Scorecard - Hearst Power Distribution Company Limited

8/31/2022

Performance Outcomes	Performance Categories	Measures		2017	2018	2019	2020	2021	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		100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
		Telephone Calls Answered On Time		87.30%	88.08%	92.14%	94.81%	95.02%		65.00%	
	Customer Satisfaction	First Contact Resolution		99%	99%	99%	100%	99.91%			
		Billing Accuracy		99.96%	99.98%	99.91%	99.98%	99.99%		98.00%	
		Customer Satisfaction Survey Results		96% Good	96% Good	98.2% Good	98.2% Good	97.4% Good			
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		78.00%	78.00%	77.43%	77.43%	79.00%			
		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]		4.33	2.67	2.48	3.25	5.19			2.98
		Average Number of Times that Power to a Customer is Interrupted [2]		1.77	2.09	1.18	1.24	2.18			1.51
	Asset Management	Distribution System Plan Implementation Progress		Established	Established	Established	New DSP	Completed			
	Cost Control	Efficiency Assessment		2	2	2	1	1			
		Total Cost per Customer [3]		$529	$555	$539	$543	$570			
		Total Cost per Km of Line [3]		$16,409	$15,419	$14,999	$14,874	$15,946			
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).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time [4]									
		New Micro-embedded Generation Facilities Connected On Time								90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		2.34	2.38	2.05	1.99	2.39			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.38	0.37	0.28	0.21	0.24			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.19%	9.19%	9.19%	9.19%	8.34%			
			Achieved	8.19%	6.77%	13.91%	7.18%	20.43%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. 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. Value displayed for 2021 reflects data from the first quarter, as the filing requirement was subsequently removed from the Reporting and Record-keeping Requirements (RRR).

Legend:

5-year trend: up, down, flat

Current year: target met, target not met

Annex A - 2021 Scorecard Management Discussion and Analysis ("2021 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 2021 Scorecard MD&A: **http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf**

Scorecard MD&A - General Overview

- In 2021, Hearst Power Distribution Company Ltd. (HPDC) exceeded all performance targets when compared to the industry standards.
- In 2022, the company expects to maintain, or increase where possible, its overall scorecard performance results as compared to prior years. HPDC expects similar, or slightly improved, performance as a result of enhanced system reliability due to the company's major investment in its distribution system plant, as per HPDC's 2021-2025 implemented Distribution System Plan, and continued responsiveness to customer feedback.

Service Quality

- **New Residential/Small Business Services Connected on Time**
  In 2021, HPDC connected all low-voltage residential and small business customers on-time (100%). As usual, HPDC views customer connections as a top priority and continues to exceed the 90% OEB-mandated threshold.

- **Scheduled Appointments Met On Time**
  HPDC scheduled 190 appointments in 2021 which have been 100% completed on-time and as required. HPDC continues to exceed the industry target of 90%. The work requests include, but is not limited to, disconnection, reconnection, electrical line locates, etc.

- **Telephone Calls Answered On Time**
  In 2021, HPDC received 863 calls, of which 821 were answered within 30 seconds. That is an annual 95.13% achievement for HPDC, which is significantly greater than the 65% OEB-mandated target.

Customer Satisfaction

- **First Contact Resolution**

  In 2021, 100% of telephone calls and written inquiries were resolved on first contact with Hearst Power representatives (No follow up required).

- **Billing Accuracy**

  For the period of January 1st, 2021 to December 31st, 2021, HPDC issued 33,332 bills and achieved a billing accuracy of 99.99%. This compares favorably to the prescribed OEB target of 98%. HPDC continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

  The customer survey was developed through a collaborative effort of, Hearst Power Distribution Company Limited Inc., Hydro Hawkesbury Inc., Hydro 2000 Inc., Cooperative Hydro Embrun, Renfrew Hydro and Ottawa River Power Corporation (“the Group”). The Group was assisted by Tandem Energy Services Inc. for developing the survey. The main purpose of the collaborative effort was to minimize the cost of the survey by the sharing of intellect and resources.

  In the year 2021, HPDC conducted its customer satisfaction survey amongst all customer classes, where clients were given a possibility to express their needs and opinions by completing an online, telephone or hard copy survey. Out of approximately 2,700 HPDC residential and small and medium business customers, 439 or 16.3% responded to the survey. The results identified 97.4% overall good or better performance which compares similarly to the previous survey results.

Safety

- **Public Safety**

  - **Component A – Public Awareness of Electrical Safety**
    In 2021, HPDC conducted a Safety Awareness survey amongst all its customers, which resulted in an overall score of 79.00%, which is a slight improvement from the previous 2019 ESA survey (77.43%). The survey was developed by the Electrical Safety Association to monitor the efforts and impact LDCs are having on improving public electrical safety. HPDC also continues to publish educational communiqués, which provide written information to the general public on electrical subjects via newspapers and our website. This program was developed to keep customers educated & informed on electrical safety, and to provide some background on the complex electrical sector.
  - **Component B – Compliance with Ontario Regulation 22/04**
    In 2021, HPDC was audited and noted as being 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.
  - **Component C – Serious Electrical Incident Index**
    Over the past five years, HPDC did not have any serious electrical incident.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**
  In 2021, HPDC's average number of hours of power interruption to a customer was 5.19, an increase of 1.94 over 2020 and an increase of 2.21 over the OEB's distributor specific set target of 2.98. Of this 2021 ratio, 42% is due to planned pole changes that were increased to 50 poles per year in 2021 versus the last 5-year average of 30 poles per year and 38% was due to one single event where a circuit switch, located at the beginning of a circuit, failed on December 16th, 2021, causing 2.6 hours of loss of hydro to over 2,000 customers. HPDC expects a slightly lower numbers for next year as the Distribution General Plant will continue to be refurbished as planned and new circuit switches are being installed to help lower this ratio.
- **Average Number of Times that Power to a Customer is Interrupted**
  In 2021, HPDC's average number of times of power interruption to a customer was 2.18, which is slightly higher compared to last's year 1.24 and slightly higher than the distributor's target of 1.51. HPDC expects a similar but slightly lower outcome for 2022 as planned outages for the refurbishment of our outside plant will continue.

  The implemented Distribution System Plan, the continued asset surveys and the replacement of deteriorated assets continue to contribute in maintaining a satisfactory average.

Asset Management

- **Distribution System Plan Implementation Progress**

  HPDC's Distribution System Plan (DSP) was built in 2020-2021 for the period of 2021 to 2025. The plan, which was included with our OEB EB-2020-0027 rate application, was implemented in 2021 and included a pole replacement program. The pole replacement program was built after a pole survey that identified the pole assets that were in bad condition and in need of replacement. This pole survey showed that 221 poles were in poor or below average condition.

  The main driver for the pole replacement program is the risk of plant failing in service and creating long outages for customers, and added O&M costs for the utility. This is intensified if there are simultaneous failures, and if the failures are the result of weather stressors such as high winds. Also, there are some safety benefits to doing the pole replacement project. First is the reduction of the possibility of poles falling in adverse weather and causing accidents or damage to property. Second is the safety related to the potential loss of power during extreme cold weather and the loss of heat for an extended period of time.

  The 5-year Distribution System Plan was implemented in 2021, and after the first year (2021), 50 poles in poor condition have been replaced.

Cost Control

- **Efficiency Assessment**
  HPDC received an efficiency assessment of 1 for the year 2021. The efficiency rating means that actual costs are >25% below predicted costs. No changes are expected in the year 2021.

- **Total Cost per Customer**
  As shown in the 2021 Scorecard, HPDC's total cost per customer is $570. This number is an increase of 27$ compared to the previous year. The small increase was expected in 2021 due to the approved new Cost of Service rate application and another increase is forecasted for 2022 due to a significant price increase on electricity distribution supplies.

- **Total Cost per Km of Line**
  In 2021, HPDC had an average of 29 customers per Km of line (includes primary and secondary circuits) which reflected a total cost of $15,946 per Km of line (increase of $1,072 compared to 2020). Another increase is forecasted for 2022 due to a significant price surge on electricity distribution supplies.

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 2021, HPDC did not complete any CIA since the transmission line in our area has been constrained and can't accept any new loads since 2012. In 2022, it is anticipated that since one nearby large co-gen generator has lost its generator contract with the IESO and has been classified as "offline", HPDC will be ready to complete CIAs in the next year when necessary.

- **New Micro-embedded Generation Facilities Connected On Time**
  Since the transmission line is constrained in our area, no new micro-embedded generation facilities were connected in 2021. As for 2022, when the grid is no longer constrained, it is anticipated that a few (1 to 5) new net-generating systems may apply and request connection to the distribution grid.

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". 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.

  HPDC's current ratio increased from 1.99 in 2020 to 2.39 in 2020. The increase in the liquidity ratio signifies a good financial performance as a result of the yearly net income and a slight decrease of accounts payable at year end. HPDC's ratio for subsequent years is expected to remain stable near 2.0. Large capital investments are required in the distribution plant and will continue to be implemented as per the 2021-2025 Distribution System Plan.

- **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). HPDC had a debt-to-equity ratio of 0.24 in 2021 which is slightly higher than the 0.21 ratio of previous year, and driven by an increase in Long Term Debt necessary for capital investments. HPDC forecasts similar debt to equity ratio in the future year.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**
  HPDC's distribution rates were approved by the OEB to be effective as of May 1st, 2020 and include an expected (deemed) regulatory return on equity of 8.34% for 2021.

  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**
  HPDC's return on equity achieved in 2020 was 20.43%, which is 12.09% over the expected Return on Equity (ROE) approved by the OEB. The principal drivers for the 2021 ROE over earning include the disposition of a Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") which represents 46% of the over earned amount and the remaining 54% is due to extra government grants, jobbing and investment revenues in 2021 when compared to the approved revenue in the Hearst Power Distribution OEB EB-2020-0027 Cost of Service application.

Note to Readers of 2020 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 judgment on the reporting date of the performance scorecard, and could be markedly different in the future.