

Scorecard - Welland Hydro-Electric System Corp.

8/22/2016

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%	100.00%	94.00%	100.00%	⬆️	90.00%		
		Scheduled Appointments Met On Time	99.70%	99.70%	99.40%	99.70%	98.50%	⬆️	90.00%		
		Telephone Calls Answered On Time	99.90%	98.40%	99.00%	96.90%	98.50%	⬆️	65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution				78%	84				
		Billing Accuracy				99.99%	99.99%	➡️	98.00%		
		Customer Satisfaction Survey Results				88%	90				
<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									
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C	➡️		C	
		Serious Electrical Incident Index	0	0	0	0	0	⬆️		0	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	2.84	1.26	4.86	1.53	1.74	⬆️		2.27	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.92	1.33	2.34	1.76	1.39	⬆️		1.80	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress				On Track	On Track				
		Efficiency Assessment		2	2	2	2				
		<b>Cost Control</b>	Total Cost per Customer <sup>3</sup>	\$463	\$482	\$472	\$483	\$493			
Total Cost per Km of Line <sup>3</sup>	\$33,562		\$23,071	\$23,533	\$23,278	\$23,293					
<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>							6.78%	25.50 GWh	
		Renewable Generation Connection Impact Assessments Completed On Time	50.00%								
	<b>Connection of Renewable Generation</b>	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)	2.87	2.84	1.42	1.61	1.50				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.23	1.16	1.15	0.87	0.84				
		Profitability: Regulatory Return on Equity	8.01%	8.01%	8.93%	8.93%	8.93%				
		Deemed (included in rates) Achieved	5.74%	6.73%	10.50%	9.98%	8.72%				

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

The 2015 scorecard reflects another very successful year for Welland Hydro (“WHESC”) as actual performance measures exceeded industry targets in every category. The results reflect WHESC’s commitment to a locally owned distribution company providing safe reliable power at competitive rates thru prudent planning of distribution system capital expenditures and cost management. WHESC continues to seek ways to meet the needs of its valued customers, employees, shareholder, regulators, energy conservation initiatives, and renewable generation projects. The results also reflect the efforts of WHESC’s committed professional staff members to accomplishing these goals while maintaining a financially strong company able to meet the needs of its customers now and in the future.

#### Service Quality

- **New Residential/Small Business Services Connected on Time**  
In 2015, WHESC connected 100% of 237 eligible new low-voltage and small business customers to the distribution system within the five-day timeline as prescribed by the Ontario Energy Board (OEB). WHESC exceeded the OEB mandated threshold of 90%.
- **Scheduled Appointments Met On Time**  
WHESC scheduled 1347 appointments with customers in 2015. WHESC completed 98.5% appointments on time – exceeding the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2015, WHESC's Contact Centre representatives answered 98.5% of 31,980 calls within 30 seconds or less, above the OEB mandated 65% target for timely call response. WHESC also used the Customer Satisfaction Survey to identify the primary information customers require when calling our office to ensure Contact Centre representatives are well informed in accessing the necessary information to answer any inquiries from customers.

## Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution measurements have not been previously defined across the industry. The OEB has instructed all electricity distributors to review and develop measurements in these areas.

First Contact Resolution requires front line staff to be prepared to respond to customer issues effectively, accurately and to the complete satisfaction of the customer. WHESC staff need to be well trained to develop expertise in the ability to listen and communicate with customers. Customer Contact representatives have quick access to information required to address customer concerns, needs, and preferences. As part of the 2015 Customer Satisfaction Survey (telephone survey), 406 customers were asked if they contacted WHESC by phone or in person and were asked about the following six aspects of their most recent experience with a representative from WHESC:

1. Information - quality of information provided
2. Staff attitude - level of courtesy
3. Professionalism - knowledge of staff
4. Delivery - helpfulness of staff
5. Timeliness - length of time it took to get information requested by the customer
6. Accessibility

WHESC's First Contact Resolution performance is reflected in the high percentages shown below for customers who were Very Satisfied or Fairly Satisfied with the response received to their questions or concerns.

80% - The time it took to contact someone.

69% - The time it took someone to deal with the issue.

83% - Helpfulness of the staff who dealt with the problem.

76% - Knowledge of the staff who dealt with the customer.

91% - Courtesy of the staff that dealt with the issue.

76% - Quality of information provided by staff that dealt with the issue.

79% - Overall very or fairly satisfied with most recent telephone or in-person contact experience.

- **Billing Accuracy**

WHESC issued 275,968 invoices during 2015, with a billing accuracy of 99.99% which far exceeds the OEB Standard of 98%.

- **Customer Satisfaction Survey Results**

WHESC engages a third party to conduct by telephone, a Customer Satisfaction Survey. This survey provides information that identifies areas to improve customer service at all levels and departments within WHESC. Customer inputs and opinions are sought on a wide range of topics, including: social media, overall satisfaction with WHESC, reliability, customer contact representatives, outages, billing accuracy, corporate image, customer expectations, and customer needs. WHESC uses the survey results to assist in developing processes to meet or exceed customer's expectations. In the 2015 OEB Scorecard WHESC reported that the percentage of customers that were Very Satisfied or Fairly Satisfied with WHESC were 90% which is an improvement over 2014 results. Another measure developed by the survey provider, is a "Customer Satisfaction Survey Report Card" that measures utilities against their peers across Ontario on Customer Care, Company Image, and Management Operations. Although not reported on the scorecard, WHESC received an "A" rating, which exceeded the Ontario LDC Average Score of "B+".

## Safety

### ○ Public Safety

#### ○ Component A – Public Awareness of Electrical Safety

WHESC completed its first Public Electrical Safety Survey in 2015. The results indicate that a significant number of customers/contractors (84%) have a good knowledge or have received some information pertaining to the six core measurement questions. WHESC will continue to promote electrical safety in the community through the use of elementary school safety programs and a variety of electrical safety radio campaigns.

#### ○ Component B – Compliance with Ontario Regulation 22/04

The metric measuring Ontario Regulation 22/04 (the 'Regulation') assesses an LDC's compliance with the ESA's standard for safety performance based on requirements for the design, construction, and maintenance of electrical distribution systems. Over the past four years, WHESC was independently audited and found to be in compliance with Regulation 22/04. The audit consisted of a review of the Declaration of Compliance, Due Diligence inspections, Public Safety Concerns, and Compliance Investigations.

#### ○ Component C – Serious Electrical Incident Index

WHESC has had no serious electrical incidents resulting in death or critical injury over the last five years.

## System Reliability

System Reliability is key component of the OEB's Renewed Regulatory Framework. Distributors are required to measure system reliability indices with a goal towards continuous improvements. The two metrics used to track individual distributor's system reliability performance are Customer Outage Duration and Customer Power Outage Frequency. The score card shows the distributor's performance over a five year period. All distributors have a potential exposure to significant year over year volatility experienced due to major weather events. As weather impacts become more prevalent, they will continue to influence year over year volatility.

### ○ Average Number of Hours that Power to a Customer is Interrupted

Recovering from power outages as quickly as possible is valued by customers. System Average Interruption Duration Index (SAIDI) is the formula used to measure the average number of hours that power to a customer is interrupted. SAIDI is equal to the sum of all interruption durations / total number of customers served. The Wind Storm of 2011 and the Ice Storm of 2013 resulted in SAIDI indices above normal in their respective years. The performance index in 2015 at 1.74 was well below the five year average target of 2.27. Programs such as vegetation control, capital spending, and outage management system initiatives will continue to be evaluated with a goal to maintain and produce continuous improvements.

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

System Average Interruption Frequency Index (SAIFI) is equal to the Total number of Customer Interruptions experienced by all customers (excluding interruptions caused by upstream Loss of Supply events to the distributor) / Average number of customers served. In 2015, WHESC reported an average of 1.39 outages per customer and has consistently been within the OEB defined acceptable range. SAIFI performance has been trending lower due to WHESC's commitment to improving system reliability. Indices are reviewed regularly to identify negative trends in feeder performance. Ratepayer and utility affordability are balanced with distribution system risk.

## Asset Management

- **Distribution System Plan Implementation Progress**

The Distribution System Plan ("DSP") outlines WHESC's forecasted capital expenditure requirements over the next five years. Replacement programs for aging assets form part of WHESC's DSP which will be submitted for the first time as part of the 2017 Cost of Service Rate Application scheduled for filing in September, 2016. WHESC has engaged its customers as part of the DSP process, seeking their input on WHESC's forecasted capital spending plans. As the DSP has not currently been approved by the OEB, WHESC has reported the progress as on track.

## Cost Control

- **Efficiency Assessment**

Total Costs for Ontario's distribution companies ("LDCs") are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. LDCs are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2015, WHESC maintained its position in the second efficiency group (Actual Costs 10% to 25% below Predicted Costs). This placed WHESC well within the top 20 electricity distributors in all of Ontario for cost efficiency. Performance in 2015 showed actual costs 18.7% below predicted. This increased WHESC's three year average performance from 14.3% below expected costs in 2014 to 17.0% below expected costs in 2015. The improved performance reflects WHESC's commitment to finding continuous improvements throughout all processes.

- **Total Cost per Customer**

Cost per Customer is calculated as the sum of Capital and Operating related costs divided by the Total Customers. Results for 2015 at \$493 per customer represents a 2.1% increase over 2014 results. These results can be impacted by one off costs such as emergency repairs and regulatory costs on a year by year basis. A comparison of 2015 Cost per Customer to 2011 results, shows a 6.5% increase over the four year period, in line with inflation over the same period. WHESC will continue to implement productivity and improvement initiatives as well as continuing to "level" capital replacement spending programs.

- **Total Cost per Km of Line**

This measure divides Total Costs by the Total Km of Line maintained by a distributor. Actual cost per Km of line serviced by WHESC in 2015 remained flat compared to 2014. Since 2012, actual costs per KM of line have increased by 1.0% over a three year period. WHESC is committed to service both new and existing customers at reasonable costs while maintaining or improving reliability.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

According to the IESO's 2015 CDM results, WHESC has achieved 6.78% of its current 2015-2020 Net Energy Savings target of 25.5 GWh. WHESC began the Conservation First Framework in October, 2015 and continues to build momentum in the Commercial Sector. Whole Home Residential and Small Business Lighting Programs are being launched and will enhance WHESC's conservation results in 2016 and 2017. The recently completed Achievable Potential Study completed by the IESO, indicates that WHESC's original assigned target should be lowered from the current target of 25.5 GWh to 20.425 GWh. Should the reduction be approved at the mid-term review, WHESC's Net Energy Savings for 2015 would be revised to 8.48%. WHESC currently has a large streetlight conversion project that began in 2015 and is scheduled for completion in 2016. Completion of this project will have a significant impact on 2016 savings percentages to target.

## Connection of Renewable Generation

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

There have been no impact assessments requested since 2011 within WHESC's service territory.

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

In 2015, WHESC successfully connected 100% of all new micro embedded generation facilities within the prescribed time frame of five business days. Microfit is a Feed in Tariff project of less than 10 Kw. In 2015, there were 17 Microfit projects connected to WHESC's distribution system.

## 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. WHESC has consistently had a current ratio greater than 1. The majority of current assets is related to receivables and unbilled revenues whereas current liabilities are for the most part related to amounts owed to the IESO for power purchased. There was no significant change with this ratio in 2015 compared to 2014.

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

The OEB has set a deemed capital structure of 60% debt and 40% equity for LDC's in Ontario. This deemed structure assumes 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 leveraged than the deemed capital structure. WHESC's 2015 leverage ratio of 0.84 indicates that it is currently operating with less actual debt than deemed debt. For an LDC, it is imperative to be able to fund capital expenditures to maintain the reliability of the distribution system. WHESC's current and forecasted capital expenditures exceeds depreciation amounts. The excess in capital spending over depreciation is currently being funded thru cash reserves. Maintaining WHESC's current profitability levels and current dividend policy are necessary to ensure that sufficient profits are generated and retained so that debt/equity ratios are not negatively impacted.

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

WHESC's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return of 8.93%. 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 by the OEB.

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

WHESC's achieved return in 2015 was 8.72%, slightly below its deemed rate of return of 8.93% but well within the +/- 3% allowed by the OEB. Capital expenditures in 2015 continued to exceed depreciation levels and has increased the deemed equity year over year contributing to the slightly lower return rate. WHESC has also produced sustainable OM&A savings during the past few years that have contributed to maintaining its deemed rate of return at regulatory returns in 2015.



## 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.