

Scorecard - Waterloo North Hydro Inc.

9/28/2015

| Performance Outcomes | Performance Categories | Measures | 2010 | 2011 | 2012 | 2013 | 2014 | 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 | 96.90% | 99.70% | 99.80% | 99.90% | 99.60% | ⬆ | 90.00% | | |
| | | Telephone Calls Answered On Time | 88.70% | 91.50% | 87.60% | 95.10% | 88.80% | ⬆ | 65.00% | | |
| | Customer Satisfaction | First Contact Resolution | | | | | | 99.93% | | | |
| | | Billing Accuracy | | | | .306 | | 99.96% | ➡ | 98.00% | |
| | | Customer Satisfaction Survey Results | | | | | | 96% | | | |
| 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 [measure to be determined] | | | | | | | | | |
| | | Level of Compliance with Ontario Regulation 22/04 | C | C | C | C | C | ➡ | | C | |
| | | Serious Electrical Incident Index | Number of General Public Incidents | 1 | 2 | 1 | 1 | 0 | ⬇ | | 1 |
| | Rate per 10, 100, 1000 km of line | | 0.649 | 1.293 | 0.649 | 0.642 | 0.000 | ⬇ | | 0.453 | |
| | System Reliability | Average Number of Hours that Power to a Customer is Interrupted | 0.76 | 0.75 | 1.66 | 5.17 | 0.81 | ⬆ | | at least within 0.75 - 5.17 | |
| | | Average Number of Times that Power to a Customer is Interrupted | 0.85 | 0.85 | 1.39 | 3.14 | 1.21 | ⬆ | | at least within 0.85 - 3.14 | |
| | Asset Management | Distribution System Plan Implementation Progress | | | | | | 99.73% | | | |
| | Cost Control | Efficiency Assessment | | | | 3 | 3 | 3 | | | |
| Total Cost per Customer ¹ | | \$617 | \$695 | \$673 | \$728 | \$760 | | | | | |
| Total Cost per Km of Line ¹ | | \$20,721 | \$23,717 | \$23,080 | \$25,066 | \$26,299 | | | | | |
| 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 Annual Peak Demand Savings (Percent of target achieved) ² | | 12.86% | 25.16% | 34.06% | 51.13% | ● | | 15.79MW | |
| | | Net Cumulative Energy Savings (Percent of target achieved) | | 38.61% | 62.15% | 81.80% | 99.63% | ● | | 66.49GWh | |
| | Connection of Renewable Generation | Renewable Generation Connection Impact Assessments Completed On Time | | 77.78% | 100.00% | 100.00% | 100.00% | | | | |
| | | New Micro-embedded Generation Facilities Connected On Time | | | | 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) | 0.94 | 0.96 | 0.83 | 0.97 | 0.89 | | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 0.69 | 0.92 | 1.07 | 1.06 | 1.24 | | | | |
| | | Profitability: Regulatory Return on Equity | Deemed (included in rates) | | 9.58% | 9.58% | 9.58% | 9.58% | | | |
| | | | Achieved | | 10.04% | 7.41% | 8.70% | 7.26% | | | |

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

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)

Waterloo North Hydro Inc.

Scorecard MD&A - General Overview

In 2014, Waterloo North Hydro Inc. (WNH) exceeded all performance targets, except for the Conservation and Demand Management Savings.

The percentage of Telephone Calls Answered on Time in 2014 was lower than 2013 as WNH had staffing changes that decreased the number of staff in the area. Currently customer service staff is being cross trained within the department so that staff can be interchanged easily if additional coverage is needed. Implementation of an Outage Management system and social media updates should help to reduce calls during outages.

Also of note are WNH’s customer satisfaction survey results of 96% in 2014. This is a result of WNH’s efforts in soliciting and responding to customer feedback on an ongoing basis. This result increased from the 95% that WNH achieved in 2011, the last time the survey was conducted.

In 2015, the company expects to maintain its overall scorecard performance results compared to prior years. Performance improvements are expected as a result of major investments in the distribution system.

Service Quality

New Residential/Small Business Services Connected on Time

In 2014, WNH connected 100% of the 622 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 above the OEB-mandated threshold of 90%. WNH expects to maintain this level of service in 2015.

Scheduled Appointments Met On Time

WNH scheduled over 11,000 appointments with its customers in 2014 to complete work requested by customers, read meters, reconnect services, or perform necessary maintenance. Consistent with prior years', the utility met 99.6% of these appointments on time, which significantly exceeds the industry target of 90%. WNH expects to continue this level of service in 2015.

Telephone Calls Answered On Time

In 2014, WNH's customer contact centre received almost 43,000 calls from its customers. Our call centre agents answered 88.8% of these calls in 30 seconds or less. This significantly exceeds the OEB-mandated 65% target for timely call response. Year over year, the 2014 result amounts to a 6% decrease over 2013, driven primarily by WNH's staffing changes which decreased the number of staff in the area. Currently customer service staff is being cross trained within the department so that staff can be interchanged easily if additional coverage is needed. The Outage Management System and social media updates should help to reduce calls during outages.

Customer Satisfaction

First Contact Resolution

Specific customer satisfaction 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 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 to implement a commonly defined measure for these areas. 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.

For WNH, First Contact Resolution was measured based on the number of calls escalated to a supervisor after a call centre agent first assisted the customer. For the period July 1, 2014 to December 31, 2014, only 7 calls needed to be escalated to a supervisor after the first contact, resulting in a 99.93% resolution on first contact. WNH expects this level of resolution to continue in 2015.

Billing Accuracy

Prior to October 1, 2014, there was no defined measurement of billing accuracy across the industry. After consultation with some electricity distributors, the OEB has prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014.

For the period October 1, 2014 to December 31, 2014, WNH issued more than 341,000 bills and achieved a billing accuracy of 99.96%. This compares favourably to the prescribed OEB target of 98%. WNH expects this level of accuracy to continue in 2015.

Customer Satisfaction Survey Results

The OEB introduced the Customer Satisfaction Survey Results measure in 2013. At a minimum, electricity distributors are required to measure and report customer satisfaction results at least every other year. At this time the OEB is allowing electricity distributors discretion as to how they implement this measure.

In 2014, 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 this 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 2014 Scorecard, WNH reported that it received a Satisfaction score of 96% from its customers in 2014 on this measure compared to a score of 95% in 2011. Customer feedback and the satisfaction score reflects the efforts that WNH continues to make in the community, listening to customer feedback and incorporating it into WNH's business plans. In addition, WNH has committed to an on-line presence with over 5,000 Facebook Followers and updating customers on Twitter.

Public Safety

Component A – Public Awareness of Electrical Safety

The Public Awareness of Electrical Safety component of the public safety measure is expected to measure the level of awareness of key electrical safety precautions among the public in the electricity distributor's service territory. The OEB expects that the first reporting of this component of the public safety measure will be shown on the scorecard for 2015.

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 2014.

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 2014 there were no serious electrical incidents within Waterloo North Hydro's service territory.

System Reliability

Average Number of Hours that Power to a Customer is interrupted

WNH experienced a significant decrease in the average number of hours that power to a customer was interrupted during 2014 compared to 2013.

In 2013, there were three major events resulting in 10 times the outage minutes for an average year. Industry analysis indicates that major storms are becoming more frequent. The recent increase in the severity and frequency of weather events is leading WNH to strengthen its distribution system. WNH is replacing the majority of rear-lot pole lines to decrease the number of overhead high voltage wires on private residential properties. In addition, WNH increased the frequency of trimming trees encroaching on overhead lines to reduce outages due to tree contact.

WNH is installing smart switches, remotely controlled from our 24/7 control room, to restore power quickly to as many customers as possible in the event of an outage.

In 2014, WNH began implementation of an Outage Management System to get faster updates on storm damage for internal and external use, and for faster dispatch of crews with the right materials to fix the problem. This system will be fully functional in 2015 and includes the deployment of a 24 X 7 'Customer Public Outage Map'.

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 (i.e., frequency) of 1.21 is well within the target range of 0.85 – 3.14. This is a decrease from 2013 in which WNH had three major storms.

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 ratepayer 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 implementation progress is a new performance measure instituted by the OEB starting in 2014. Consistent with other new measures, utilities were given an opportunity to define it in the manner that best fits their organization. The Distribution System Plan (“DSP”) outlines WNH’s forecasted capital expenditures over the next five (5) years that are required to maintain and expand the distributor’s electricity system to serve its 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 has filed an application with the OEB for a full review of its rates effective January 1, 2016 that includes a proposed DSP.

As this proposed DSP has not been approved by the OEB, WNH has reported 99.73% in its Distribution System Plan Implementation Progress measured at December 31, 2014. This measure was calculated by comparing WNH’s actual capital expenditures for 2014 compared to budget.

Cost Control

Efficiency Assessment

The total costs for Ontario 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. In 2014, for the third year in a row, WNH was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered “average efficiency” – in other words, WNH’s costs are within the average cost range for distributors in the Province of Ontario. In 2014, 47% (34 distributors) of the Ontario distributors were ranked as “average efficiency”; 28% were ranked as “more efficient”; 25% were ranked as “least efficient. WNH’s forward looking goal is to advance to the “more efficient” group.

Total Cost per Customer

Total cost per customer is calculated as the sum of WNH's capital and operating costs per customer. The cost performance result for 2014 is \$760/customer which is a 4.8% increase over 2013.

Similar to most distributors in the province, WNH has 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 2014 rate is \$26,299 per Km of line, a 4.9% increase over 2013. Please see above for the Total Cost per Customer section for the reasons for cost increases. 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 Annual Peak Demand Savings (Percent of target achieved)

Similar to most utilities in the province, WNH was unable to meet its Net Annual Peak Demand Savings target as at the end of 2014, however, WNH achieved almost all of its Energy Target Savings.

Net Cumulative Energy Savings (Percent of target achieved)

WNH achieved almost all of its (99.63%) four-year net cumulative energy savings target by the end of 2014. Our achievement was made possible by the strong and early participation by local commercial customers in our retrofit and energy efficient lighting programs.

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 2014, WNH completed ten CIAs all within the prescribed time limit. In 2013, WNH completed three CIAs all within the prescribed time limit. WNH has achieved a 100% completion rate for the past three years.

New Micro-embedded Generation Facilities Connected on Time

In 2014, WNH connected 50 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. The minimum acceptable performance level for this measure is 90% of the time. Our workflow to connect these projects is very 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 2015.

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 decreased from .97 in 2013 to .89 in 2014. This is not indicative of a decline in financial performance but rather the result of a reclassification for reporting purposes. WNH's current ratio in subsequent years is expected to be in line with the 2010 to 2014 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 2014 ratio of 1.24 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 9.58%. 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

WNH's return achieved in 2014 was 7.26%, which is well within the +/-3% range allowed by the OEB. The average return over the past 3 years was 7.8% which is also well within return included in WNH's approved rates.

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.