribution assets and is in the process of developing its Distribution System plan, which provides for the renewal of its distribution system over the next five years. By focusing strategically on specific assets and/or asset populations, the plan includes among its objectives the goal of reducing the contribution of Cause 5-related outage events to the overall SAIFI index to below 20%. A reversal of this trend will boost the probability of returning the overall SAIFI index to levels commensurate with expected performance.

Asset Management

- **Distribution System Plan Implementation Progress**

GSH is currently in the process of drafting its' inaugural Distribution System Plan ("DSP").

At its' most recent Rate Application in 2013, GSH filed an Asset Management Plan ("AMP") that outlined the utility's forecasted capital expenditures required to maintain and expand its electricity system to serve its current and future customers. The AMP is the basis for GSH's annual budget, and GSH measures the progress of this metric as a ratio of actual total capital expenditures made in a calendar year over the total amount of planned capital expenditures for that calendar year per the annual budget. The 2018 measure indicates that Greater Sudbury Hydro Inc. achieved 97.47% of planned spending.

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. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. For 2018 GSH is ranked in the third group based on the PEG calculation, which is consistent with the prior year.

GSH has continued to focus on controllable costs throughout 2017 - 2019, reviewing many of the key business processes in an effort to optimize those processes and drive efficiencies.

- **Total Cost per Customer**

Total Cost per Customer is calculated as the sum of Greater Sudbury Hydro Inc.'s (GSH) operating costs and an inflated capital cost and dividing this cost figure by the total number of customers that GSH serves. The cost performance result for 2018 is $671 per customer and ranges from $560 to $671 per customer in years 2012 through 2018.

The dollar amount used for GSH's total capital cost in this cost per customer calculation is derived by Pacific Economics Group LLC as part of its Ontario LDC benchmarking exercise. This exercise derived an inflated total capital cost of $17.2 million for GSH in 2018, which does not approximate actual capital spend in the year. Actual capital additions were $10.8 million in 2018. If this calculation used actual capital costs, the cost per customer in 2018 would be $535 or a total reduction of 20% from the scorecard reported cost per customer.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Total Cost per Customer calculation above. The total cost is divided by the kilometers of line that GSH operates to serve its customers. Please see the relevant discussion under "total cost per customer".

If this calculation used actual capital costs, the "cost per KM of line" in 2018 would drop from $31,690 to become $25,260 or a total reduction of 20% from the scorecard reported figure.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

GSH assisted customers with reducing their energy use through Independent Electricity System Operator (IESO) conservation programs. GSH had a target to reduce usage by 34,740,000 KwHs over a six year period starting in 2015. GSH surpassed this target in only 4 years with 114% of the target achieved.

This achievement was made possible by participation of residential customers in our Deal Days program which offered retail discounts for set periods of time on energy efficient items. Residential customers were also able to purchase energy efficient furnaces and air conditioning units at participating retailers that offered point of sale rebates. The other portion of savings came mainly from local commercial, institutional and municipal customers who changed out old equipment and lighting for more energy efficient items earning incentives to do so.

As announced on May 21, 2019 by the Minister of Energy, Northern Development and Mines, the IESO was directed to cancel the conservation programs running through electrical Utilities in the Province and those business programs that remained were to be delivered directly by the IESO. The government is committed to ensuring that Ontario has an affordable and reliable electricity system, while continuing to find efficiencies in the electricity sector. It was felt that it was appropriate to re-evaluate the current conservation programs and to refocus efforts on the most cost-effective initiatives and discontinue programs and delivery models that are less effective in driving cost efficiencies and meeting system needs.

Connection of Renewable Generation

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

Depending on the size of a proposed embedded generation facility, electricity distributors are required to conduct Connection Impact Assessments (CIAs) within as soon as 60 days of the receipt of the application where no distribution system reinforcement or expansion is required.

In 2018, however, GSH was not tasked with completing any CIAs. In the event it is required, GSH outsources the CIA work to an engineering consultant. To further improve the speed of CIA delivery, GSH sets strict guidelines on the information required by the proponent even before we begin the CIA work.

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

In 2018, GSH connected 8 new micro-embedded generation facilities (microFIT or net-metered projects of less than 10kW) 100% of the time within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. Our workflow to connect these projects is very streamlined and transparent with our customers. GSH works closely with its customers and their contractors to tackle any connection issues to ensure a micro-embedded generation facility is connected on time.

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”. Although GSH’s current ratio declined from 1.53 to 1.45 in 2018 it is still liquid and has met the requirement.

- **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.

GSH Inc. elected to have a 70% debt, 30% equity arrangement with the City of Greater Sudbury at the time of incorporation back in the year 2000. This makes the utility more leveraged than the deemed structure. The 2018 Scorecard shows a slight decrease in the total debt to equity ratio for GSH by declining from 1.90 in 2017 to 1.86.

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

Greater Sudbury Hydro'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**

GSH's regulatory return achieved in 2018 was 7.72%, which is within the +/- 3% range allowed by the OEB.

The methodology the OEB uses to calculate the achieved regulatory return on equity changed beginning in 2015. GSH performed a calculation of what previous year ROE results would be under the revised methodology. This calculation indicated an 11.19% achieved ROE in 2014 which would be a reduction in achieved ROE of 2.85%.

If achieved ROE using the new methodology is averaged over a five-year period from 2014 to 2018, GSH is well within the deemed ROE included in its rates.

Note to Readers of 2018 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.