

Scorecard - Welland Hydro-Electric System Corp.

Performance Outcomes	Performance Categories	Measures	2014	2015	2016	2017	2018	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	94.00%	100.00%	100.00%	100.00%	100.00%	↑	90.00%		
		Scheduled Appointments Met On Time	99.70%	98.50%	98.50%	98.64%	94.90%	↓	90.00%		
		Telephone Calls Answered On Time	96.90%	98.50%	98.60%	96.19%	97.29%	↓	65.00%		
	Customer Satisfaction	First Contact Resolution	78%	84	75%	75%	80				
		Billing Accuracy	99.99%	99.99%	99.99%	99.98%	99.99%	→	98.00%		
		Customer Satisfaction Survey Results	88%	90	92%	92%	96				
<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		84.00%	84.00%	83.00%	83.00%				
		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	1	0	↑		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.208	0.208	0.000	↑		0.029
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.76	1.74	0.63	1.83	1.46	↓		0.90	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.25	1.39	0.72	1.56	1.70	↓		1.04	
	Asset Management	Distribution System Plan Implementation Progress	On Track	On Track	Completed	Completed	Completed				
	Cost Control	Efficiency Assessment	2	2	2	2	2				
		Total Cost per Customer <sup>3</sup>	\$483	\$493	\$510	\$497	\$501				
		Total Cost per Km of Line <sup>3</sup>	\$23,278	\$23,293	\$24,268	\$23,937	\$24,354				
<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>		6.78%	21.08%	40.55%	54.00%			25.50 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%		
<b>Financial Performance</b> Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.61	1.50	1.46	1.51	1.53				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.87	0.84	0.82	0.81	0.77				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.93%	8.93%	8.93%	8.78%	8.78%			
			Achieved	9.98%	8.72%	6.63%	8.51%	11.41%			

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

## Scorecard MD&A - General Overview

The 2018 scorecard reflects another very successful year for Welland Hydro (“WHESC”). The results reflect WHESC’s commitment to a locally owned distribution company providing safe reliable power at competitive rates thru prudent planning of distribution system capital expenditures and cost management. WHESC continues to seek ways to meet the needs of its valued customers, employees, and shareholder.

### Service Quality

- **New Residential/Small Business Services Connected on Time**  
In 2018, Welland Hydro-Electric System Corp. (WHESC) connected 100% of eligible new low-voltage and small business customers to the distribution system within the five-day timeline as prescribed by the Ontario Energy Board (OEB).
- **Scheduled Appointments Met On Time**  
A total of 902 appointments were scheduled with customers in 2018 with 95% completed on time – exceeding the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2018, contact centre representatives answered 97% of 12,506 calls within 30 seconds or less, above the OEB mandated 65% target for timely call response. The number of incoming telephone calls continued to decrease during 2018 as customers utilized new alternative initiatives. Live chat, customer service email and online software platforms which assist in move in and move out requests are some of the key initiatives introduced..

## Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution measurements have not been previously defined across the industry. The OEB has instructed all electricity distributors to review and develop measurements in these areas.

First Contact Resolution requires front line staff to be prepared to respond to customer issues to the complete satisfaction of the customer. As part of the Customer Satisfaction Survey (telephone survey), 415 customers were asked about six aspects of their most recent experience with a representative from WHESC. The results showed 80% of responses were either very or fairly satisfied with the most recent telephone or in-person contact experience.

- **Billing Accuracy**

WHESC issued 283,940 invoices during 2018 with a billing accuracy of 99.99% exceeding the OEB Standard of 98%. WHESC continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

WHESC engaged a third party to conduct a Customer Satisfaction Survey in 2018. In the Scorecard WHESC reports the percentage of customers that were very or fairly satisfied. The 2018 results shows 96% were either very or fairly satisfied, which is an increase from the 2016 results of 92%. WHESC is conducting another Customer Satisfaction Survey in 2020 as required by the OEB.

## Safety

### Public Safety

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

WHESC completed its second Public Electric Safety Survey in 2018. The results indicate that a significant number of customers/contractors (83%) have a good knowledge or have received some information pertaining to the six core measurement

questions. WHECS joined a group of LDC's in 2017 to begin the development of a web based public messaging program to increase public awareness in the six core areas. WHESC will continue to promote electrical safety through the elementary school safety program and the electrical safety radio campaign.

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

The metric measuring Ontario Regulation 22/04 (the 'Regulation') assesses an LDC's compliance with the ESA's standard for safety performance based on requirements for the design, construction, and maintenance of Electrical Distribution Systems. WHESC was independently audited and found to be in compliance with the Regulation. The audit consisted of a review of the Declaration of Compliance, Due Diligence inspections, Public Safety Concerns and Compliance Investigations.

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

WHESC has had no serious electrical incidents resulting in death or critical injury over the past five years.

## System Reliability

System Reliability is key component of the OEB's Renewed Regulatory Framework. Distributors are required to measure system reliability indices with a goal towards continuous improvements. The two metrics used to track individual distributor's system reliability performance are Customer Power Outage Duration and Customer Power Outage Frequency. The score card shows the distributor's performance over a five year period. All distributors have a potential exposure to significant year over year volatility experienced due to major weather events. As weather impacts become more prevalent, they will continue to influence year over year volatility.

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

Recovering from power outages as quickly as possible is valued by Customers. System Average Interruption Duration Index (SAIDI) is the formula used to measure the average number of hours that power to a Customer is interrupted. SAIDI is equal to the sum of all Interruption Durations / Average number of Customers served. Starting in 2017 (for the 2016 reporting period), Licensed Electricity Distributors began analyzing power outage occurrences to determine if a particular event is considered a "Major Event". The definition of a Major Event can be found in the Ontario Energy Board document: "Electricity Reporting and Record Keeping Requirements". For the period 2012 to 2015, WHESC re-stated values for SAIDI with consideration of the Major Event criteria. This was necessary in order to establish a baseline of WHESC's average performance over a five-year period, with Major Events removed. The values for SAIDI (indicated as both excluding and including Major Events) for the previous five-year period are as follows:

Year	SAIDI (excluding Major Events)	SAIDI (including Major Events)
2013	0.77	4.86
2014	0.76	1.53
2015	1.74	1.95
2016	0.63	0.63
2017	1.83	1.83
5 Year Average	1.15	2.16
2018	1.46	1.46

In 2018, WHESC did not have an outage occurrence that met both the calculated threshold (using the IEEE Standard 1366 approach) and the definition of a Major Event. The performance index in 2018 of 1.46 included one significant weather event that contributed .45 to the value of SAIDI .

The value for SAIDI of 1.46 for 2018 continues to be below WHESC's internal target of 2.0, which is identified in WHESC Distribution System Plan. Programs such as vegetation control, capital spending, and outage management system initiatives will continue to be evaluated, with implementation aimed at sustainability and continuous improvement.

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

System Average Interruption Frequency Index (SAIFI) is equal to the Total number of Customer Interruptions experienced by all Customers / Average number of Customers served.

The values for SAIFI (indicated as both excluding and including Major Events) for the historical five-year period are as follows:

Year	SAIFI (excluding Major Events)	SAIFI (including Major Events)
2013	0.90	2.34
2014	1.25	1.76
2015	1.39	1.68
2016	0.72	0.72
2017	1.56	1.56
5 Year Rolling Average	1.16	1.61
2018	1.70	1.70

The one significant event noted above contributed .51 to the value of SAIFI. The performance index in 2018 of 1.70 continues to be below WHESC's internal target of 2.0. Indices are reviewed regularly including the 5 year rolling average reported on the scorecard, to identify negative trends in feeder performance. Ratepayer and utility affordability are balanced with distribution system risk.

## Asset Management

### ○ **Distribution System Plan Implementation Progress**

The Distribution System Plan ("DSP") was completed and submitted with WHESC's 2017 Cost of Service application. The DSP outlines WHESC's forecasted capital spending through 2021.

WHESC continues to monitor the progress of its DSP implementation. WHESC updates the plan as required, fundamentally based on inputs from asset condition assessment data, customer satisfaction data and periodic review of distribution system performance.

## Cost Control

### ○ **Efficiency Assessment**

Total Costs for Ontario's distribution companies ("LDCs") are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. LDCs are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. WHESC's 2018 Efficiency Assessment of 20.3% below expected cost, ranks 11<sup>th</sup> best in Ontario and reflects a commitment to finding continuous improvements in all areas.

### ○ **Total Cost per Customer**

Cost per Customer is calculated as the sum of Capital and Operating related costs divided by the Total Customers. Total Cost per Customer was \$501 in 2018. This represents a 0.80% increase over 2017. Since 2014, Total Cost per Customer have increased by 3.7% over a four year period and reflects Welland Hydro's commitment to cost effective service to its customers.

### ○ **Total Cost per Km of Line**

This measure divides Total Costs by the Total km of Line maintained by a distributor. Actual cost per Km of line serviced by WHESC in 2018 increased by 1.7% over 2017 levels.

## Conservation & Demand Management

### ○ **Net Cumulative Energy Savings**

WHESC has achieved 54.0% of its 2015-2020 Energy Savings target according to the April 2019 Participation and Cost Report issued by the IESO. No final Verified Annual CDM results will be issued for 2018 per the IESO as a result of the cancellation of the Conservation First Framework in March of 2019. Welland Hydro has retained its staff member with extensive knowledge of the conservation initiatives. Welland Hydro is committed to assist its customers to implement energy savings programs which result in cost efficiencies from reduced energy consumption.

## Connection of Renewable Generation

### ○ **Renewable Generation Connection Impact Assessments Completed on Time**

WHESC did not receive any requests for Renewable Generation Connection Impact Assessments in 2018.

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

In 2018, WHESC successfully connected 100% (4) of all new micro embedded generation facilities within the prescribed time frame of five business days. Microfit is a Feed in Tariff project of less than 10 kW.

## 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. WHESC has consistently had a current ratio greater than 1. The majority of current assets is related to receivables and unbilled revenues whereas current liabilities are for the most part related to amounts owed to the IESO for power purchased. There was no significant change with this ratio in 2018 (1.53) compared to 2017 (1.51), as WHESC continues to manage its working capital

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

The OEB has set a deemed capital structure of 60% debt and 40% equity for LDC's in Ontario. This deemed structure assumes 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 leveraged than the deemed capital structure. WHESC's 2018 leverage ratio of 0.77 indicates that it is currently operating with less actual debt than deemed debt. WHESC has secured additional debt financing in 2019 to continue to make the capital expenditures contained in the Distribution System Plan to replace aging infrastructure and maintain service reliability.

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

WHESC's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return of 8.78%. 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 by the OEB.

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

WHESC's achieved return in 2018 was 11.41% which is above its deemed rate of return of 8.78% but within +/- 3% allowed by the OEB. The increase reflects stronger than normal growth in total customers and continued emphasis on cost control.

## 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.