**Appendix B – 2014 Scorecard Management Discussion and Analysis (“2014 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 2014 Scorecard MD&A:

[**http://www.ontarioenergyboard.ca/OEB/\_Documents/scorecard/Scorecard\_Performance\_Measure\_Descriptions.pdf**](http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf)

**Scorecard MD&A - General Overview**

In 2014, the Distributor XYZ exceeded all performance targets with the exception of the two measures of system reliability. Bad weather and increasing failure rates for aging distribution assets resulted in continued reliability challenges. A concerted effort was to reverse the decline in reliability and 2014 was a record year for distribution system investments. Like most utilities in Ontario, Distributor XYZ must replace aging infrastructure at an accelerated pace. In addition, vegetation control including tree trimming activities were increased in the year to reduce the vulnerability of the distribution system to bad weather events.

Also of note is a significant improvement in customer satisfaction in 2014. This is a result of soliciting and responding to customer feedback. In particular, new online self-service tools were introduced in the year. To further address going customer demands for information, in the latter part of 2014, Distributor XYZ replaced its legacy billing and customer information system with a modern Enterprise Resource Planning (ERP) system. While the new ERP system is expected to take 18-months to fully implement, Distributor XYZ expects that, once it is operational, the richness of data in the new system will provide its customers with a broad array of useful, real-time, and interactive information that will permit them to better monitor and control their electricity consumption.

In 2015, the company expects to improve its overall scorecard performance results as compared to prior years. The performance improvements are expected as a result enhanced system reliability due to the company’s major investment in its distribution system reliability and continued responsiveness to customer feedback.

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| **Service Quality** |

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

In 2014, Distributor XYZ connected 98% of approximately 320 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 an 8% improvement from the previous year and above the OEB-mandated threshold of 90%. The improvement over the prior year was primarily the result of a newly implemented work order scheduling and tracking system. In addition, where possible, Distributor XYZ also coordinates connection activities with other planned construction activities undertaken by the utility, other utilities or municipal and provincial government agencies. Distributor XYZ is currently working with local municipalities, to further enhance the coordination between municipal and electrical distribution construction activities.

* **Scheduled Appointments Met On Time**

Distributor XYZ scheduled almost 1,500 appointments with its customers in 2014 to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. Consistent with the prior year, the utility met 99% of these appointments on time, which significantly exceeds the industry target of 90%.

* **Telephone Calls Answered On Time**

In 2014 Distributor XYZ customer contact centre agents received over 104,000 calls from its customers – over 400 calls per working day. An agent answered a call in 30 seconds or less in 75% of these calls. This result significantly exceeds the OEB-mandated 65% target for timely call response. Year over year, the 2014 result amounts to a 5% improvement over 2013, driven primarily by a reduction in the number of calls. Call volumes decreases are attributed to successfully promoting online self-serve features, internal process improvements, and increased customer preference to contact Distributor XYZ via email.

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| **Customer Satisfaction** |

* **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The Ontario Energy Board (OEB) has instructed all electricity distributors to review and develop measurements in these areas and begin tracking by July 1, 2014 so that information can be reported in 2015. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

For Distributor XYZ, First Contact Resolution was measured based on live agent transactional phone surveys conducted by a third party service provider.  For the period July 1, 2014 to December 31, 2014, Distributor XYZ provided the third party service provider with a twice weekly report of all inbound customer telephone calls into Distributor XYZ Customer Service.

Third party telephone agents, in turn, contacted and surveyed customers - typically within 48 hours 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 Distributor XYZ.  Of the 153 customers surveyed from July 1, 2014 to December 31, 2014, 116 customers indicated that their issue was resolved on the first call to Distributor XYZ.  This equates to the reported First Contact Resolution figure of 76%. Distributor XYZ endeavours to use the customer survey results to identify customer service improvements which will increase first contact resolution in the future.

* **Billing Accuracy**

Until July 2014 a specific measurement of billing accuracy had not been previously defined across the industry. After consultation with some electricity distributors, the Ontario Energy Board (OEB) has prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014.

For the period from October 1, 2014 – December 31, 2014 Distributor XYZ issued more than 10,000 bills and achieved a billing accuracy of 99.8%. This compares favourably to the prescribed OEB target of 98%.

Distributor XYZ continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

* **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time the Ontario Energy Board is allowing electricity distributors discretion as to how they implement this measure.

Over the past three years, Distributor XYZ has engaged a third party to conduct customer satisfaction surveys. These customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within Distributor XYZ. The survey asks customers questions on a wide range of topics, including: overall satisfaction with Distributor XYZ, reliability, customer service, outages, billing and corporate image. In addition, Distributor XYZ provides input to this 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 Distributor XYZ’s planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these customer satisfaction surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps identify the most effective means of communication. Distributor XYZ’s 2014 Customer Satisfaction Results contain a number of measures of customer satisfaction. In its 2014 Scorecard Distributor XYZ reported the number of customers that were very or fairly satisfied with Distributor XYZ. Distributor XYZ received a score of 95% in 2014 on this measure as compared to a score of 90% for 2013. Customer feedback indicates that the improvement in customer satisfaction result is due in part to our improved website and online self-service tools. Distributor XYZ will continue to use the survey results to identify additional improvement opportunities.

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| **Safety** |

* **Public Safety**

The Ontario Energy Board (OEB) introduced the Safety measure in 2015. This measure looks at safety from a customers’ point of view as safety of the distribution system is a high priority. The Safety measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

*Component A – Public Awareness of Electrical Safety*

This year, Distributor XYZ launched the new public awareness survey among a representative sample of its territory population. The survey gauges awareness levels of key electrical safety concepts related to distribution assets and is based on a template survey provided by the Electrical Safety Authority (ESA.) The survey provides a benchmark of levels of awareness including identifying gaps where additional education and awareness efforts may be required.  In the past year, Distributor XYZ undertook major safety awareness efforts, which included both workers and members of the public. **Note, this component of the public safety measure will not have performance data for the 2014 scorecard because the survey result is not available. The year 2016 will be the first year that the data for this component of measure will be shown on the scorecard for the 2015 results.**

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

Over the past three years, Distributor XYZ 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*

Distributor XYZ reported one (1) fatality due to contact with its infrastructure. In March 2014, a student was using a lawn mower to cut the grass around his parent’s house. When he moved a ladder it came in contact with a powerline, and the student was electrocuted. In addition, there were three (3) other serious incidents that occurred on its infrastructure. This results in a total of four (4) incidents with a rate of 1.32 incidents per 1,000 km of line for 2014. This is a 50% reduction in the number and rate compared to last year eight (8) and 2.64 per 1,000 km of line. The reduction can be associated with several actions taken by Distributor XYZ. A detailed analysis of data helped to identify the locations and type of equipment most commonly associated with these incidents. Next, efforts were made to modify access to the equipment by erecting additional barriers and other engineering methods.

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| **System Reliability** |

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

Distributor XYZ experienced a significant increase in the average number of hours that power to a customer was interrupted during 2014 as a result of two significant weather events; a severe wind storm in July and a severe ice storm in December. The July wind storm affected approximately 5,000 customers and the December ice storm affected approximately 50,000 of Distributor XYZ’s customers. If these severe weather events are not considered, Distributor XYZ’s average number of hours that power to a customer was interrupted would be 1.6. With the 2014 severe weather events excluded, Distributor XYZ’s system reliability has been trending in an improved manner, when analyzed over the past five year period. The severe storm events described above has provided Distributor XYZ with an opportunity to review its practices with regards to a number of systems and to make improvements that will have a positive effect on reliability. For example, Distributor XYZ’s construction standards are being reviewed to improve resiliency to severe weather, back-up power supplies are being enhanced to improve remote operating time for automated distribution system components, enhanced tree trimming practices are being enacted and investments in distribution system automation technology that will provide Distributor XYZ an improved level of situational awareness during large scale power outages is occurring.

Distributor XYZ continues to view reliability of electricity service as a high priority for its customers and as such developed a program several years ago for the continuous improvement of reliability. The program includes a constant review of reliability within the 24/7 control center and an immediate response plan for any areas of the distribution system experiencing a degradation in reliability. This, combined with the Distributor XYZ’s senior management team’s commitment to review the worst performing feeders on a quarterly basis for the opportunity 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**

Distributor XYZ’s Average Number of Times that Power to a Customer is Interrupted (i.e., frequency) of 1.4 was above the target range of 0.7 – 1.3. The frequency of outages has gradually increased in recent years. The failure of aging infrastructure is causing a high volume of service interruptions. Distributor XYZ is taking action to address its declining trend in system reliability. It has conducted a detailed review of its distribution assets and prepared a comprehensive plan, which provides for the renewal of its distribution system over the next twenty years. Distributor XYZ 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; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance ratepayer and utility affordability.

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| **Asset Management** |

* **Distribution System Plan Implementation Progress**

For Distributors with a completed Distribution System Plan

Distribution system plan implementation progress is a new performance measure instituted by the OEB starting in 2013. Consistent with other new measures, utilities were given an opportunity to define it in the manner that best fits their organization. The Distribution System Plan (“DSP”) outlines Distributor XYZ’s forecasted capital expenditures, over the next five (5) years, required to maintain and expand the distributor’s electricity system to serve its current and future customers. The “Distribution System Plan Implementation Progress” measure is intended to assess Distributor XYZ’s effectiveness at planning and implementing the DSP. Distributor XYZ measures the progress of its DSP implementation 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 DSP. The 2014 measure indicates that Distributor XYZ exceeded its planned project spending by 5%, due to unplanned asset failure, aging infrastructure, and extreme weather events.

For Distributors in the process of completing their Distribution System Plan

Distributor XYZ plans to file an application with the OEB for a full review of its rates effective May 1, 2016.   Accordingly, as of April 2015, Distributor XYZ is now in the process of finalizing its Distribution System Plan (“DSP”).

Distributor XYZ has reported 80% completion of the DSP at December 31, 2014 herein with the understanding that the measure refers to the percentage represented on a project management progress view of the drafting of the DSP document itself, and does not reflect implementation.

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| **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. In 2014, for the second year in a row, Distributor XYZ 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, XYZ’s costs are within the average cost range for distributors in the Province of Ontario. In 2014, 45% (33 distributors) of the Ontario distributors were ranked as “average efficiency”; 29% were ranked as “more efficient”; 26% were ranked as “least efficient. Although Distributor XYZ ‘s forward looking goal is to advance to the “more efficient” group, management’s expectation is that efficiency performance will not decline.

* **Total Cost per Customer**

Total cost per customer is calculated as the sum of Distributor XYZ’s capital and operating costs and dividing this cost figure by the total number of customers that XYZ serves. The cost performance result for 2014 is $500 /customer which is a 1.2% increase over 2013.

Distributor XYZ’s Total Cost per Customer has increased on average by 1.8% per annum over the period 2010 through 2014. Similar to most distributors in the province, Distributor XYZ has experienced increases in its total costs required to deliver quality and reliable services to customers. Province wide programs such as Time of Use pricing, growth in wage and benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. Distributor XYZ 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 2015 rate application, Distributor XYZ will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on Distributor XYZ’s capital spending plans.

* **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 Distributor XYZ operates to serve its customers. Distributor XYZ's 2014 rate is $33,000 per Km of line, a 2% increase over 2013. Distributor XYZ experienced a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Such a low growth rate has reduced Distributor XYZ’s ability to fund capital renewal and increased operating costs through customer growth. As a result, cost per Km of line has increased year over year with the increase in capital and operating costs. See above cost per customer section for cost drivers commentary. Distributor XYZ continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

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| **Conservation & Demand Management** |

* **Net Annual Peak Demand Savings (Percent of target achieved)**

Distributor XYZ successfully met its Net Annual Peak Demand Savings target as at the end of 2014. This was achieved by fully leveraging the entire suite of Ontario Power Authority (“OPA”) province-wide demand management programs and placing increased emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers. A new full time energy manager was retained to identify and pursue opportunities within these sectors.

* **Net Cumulative Energy Savings (Percent of target achieved)**

Distributor XYZ is pleased to have achieved its four-year net cumulative energy savings target by the end of 2014. Our successful achievement was made possible by the strong and early participation by local commercial customers in our retrofit and energy efficient lighting programs.

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| **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 2014, Distributor XYZ completed one CIA and it was done within the prescribed time limit. In 2013, Distributor XYZ completed five CIAs in which four were completed within the prescribed time limit. Distributor XYZ outsources the CIA work to an engineering consultant. Historically, the reason for any delays is mainly due to the consultant's workload and unexpected delays associated with getting more information from the customer. In the past year, Distributor XYZ has developed and implemented certain measures to ensure that the CIAs are done within 50 days instead of 60 days and also setting strict guidelines on the information required by the customer even before we begin the CIA work.

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

In 2014, Distributor XYZ connected 103 new micro-embedded generation facilities (microFIT projects of less than 10 kW) 95% of 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. Distributor XYZ works closely with its customers and their contractors to tackle any connection issues to ensure the project is connected on time.

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| **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.

Distributor XYZ’s current ratio decreased from 2.84 in 2013 to 1.42 in 2014. This is not indicative of a decline in financial performance but rather the result of a reclassification for reporting purposes. Distributor XYZ’s current ratio in subsequent years is expected to be in line with 2014 results as opposed to 2010 to 2013 levels.

* **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. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring. Distributor XYZ continues to maintain a debt to equity structure that closely approximates the deemed 60% to 40% capital mix as set out by the OEB – this is demonstrated by the 2014 debt to equity ratio of 1.47. Distributor XYZ’s strong financial position is further supported by the recent Standard & Poor’s Rating Services rating of "A”.

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

Distributor XYZ's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.0%. 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**

Distributor XYZ s’ return achieved in 2014 was 10%, which is well within the +/-3% range allowed by the OEB. The average return over the past 3 years was 10.5% which is also well within return included in Distributor XYZ’s approved rates. Distributor XYZ achieved returns higher than the deemed rate in 2013 and 2014 mainly due to higher revenue than forecast, as a result of increased energy consumption; and lower operating costs. Distributor XYZ has mitigated the overall real growth in its operating cost base with productivity savings arising from related process improvement initiatives.

**Note to Readers of 2014 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.