

Scorecard - Waterloo North Hydro Inc.

9/24/2017

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	Trend	Target		
									Industry	Distributor	
Customer Focus 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%	100.00%		90.00%		
		Scheduled Appointments Met On Time	99.80%	99.90%	99.60%	100.00%	98.10%		90.00%		
		Telephone Calls Answered On Time	87.60%	95.10%	88.80%	88.10%	86.70%		65.00%		
	Customer Satisfaction	First Contact Resolution				99.93%	99.95%	99.92%			
		Billing Accuracy				99.96%	99.95%	99.73%		98.00%	
		Customer Satisfaction Survey Results				96%	96%	92%			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness					82.00%	82.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	1	0	1	1			1
	Rate per 10, 100, 1000 km of line		0.649	0.642	0.000	0.633	0.618			0.450	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.59	0.59	0.47	0.69	0.71			0.63	
		Average Number of Times that Power to a Customer is Interrupted ²	1.04	1.59	0.91	1.42	1.15			1.05	
	Asset Management	Distribution System Plan Implementation Progress				99.73%	119.44%	23.05%			
	Cost Control	Efficiency Assessment	3	3	3	3	4				
		Total Cost per Customer ³	\$673	\$728	\$760	\$762	\$809				
		Total Cost per Km of Line ³	\$23,080	\$25,066	\$26,299	\$26,109	\$28,094				
Public Policy Responsiveness 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 Cumulative Energy Savings ⁴					15.54%	29.69%		82.38 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%	100.00%	87.50%	80.00%				
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.83	0.97	0.89	0.94	1.01				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.07	1.06	1.24	1.33	1.23				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.58%	9.19%			
			Achieved	7.41%	8.70%	7.26%	6.65%	10.13%			

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%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

In 2016, Waterloo North Hydro Inc. (WNH) exceeded all performance targets with the exception of: the Average Number of Times that Power to a Customer is Interrupted, Average Number of Hours that Power to a Customer is Interrupted and the Serious Electrical Incident Index. WNH also discovered a material misstatement in the data used for capital additions in 2016 (see section on cost control). WNH made a request to the OEB to correct this error and the request has been denied. The error results in WNH being moved to a less efficient group in Efficiency Assessment and a revenue loss of \$51,000 for 2018 rates.

Service Quality

New Residential/Small Business Services Connected on Time

In 2016, WNH connected 100% of the 845 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). This maintains the high level of service from the previous year and is above the OEB-mandated threshold of 90%. WNH expects to maintain this level of service in 2017.

Scheduled Appointments Met On Time

WNH scheduled over 13,100 appointments with its customers in 2016 to complete work requested by customers, read meters, reconnect services, or perform necessary maintenance. Consistent with prior years’, the utility met 98.1% (2015 - 100%) of these appointments on time, which significantly exceeds the industry target of 90%. WNH expects to continue this level of service in 2017.

Telephone Calls Answered On Time

In 2016, WNH's customer contact centre received well over 49,000 calls from its customers. The call centre agents answered 86.7% of these calls in 30 seconds or less. Although this amount represents a relatively slight decrease from 2015 (88.1%), this rate significantly exceeds the OEB-mandated 65% target for timely call response.

Customer Satisfaction

First Contact Resolution

For WNH, First Contact Resolution is measured based on the number of calls escalated to a supervisor after a call centre agent first assisted the customer. For 2016, only 45 calls needed to be escalated to a supervisor after the first contact resulting in a 99.92% resolution on first contact (2015 – 99.95%). This rate is well above the OEB mandated target of 98%. WNH expects this level of resolution to continue in 2017.

Billing Accuracy

During 2016, WNH issued approximately 353,000 bills and achieved a billing accuracy of 99.73%. While this rate represents a very slight decrease from the prior year (2015 – 99.95%), it compares favourably to the prescribed OEB target of 98%. WNH has put a lot of effort into ensuring that this high level of accuracy will continue in 2017 despite the challenges associated with the OEB's mandate of monthly billings and the implementation of a new Customer Information System.

Customer Satisfaction Survey Results

The OEB introduced the Customer Satisfaction Survey measure in 2013. At a minimum, electricity distributors are required to measure and report customer satisfaction results at least every other year.

In 2016, WNH engaged a third party to conduct customer satisfaction surveys. These surveys provide information that supports discussions surrounding improving customer service at all levels and departments within WNH. The survey asks customers questions on a wide range of topics including: overall satisfaction with WNH, reliability, customer service, outages, cost, billing and corporate image. In addition, WNH provides guidance to the third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data is then incorporated into WNH's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps to identify the most effective means of communication. In its 2016 Scorecard, WNH reported that it received a Satisfaction score of 92% from its customers. While this score represents a slight decrease from the 2014 survey of 96%, WNH's results are

significantly above the provincial average of 74%. WNH believes that its customer feedback and the satisfaction score reflects the efforts that we continue to make in the community, listening to customer feedback and incorporating it into our business plans. WNH's next Customer Satisfaction survey is scheduled to occur in 2018.

Safety

Public Safety

Component A – Public Awareness of Electrical Safety

Starting in 2015, the OEB introduced the Public Awareness of Electrical Safety component of the public safety measure. This performance measure attempts to measure the level of awareness of key electrical safety precautions among the public in the electricity distributor's service territory. Utilities are required to carry out a survey as developed by the Electrical Safety Authority every two years. WNH was able to achieve a score of 82% as part of its first survey which occurred in 2015. While WNH is satisfied with these first time results, the company will strive to improve upon this score through public education initiatives going forward. The next survey is scheduled to be completed in 2017.

Component B – Compliance with Ontario Regulation 22/04

The Compliance with Ontario Regulation 22/04 component of the public safety measure will address the level of distributor compliance to Ontario Regulation 22/04, Electrical Distribution Safety. It includes an audit of compliance, declaration of compliance, reports evaluated (e.g., due diligence inspections, audits, public safety concerns, etc.), and outcome (e.g., compliant, needs improvement, non-compliant).

The performance target for level of compliance with Ontario Regulation 22/04 is for the distributor to be fully compliant with Ontario Regulation 22/04.

WNH has been compliant with Ontario Regulation 22/04 since the measure was tracked in 2010 through to 2016.

Component C – Serious Electrical Incident Index

The Serious Electrical Incident Index component of the public safety measure is intended to address the resultant impact in improving public electrical safety on the distribution networks over time. It measures 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. Both the actual number and the rate per km of line are shown on the Scorecard.

The performance target for Serious Electrical Incident Index will be set based on a distributor's specific performance target using the distributor's historical data and prior performance.

In 2016 there was one serious electrical incident within Waterloo North Hydro's service territory resulting in rate of 0.618 (2015 – 0.633). This rate is above the established performance target of 0.450 incidents per 1,000 km.

System Reliability

Average Number of Hours that Power to a Customer is Interrupted

During 2016, there were 807 total interruptions resulting in 166,453 customer interruptions with an average duration of 0.71 hours per customer. This average represents a very slight increase from the 2015 duration period (0.69 hours per customer), and is just outside the OEB prescribed target of 0.63 hours per interruption.

WNH continues to view reliability of electricity service as a high priority for its customers and as such developed programs several years ago for the continuous improvement of reliability. The program includes a constant review of reliability within the 24/7 control room and a response plan for any areas of the distribution system experiencing a degradation in reliability. This, combined with WNH's commitment to review the worst performing feeders on an ongoing basis to improve reliability, will ensure customers continue to receive high value from their electricity service.

Average Number of Times that Power to a Customer is Interrupted

WNH's Average Number of Times that Power to a Customer is Interrupted for 2016 was 1.15 times per customer. Although this rate is slightly above WNH's target of 1.05, it represents a 23% decrease from 2015.

WNH has adopted a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance customer and utility affordability. WNH has described above the initiatives that it has undertaken, or will undertake, to improve its reliability.

Asset Management

Distribution System Plan Implementation Progress

Distribution System Plan (DSP) implementation progress is a performance measure instituted by the OEB in 2014. Consistent with other new measures, utilities were given an opportunity to define it in the manner that best fits their organization. The DSP outlines WNH's forecasted capital expenditures over the next five (5) years that are required to maintain and expand the electricity system to serve current and future customers. The "Distribution System Plan Implementation Progress" measure is intended to assess WNH's effectiveness at planning and implementing the DSP.

WNH filed an application with the OEB for a full review of its rates effective January 1, 2016 that included a DSP. The application and DSP were approved by the OEB in fall 2015. In 2016 during the first year of the current five year DSP (2016-2020), WNH has reported 23.1% in its Distribution System Plan Implementation Progress as at December 31, 2016. This measure was calculated by comparing WNH's actual capital expenditures for 2016 compared to the total five year capital expenditures as per the DSP.

Cost Control

Efficiency Assessment

The total costs for Ontario's local electricity distribution companies are evaluated by 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. At the time the Scorecard was published, WNH had been placed in Group 4. A Group 4 distributor is defined as having actual costs 10 – 25% percent above predicted costs. However, WNH has since made a request to the OEB to correct a material misstatement in the Scorecard data vs. data submitted by WNH in the RRR filings. WNH calculated the impact of the misstatement and believe we should have been placed in Group 3. A Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. These adjusted results are more reflective of WNH's historical results, having been placed in Group 3 since 2012.

Total Cost per Customer

Total cost per customer is calculated as the sum of WNH's capital and operating costs per customer. WNH's initial cost performance result for 2016 was \$809/customer at the time the Scorecard was published. As noted above however, WNH has since made a request to correct a material misstatement in the data relating to the capital expenditures initially reported

in the OEB Yearbook vs. data submitted by WNH in the RRR filings. As such, WNH has recalculated the performance result and has determined that the 2016 cost per customer is \$785. This revised figure represents an approximately 3% increase from 2015.

Although WNH is in the best 20% of Utilities in terms of managing controllable costs per customer, WNH's capital costs increased as a result of significant plant relocation costs associated with the Region of Waterloo's Light Rail Transit (LRT) construction project.

Similar to most distributors in the province, WNH has also experienced increases in its total costs required to deliver quality and reliable services to customers. Province wide programs such as Time of Use pricing, growth in wage and benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. WNH will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts as demonstrated in our 2016 rate application. WNH will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements.

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 WNH operates to serve its customers. WNH's 2016 rate is \$28,094 per Km of line, a 7.6% increase from 2015. WNH continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Conservation & Demand Management

Net Cumulative Energy Savings

As part of the Conservation First Framework, which runs from 2015 to 2020, WNH was assigned a target of 82.38 GWh, which is to be achieved by the end of 2020. WNH's 2016 Final Verified Results, as reported by the IESO, shows a net cumulative energy savings, as of the end of 2016 of 24.5 GWh, which equates to 29.7% of the six-year target. Although the results reported to date are below one third of the 2020 target or 27.5 GWh, WNH is confident that we have met and exceeded the intent of one third of the target, as a significant number of projects that WNH completed in 2016 have not been included in the 2016 Final Verified Results. Continued success in meeting and exceeding the annual targets is attributed to strong participation by all customer segments including residential, commercial, institutional, and industrial customers.

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 2016, WNH completed four of five CIAs within the prescribed time limit for a rate of 80.00% (2015 - 87.50%).

The one exception was a result of miscommunication involving an agreement with another distributor. To ensure that this issue does not occur in the future, WNH will better monitor these agreements.

New Micro-embedded Generation Facilities Connected On Time

In 2016, WNH connected 30 new micro-embedded generation facilities (microFIT projects of less than 10 kW) 100% of the time within the prescribed time frame of five business days (2015 – 100%). The minimum acceptable performance level for this measure is 90% of the time. Our workflow to connect these projects is streamlined and transparent with our customers. WNH works closely with its customers and their contractors to resolve any connection issues to ensure the project is connected on time and expects this level of service in 2017.

Financial Ratios

Liquidity: Current Ratio (Current Assets/Current Liabilities)

As an indicator of financial health, a current ratio of 1.0 or greater is considered good as it indicates that the company can meet its short-term financial obligations.

WNH's current ratio increased from 0.94 in 2015 to 1.01 in 2016. This was mainly attributed to an increase in retailer receivables compared to prior year. WNH's current ratio in subsequent years is expected to be in line with the 2010 to 2016 results.

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. WNH's 2016 ratio of 1.23 (2015 – 1.33) is well below the OEB threshold of 1.5.

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

WNH's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.19%. The OEB allows a distributor to earn within +/- 3% of the deemed 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

WNH's return achieved in 2016 was 10.13%, which is well within the +/-3% range allowed by the OEB. The average return over the past 3 years was 7.54% which is also well within the return included in WNH's approved rates. The increase in ROE was anticipated as rates associated with the new Cost of Service Agreement (COS) took effect January 1, 2016 and as a result WNH had expected that their 2016 return would be more in line with the deemed regulatory return on equity for the year of 9.19%.

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.