

# Scorecard - Tillsonburg Hydro Inc.

9/18/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	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%	100.00%	94.00%	93.10%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%		95.20%		90.00%		
		Telephone Calls Answered On Time	97.90%	84.50%	84.50%		71.80%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution					89.4%				
		Billing Accuracy					99.81%		98.00%		
		Customer Satisfaction Survey Results									
<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 [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	C	NI	NC	NC	NC			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	1.17	2.12	1.46	2.08	0.29			at least within 1.17 - 2.12	
		Average Number of Times that Power to a Customer is Interrupted	0.46	0.66	1.04	2.58	0.56			at least within 0.46 - 2.58	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress					In Progress				
	<b>Cost Control</b>	Efficiency Assessment			4	4	4				
		Total Cost per Customer <sup>1</sup>	\$658	\$656	\$667	\$736	\$658				
Total Cost per Km of Line <sup>1</sup>		\$28,239	\$28,189	\$28,812	\$32,796	\$34,312					
<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 Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>		64.67%	91.48%	90.03%	103.63%			2.29MW	
		Net Cumulative Energy Savings (Percent of target achieved)		19.29%	50.07%	56.97%	71.91%			10.25GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time	100.00%		100.00%		100.00%				
		New Micro-embedded Generation Facilities Connected On Time								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)	2.24	2.61	2.59	2.22	1.80				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.14	0.12	0.10	0.08	0.05				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.01%	8.01%	8.98%	8.98%			
			Achieved		-1.32%	-2.65%	6.50%	6.63%			

**Notes:**

- These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
- The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

**Legend:**

- up
- down
- flat
- target met
- target not met

## Scorecard MD&A- General Overview Tillsonburg Hydro Inc.

In 2014, Tillsonburg Hydro Inc. (THI) exceeded all performance targets with the exception of Level of Compliance with Ontario Regulation 22/04. THI takes this non compliance seriously and is working to correct this situation for 2015.

THI continues to work on deficiencies as noted in the 2013/14 OEB audit and have improved data collection in the area of scheduled appointments met on time and telephone calls answered on time. The phone system serving THI has been upgraded to include dedicated lines for THI customers. As well, a THI web site has been established with increased information available to THI customers. In particular, new online self-service tools were introduced in the year as well as posting our OEB Audit results and Scorecard in order to improve transparency to our customers.

In 2015, THI expects to improve its overall scorecard performance results as compared to prior years. The performance improvements are expected as a result of enhanced system reliability due to investment in its distribution system reliability and continued responsiveness to customer feedback. As well, THI continues to look for partnership opportunities with other LDC's.

### Service Quality

In 2014 Tillsonburg Hydro Inc. (THI) continued to provide its customers with results that exceeded Industry standards. In 2014 THI underwent an RRR filings Audit of former and current processes by the OEB. THI continues to work with OEB staff to review processes and make any necessary changes to improve the overall tracking and performance of THI in these service quality measures.

Going forward THI will review internal procedures and will improve service to customers where feasible and ensure our customers receive a level of service that exceeds industry standards for Service Quality.

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

THI is committed to maintaining its historically high level of service as it relates to New Residential/Small Business Services Connected on Time. Through the OEB Audit in 2014, THI became aware it required further internal processes in order to properly track actual field practices. The 2014 value represents a more accurate number based on revised tracking processes. THI continues to work with OEB staff to confirm revised tracking processes meet OEB approval.

In 2014, THI connected 93.10% of 116 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).

- **Scheduled Appointments Met On Time**

As identified in the 2014 OEB RRR Audit THI was found to not have proper internal processes in place to accurately track the metric of Scheduled Appointments Met on Time and was unable to file data for 2013. As part of the OEB RRR Audit THI processes were revised mid-way through 2014 and a revised tracking process was implemented for Q4 of 2014. The value in this scorecard is based on 3 months of data tracked from the revised processes.

Tillsonburg Hydro Inc. scheduled 20 appointments with its customers in the 3 months data was tracked in 2014 to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. The utility met 95.20% of these appointments on time, which significantly exceeds the industry target of 90%, granted on these targets were determined based on limited data for 2014.

- **Telephone Calls Answered On Time**

Telephone customer service is very important to Tillsonburg Hydro Inc. The utility has steadily improved interpersonal relations with our customers through the use of technology. In 2014, in conjunction with deficiencies found through an OEB RRR Audit, the phone system has been reconfigured to allow for direct reporting and data collection in order to provide evidence of compliance through RRR filings in the area of telephone call abandon rates and calls answered on time. Although this indicator appears to be trending down from previous years at 71.80 percent of the time calls are being answered on time, it is felt that the data to support this percentage is much more accurate than in past years due to phone system software upgrades. In addition, this result still exceeds the OEB-mandated 65% target for timely call response. As well, it should be noted that the change to the system took place midway through 2014 so the data is for a 6 month period only. It is anticipated that the percentage of calls answered on time will trend upwards in future reporting years as we continue to promote online self-serve features and other internal process improvements.

## 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.

- **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, Tillsonburg Hydro Inc. issued more than 21,000 bills and achieved a billing accuracy of 99.81% which compares favourably to the prescribed OEB target of 98%.

Tillsonburg Hydro Inc. continues to monitor its billing accuracy results and processes to identify opportunities for continuous improvement.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board 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 OEB is allowing electricity distributor's discretion as to how they implement this measure.

Tillsonburg Hydro Inc. (THI) provided a survey on its website, at the customer service center counter and provided a link on customer's bills. In 2014 there were no surveys filled out. As a result Tillsonburg Hydro Inc. has initiated improvements to the website to try and increase accessibility by our customers and encourage completion of the survey. In future years THI will consider engaging a third party to conduct a customer satisfaction survey.

## 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**

- It is the understanding of THI that the tracking of this measure is still yet to be determined. THI is committed to ensuring safety of its employees, customers and the general public is a primary concern in everyday operations. This component of the public safety measure will not have performance data for the 2014 Scorecard because THI had not determined a component measurement. 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, THI has not been compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). The first issue in 2012 was associated to “improper use of certificates for small projects”. Unfortunately prior to the completion of the 2013 Annual Regulation 22/04 Audit THI experienced the departure of a number of key staff. In 2014 THI was found to have a different issue affecting compliance associated with the improper assembly of drawings which was later identified as a training issue for new staff associated to THI’s Construction Verification Program (CVP).
- In 2015 a formal review of former Audits was completed and it was identified that all conformance issues were related to the need for THI to update its Construction Verification Program (CVP). THI’s 2015 Annual Regulation 22/04 Audit has been completed and a revision of THI’s CVP has been submitted to ESA for review and approval. THI expects that future Scorecards will show compliance as early as next year.

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

- For the years 2010 through 2014 THI has not had any “Serious Electrical Incidents”. As a result the numbers submitted for THI’s scorecard by the Electrical Safety Authority are zeros. THI continues to work with ESA to ensure the distributor has done everything necessary to maintain this level of compliance.

## System Reliability

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

In 2014 THI reported a significant decrease in the Average number of Hours that Power to a customer is interrupted (SAIDI). This was primarily a result of ½ the number of storm events from THI’s Historical average. For the years 2010 through 2013, the numbers shown are 1.17, 2.12, 1.46 and 2.08. The 2014 value was 0.29. This is well below THI’s 5 year average.

Based on these numbers, each customer in Tillsonburg Hydro Inc.'s territory would have experienced approximately 0.29 hours of outage time during the year 2014. Note: The outage time excludes outages attributable to loss of supply from the Hydro One Transmission System. The values filed are outages directly attributable to events occurring on THI's distribution system.

THI maintains a manual process for tracking outages. Going forward THI continues to investigate future possibilities of automating this process. THI is also committed to including system reliability into its upcoming Distribution System Plan submission to the OEB. Assets identified as end of life that have significant impact on reliability will be given higher priority.

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

For 2014 THI’s Average Number of Times that Power to a customer is interrupted (SAIFI i.e. Frequency) of 0.56 was within the target range of 0.46 – 2.58. Based on the 2014 numbers, each customer in Tillsonburg Hydro Inc.'s territory would expect power outages to occur 0.56 times. Note: The outage frequency excludes outages attributable to loss of supply from the Hydro One Transmission System. The values filed are outages directly attributable to events occurring within THI's distribution system.

THI maintains a manual process for tracking outages. Going forward THI continues to investigate future possibilities of automating this process. THI is also committed to including system reliability into its upcoming Distribution System Plan submission to the OEB. Assets identified as end of life that have significant impact on reliability will be given higher priority.

## Asset Management

- **Distribution System Plan Implementation Progress**

Tillsonburg Hydro Inc. is in the process of completing their Distribution System Plan in conjunction with its next Cost of Service Application.

## 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.

THI ranks in Group 4 of LDC's (Actual costs are 10% to 25% above the predicted costs) based on the PEG Report to the Ontario Energy Board "Empirical Research in Support of Incentive".

Rate-Setting: THI also ranked in Group 4 based on 2012 data. LDC's are grouped into 1 of 5 Groups, with Group 1 being considered the most efficient (based on PEG's research).

It should be noted that 2013 was a cost of service year for THI. THI also brought Smart Meter Operating Costs into expenses in 2013 (one-time costs based actually on costs from 2009 to 2012). Between the rate application cost and the smart meter operating costs, there was approximately \$525K of expenditures in 2013 that should be considered anomalies.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of THI capital and operating costs and dividing this cost figure by the total number of customers that THI serves.

THI's total cost per customer in 2014 was \$658 which is a decrease from 2013. THI's total cost per customer in 2013 was \$736 and was

attributable to costs related to smart meter operating and rate application costs. The 2009 through 2012 THI figures were \$612, \$658, \$656 and \$667 respectively. Recognizing THI's 2014 Total Cost per Customer was a return to 2011-2012 values.

- **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 THI operates to serve its customers.

THI's total cost per Km of Line in 2014 is \$34,658 based on 132km of line. In 2014 THI integrated a GIS (Geographical Information System) which resulted in a significant reduction in the total length of Line compared to the older mapping system used by THI.

THI's 2013 total cost per Km of line was \$32,796, based on 154 Km of line. The 2009 through 2012 figures were \$26,152, \$28,239, \$28,239, \$28,189, \$28,812. The 2012 figure was based on 157 Km of Line.

For comparison purposes if the 2014 calculation is recalculated based on the 2012 length of 157km the total cost per Km of Line would have been roughly \$29,036. This represents less than a 0.5% annual increase in costs.

THI anticipates that the Total cost per Km of Line will continue to increase at inflation or possibly higher as the 4Kv conversion continues resulting in fewer Total Km's of Line to report.

## Conservation & Demand Management

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

Tillsonburg Hydro Inc. successfully met its Net Annual Peak Demand Savings target as at the end of 2014 and in fact exceeded the target. 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.

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

THI accomplished 7.4 GWh in energy savings, 71.9% of the energy target.

## Connection of Renewable Generation

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

All of THI's current feeders are supplied out of the Hydro One owned Tillsonburg TS. Due to an upstream restriction on the Transmission system THI is not allowed to connect any Renewable Generation. As a result THI did not accept any Connection Impact Assessments during 2014.

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

As a result of the Hydro One Transmission System restriction upstream of the Tillsonburg TS, THI is not accepting or connecting applications for Micro-embedded generation facilities.

## 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 risk to cover the company's short-term debts and financial obligations.

Tillsonburg Hydro Inc's current ratio decreased from 2.22 in 2013 to 1.80 in 2014. This is not indicative of a decline in financial performance but rather the result of a reclassification for reporting purposes.

- **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.

THI has a debt to equity structure that is less levered – this is demonstrated by the 2014 debt to equity ratio of 0.05.

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

THI's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.98%. 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**

THI's return achieved in 2014 was 6.63, which is within the +/-3% range allowed by the OEB. The return earned over the past 3 years has increased to within -3% of the range allowed by the OEB. THI pays interest expense in an amount less than what has been approved in rates and this difference decreases THI's net income thereby reducing its ROE. Therefore THI achieved returns lower than the deemed rate in 2013 and 2014 mainly due to lower revenue than forecast, as a result of decreased energy consumption; and higher operating costs as well as the adjustment for interest expense.

## 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 judgement on the reporting date of the performance scorecard, and could be markedly different in the future.