

Scorecard - Wasaga Distribution Inc.

9/22/2016

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	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	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Telephone Calls Answered On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution					.4%	0.0664%			
		Billing Accuracy					99.92%	99.88%	⬇	98.00%	
		Customer Satisfaction Survey Results					A	Satisfied			
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public Awareness							84.00%		
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	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	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	1.66	1.05	0.35	1.53	0.63		⬇	1.10	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.58	1.25	0.41	1.46	0.36		⬇	1.04	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress					In progress	Completed			
	<b>Cost Control</b>	Efficiency Assessment		1	1	1	1	1			
		Total Cost per Customer <sup>3</sup>	\$384	\$407	\$407	\$423	\$420				
Total Cost per Km of Line <sup>3</sup>		\$19,499	\$19,838	\$20,238	\$19,328	\$19,405					
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	<b>Conservation &amp; Demand Management</b>	Net Cumulative Energy Savings <sup>4</sup>							37.74%	6.32 GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time				100.00%		100.00%			
		New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%	100.00%	➡	90.00%	
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	3.49	3.22	2.27	1.66	2.57				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.36	0.35	0.35	0.35	0.33				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.00%	9.12%	9.12%	9.12%	9.12%			
			Achieved	17.30%	11.91%	2.90%	4.98%	5.38%			

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. This measure is under review and subject to change in the future.

**Legend:**

5-year trend  
 ⬆ up ⬇ down ⬅ flat

Current year  
 ● target met ● target not met

# 2015 Scorecard Management Discussion and Analysis (“2015 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 2015 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 2015, Wasaga Distribution Inc. (WDI) exceeded all performance targets with the exception of **Profitability: Regulatory Return on Equity – Achieved**. Aging infrastructure continues to be a challenge facing utilities today. WDI must replace aging infrastructure at pace that meets the challenge. In addition, vegetation control, including tree trimming activities, also continue to be a primary focus for WDI due to the highly treed community, this reduces the vulnerability of the distribution system to external uncontrollable events, such as weather.

Further to the above, WDI continues to focus on you, the customer. WDI makes every effort to engage its customers on a regular basis to ensure we are aware of your needs and that you are receiving the best value for your money. WDI remains committed to provide its customers with the most reliable service at the least possible cost.

In 2016, WDI will continue its efforts to improve overall scorecard performance results compared to prior years. This performance improvement is expected as a result of continued investment in both our infrastructure and in response to your needs.

## Service Quality

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

In 2015, WDI connected 216 low voltage (connections under 750 volts) residential and small business customers within the five day timeline as prescribed by the Ontario Energy Board. This represents an increase of 9.6% in the number of connections over 2014, which is driven primarily by new growth in the Town of Wasaga Beach. WDI considers “New Services Connected on Time” as an important form of customer engagement as it is the utilities first opportunity to meet and/or exceed the customer’s expectations, which in turn affects the level of customer satisfaction within a utilities territory. Consistent with 2014, WDI connected 100% of these customers on time, which significantly exceeds the Ontario Energy Board’s mandated target of 90% for this measure. WDI expects this trend to continue into the foreseeable future.

- **Scheduled Appointments Met On Time**

WDI scheduled 40 appointments in 2015 to connect services, disconnect services, or otherwise complete work requested by its customers. This represents a decrease of 300% over 2014. This is driven primarily from the audit that was conducted by the Ontario Energy Board in 2014, where WDI found that it was overstating this metric and revised its processes to track this metric properly. As the audit was not completed until mid-2014 WDI feels that the results in early 2014 were most likely overstated which means that comparing the results between 2014 and 2015 may not be accurate. As stated in WDI's 2014 scorecard, WDI is very confident that the 2015 results are accurate.

WDI considers "Scheduled Appointments Met" as an important form of customer engagement as customer preference is required for all types of appointments. WDI met 100% of these appointments on time in 2015, which significantly exceeds the Ontario Energy Board's mandated target of 90% for this measure. WDI expects this trend to continue into the foreseeable future.

- **Telephone Calls Answered On Time**

In 2015, WDI received 22,592 calls from its customers (over 61 calls per day). This represents an increase of 177% in the number of calls over 2014. The increase in call volume is attributed to the new software and hardware solution the WDI installed in 2014 to accurately track the calls made to WDI compared to the calls made to its affiliate, Wasaga Resource Services. WDI considers "Telephone Calls" to be an important communication tool for identifying and responding to customers' needs and preferences. Consistent with prior years Customer Services Representatives answered 100% of these calls in 30 seconds or less, which significantly exceeds the Ontario Energy Board mandated target of 65% for this measure. WDI expects this trend to continue into the foreseeable future.

## Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution is a scorecard measure that was first introduced for tracking by utilities in 2014. The Ontario Energy Board has not yet issued a common definition for this measure but is expected to do so within the next few years. As a result, this measure may differ from other utilities in the Province.

WDI defines First Contact Resolution as the number of customer enquiries that are not resolved by the first contact at the utility, resulting in the enquiry being escalated to an alternate contact at the utility, typically a senior staff member. This includes all customer enquiries that are made to a Customer Service Representative whether by phone, letter, e-mail or in person. WDI considers the ability to address customer enquiries quickly and accurately to be an essential component of customer satisfaction. For 2015 WDI received over 22,000 enquiries from customers and 99.93% were successfully resolved during first contact. WDI expects this trend to continue into the future.

- **Billing Accuracy**

Billing Accuracy is a scorecard measure that was first introduced for tracking by utilities in 2014. In 2014 this data was only tracked for the last quarter; however, in 2015, this data was compiled for the full year. Billing accuracy is defined as the number of accurate bills issued

expressed as a percentage of total bills issued. WDI considers timely and accurate billing to be an essential component of customer satisfaction. For 2015 WDI issued more than 157,000 customer bills and achieved a billing accuracy of 99.88% which is within the Ontario Energy Board mandated target of 98%. WDI expects this trend to continue into the foreseeable future since the variation between 2014 and 2015 was 0.04%.

- **Customer Satisfaction Survey Results**

As with First Contact Resolution and Billing Accuracy this Customer Satisfaction Survey Results were first tracked in 2014. The Ontario Energy Board has not yet issued a common definition for this measure but it is expected to do so within the next few years. As a result, this measure may differ from other utilities in the Province.

In 2015, as part of WDI's rate application two customer surveys were conducted. The first was an online survey in which WDI received 471 responses (statistically valid). 88% of the customers surveyed valued their electricity service between good to excellent and 85% of customers stated that the level of spending and reliability were acceptable. 97% of respondents feel WDI is approachable offering pleasant, friendly and welcoming service. The second survey was a phone survey in which WDI had 405 responses (statistically valid) in response to WDI's Rate Application increase. It was not unexpected that customers were opposed to a rate increase but their response changed significantly with the knowledge that WDI was the second most efficient utility in the Province. To report on this measure for 2015, WDI stated that overall our customers were "Satisfied."

## Safety

- **Public Safety**

Public Safety was another new scorecard measure in 2014. The Public Safety measure is generated by the Electrical Safety Authority and is comprised of three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index. A breakdown of the three components is as follows:

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

The component gauges the public's awareness of key electrical safety concepts related to electrical distribution equipment found in a utilities territory. The survey also provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required.

In 2015, WDI along with the other CHEC utilities retained Redhead to perform a standardized survey utilized by all utilities in the Province. WDI received a survey result of 84% which was slightly above the CHEC survey average of 83%. Our areas of weakness that WDI can concentrate education on in future years includes customers requesting locates, overhead powerline safe distances and downed powerline safe distances. However; overall, WDI customers are very knowledgeable about Electrical Safety.

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

Component B consists of a utilities compliance with Ontario Regulation 22/04 – Electrical Distribution Safety. Ontario Regulation 22/04 establishes the safety requirements for the design, construction and maintenance of electrical distribution systems, particularly in relation to the approvals and inspections required prior to putting electrical equipment into service. Over the past five years, WDI was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by WDI's strong commitment to safety and the adherence to company policy and procedures.

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

Component C consists of the number of serious electrical incidents, including fatalities, which occur in a utilities territory. In 2015, WDI had no fatalities or serious incidents within its' territory. This was achieved by WDI's strong commitment to safety and the adherence to company policy and procedures.

## **System Reliability**

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

The average number of hours that the power to a customer is interrupted is a measure of system reliability or the ability of a system to perform its required function. WDI views reliability of electrical service as a high priority for its customers and constantly monitors its system for signs of reliability degradation. WDI also regularly maintains its distribution system to ensure its level of reliability is kept as high as possible. The Ontario Energy Board typically requires a utility to keep its hours of interruption within the range of its historical performance, however, outside factors such as severe weather, defective equipment, or even regularly scheduled maintenance can greatly impact this measure. For 2015, WDI achieved 0.63 hours of interrupted power, which is better than its historical performance for interrupted power and its prescribed target of 1.10 hours. WDI expects to maintain or better its distributor target into the foreseeable future.

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

The average number of times that power to a customer is interrupted is also a measure of system reliability and is also a high priority for WDI. As outlined above, the Ontario Energy Board typically requires a utility to keep this measure within a certain range of its historical performance and outside factors can also greatly impact this measure. WDI experience interrupted power 0.36 times during 2015 which is below WDI's prescribed target of 1.04 for interrupted power. WDI expects to maintain or better its distributor target into the foreseeable future.

## **Asset Management**

- **Distribution System Plan Implementation Progress**

Distribution system plan implementation progress is a new performance measure instituted by the Ontario Energy Board beginning in 2013. The Distribution System Plan outlines WDI's forecasted capital expenditures, over the next five years, which are required to maintain and expand the utilities electrical system to serve its current and future customers. The Distribution System Plan Implementation Progress

measure is intended to assess WDI's effectiveness at planning and implementing these capital expenditures. Consistent with other new measures, utilities were given an opportunity to define this measure in the manner that best fits their organization. As a result this measure may differ from other utilities in the Province.

WDI defines this measure as the tracking of actual capital projects to planned capital projects, expressed as a percentage. For 2015, WDI successfully completed the Distribution System Plan as part of its' 2016 Rate Application and will be able to evaluate its actual capital projects to planned in the next fiscal year.

## Cost Control

- **Efficiency Assessment**

On an annual basis, each utility in Ontario is assigned an efficiency ranking based on its performance. To determine a ranking, electrical distributors are divided into five groups based on the magnitude of the difference between their actual costs and predicted costs. For 2015, WDI place in Cohort I, in terms of efficiency. Cohort I is considered excellent and is defined as having actual costs less than 25% of predicted costs. Overall our ranking was the same as last year and we are the second most efficient utility in the province. WDI goal is to maintain our position within this group for 2016.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of WDI's capital and operating costs and dividing this cost figure by the total number of customers that WDI serves. Similar to most distributors in the province, WDI has experienced increases in its total costs required to deliver quality and reliable services to its customers. Province wide programs such as Time of Use pricing, growth in wage and benefit costs for our employees and the renewal and growth of the distribution system, have all contributed to increases in operating and capital costs.

The total cost performance result for 2015 is \$420/customer which is an decrease of 0.71% over its 2014 result. On average, WDI's total cost per customer has increased by \$9.00 per annum for the period 2011 – 2015. The \$420/customer is a decrease of \$3.00 from 2014 values. Going forward, utility costs are expected to keep pace with economic fluctuations; however, WDI will continue to implement productivity and efficiency improvements to help offset some of the costs associated with distribution system enhancements, while maintaining the reliability and quality of its distribution system.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. Based on this, WDI's rate is \$19,405 per km of line which is a 3.98% increase over its 2014 rate. WDI's growth rate for its territory is considered to be relatively high. A higher growth rate has assisted WDI's ability to fund future capital projects and operating costs. As a result the cost per km of line is expected to slowly increase as capital and operating costs also increase. As we progress into the future, WDI will continue 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**

Starting in 2015, WDI implemented a new CDM framework and received new targets to be achieved during the 2015 – 2020 period. WDI achieved 37.74% of its' 6.32 GWh required savings in 2015. This considerable delivery of target was largely influenced by the Town of Wasaga Beach's' initiative to switch all Street Lights to LED. WDI will continue to strive towards reaching its target of 6.32 GWh by 2020 by implementing IESO developed programs for Residential, Commercial and Low Income customers of Wasaga Beach.

## Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Electricity distributors are required to conduct Connection Impact Assessments (CIA's) on all renewable generation connections within 60 days of receiving authorization from the Electrical Safety Authority. WDI has developed and implemented an internal procedure to ensure compliance with this regulation. In 2015, WDI completed 100% of its CIA's within the prescribed time limit. WDI expects this trend to continue for the foreseeable future.

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

Micro-embedded generation facilities consist of solar, wind or other clean energy projects of less than 10 kW that are typically installed by homeowners, farms or small businesses. In 2015, WDI connected 4 new micro-embedded generation facilities within its territory. 100% of these projects were connected within the prescribed timeframe of five business days, which significantly exceeds the Ontario Energy Board mandated target of 90% for this measure. WDI works closely with its customers and their contractors to ensure that the customer's needs are met and/or exceeded. WDI expects the trend for this measure to continue to exceed the mandated target for the foreseeable future.

## Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio indicates a company's ability to pay its short term debts and financial obligations. Typically, a current ratio between 1 and 1.5 is considered good. If the current ratio is below 1, then a company may have problems meeting its current financial obligations. If the current ratio is too high (higher than 1.5) then the company may be inefficient at using its current assets or its short-term financing facilities.

WDI's current ratio increased from 1.66 in 2014 to 2.57 in 2015, which is indicative of WDI moving towards a financially healthy organization in the use of its current assets. WDI hopes to see the trend of a decreased ratio to continue in the foreseeable future.

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

The debt to equity ratio is a financial ratio indicating the relative proportion of shareholder's equity and debt used to finance a company's assets. The Ontario Energy Board uses a capital structure of 60% debt and 40% equity (a debt to equity ratio of 60/40 or 1.5) when setting rates for an electricity utility. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments, while a low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that may be had through increased financial debt.

In 2015, WDI's debt-to-equity ratio was 0.33, which is much lower than the ratio expected by the Ontario Energy Board. WDI expects that its debt-to-equity ratio will remain in this range for the next several years as Wasaga Distribution can currently purchase new construction with cash and the Board of Directors is debt adverse. However, moving further into the future cash flow will become an issue and WDI will be forced to go out to market and obtain debt and this increase our debt-to-equity ratio.

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

Return on equity (ROE) measures the rate of return on shareholder equity. ROE demonstrates an organization's profitability or how well a company uses its investments to generate earnings growth. WDI's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return of 9.12%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. If a utility performs outside this range, it may trigger a regulatory review of the distributor's financial structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

WDI achieved a ROE of 5.38% in 2015, which is below the +/- 3% range allowed by the OEB (see above paragraph). The average ROE over the past four years was 8.5%, which is well within the deemed regulatory return specified in WDI's approved rates (see above paragraph). WDI's decreased rate of return in 2015 was largely due to increase capital spending and increased expenses. WDI is seeking an approval for increased rates in their 2016 Rate Application to recover this deficiency.



## Note to Readers of 2015 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.