

## Scorecard - Welland Hydro-Electric System Corp.

9/8/2015

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.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	100.00%	100.00%	94.00%	⬆️	90.00%	
		Scheduled Appointments Met On Time	99.90%	99.70%	99.70%	99.40%	99.70%	⬆️	90.00%	
		Telephone Calls Answered On Time	99.90%	99.90%	98.40%	99.00%	96.90%	⬆️	65.00%	
	Customer Satisfaction	First Contact Resolution					78%			
		Billing Accuracy					99.99%	➡️	98.00%	
		Customer Satisfaction Survey Results					88%			
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public awareness [measure to be determined]								
		Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C	➡️		C
		Serious Electrical Incident Index	0	0	0	0	0	⬆️		0
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.000	0.000	0.000	0.000	0.000	⬆️		0.000
		Average Number of Times that Power to a Customer is Interrupted	0.85	2.84	1.26	4.86	1.53	⬆️		at least within 0.85 - 4.86
		Distribution System Plan Implementation Progress								at least within 1.33 - 2.34
	Asset Management	Efficiency Assessment			2	2	2			On Track
		Cost Control	Total Cost per Customer <sup>1</sup>	\$439	\$463	\$482	\$472	\$483		
Total Cost per Km of Line <sup>1</sup>	\$21,295		\$33,562	\$23,071	\$23,533	\$23,278				
<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).	Conservation & Demand Management	Net Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>		9.48%	116.09%	126.72%	48.41%	🔴		5.56MW
		Net Cumulative Energy Savings (Percent of target achieved)		38.53%	58.69%	102.08%	115.93%	🟢		20.60GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	0.00%	50.00%						
		New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%			90.00%
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.66	2.87	2.84	1.42	1.61			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.26	1.23	1.16	1.15	0.87			
		Profitability: Regulatory Return on Equity		Deemed (included in rates) Achieved	8.01%	8.01%	8.93%	8.93%		
			5.70%	6.70%	10.50%	9.98%				

**Notes:**

1. 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.  
 2. 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

## Welland Hydro-Electric System Corp.

### Appendix A – 2014 Scorecard Management Discussion and Analysis (“2014 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 2014 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 2014 scorecard reflects another very successful year for Welland Hydro as actual performance measures exceeded industry targets in every category. The results reflect Welland Hydro’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. Welland Hydro 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 Welland Hydro’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 2014, Welland Hydro-Electric System Corp. (Welland Hydro) connected approximately 94% of 249 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). This was significantly better than the OEB mandated threshold of 90%. An electronic work order and service order system has been implemented to improve scheduling and communication both internally and with external organizations. Welland Hydro is also working with the municipality and regional planning departments to further enhance future coordination of scheduling new connections.

- **Scheduled Appointments Met On Time**

There were 1634 scheduled appointments with Welland Hydro’s customers in 2014. A total of 99.7% of appointments were completed on time – far exceeding the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2014, Welland Hydro's contact centre representatives answered 96.95% of 35,964 calls within 30 seconds or less, well above the OEB mandated 65% target for timely call response. During calls, Customer Service Representatives (CSRs) engage with customers to identify opportunities for improvements. Welland Hydro also uses the Customer Satisfaction Survey to identify the primary information customers require when calling the office to develop alternative access to this information thru on-line tools and to enhance social media communications to customers.

## Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution (FCR) measurements have not been previously defined across the industry. The OEB has instructed all electricity distributors to review and develop measurements in these areas and begin tracking on or before July 1, 2014.

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. Welland Hydro staff is trained to develop expertise in the ability to listen and communicate with customers, empowered to assist customers with their concerns, and have quick access to the information and solutions customers require. As part of the independent 2014 Customer Satisfaction Survey (telephone survey), 403 customers were asked if they had contacted Welland Hydro by phone or in person and to provide feedback of their most recent experience related to:

- 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 percentages below indicate customers who were very satisfied or fairly satisfied with Welland Hydro's First Contact Resolution:

- 76% - The time it took to contact someone
- 73% - The time it took someone to deal with the issue
- 76% - Helpfulness of the staff who dealt with the problem
- 76% - Knowledge of the staff who dealt with the customer

81% - Courtesy of the staff that dealt with the issue

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

78% - Overall very or fairly satisfied with most recent telephone or in-person contact experience

The Customer Survey provided an overall rating of 78% (very or fairly satisfied customers) for First Contact Resolution. As a result of the snapshot for FCR provided by the survey results, Welland Hydro has developed an Escalated Call Service Order to track calls with customers that have further concerns or require more information, and to identify the type of issues that are not being resolved during the first contact. Total first contacts are also being tracked electronically to provide numerical First Contact Resolution percentages for the OEB Scorecard in future years. The Escalated Call Service orders will also provide information to identify areas of improvements and to develop proactive solutions with the goal of providing quicker resolutions for our valued customers.

- **Billing Accuracy**

The OEB has mandated that all distributors begin tracking billing accuracy effective October 1, 2014 and has established a minimum accuracy target of 98.0%. From October 1, 2014 to December 31, 2014 Welland Hydro issued over 66,000 billings to residential and commercial accounts with a billing accuracy of 99.99%. Welland Hydro will continue to monitor billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

Welland Hydro engaged a third party to conduct an independent Customer Satisfaction Survey in 2014. The survey results provide information that identifies areas to improve customer service at all levels and departments within Welland Hydro. The independent survey was a telephone survey of 403 customers who were asked questions on a wide range of topics, including: social media, overall satisfaction, reliability, customer service, outages, billing, corporate image, customer expectations and customer needs. Welland Hydro uses the survey results to develop processes, explore different technologies and develop plans through Customer Service team meetings to identify and meet our customer's expectations. In the 2014 OEB Scorecard, Welland Hydro reported that 88% percent of customers surveyed were very satisfied or fairly satisfied. Another measure developed by the third party survey provider, is a "Customer Satisfaction Survey Report Card" that measures utilities against its peers across Ontario on Customer Care, Company Image, and Management Operations. On the "Customer Satisfaction Survey Report Card", Welland Hydro scored an "A" rating, which exceeded the Ontario LDC Average Score of "B+". Welland Hydro is committed to continue work hard to explore and develop opportunities to improve on the favorable relationship it has developed with all its customer classes.

## Safety

- **Public Safety**

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

This component does not have performance data for the 2014 scorecard because the survey results are not available. Survey results are expected to be available in 2016 for this component of measure and will be shown on the 2015 scorecard.

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

Over the past three years, Welland Hydro was independently audited and found to be in compliance with Regulation 22/04.

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

Welland Hydro has had no serious electrical incidents resulting in death or critical injury over the last three years.

## System Reliability

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

Welland Hydro reported an average power interruption of 1.53 hours per customer in 2014 which is comparable to the average interruption of 1.65 hours from 2010 through 2012. The 2013 average of 4.86 hours was impacted by the severe ice storm in December of that year.

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

Welland Hydro reported an average of 1.76 outages per customer in 2014. This figure is comparable to the average of 1.64 outages per customer from 2010 to 2012. As was the case with the length of outages, 2013 results were impacted by the severe ice storm.

## Asset Management

- **Distribution System Plan Implementation Progress**

Welland Hydro is currently in the process of developing and finalizing our Distribution System Plan with a target completion date of December, 2015. Plans are to have the initial draft of the plan reviewed by third party experts. Any modifications required to the original plan will be made prior to submission to the OEB for approval. The submission of the official plan will form part of the next Cost of Service rate application which is scheduled for filing on August 31, 2016 for rates effective May 1, 2017.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. Electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. For the third year in a row Welland Hydro was ranked in the second efficiency group. The second efficiency group has actual costs that are 10% to 25% below predicted costs for their utility. Welland Hydro's actual average cost from 2012 to 2014 were 14.3% below predicted costs which placed Welland Hydro well within the top 20 electricity distributors in all Ontario for cost efficiency. Actual costs for 2014 were 17.3% below predicted which further shows Welland Hydro's commitment to providing reliable power to its customers while maintaining total costs within the second efficiency group.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of actual capital and operating costs and dividing by the total number of customers Welland Hydro serves. The total cost for 2014 is \$483 per customer which represents a 2.3% increase over 2013 results. These results can be impacted by one off costs such as emergency repairs and regulatory costs on a year by year basis. When comparing 2014 results to the 2012 actual of \$482 per customer Welland Hydro has had only a 0.2% increase over the two year period.

- **Total Cost per Km of Line**

This measure divides total costs by the total Km of line maintained by the distributor. Welland Hydro's service territory has a low growth rate of less than 1% per year in new customers normally related to new subdivisions. Km of line maintained is impacted by new subdivisions, system expansions, and changes made to improve reliability. Actual cost per Km of line serviced by Welland Hydro actually decreased in 2014 compared to 2013. Since 2012 costs have only increased 0.9% per Km of line over a two year period. Welland Hydro's is committed to service both new and existing customers at reasonable costs while maintaining or improving reliability.

## Conservation & Demand Management

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

The IESO's Final 2011-2014 CDM Results shows Welland Hydro has achieved 48.41% of its Annual Peak Demand Savings target. However, Welland Hydro is currently disputing this figure and if successful, the revised results would show 138% of its annual Peak Demand Savings target as being achieved.

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

Welland Hydro has achieved 115.93% of its 2011-2014 Net Energy Savings target according to the IESO's Final 2011-2014 CDM results.

## Connection of Renewable Generation

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

There have been six Connection Impact Assessments completed to date; 2010 (1), 2011 (4), 2013 (1) within Welland Hydro's service territory. All assessments were completed within the prescribed time lines.

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

Since 2013, Welland Hydro has connected all new micro-embedded generation facilities within the prescribed time frame of five business days. There are currently 58 micro fits and 7 fit solar generators connected to Welland Hydro'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. Welland Hydro 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. The switch to monthly billing in 2011 and an inventory consignment agreement with a major supplier have contributed to maintaining a current ratio over 1.

- **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. Welland Hydro's 2014 leverage ratio of 0.87 indicates that it is currently operating with less actual debt than would be allowed under the OEB deemed structure.

For an electrical distributor, it is imperative to be able to fund capital expenditures to maintain the reliability of the distribution system. The level of capital expenditures currently required to maintain Welland Hydro's distribution system exceeds depreciation which can impact cash balances and debt levels. Welland Hydro's current profitability levels and current dividend policy ensures that sufficient profits are generated and retained so that debt/equity ratios are not negatively impacted. This policy along with room to expand its leverage ratio thru increased debt as required will allow Welland Hydro to maintain the distribution system for the foreseeable future while minimizing interest expense and keeping distribution rates competitive with other LDC's.

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

Welland Hydro'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**

Welland Hydro's deemed return achieved in 2014 was 9.98% which is well within the +/- 3% allowed by the OEB. Continued emphasis on cost reductions contributed to actual results exceeding expected. However, the return in 2014 represents a small reduction from the deemed actual return of 10.50% achieved in 2013. Capital expenditures in 2014 exceeding depreciation levels has increased the deemed equity year over year contributing to the slightly lower return rate. Going forward, the loss of a large volume customer in 2015 will have a negative impact on deemed returns until adjustments to existing rates are made in the 2017 Cost of Service Rate Application.

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