

Scorecard - Espanola Regional Hydro Distribution Corporation

Performance Outcomes	Performance Categories	Measures	2013	2014	2015	2016	2017	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	94.70%	100.00%	100.00%	100.00%	100.00%	↑	90.00%		
		Scheduled Appointments Met On Time	95.40%	100.00%	100.00%	100.00%	98.18%	↑	90.00%		
		Telephone Calls Answered On Time	74.80%	77.30%	76.10%	76.20%	72.62%	↓	65.00%		
	Customer Satisfaction	First Contact Resolution			100%	99.8	99.17 %	99.60			
		Billing Accuracy			99.83%	99.93%	99.95%	99.95%	↑	98.00%	
		Customer Satisfaction Survey Results				89%	87 %	87 %			
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				85.00%	85.00%	84.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	C	→	C	C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	0	→	0
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.000	0.000	→	0.000	0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.05	0.21	0.27	0.55	0.35	0.35	↓	0.67	0.67
		Average Number of Times that Power to a Customer is Interrupted ²	0.44	0.13	0.07	1.10	0.10	0.10	↑	0.33	0.33
	Asset Management	Distribution System Plan Implementation Progress		In progress	On Track	On Track	On Track	On Track			
	Cost Control	Efficiency Assessment	2	2	2	2	2	2			
		Total Cost per Customer ³	\$612	\$602	\$658	\$670	\$661	\$661			
		Total Cost per Km of Line ³	\$14,642	\$14,388	\$15,465	\$15,702	\$15,421	\$15,421			
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				20.83%	35.54%	80.32%		2.41 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time				0.00%	0.00%				
		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)	1.17	0.83	1.47	1.34	1.17				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.76	1.10	1.30	1.22	1.17				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.12%	9.12%	9.12%	9.12%			
			Achieved	29.90%	28.00%	15.91%	6.29%	2.45%			

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 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

Appendix A – 2017 Scorecard Management Discussion and Analysis (“2017 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 2017 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 2017, Espanola (“ERH”) had a successful year in meeting and exceeding all of the performance targets for the measures which have been established by the Ontario Energy Board (OEB) in this scorecard.

ERH had a strong performance in Operational Effectiveness in 2017. Not only has ERH exceeded the 5 year rolling average distributor target in both reliability performance metrics, ERH has also, for a fifth year in a row, had zero public incidents in relation to safety.

For the fifth year in a row, ERH has maintained an efficiency assessment rating of Group 2 which is defined as having actual costs between 10% and 25% below predicted costs under the PEG model. ERH’s Total Costs per Customer and Km of Line has decreased in 2017 compared to 2016.

In 2018, ERH will continue working towards maintaining its high level of customer satisfaction and operational effectiveness.

Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2017, ERH connected 21 eligible low-voltage residential and small business customers (connections under 750 volts) to its distribution system, with 100% of these connections completed with the five-day timeline prescribed by the Ontario Energy Board (OEB). This score exceeds the OEB mandated threshold of 90%.

- **Scheduled Appointments Met On Time**

In 2017, ERH scheduled 56 appointments with customers to complete customer requested work (e.g. meter installs/removals, service disconnects/reconnects, meter locates etc.) ERH exceeded the OEB target of 90% by meeting this performance measure 98.18% of the time.

- **Telephone Calls Answered On Time**

In 2017, ERH's Customer Care Department received 3,955 calls from its customers. Of those calls, a Customer Care Representative answered the call in 30 seconds or less, 72.62% of the time. Although a slight decrease from the 2016 results, ERH exceeded the OEB target of 65%. Unexpected staffing shortages can be attributed in part to the slight decline for this measure, as well as an increase in call volume due to being a multi utility contact center. ERH will continue to monitor this performance measure to identify opportunities for improvement.

Customer Satisfaction

- **First Contact Resolution**

ERH's First contact Resolution was measured by tracking the number of electric related calls that were escalated to a Senior Customer Care Representative, Supervisor, or Manager. This was accomplished by tracking two specific call types in our Customer Information System (CIS), which are queried to provide the number of customer concerns that were escalated.

In 2017, ERH had 3,955 calls, of which, 16 contacts were escalated to a higher level of management. This resulted in a First Contact Resolution percentage of 99.60%.

- **Billing Accuracy**

ERH issued approximately 40,000 bills for the period from January 1, 2017 – December 31, 2017 and achieved an accuracy of 99.95%. This compares favorably to the prescribed OEB target of 98%. ERH continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

ERH conducts a customer satisfaction survey every two years with the last one conducted in 2016. Our next survey is scheduled for 2018.

Safety

- **Public Safety**

The Public Awareness of Electrical Safety measure (Component A) was introduced by the OEB in 2015 and focuses on the safety of the distribution system from a customer's point of view. The Electrical Safety Authority (ESA) provides an assessment as it pertains to Component B – Compliance with Ontario Regulation 22/04 and Component C – Serious Electrical Incident Index.

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

A representative sample of ERH's service territory population was surveyed in 2017 to gauge the public's awareness level of key electrical safety concepts related to distribution assets. The purpose of the survey was to provide a benchmark level concerning the public's electrical safety awareness and to identify opportunities where additional education and outreach may be required.

Results of the survey were analyzed in 2018 for opportunities to improve existing customer care processes and identify any public safety communication needs. ERH is pleased to report it received an index score of 84% on the 2017 survey.

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

Ontario Regulation 22/04 establishes objective based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, and specifications, and the inspection of construction before they are put in service.

Component B is comprised of an External Audit, a Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns, and Compliance Investigations. All these elements are evaluated as a whole to determine the status of compliance. Over the past seven years, ERH was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). ERH attributes this continued success to our strong commitment to safety, and adherence to company policies and procedures.

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

Section 12 of Ontario Regulation 22/04 specifies the requirement to report to the ESA any serious electrical incidents of which they become aware within 48 hours after the occurrence. ERH had no serious electrical incidents to report for 2017. The utility has not had a serious electrical incident to report in the last five years. For 2017, the results are zero incidents with a rate of 0.0 per 100 km of line.

ERH remains strongly committed to both the safety of staff and the general public. ERH regularly provides its customers with electrical

safety information via its website and bill inserts. Additionally, ERH has made significant maintenance and capital infrastructure investments in the past several years to enhance system safety and reliability.

System Reliability

A key change for 2017, as required by the OEB, is the revised reporting of reliability data with respect to Major Events. Specifically the change serves to a) adjust the reliability data to remove the impact of Major Events and b) require reporting of criteria to monitor the distributor's performance related to the Major Event. The 2017 Scorecard system reliability data, excludes both Loss of Supply and Major Events. The adjusted reliability measures capture interruptions caused by circumstances within the distributor's control and are published in the 2017 scorecard.

A "Major Event" is defined as an event that is beyond the control of the distributor and is:-

- a) Unforeseeable;
- b) Unpredictable;
- c) Unpreventable; or
- d) Unavoidable.

Such events disrupt normal business operations and occur so infrequently that it would be uneconomical to take them into account when designing and operating the distribution system. Such events cause exceptional and/or extensive damage to assets, they take significantly longer than usual to repair, and they affect a substantial number of customers.

In 2017 there were three major event days that occurred on July 7, October 24 and Nov 10. All were the result of a loss of supply.

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

The System Average Interruption Duration Index (SAIDI) of 0.35 in 2017 was below the target of 0.67. There are ongoing efforts to improve reliability including replacing aging infrastructure and improving vegetation management.

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

The System Average Interruption Frequency Index (SAIFI) of .10 in 2017 was below the target of 0.33. Consistent with SAIDI, there are ongoing efforts to improve reliability including replacing aging infrastructure and improving vegetation management.

Asset Management

• Distribution System Plan Implementation Progress

Although ERH has employed some degree of distribution system planning for several years, it began drafting its first formal Distribution System Plan (DSP) meeting all OEB Chapter 5 Filing Requirements in 2015-2016. The intention was to begin filing with the OEB as part of the 2017 Cost of Service Application. Activity was halted however in the summer of 2017 with the announcement of the pending sale of ERH to another LDC and the possibility of associated changes to the long term plans.

Cost Control

• Efficiency Assessment

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC (PEG) on behalf of the OEB to produce a single efficiency ranking. The PEG econometrics model attempts to standardizes costs to facilitate more accurate cost comparisons among distributors by accounting for differences such as number of customers, treatment of high and low voltage costs, kWh deliveries, capacity, customer growth, length of lines, etc. All Ontario electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual costs versus the PEG model predicted costs. The following table summarizes the distribution of all distributors across the 5 groupings for 2017.

Group	Demarcation Points for Relative Cost Performance	Group Ranking	# of Ontario LDCs in Group
1	Actual costs are 25% or more below predicted costs	Most Efficient	6
2	Actual costs are 10% to 25% below predicted costs	More Efficient	16
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	29
4	Actual costs are 10% to 25% above predicted costs	Less Efficient	11
5	Actual costs are 25% or more above predicted costs	Least Efficient	3

In 2017, for the fifth year in a row, ERH was placed in Group 2, where a Group 2 distributor is defined as having actual costs between 10% and 25% below predicted costs under the PEG model. ERH's efficiency performance based on the PEG model was under the predicted costs by 23.1% in 2017 compared to 20.9% in 2016.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of ERH's capital and operating costs, including certain adjustments to make the costs more comparable between distributors (i.e. under the PEG econometrics model) and dividing this cost figure by the total number of customers that ERH serves. The cost performance result for 2017 is \$661 per customer which is a 1.34% decrease over 2016.

Overall, ERH's Total Cost per Customer has increased on average by 2.04% per annum over the period 2013 through 2017. ERH will continue to replace distribution assets proactively in a manner that balances system risks and customer rate impacts. Customer engagement initiatives that commenced in 2016 will continue in order to ensure customers have an opportunity to share their viewpoint on ERH's capital spending plans.

- **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 the company operates to serve its customers. ERH's 2017 rate is \$15,421 per Km of line, a 1.79% decrease over 2016.

ERH continues to experience a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Such a low growth rate has reduced the ability to fund capital renewal and increasing operating costs through customer growth. As a result, total cost per Km of line has increased an average of 1.37% since 2013 with the increase in capital and operating costs.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

ERH is 80.32% towards its 2020 target. This is a positive testament to the channel partner outreach that has been happening throughout the program. We have also been working with the local township to decrease the consumption at its facilities including the local hospital.

On the residential side we continue to engage customers out in the community through public outreach events. We reach out to customers at these events to discuss conservation, give tips on how to reduce their consumption and hear stories from people about how they conserve hydro.

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 for their project from the Electrical Safety Authority.

For the year 2017 no CIA requests were received. However, ERH maintains its processes to ensure all applications are processed within the prescribed timelines if and when they are received.

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

In 2017, Interest in micoFIT program was less than in previous years. ERH received only one application and connected within the prescribed time frame of five business days representing a performance score of 100%. The minimum acceptable performance level for this measure is 90%. Outside of the micoFIT program, no applications for net metering (load displacement) installations were received.

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. Companies with a ratio of greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations.

ERH's current ratio decreased from 1.34 in 2016 to 1.17 in 2017 which is still above 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. 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. A low debt to equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

ERH has a debt to equity ratio of 1.17 in 2017 which is below the deemed capital structure.

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

ERH's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.12%. The OEB allows a distributor to earn within +/- 3 percentage points 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**

ERH's return on equity achieved in 2017 was 2.45%, which is below the +/-3 percentage points range allowed by the OEB. The achieved return on equity is 2.45% primarily due to unfavourable Distribution Revenue as ERH has not had a rate increase in 3 years, higher OM&A expenses and an increase in Regulated Deemed Debt.

Note to Readers of 2017 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.