

Scorecard - Hydro 2000 Inc.

9/12/2024

Performance Outcomes	Performance Categories	Measures	2019	2020	2021	2022	2023	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%	90.00%	100.00%		90.00%			
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%			
		Telephone Calls Answered On Time	99.74%	100.00%	99.88%	93.06%	97.53%		65.00%			
	Customer Satisfaction	First Contact Resolution	95.82%	94.34%	94.34%	95.22%	95.22%					
		Billing Accuracy	99.93%	99.91%	99.59%	99.55%	99.74%		98.00%			
		Customer Satisfaction Survey Results	91	90.51%	90.51%	94.40%	94.4%					
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	75.25%	75.25%	79.64%	79.64%	92.00%					
		Level of Compliance with Ontario Regulation 22/04 ¹		NI	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	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		
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²		0.02	0.04	0.02	0.01	0.01			0.02	
		Average Number of Times that Power to a Customer is Interrupted ²		1.10	0.09	0.02	0.09	0.23			0.39	
	Asset Management	Distribution System Plan Implementation Progress		20%	100%	100%	100%	100%				
	Cost Control	Efficiency Assessment		2	2	2	2	2				
		Total Cost per Customer ³		\$530	\$575	\$604	\$664	\$698				
		Total Cost per Km of Line ³		\$31,368	\$34,879	\$36,337	\$40,073	\$42,450				
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).	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected On Time							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)		1.22	1.22	1.29	1.00	0.90				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.00	0.03	0.02	0.03	0.00				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.12%	8.52%	8.52%	8.52%	8.52%			
			Achieved		11.53%	5.77%	0.10%	-5.46%	-11.09%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. 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.

Legend:

5-year trend

up down flat

Current year

target met target not met

2023 Scorecard Management Discussion and Analysis ("2023 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 2023 Scorecard MD&A: https://www.oeb.ca/sites/default/files/uploads/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

In 2023, Hydro 2000 Inc. ("H2000") consistently met or exceeded all performance targets, reflecting the utility's strong commitment to operational excellence. Demonstrating a proactive approach to efficiency, H2000 implemented new cost control measures that led to significant improvements in cost per customer throughout the year. Looking ahead, H2000 remains dedicated to exploring innovative cost-saving solutions, including promoting cost-sharing initiatives with neighboring utilities, to further enhance value for its customers.

Service Quality

New Residential/Small Business Services Connected on Time

In 2023, H2000 achieved a perfect track record by promptly connecting all 8 eligible low-voltage residential and small business customers. Each request, involving connections under 750 volts, was successfully completed within just 5 working days. This 100% success rate highlights H2000's commitment to delivering fast and reliable service, ensuring that every customer is seamlessly connected without delay.

Scheduled Appointments Met On Time

In 2023, H2000 scheduled 178 customer appointments for essential services, including meter readings, reconnections, and other critical tasks. H2000 successfully met 100% of these appointments on time, matching its perfect record from the previous year. This performance reflects H2000's consistent commitment to excellence but also exceeds the industry target of 90%. H2000 continues to prioritize timely service, reinforcing its reputation as a dependable and customer-focused utility.

Telephone Calls Answered On Time

In 2023, H2000's customer service team demonstrated exceptional responsiveness, handling 1,340 customer calls with remarkable efficiency. Impressively, an H2000 representative answered 97.53% of these calls within just 30 seconds, far surpassing the Ontario Energy Board's (OEB) requirement of a 65% target for timely call response. This outstanding achievement highlights H2000's commitment to providing swift and reliable service, ensuring that customers receive the support they need without delay.

Customer Satisfaction

First Contact Resolution

H2000 conducted its bi-annual survey early 2022 and as such, the results below are still applicable for the purpose of the scorecard.

H2000 tracks its "First Contact Resolution" metric using its bi-annual customer satisfaction survey conducted in 2022. To comply with this requirement, the utility used an average of the following survey questions below. The utility believes that the results reflect accurate results.

- During the past 12 months, have you contacted the utility's customer service for any information or assistance?
- How would you rate the customer care representative's performance in handling your request for information?
- Are you aware of the different payment options?
- Overall, how would you rate Hydro 2000's overall performance in serving you?

The utility reported results of 95.22%.

Billing Accuracy

Billing accuracy reflects the proportion of customer invoices issued without errors, and H2000 has demonstrated exceptional performance in this area. From January 1, 2023, to December 31, 2023, H2000 issued 15,637 bills and achieved an impressive billing accuracy rate of 99.74%, surpassing the Ontario Energy Board's (OEB) target of 98%. This outstanding result highlights H2000's commitment to precision and reliability in its billing processes.

remains dedicated to monitoring and enhancing its billing accuracy. The utility continuously seeks opportunities for further improvement, ensuring that it maintains its high standards of service and accuracy.

Customer Satisfaction Survey Results

H2000 conducted a customer satisfaction survey in March and April of 2022. The survey's objectives included measuring:

- Utility's overall performance.
- Reliability.
- Billing and Payment Options.
- Quality of service provided by customer care.
- Quality of service provided by field employees.

- Customer awareness and usage of the department's online services.
- Customer support for greater use of renewable energy.
- Customer opinions regarding how aggressively sustainable practices should be pursued.
- Cost of Electricity.
- Overall Performance.

The utility used Survey Monkey to publish its survey and posted it on its website and its Facebook page. A bill message communicating the survey and prize was included on all the bills. The utility established that the desired sampling margin of error (confidence interval) was to be no greater than (+/-) 5 percentage points at a 95% confidence level. The margin of error is a measure of the precision of a sample estimate of the population value. It uses probability to demonstrate the accuracy of a sample estimate by providing a range of values in which a sample value would be expected to fall. In general, the margin of error provides a 95% confidence interval. The utility received a total of 293 responses. Therefore, the survey is representative of public opinion.

The utility intends to continue surveying its customers on a bi-annual basis to monitor and assess residential and commercial customer knowledge, perceptions, and satisfaction regarding utility services.

Safety

Component A – Public Awareness of Electrical Safety

The intent of the Public Awareness of Electrical Safety component of the public safety measure is to measure the level of awareness of critical electrical safety precautions among the public within the electricity distributor's service territory. It measures the degree of effectiveness for distributors' activities on preventing electrical accidents. The utility conducted an online survey between January 2024 to March 2024. 663 respondents completed the survey, which resulted in a 97.21% score on Public Awareness. Going forward, the utility plans on improving its results by communicating safety measures to its customers.

Component B – Compliance with Ontario Regulation 22/04

As a licensed distributor, H2000 must comply with Ontario Regulation 22/04 Electrical Distribution Safety, and compliance with this regulation is subject to annual Audits and Declarations of Compliance. H2000 is "Compliant" with Ontario Regulation 22/04 and has reported satisfactory Audits. No significant items were raised from these inspections

Component C – Serious Electrical Incident Index

H2000 did not have any serious electrical incidents to report in 2023.

System Reliability

Average Number of Hours/Times that Power to a Customer is Interrupted

In 2023, H2000 experienced a total of 17 interruptions, resulting in 36 hours of service disruption. The most significant contributor were 2 outages in April, which totaled 12 hours and impacted 1,760 customers and 1 outage in January which totaled 6 hours and affected 1247 customers. These outages were caused by a loss of supply from our supplier. H2000 is embedded within Hydro One Rural Area. During extreme weather conditions, the supplier has a large territory to assess before being able to regenerate the supply.

Nine of the outages were caused by Preventive Maintenance

H2000 conducted scheduled preventive maintenance that led to multiple interruptions. Additionally, there were 4 instances of faulty equipment and 1 foreign interference. While these events are beyond H2000's control, the utility takes them seriously and responds swiftly.

Recognizing the importance of maintaining a reliable electricity supply, H2000 has implemented a maintenance program to address its aging network. Although scheduled maintenance can sometimes cause brief interruptions, H2000 ensures quick responses and efficient resolution. The utility continues to prioritize system reliability, regularly monitoring its distribution assets to prevent and minimize disruptions.

Asset Management

Distribution System Plan Implementation Progress

H2000 has completed its Distribution System Plan ("DSP") in preparation for its 2020 Cost of Service Application, which was filed in February 2020 for rates effective November 1, 2020. H2000 is working on its 2025-2030 DSP which it plans of filing as part of its 2025 Cost of Service in August of 2024

Cost Control

Efficiency Assessment

The total costs for Ontario's local electricity distribution companies are assessed by the Pacific Economics Group LLC on behalf of the Ontario Energy Board (OEB), resulting in a comprehensive efficiency ranking. Since 2016, H2000 has consistently been ranked in Group 2, a category that includes a stretch factor of 0.15. Maintaining this position through 2022 highlights H2000's commitment to operational excellence and efficiency.

H2000's sustained ranking in Group 2 reflects its successful management of costs relative to its peers, showcasing the utility's effective strategies

in balancing both capital and operating expenses. Moving forward, H2000 is dedicated to continuing its vigilant cost monitoring and proactive management practices. The utility aims to further optimize its operations, striving to achieve even greater efficiency and solidify its position as a leader in cost-effective electricity distribution.

Total Cost per Customer and Total Cost per Km of Line

OM&A expenses rose by \$118,879, largely due to \$32,000 in unrecoverable bad debt resulting from a shutdown. Additional increases were driven by costs not covered in H2000's previous cost of service, including regulatory requirements such as Green Button implementation, essential software upgrades, and higher wages and benefits for billing, collecting, and management roles. Additionally, higher third-party operation and maintenance fees contributed to the overall increase.

Conversely, depreciation expenses decreased by \$9,868, consistent with straight-line calculations and aligned with capital expenditures in 2023. A \$6,990 variance in deemed interest expenses reflects minor changes, influenced by H2000's lack of debt instruments. Tax provisions decreased by \$38,505, with \$40,430 allocated to future taxes, although \$1,925 was embedded in the rates. Finally, adjustments from the Return on Equity (ROE) mechanism resulted in a decrease of \$23,056 and an increase of \$46,540.

Conservation & Demand Management

Net Cumulative Energy Savings

As a result of the Minister of Energy, Northern Development and Mines' directive on March 20, 2019, the IESO's Conservation First Framework (CFF) was revoked. All electricity CDM activity for 2019, 2020 and 2022 will be centralized and administered by the IESO.

As distributors are no longer working towards the former 2015-2020 CDM targets.

Connection of Renewable Generation

Renewable Generation Connection Impact Assessments Completed on Time

H2000 connected one Net Metering of 10 kW in 2023 and as such did not need Connection Impact Assessments.

New Micro-embedded Generation Facilities Connected On Time

In 2023, H2000 did connect one new micro-embedded generation facility (MicroFit projects of 10 kW and less). H2000 worked closely with its customers and their contractors to tackle the connection issues to ensure the project is connected on time.

Financial Ratios

Liquidity: Current Ratio (Current Assets/Current Liabilities)

H2000's current ratio of 0.90 indicates that the utility has slightly fewer current assets than current liabilities. This ratio measures a company's ability to cover its short-term obligations with its short-term assets. A ratio below 1.0, such as H2000's 0.90, implies that the utility might struggle to meet its short-term liabilities, raising potential concerns about liquidity.

Nonetheless, the stability of this ratio suggests that H2000 has effectively managed its working capital over time. While a current ratio below 1.0 is typically seen as less favorable, consistent stability in this ratio may reflect that the utility has achieved a balance in its operations and cash flow management, allowing it to meet its obligations without needing to hold excess current assets.

H2000 is currently preparing its 2025 Cost of Service, which is anticipated to address and potentially improve its liquidity situation moving forward. This proactive step could help enhance the utility's financial stability and better align its current assets with its liabilities.

Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio

In 2023, H2000 did not have any debts per se however, in accordance with Board policy the utility uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates.

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

H2000's 2023 distribution rates were rebased and approved by the OEB in 2020 and included an expected (deemed) regulatory return on equity of 8.52%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity.

Profitability: Regulatory Return on Equity – Achieved

H2000's achieved Return on Equity (ROE) in 2023 was -11.09%, a significant deviation of 19.61% from the approved ROE of 8.52%. This lower-than-expected ROE is largely attributed to an unexpected increase in operating, maintenance, and administrative (OM&A) expenses, which rose by \$118,879. A major contributor to this increase was \$32,000 in unrecoverable bad debt resulting from a shutdown. Additional costs not included in H2000's previous cost of service, such as regulatory obligations like Green Button implementation, necessary software upgrades, and higher wages and benefits for billing, collection, and management, also contributed to the increased expenses. Furthermore, third-party operation and maintenance fees rose, adding to the overall cost. Depreciation expenses saw a decrease of \$9,868, consistent with straight-line calculations and linked to capital expenditures in 2023. A \$6,990 variance in deemed interest expenses, primarily due to H2000's lack of debt instruments, reflected

only minor changes. Tax provisions decreased by \$38,505, as \$40,430 was allocated to future taxes, despite \$1,925 being embedded in the rates. Lastly, adjustments calculated by the Return on Equity (ROE) mechanism resulted in a decrease of \$23,056 and an increase of \$46,540, respectively.

Note to Readers of 2023 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.