

Scorecard - Woodstock Hydro Services Inc.

9/22/2016

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	100.00%	100.00%	99.60%	100.00%	100.00%		90.00%		
		Scheduled Appointments Met On Time	99.70%	99.70%	100.00%	99.80%	100.00%		90.00%		
		Telephone Calls Answered On Time	82.10%	81.10%	79.90%	78.70%	71.70%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution				99.5%	99.51%				
		Billing Accuracy				99.94%	99.93%		98.00%		
		Customer Satisfaction Survey Results				94.2%	96.4%				
<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							83.00%		
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	NI	C	NI	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	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.39	0.55	1.26	0.80	0.43			0.66	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.94	0.88	1.54	0.92	0.80			0.99	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress									
	<b>Cost Control</b>	Efficiency Assessment		5	5	5	4				
		Total Cost per Customer <sup>3</sup>	\$759	\$727	\$723	\$732	\$731				
Total Cost per Km of Line <sup>3</sup>		\$46,269	\$44,326	\$47,394	\$46,270	\$45,780					
<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>							18.77%	22.97 GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time	100.00%		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)	1.95	2.10	2.15	1.97	2.65				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.71	1.40	1.18	1.14	1.90				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.58%	9.58%			
			Achieved	8.35%	11.84%	13.28%	11.83%	9.12%			

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

## Appendix A – 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, Woodstock County Hydro Inc. (“Woodstock”) exceeded all industry and distributor targets.

Woodstock was purchased by Hydro One Inc. with the sale closing on October 30, 2015. Woodstock 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**

In 2015, WHSI continued to exceed the 90% industry target and connected 100% of 247 low voltage residential and small business customers within the five-day timeline prescribed by the Ontario Energy Board (OEB). This group of customers utilizes connections that are under 750 volts. The 2015 results mirror our achievement in 2014 of 100% where 208 customers were connected within the five-day timeline.

- **Scheduled Appointments Met On Time**

In 2015, WHSI completed 100% of 578 scheduled appointments on time. This improves upon our 2014 results whereby 596 of 597, or 99.8% of scheduled appointments were met on time. Both 2014 and 2015 remain well above the industry target of 90.

- **Telephone Calls Answered On Time**

Of the 20,758 telephone calls received in 2015, WHSI answered 14,884 or 71.7% within 30 seconds or less. This is slightly lower than the 2014 results whereby 16,286 of 20,694 calls or 78.7% were answered in 30 seconds or less. The decline may be attributable to a slim increase in average call duration and/or a slight increase in call volume (2015: 20,758 calls vs. 2014: 20,694 calls). These results may also be an indicator of increased complexity of customer calls and additional time required to assist customers with both hydro and water related enquiries. Both 2014 and 2015 results remain above the OEB prescribed target of 65%.

## Customer Satisfaction

### • First Contact Resolution

WHSI measures First Contact Resolution as the percentage of customer inquiries and complaints that were resolved by the first WHSI representative that a customer is in contact with. WHSI tracks all customer calls and interactions made by telephone, electronic correspondence, or in person, in its Customer Information System (“CIS”). These interactions are logged as a Call Type under various Call Groupings. Call Groupings include “Customer Moves”, “Collections”, “Inquiries”, and “Complaints”. Some examples of inquiries include questions surrounding the customer’s hydro bill, rates, deposits, meter reads, and retailers. Some examples of complaints include hydro bills, rates, WHSI staff and third party contractor conduct, outages, and retailers. In WHSI’s experience, Inquiries and Complaints have the potential to result in customer dissatisfaction, and require escalation to a supervisor or manager. When this occurs, an Escalated Customer Complaint is recorded in our CIS. In 2015, WHSI logged 6,065 (2014 - 6,641) electricity related Inquiries and Complaints, whereby 99.51% (2014 – 99.50%) or 6,035 (2014 - 6,607) calls achieved first contact resolution and 30 (2014 – 34) calls were escalated.

The results of WHSI’s 2015 customer satisfaction survey showed that 96.4% of customers were satisfied to completely satisfied with WHSI overall, which is 2.2% higher than the 2014 customer satisfaction survey result of 94.2%.

### • Billing Accuracy

Until July 2015 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, 2015.

For the period from October 1, 2015 – December 31, 2015 WHSI issued more than 51,000 bills and achieved a billing accuracy rate of 99.93% which exceeds the prescribed OEB target of 98%.

### • Customer Satisfaction Survey Results

The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure in 2014. 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 distributor’s discretion as to how they implement this measure.

In 2015, WHSI conducted an online Customer Satisfaction Survey with a response rate of 4.47% of our hydro customers. The survey consisted of questions separated into the following categories: Conservation, Communications, Power Quality and Reliability, Customer Service Experience, Commitment to Electrical Safety, Billing and Payment. The Survey also included a general “comment” area where customers could provide additional comments.

Overall, 96.4% of survey respondents were “Satisfied” to “Very Satisfied” with the services provided by WHSI.

## Safety

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

Public Awareness Survey:

In 2014, the Ontario Energy Board asked the Electrical Safety Authority (ESA) to recommend an electrical safety measure for the LDC scorecard. The purpose was to monitor the effort and impact LDCs are having on improving public electrical safety within the electricity distributor's service territory. From this, a survey was developed by the ESA for which LDCs were instructed to conduct in their service areas with a minimum sample size of 400 participants. WHSI had an overall score of 83% on the Public Safety Awareness Index. Key findings of the survey include:

**Likelihood to call before you dig:** Over half of respondents (53%) would definitely call before digging.

**Impact of touching a power line:** Almost all respondents (93%) think touching a power line is very dangerous.

**Proximity to overhead power line:** 1-in-5 (20%) believe they should maintain a distance of 3 to 6 metres.

**Danger of tampering with electrical equipment:** More than 9-in-10 (92%) believe tampering with equipment is "very dangerous".

**Proximity to downed power line:** A majority (76%) believe they should maintain a distance of 10 metres or more.

**Actions taken in vehicle in contact with wires:** Almost all (93%) believe they should stay in the vehicle until power has been disconnected from the line.

WHSI is committed to safety and our public's awareness of electrical safety through various initiatives including our customer service inspection program.

Customer Service Inspection Program:

Before Smart meters arrived, meters were read manually by technicians in the field. Not only did our meter readers recover customer consumption information, they often served an ad-hoc secondary role of inspector. Meter readers would observe equipment and report back to the office with any exceptions or safety concerns. The smart metering network eliminated these monthly visits and the opportunity to visually inspect equipment on a regular basis.

Recognizing this loss and accepting the fact the risk of public or worker safety hazards could increase, WHSI adopted a new asset management inspection program known as the Customer Service Inspection. Working closely with the Electrical Safety Authority we created a series of forms along with root cause examples that are used to track and report identified field hazards.

Utilizing primarily our metering staff, inspectors are required to observe customer and utility equipment and report the hazard to both our office and ultimately the customer. Customers are provided with a description and when possible, picture of the concern and given a 60 day period to complete the repair. If the customer disagrees, or refuses to eliminate the hazard, the issue is turned over the Electrical Safety Authority who will then work directly with the customer to resolve the concern.

The vast majority of our customers responded favorably, completed the necessary repairs and even offered positive comments to the utility for being proactive.

A public safety video created by Woodstock Hydro for a better sense of the program at: <https://www.youtube.com/watch?v=XrkbipKeNYw>

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

Audit, Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations make up Component B. All the elements are evaluated as a whole and determine the status of compliance (Non-Compliant, Needs Improvement, or Compliant) in regards to the Public Safety Metric for the Scorecard. In 2015, Woodstock Hydro was Compliant with Ontario Regulation 22/04. We have supported Ontario Regulation 22/04 since inception and believe it continues to add value year after year.

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

“Serious electrical incidents”, as defined by Regulation 22/04, make up Component C. The metric details the number of and rate of “serious electrical incidents” occurring on a distributor’s assets and is normalized per 10, 100 or 1,000 km of line (10km for total lines under 100km, 1000km for total lines over 1000km, and 100km for all the others). Only equipment which is applicable to Section 12 of Regulation 22/04 will be considered. A “serious electrical incident” will appear as part of this Component if it was determined that a member of the Public was involved in the incident (ie. caused a death, critical injury or had the potential to cause death or critical injury). Woodstock Hydro had no serious electrical incidents in 2015.

## System Reliability

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

The average number of hours in 2015 that power to a customer was interrupted decreased to 0.43, which is lower than our 2014 results (0.80). As noted in 2014, an underground transformer fire, and, to a lesser degree, weather related outages, contributed to the higher than normal results. 2015 saw WHSI moving back in line with historical trend of a declining average number of outages. Despite meeting the target range of below 0.66, WHSI remains committed to continuous improvement and to reducing average outage time even further in 2016. All outage events, including instantaneous events of less than one minute, are recorded with an NCR number (non-conformance report), and includes a root cause review, images, and preventative action reviews when possible.

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

WHSI’s Average Number of Times that Power to a Customer is Interrupted (i.e. Frequency) of 0.80 (2014 – 0.92) was within the target range of below 0.99.

## 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.

Woodstock Hydro Services Inc. has not filed a formal Distribution System Plan with the Ontario Energy Board on account that our 2015 Cost of Service rate application was deferred. Woodstock Hydro Services prepares a long term plan which outlines our distribution asset strategy to maintain and improve reliability. 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 Woodstock achieved its Capital plan objectives.

Maintenance:

Following Regulation 22/04 and the OEB Distribution System Code, WHSI maintains a three year inspection routine for distribution equipment, tree canopy maintenance and customer service equipment (as noted under Public Awareness & Safety).

Capital:

WHSI maintains a detailed 5 year forecast and a 20 year general forecast. The capital planning process over the past decade has centered on the removal of 4 KV equipment since this is typically our oldest equipment. The period from 2015 will continue to focus largely on 4 KV as we convert the final generation of 4 KV, however we are now beginning to replace aging 27.6 KV equipment on a more frequent basis.

System improvements such as these have help to reduce Woodstock Hydro’s line loss – from 1.0431 in our 2011 rate approval, to 1.0278 in 2014. This means our system is more efficient, and “leakage” of energy as it moves through our system is reduced, which, through rate rebasing applications would result in lower energy charges for our customers.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC (“PEG”) 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 using the PEG econometric methodology. In 2015, WHSI was placed in Group 4 which is an increase over last year’s Group 5 ranking. A Group 4 distributor is defined as having the 2013-2015 average actual costs that are 10% to 25% above predicted costs. In other words, WHSI’s calculated costs are higher

than the average calculated cost range for distributors in the Province of Ontario. Since 2011, however, WHSI's calculated annual total costs as determined by the PEG methodology, have declined by 13.4%. Total costs include both capital investment and operating, maintenance, and administration expense ("OM&A").

In addition to certain econometric and statistical assumptions, the PEG ranking methodology also considers gross asset additions exclusive of any amounts that are paid directly by a customer. These payments are called capital contributions and are deducted from the utilities revenue requirement in the rate setting process, so that customers do not pay for assets that already have been funded by capital contributions. Between 2011 and 2015, more than \$3Million or 20% of our gross capital was funded through capital contributions.

Despite WHSI's Group 4 ranking in the PEG Report, we remain committed to serve our customers well by prudently investing capital infrastructure today to help ensure long-term reliability for the future. It is our hope that future benchmarking methodologies will more closely align with regulatory rate setting methodologies, including the recognition items that are included in the rate setting process such as contributed capital, bad debt, and advertising expenses.

- **Total Cost per Customer**

Under the PEG methodology, the total cost per customer is calculated using the sum of WHSI's statistically adjusted gross capital and operating costs and dividing this cost figure by the total number of customers that WHSI serves. The cost performance result for 2015 is \$731/customer which is consistent with 2014 (\$732). WHSI's 2011-2015 average Total Cost per Customer is \$734.

Similar to most distributors in the province, we have experienced increases in our total costs required to deliver quality and reliable services to customers. Province wide programs including the Smart Meter Initiative, growth in wage and benefits costs for our employees, as well as investments in renewal and growth of the distribution system, all contribute to increased operating and capital costs. WHSI has mitigated costs where possible so that our 2015 costs are lower than they were in 2014, and are lower than our 5 year average.

The results of the OEB 2015 Yearbook of Electricity Distributors show that WHSI's 2015 OM&A per customer of \$260.00 is ranked 21<sup>st</sup> out of 71 LDC's, with the #1 ranked LDC having OMA costs of \$174.12 per customer, and the #71 ranked LDC having costs of \$1,023.78 per customer.

- **Total Cost per Km of Line**

The Total Cost per Km of Line is calculated by dividing Total Costs by the kilometers of line that WHSI operates to serve its customers. WHSI's 2015 rate is \$45,780 per Km of line, a 1% decrease over 2014. WHSI's urban territory limits the growth in its total kilometers of lines due to a low annual customer growth rate.

## Conservation & Demand Management

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

Final 2015 annual verified results from the IESO place Woodstock Hydro at 18.77% (4.3GWh of 22.97GWh) of energy target which is ahead of the anticipated rate of 16.67% (1/6) for this 6-year program.

## 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 2015, WHSI completed one CIA and it was done within the prescribed time limit.

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

In 2015, WHSI connected 9 new micro-embedded generation facilities (MicroFIT projects of less than 10 kW) within the prescribed time frame of five business days 100% of the time, which exceeds the minimum acceptable performance level of 90%. This is consistent with 100% achievement in 2014.

All MicroFIT customer connections were completed on or ahead of customer expectations. WHSI has a total of 55 MicroFIT and 10 FIT connections. In 2015, 3.13 Gwh of renewable energy was generated, producing 0.77% of WHSI's total purchased power of 405 Gwh in 2015.

## Financial Ratios

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

The Current Ratio is a measure of the utility's liquidity and its ability to meet its short-term financial obligations. It is calculated by dividing all current assets (cash, accounts receivable and other highly liquid assets) by all current liabilities (accounts payable, taxes payable, and other financial obligations which must be satisfied in the next year). A ratio of 1 suggests that there is an equal amount of cash flowing into the utility as that which must flow out if all obligations are to be met. A ratio higher than 1 is preferable, as it indicates that the company can pay its short term debts and obligations. The liquidity of the company increases as the current ratio increases, providing a margin of safety to cover short term debt and financial obligations.



WHSI's current ratio increased to 2.65 in 2015 from 1.97 in 2014.

- **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 company is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that a company 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.

Historically, WHSI's long term financing strategy has been to maintain a maximum debt-equity ratio of 60/40 to align with the OEB deemed ratio of 60/40, given that debt is a primary component of rate setting. Further, we believe that prudent investment in our capital infrastructure will improve efficiency and reliability for our customers over the long term.

WHSI's debt to equity ratio increased from 1.14 in 2014 to 1.90 in 2015. This increase was due to the capital restructuring for the transition to Hydro One mentioned in the General Overview paragraph.

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

WHSI's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.58%. 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**

WHSI's achieved a regulatory return on equity of 9.12% in 2015, which is within the +/-3% range allowed by the OEB. A combination of slight increases in revenues and marginal decreases in WHSI's OM&A costs are attributable to these 2015 results. WHSI's 2013 results have been restated to exclude the impact of an unrealized gain on interest rate swaps, leaving a regulated ROE of 13.28%. The 2013 results remain slightly above the +/-3% range allowed by the OEB due to one-time, retroactive tax credits and adjustments that were received during the fiscal period.

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.