

Scorecard - Welland Hydro-Electric System Corp.

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	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%	94.00%	100.00%	100.00%		90.00%		
		Scheduled Appointments Met On Time	99.70%	99.40%	99.70%	98.50%	98.50%		90.00%		
		Telephone Calls Answered On Time	98.40%	99.00%	96.90%	98.50%	98.60%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution			78%	84	75%				
		Billing Accuracy			99.99%	99.99%	99.99%		98.00%		
		Customer Satisfaction Survey Results			88%	90	92%				
<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				84.00%	84.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	1			0
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.208			0.000	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.58	0.77	0.76	1.74	0.63			2.11	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.94	0.90	1.25	1.39	0.72			1.70	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress			On Track	On Track	Completed				
	<b>Cost Control</b>	Efficiency Assessment	2	2	2	2	2				
		Total Cost per Customer <sup>3</sup>	\$482	\$472	\$483	\$493	\$510				
Total Cost per Km of Line <sup>3</sup>		\$23,071	\$23,533	\$23,278	\$23,293	\$24,268					
<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%	21.08%			25.50 GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time					100.00%				
		New Micro-embedded Generation Facilities Connected On Time		100.00%	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)	2.84	1.42	1.61	1.50	1.46				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.16	1.15	0.87	0.84	0.82				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.01%	8.93%	8.93%	8.93%	8.93%			
			Achieved	6.73%	10.50%	9.98%	8.72%	6.63%			

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.

**Legend:**

5-year trend up down flat

Current year target met target not met

# 2016 Scorecard Management Discussion and Analysis (“2016 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 2016 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

The 2016 scorecard reflects another very successful year for Welland Hydro (“WHESC”). 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 2016, Welland Hydro-Electric System Corp. (WHESC) connected 100% of 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 1549 appointments with customers in **2016**. WHESC completed 98.5% appointments on time – exceeding the industry target of 90%. Appointments are made during regular business hours and customers are offered a morning or afternoon window of time that does not exceed four hours.

- **Telephone Calls Answered On Time**

In 2016, WHESC contact centre representatives answered 98.6% of 34,561 calls within 30 seconds or less, above the OEB mandated 65% target for timely call response. The number of incoming telephone calls increased slightly during 2016 as customers made inquiries into programs such as the OESP Program and Time-of-Use Rates.

## 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 to the complete satisfaction of the customer. As part of our 2016 Customer Satisfaction Survey (telephone survey), 415 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

The results showed 75% of responses were either very or fairly satisfied with the most recent telephone or in-person contact experience.

WHESC continues to evaluate new measures to track customer First Contact Resolution such as tracking the total number of calls to frontline staff as well as the number of calls requiring supervisor assistance.

- **Billing Accuracy**

WHESC issued 279,093 invoices during 2016 with a billing accuracy of 99.99% exceeding the OEB Standard of 98%. WHESC continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

WHESC engaged a third party to conduct a Customer Satisfaction Survey in 2016. The Customer Satisfaction Survey was a telephone survey of 415 customers who were asked questions on a wide range of topics, including: social media, overall satisfaction with WHESC, reliability, customer service, outages, billing, corporate image, customer expectations and customer needs. In its OEB Scorecard, WHESC reports the percentage of customers that were very or fairly satisfied. The 2016 results shows 92% were either very or fairly satisfied which is an increase from the 2015 results of 90%. Another measure developed by the Third Party 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. WHESC scored an "A" rating, which exceeds the Ontario LDC Average Score of "B+".

## Safety

### ○ Public Safety

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

WHESC completed its first Public Electric Safety Survey in 2016 (2015 results). 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 joined a group of LDC's in 2017 to begin the development of a web based public messaging program to increase public awareness in the six core areas. WHESC will continue to promote electrical safety through the elementary school safety program and the electrical safety radio campaign. A second Public Electrical Safety Survey will be conducted in early 2018 (2017 results).

#### ○ 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. WHESC was independently audited during the years 2012 to 2016 and found to be in compliance with the Regulation. 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 past five years. WHESC had one incident, recorded in the 2016 statistics, which resulted in a 2.4KV overhead conductor entering the public space. WHESC responded to the scene, created a safe area, and restored the distribution system to safe operating condition.

## 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 / Average number of customers served. The performance index in 2016 at 0.63 has consistently been within the OEB defined acceptable range. Programs such as vegetation control, capital spending, and outage management system initiatives will continue to be evaluated, with implementation aimed at sustainability and continuous improvement.

- **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 / Average number of customers served. In 2016, WHESC reported an average of 0.72 outages per customer and has consistently been within the OEB defined acceptable range. 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”) was completed and submitted with WHESC’s 2017 Cost of Service application. The DSP outlines WHESC’s forecasted capital spending for the years 2017 to 2021. WHESC has attained the services of an Engineering consultant to provide further development of the DSP. Modules included are Health Indexing, Enhanced Asset Management and Risk Modelling.

## 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. WHESC’s 2016 Efficiency Assessment of 17.8% below expected cost ranks 11<sup>th</sup> best in Ontario and reflects a commitment to finding continuous improvements in all areas.

- **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 2016 at \$510 per customer places Welland Hydro in the top 10 performing LDC’s in Ontario for this scoring matrix. Cost per customer increased by 3% over 2015 levels due to increased regulatory cost related to the 2017 COS rate application and increased capital spending (two major vehicle purchases in 2016).

- **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 2016 increased for the first time in four years. Welland Hydro remains within the top 20 distributors in Ontario for this scoring matrix. Since 2012, actual costs per KM of line have increased by 5% over a four 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

WHESC has achieved 21% of its 2015-2020 Net Energy Savings target according to the IESO's Final Verified 2016 Annual CDM results. WHESC began the Conservation First Framework in October 2015 and continues to build momentum from the Commercial and Industrial sector. Small Business Lighting will be launched by WHESC in late 2017 which will increase savings results going forward. An Achievable Potential Study conducted by the IESO determined that WHESC's target should be reduced by 5.0 GWh to 20.5 GWh. When using the revised target as the base, 2016 results show savings at 26.2%. WHESC has many large projects in the pipeline which have long lead times and will not complete until 2018 and beyond. WHESC believes that it will produce savings which will exceed the revised target by 2020.

## Connection of Renewable Generation

### ○ Renewable Generation Connection Impact Assessments Completed on Time

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) with 60 days of receiving authorization from the Electrical Safety Authority. In 2016, WHESC completed 3 CIAs within the prescribed time limit.

### ○ New Micro-embedded Generation Facilities Connected On Time

In 2016, WHESC successfully connected 100% (12) 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.

## 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 2016 (1.46) compared to 2015 (1.50) as WHESC continues to manage its working capital

### ○ 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 2016 leverage ratio of 0.82 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 from cash reserves. WHESC anticipates securing additional financing in the next few years to finance the capital program necessary to replace aging infrastructure and maintain the excellent reliability currently provided to customers.

- **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 2016 was 6.63% which is below its deemed rate of return of 8.93% but within +/- 3% allowed by the OEB. Capital expenditures continue to exceed depreciation which has resulted in additional depreciation expense and contributed to the reduced return on equity. In 2016, WHESC incurred significant one-time expenses related to the 2017 COS rate filing. Distribution rates approved effective May 1, 2017 reflected the increased depreciation expense and will result in improved return on equity going forward.

## Note to Readers of 2016 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.