

# Scorecard - Haldimand County Hydro Inc.

9/29/2016

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	Trend	Target	
									Industry	Distributor
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	97.00%	99.00%	93.20%	96.20%	97.10%		90.00%	
		Scheduled Appointments Met On Time	98.90%	99.70%	100.00%	100.00%	99.80%		90.00%	
		Telephone Calls Answered On Time	83.40%	85.50%	81.10%	82.40%	83.80%		65.00%	
	<b>Customer Satisfaction</b>	First Contact Resolution				99% Resolved	99%			
		Billing Accuracy				99.96%	99.63%		98.00%	
		Customer Satisfaction Survey Results				99% Satisfied	97%			
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public Awareness					82.00%			
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	NI	C	C	C	C			C
		Serious Electrical Incident Index	Number of General Public Incidents	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
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	8.34	2.22	9.69	5.24	2.70			5.65
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	3.30	1.17	2.57	2.62	1.52			2.17
	<b>Asset Management</b>	Distribution System Plan Implementation Progress				On target	On Target			
	<b>Cost Control</b>	Efficiency Assessment		2	2	2	2			
		Total Cost per Customer <sup>3</sup>	\$665	\$696	\$681	\$711	\$754			
		Total Cost per Km of Line <sup>3</sup>	\$8,078	\$8,434	\$8,310	\$8,762	\$9,320			
<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).	<b>Conservation &amp; Demand Management</b>	Net Cumulative Energy Savings <sup>4</sup>					42.03%		19.85 GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time	0.00%	11.11%	100.00%	100.00%	100.00%			
		New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	100.00%		90.00%	
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.79	1.78	1.66	1.32	2.94			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.35	0.42	0.36	0.41	0.39			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.85%	9.85%	9.36%	9.36%		
			Achieved	10.39%	7.60%	12.90%	13.74%	7.50%		

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 fixed 5-year (2010 to 2014) average 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. This measure is under review and subject to change in the future.

**Legend:**

5-year trend

up down flat

Current year

target met target not met

## 2015 Scorecard Management Discussion and Analysis (“2015 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 2015 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

During 2015, Haldimand County Hydro Inc. (“Haldimand”) exceeded all targets; that is, with the exception of one of the system reliability measures, the “Average Number of Times that Power to a Customer is Interrupted”. The scorecard actually reflects reliability improving, with customer interruptions decreasing to 1.52 in 2015 from 2.62 in 2014. Commencing with the 2015 reporting, the performance target for customer interruptions is based on a 5-year historical average as compared to an actual 5-year rolling average as outlined in the Ontario Energy Board (“OEB”) report issued August 25, 2015 titled “*Electricity Distribution System Reliability Measures and Expectations*”. Haldimand’s five-year historic (2010 to 2014) average is 2.17 as compared to its 5-year rolling (2011 to 2015) average of 2.23.

Haldimand was purchased by Hydro One Inc. with the sale closing on June 30, 2015. Haldimand will be fully integrated with Hydro One’s distribution company Hydro One Networks Inc. on September 1, 2016.

### Service Quality

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

During 2015 Haldimand processed 138 new connection requests for residential and small business customers with service less than 750 volts. 97.10% of these requests were completed within five business days, exceeding the industry target of 90% for the fifth consecutive year.

- **Scheduled Appointments Met On Time**

Haldimand scheduled 5,564 appointments during 2015. Not all of Haldimand’s appointments require the presence of a customer, or a customer’s representative, but they are still required to be met on time. Those not requiring the customer presence are to be met on the scheduled date. Those requiring the customer presence are to be scheduled and met within a four hour window for the appointment and Haldimand achieved a 99.80% success rate in meeting those requirements. Haldimand has exceeded the industry target of 90% for the

fifth consecutive year and maintained an average success rate of 99.70% over the past five years (2011 to 2015).

- **Telephone Calls Answered On Time**

During 2015 Haldimand received 26,429 qualified incoming telephone calls and answered 22,152 of these calls within 30 seconds or 83.80% of the time. Haldimand is well above the industry standard of 65% and has maintained a level above 80% for the past five consecutive years. Qualified incoming call are those received during regular business hours of a distributor's call centre and are considered answered when the customer reaches a customer service representative either directly or has been transferred to a customer care line, or where the customer has selected the option to speak to a customer service representative via our automated Interactive Voice Response system.

## Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution reports the success of the distributor at satisfactorily addressing customers' complaints. Haldimand measures First Contact Resolution based on responses to total customer inquiries by email, mail, and telephone that require further resolution by a Customer Service Representative, the Customer Service Supervisor, or the Consumer Services Manager. During 2015 Haldimand handled 28,492 total customer contacts of which 90 were escalated to a Supervisor and/or Manager resulting in less than 1% total customer inquiries taken to a second step to achieve full resolution.

- **Billing Accuracy**

The Billing Accuracy measure was introduced effective October 1, 2014 to track the number of accurate bills issued as a percentage of total bills issued in the year. An accurate bill is a bill that contains correct meter readings, customer information and rates resulting in an accurately calculated bill. Haldimand issued a total of 257,957 bills in 2015 of which 950 were inaccurate bills. Haldimand's Bill Accuracy measure for 2015 calculates to 99.63% which exceeds the industry standard of 98% on an annual basis.

- **Customer Satisfaction Survey Results**

Customer satisfaction results for the 2015 year were 97%, 2 percentage points below our 2014 results of 99%. The measure records customer satisfaction with Haldimand's provision of service and what they as a customer consider most important, accumulated by utilizing a customer survey. Customers were notified of the online survey through bill inserts and Haldimand's website. A total of 755 customers responded which represents 3.5% of our customer base.

## Safety

- **Public Safety**

In April 2015, the Electrical Safety Authority (“ESA”) made recommendations to the OEB for a scorecard public safety measure that includes three main components: 1) Public Awareness of Electrical Safety, 2) Compliance with Ontario Regulation 22/04, and 3) the Serious Electrical Incident Index. The OEB accepted the ESA’s recommendations and has instructed distributors to include all three components on this year’s scorecard reporting.

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

This component measures the level of public awareness, of residents within Haldimand’s service territory, of electrical safety information and precautions related to its distribution network assets. Hydro One engaged a third party company, Innovative Research Group, on Haldimand’s behalf, to conduct a telephone survey of a sample of our service territory’s population.

400 randomly-selected residents, 18 years or older, currently residing in Haldimand County were surveyed either by cell phone or landline phone between March 7 and March 10, 2016. The sample was weighted by age, gender and region using the 2011 Statistics Canada Census data to reflect the actual demographic composition of the adult population residing in Haldimand County. Haldimand achieved an overall score of 82%.

The performance target for this measure will be established once three years of data (2015 to 2017) is collected from electricity distributors. The target will be reported and shown on the scorecard for the 2018 performance data.

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

This component measures the level of Haldimand’s compliance with Ontario Regulation 22/04 “Electrical Distribution Safety”. An audit of compliance is performed by the ESA each year which is used to determine compliance to Component B. Compliance is measured by the evaluation of the annual audit and declaration of compliance and evaluation of due diligence inspections and reports of public safety concerns.

The performance target for level of compliance is for the distributor to be fully compliant with Ontario Regulation 22/04. For the 2015 year, the ESA has confirmed that Haldimand is fully compliant with the electrical safety regulation.

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

This measures the number of general public serious electrical incidents involving Haldimand owned assets as defined in Ontario Regulation 22/04. This measure looks at the number of serious electrical incidents and the rate of serious electrical incidents occurring on Haldimand’s assets per 1,000 km of distribution line.

In 2015 Haldimand had zero safety incidents and a serious safety incident index of 0.000 based on 1,731 km of distribution line in Haldimand's service territory. The performance target for this measure is to be set based on Haldimand's specific performance target using our historical data and prior performance.

## System Reliability

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

The metric represents the duration of interruptions or customer minutes lost, as the ratio of the total customer hours of interruption to the total number of customers served, expressed as the average time in hours over the reporting period. The measure captures all planned and unplanned interruptions of one minute or longer, including events caused by *force majeure* and excluding outages caused by the upstream loss of electrical supply.

During 2015 Haldimand's average distribution system interruption was 2.70 hours, an improvement from 5.24 hours during 2014. The OEB's performance target is based on Haldimand's 5-year historical (2010 to 2014) average of 5.65 hours compared to its 5-year rolling (2011 to 2015) average of 5.64. The improvement from 2014 to 2015 was mainly attributed to a significant reduction in adverse weather events and the investment into the distribution system as detailed on the Distribution System Plan.

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

The metric represents the number of customer interruptions, as the ratio of the total customer interruptions to the total number of customers served, expressed as the average number of outages over the reporting period. The measure captures all planned and unplanned interruptions of one minute or longer, including events caused by *force majeure* and excluding outages caused by the upstream loss of electrical supply.

During 2015 Haldimand's average distribution system interruption was 1.52 outages, an improvement from 2.62 outages during 2014. The OEB's performance target is based on Haldimand's 5-year historical (2010 to 2014) average of 2.17 outages compared to its 5-year rolling (2011 to 2015) average of 2.23 outages which actually identifies Haldimand as not meeting its target. 2011 was a high year for Haldimand with average number of outages of 3.30 which is causing Haldimand to not meet the OEB performance target. This is a result of a significant adverse weather event which struck Haldimand in 2011 and the effects are still being seen in the 5-year historical average and 2010 was a low year for outage frequency and was dropped from the rolling average which had previously balanced out the 2011 result in the average.

## Asset Management

- **Distribution System Plan Implementation Progress**

Distribution System Plan (“DSP”) implementation progress is a performance measure introduced by the OEB effective in 2013 with first year reporting in 2014. The OEB is in the process of developing a quantifiable measure relating to the efficiency of the distributor’s asset management and have not set a uniform measure but instead asking that each distributor define its own measure that best fits their organization.

Haldimand’s DSP outlines forecasted capital expenditures, over the five years from 2014 through 2018, required to maintain and expand the company’s electricity system to serve current and future customers. Progress is measured as the ratio of actual capital expenditures made in a calendar year to the total amount of planned capital expenditures for the same year. For the 2015 year Haldimand achieved its Capital plan objectives.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario electricity distributors are evaluated by an independent party, the Pacific Economics Group LLC (“PEG”), on behalf of the OEB to produce a single efficiency ranking. The study attempts to segment electricity distributors into five groups based on a benchmarking evaluation of cost efficiency as measured by the difference between actual costs and PEG’s prediction of costs. Group 1 distributors are considered most efficient, with actual costs 25% or more below predicted costs and Group 5 distributors are considered least efficient, with actual costs 25% or more above predicted costs.

During 2015, and for the fourth year in a row, Haldimand has ranked in Group 2 with actual costs 22.9% below the PEG calculated predicted costs (based on three year average from 2012 to 2015). Group 2 includes distributors that have actual costs between 10 to 25% below predicted costs.

- **Total Cost per Customer**

The total cost per customer is defined as the total of Haldimand’s capital and operating costs divided by the total number of customers that Haldimand serves. For 2015 Haldimand’s total cost per customer was \$754 which represents a 6% increase from \$711 in 2014 and a 10% increase from an average cost per customer over the past four years (2011 to 2014) of \$688.

This increase in 2015 is a result of an increase in Capital spending on voltage conversion projects, pole replacements and a new breaker position at Dunnville TS. The increased Capital spending was required to improve reliability, power quality and efficiency of the distribution system.

- **Total Cost per Km of Line**

The total cost per Km of line is defined as the total of Haldimand's capital and operating costs divided by the total number of kilometres of line in Haldimand's service territory operated to serve customers. For 2015 Haldimand's total cost per km of line was \$9,320 which also represents a 6% increase from \$8,762 in 2014 and an 11% increase from the average cost per km of line over the past four years (2011 to 2014) of \$8,396.

This increase in 2015 is a result of an increase in Capital spending on voltage conversion projects, pole replacements and a new breaker position at Dunnville TS. The increased Capital spending was required to improve reliability, power quality and efficiency of the distribution system.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

Haldimand achieved 8.36 Gigawatt hours or 42.03% of its mandated target of 19.85 GWh set for the years 2015- 2020. Haldimand's success was based largely on the enabled savings achieved from a Behind-The-Meter project by a Greenhouse provider.

## Connection of Renewable Generation

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

For 2015 Haldimand completed one Connection Impact Assessment ("CIA") for a small generation project. This is the third year in a row where Haldimand has achieved a 100% on-time completion rate (completing the CIA within the prescribed timeframe). A CIA is used to assess the impact of the new connection on the distribution system and is applicable to facilities that are greater than 10 kW.

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

The metric measures the company's success in connecting micro-embedded generation facilities (less than 10 kW) within the prescribed timeframe of 5 business days. During 2015 Haldimand connected 6 new micro-embedded generation facilities within the prescribed timeframe and achieved a 100% success rate for the third consecutive year.

## Financial Ratios

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

Haldimand measures the current ratio as the ratio of its current assets to its current liabilities. Current assets are defined as cash or

other assets to be converted to cash within the year and which can be used to fund daily operations and pay ongoing expenses. Current liabilities are defined as short term debts or financial obligations that become due within the year.

For 2015 Haldimand's current ratio was 2.94, which is significantly higher than the preceding four years. This result indicates that for every one dollar of debt due within the year, Haldimand has \$2.94 in cash or cash equivalent to cover its obligations.

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

The debt-to-equity ratio is a measure of the company's financial leverage and serves to identify the ability to finance assets and fulfill obligations to creditors, while remaining within the OEB-mandated 60% to 40% debt-to-equity structure (a ratio of 1.5).

For 2015 Haldimand's debt-to-equity ratio was 0.39 representing a 0.02 point decrease from 2014 and 1.11 points lower than the OEB target. Haldimand's 2015 debt-to-equity ratio is consistent with its 0.39 average from the past four years.

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

Haldimand's current distribution rates were approved by the OEB in 2014 and include an expected (deemed) regulatory return on equity of 9.36%. Prior to 2014, Haldimand's approved deemed regulatory return on equity was 9.85%. The OEB allows distributors to earn within +/- 3% of the expected return on equity. If a distributor performs outside of this range, the actual performance may trigger a regulatory review of its revenue and cost structure by the OEB.

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

Haldimand achieved a regulatory return on equity of 7.50% in 2015 – as compared to 13.74% in 2014 – which is still within the OEB's anticipated range of +/- 3% of its deemed return of 9.36%. The average return over the past 4 years was 11.16%.

The reduction in return in 2015 was largely attributable to decreased revenue and increased expenses on account of the acquisition by Hydro One. Revenue decreased as a result of the implementation of the 1% rate rider reduction to distribution rates effective July 1, 2015. As part of its MAADs application, Hydro One froze rates in Haldimand's service territory and applied for a 1% rate reduction which became effective after the sale closed on June 30, 2015. Expenses increased as a result of accelerated bad debt write-offs and early payment penalties on long-term debt repayments.

## Note to Readers of 2015 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.