

Scorecard - Waterloo North Hydro Inc.

Performance Outcomes	Performance Categories	Measures	2014	2015	2016	2017	2018	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	99.60%	100.00%	98.10%	96.40%	99.33%	⬇	90.00%		
		Telephone Calls Answered On Time	88.80%	88.10%	86.70%	72.77%	92.72%	⬇	65.00%		
	Customer Satisfaction	First Contact Resolution	99.93%	99.95%	99.92%	99.90%	99.87%				
		Billing Accuracy	99.96%	99.95%	99.73%	99.97%	99.97%	➡	98.00%		
		Customer Satisfaction Survey Results	96%	96%	92%	92%	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		82.00%	82.00%	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	0	1	1	1	6	⬆		1
			Rate per 10, 100, 1000 km of line	0.000	0.633	0.618	0.618	3.645	⬆		0.351
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.47	0.69	0.71	0.76	0.92	⬆		0.62	
		Average Number of Times that Power to a Customer is Interrupted ²	0.91	1.42	1.15	1.50	1.32	⬆		1.16	
	Asset Management	Distribution System Plan Implementation Progress	99.73%	119.44%	23.05%	41.81%	61.36%				
	Cost Control	Efficiency Assessment	3	3	4	3	3				
		Total Cost per Customer ³	\$760	\$762	\$809	\$773	\$819				
		Total Cost per Km of Line ³	\$26,299	\$26,109	\$28,094	\$26,800	\$28,499				
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%	65.16%	80.00%			82.38 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	87.50%	80.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time	100.00%	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)	0.89	0.94	1.01	1.08	1.08				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.24	1.33	1.23	1.18	1.14				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.19%	9.19%	9.19%			
			Achieved	7.26%	6.65%	10.13%	8.37%	8.20%			

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 2015-2020 Conservation First Framework. 2018 results are based on the IESO's unverified savings values contained in the March 2019 Participation and Cost Report.

Legend:

5-year trend
 ⬆ up ⬇ down ➡ flat

Current year
 ● target met ● target not met

2018 Scorecard Management Discussion and Analysis (“2018 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 2018 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

Waterloo North Hydro Inc. (WNH) exceeded all performance targets in 2018 with the exception of: 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 discovered a material misstatement in the data used for capital additions in 2016 (see section on cost control) and made a request to the Ontario Energy Board (OEB) to correct this error. The error has been verified with OEB staff and corrected on the 2017 and 2018 Benchmarking Report, however the OEB will not reflect the correct information on the Scorecard for 2016 as a matter of policy.

Service Quality

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

In 2018, WNH connected 100% of the 635 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 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 2019.

- **Scheduled Appointments Met On Time**

WNH scheduled over 12,900 appointments with its customers in 2018 to complete work requested by customers, read meters, reconnect services, or perform necessary maintenance. The utility met 99.33% (2017 – 96.40%) of these appointments on

time, which significantly exceeds the industry target of 90%. WNH expects to continue this level of service in 2019.

- **Telephone Calls Answered On Time**

WNH's customer contact centre received well over 31,000 calls from its customers in 2018. The call centre agents answered 92.72% of these calls in 30 seconds or less, representing an improvement from 2017 (72.77%). This performance exceeds the industry target of 65.0% for timely call response. In early 2017, WNH successfully launched a new Customer Information System to implement monthly billing, respond to OEB regulatory and rate changes, and to provide quick access to information to respond to customers in a timely manner. The transition to the new system was the reason for the lower call response levels in 2017, however, in 2018 WNH staff felt much more comfortable with the new system and were able to return to the high level of service that WNH strives to achieve. WNH has performed significantly better than the industry target for the past five years and expects to continue this level of service in 2019.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution is measured based on the number of calls escalated to a supervisor after a call centre agent first assisted the customer. In 2018, only 42 calls needed to be escalated to a supervisor after the first contact resulting in a 99.87% resolution on first contact (2017 – 99.90%). WNH expects this level of resolution to continue in 2019.

- **Billing Accuracy**

During 2018, WNH issued more than 699,000 bills and achieved a billing accuracy of 99.97% (2017 – 99.97%). This compares favourably to the industry target of 98%. WNH expects this level of accuracy to continue in 2019.

- **Customer Satisfaction Survey Results**

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

In 2018, WNH engaged an independent third party to conduct customer satisfaction surveys. The survey asks customers questions on a wide range of topics including: overall satisfaction with WNH, customer service, outages, cost, billing and corporate image, customer expectations and needs. This feedback is then incorporated into WNH's planning process and forms the basis of plans to improve customer satisfaction, meet the needs of customers and address areas of improvement. In 2018, WNH received a satisfaction score of 96% from its customers which is an improvement from the 2016 survey of 92%, WNH's results are above the provincial average of 89%. 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 2020.

Safety

- **Public Safety**

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

In 2015, the OEB introduced the Level of Public Awareness which 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 maintain a score of 82% in 2017, which was the same score received in the first survey conducted in 2015. While WNH is satisfied with these results, the utility will strive to improve upon this score through public education initiatives going forward. The next survey is scheduled to be completed in 2019.

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

This measure addresses 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 2018.

- **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.

The data reported on the 2018 scorecard are the results from the 2018 ESA audit of 2017 events. In 2017 there were six serious electrical incidents within Waterloo North Hydro's service territory resulting in rate of 3.645 (2017 ESA Audit – 0.618). This rate is above the established performance target of 0.351 incidents per 1,000 km. On March 23, 2017 the ESA provided new mandatory guidelines which lowered the threshold for serious incidents which in turn increased the amount of events that are reported on WNH's scorecard. WNH consistently sees a similar number of total incidents, however with the changes to the guidelines the serious incident number increased. WNH takes a diligent and highly cooperative approach to the ESA audits in order to be proactive and ensure the safest environment possible. Three of the six incidents were initiated as a result of items beyond the control of WNH (2 motor vehicle accidents and 1 damage to a customer owned pole line). The remaining three were a result of defective equipment. It is important to note that there were no personal injuries in any event noted. WNH reviews these incidents and makes appropriate adjustments to system renewal and maintenance activities as required.

System Reliability

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

During 2018, there were 786 total interruptions resulting in 106,624 customer interruptions with an average duration of 0.92 hours per customer. This average represents an increase from the 2017 duration period (0.76 hours per customer), and is outside the target of 0.62 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 2018 was 1.32 times per customer. This rate is above WNH's target of 1.16 and has decreased from 2017 (1.50). WNH has adopted a proactive, balanced approach to distribution system planning and infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets, to manage distribution system risks, to ensure the safe and reliable delivery of electricity, and to balance customer and utility affordability.

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 the Fall of 2015. In 2018, during the third year of the current five year DSP (2016-2020), WNH has reported 61.36% in its Distribution System Plan Implementation Progress as at December 31, 2018. This measure was calculated by comparing WNH's actual capital expenditures from 2016-2018 and 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 actual and predicted costs. In 2018, WNH maintained its place 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. WNH's forward looking goal is to maintain its efficiency ranking.

When the 2016 Scorecard was published, WNH had made a request to the OEB to correct a material misstatement in the data used for capital additions in 2016. The error has been verified with OEB staff and corrected on the 2017 and 2018 Benchmarking Report, however the OEB will not change this to reflect the correct information on the Scorecard as a matter of policy. The actual verified data places WNH in Group 3 for 2016, however, the Scorecard has the original incorrect information placing WNH in Group 4.

- **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 2018 is \$819/customer which represents an increase of 6.0% from 2017 (\$773). The total increase since 2014 (5 years) is 7.8% which is an average of 1.6% per year.

WNH's initial cost performance result for 2016 was \$809/customer at the time the 2016 Scorecard was published. As noted above, WNH discovered a material misstatement in the data used for capital additions in 2016 and made a request to the OEB

to correct this error. WNH had submitted to the OEB revised data on capital additions that would have resulted in a Total Cost per Customer of \$785/customer. The error has been verified with OEB staff and corrected on the 2017 Benchmarking Report, however the OEB will not change this to reflect the correct information on the 2017 Scorecard as a matter of policy.

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. WNH's 2018 rate is \$28,499 per Km of line, a 6.3% increase from 2017 (\$26,800). The total increase since 2014 (5 years) is 8.4% which is an average of 1.7% per year. WNH continues to seek innovative solutions to help ensure cost/km of line remains competitive and is affordable for our customers.

The Scorecard has the incorrect Total Cost per Km Line for 2016 (\$28,094) as the OEB will not change the 2016 data on the Scorecard as a matter of policy. The 2016 rate should be \$27,251 (verified and corrected).

Conservation & Demand Management

- **Net Cumulative Energy Savings**

On March 20, 2019, Ministerial Directives to the Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) discontinued the 2015-2020 Conservation First Framework (CFF) and established a scaled down Interim Framework for the balance of 2019 and 2020, to be delivered centrally by the IESO.

As part of the Conservation First Framework, which was to run from 2015 to 2020, WNH was assigned a target of 82.38 GWh. WNH's 2018 interim unverified results, as reported by the IESO, shows a net cumulative energy savings, as of the end of 2018 of 65.9 GWh, which equates to 80.0% of the original six-year target.

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 2018, WNH completed three CIAs within the prescribed time limit for a rate of 100.00% (2017 - 100%).

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

In 2018, WNH connected 73 new micro-embedded generation facilities (microFIT and net-meter projects of less than 10 kW) 100% of the time within the prescribed time frame of five business days (2017 – 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.

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 stayed consistent at 1.08 from 2017 to 2018. WNH's current ratio in subsequent years is expected to be in line with the 2010 to 2018 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 2018 ratio of 1.14 (2017 – 1.18) 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 2018 was 8.20%, which is well within the +/-3% range allowed by the OEB. The average return over the past 3 years was 8.38% which is also well within the return included in WNH's approved rates.

Note to Readers of 2018 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.