

Scorecard - Wasaga Distribution Inc.

9/27/2017

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	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%	.0658			
		Billing Accuracy				99.92%	99.88%	99.84%	⬇	98.00%	
		Customer Satisfaction Survey Results				A	Satisfied	82.2%			
<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%	84.00%			
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	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	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.19	0.33	0.52	0.17	1.11	⬇		0.72	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.13	0.39	0.56	0.13	1.35	⬇		0.63	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress				In progress	Completed	Completed			
	<b>Cost Control</b>	Efficiency Assessment	1	1	1	1	1				
Total Cost per Customer <sup>3</sup>		\$407	\$407	\$423	\$420	\$430					
Total Cost per Km of Line <sup>3</sup>		\$19,838	\$20,238	\$19,328	\$19,405	\$19,855					
<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%	56.59%		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)	3.22	2.27	1.66	2.57	2.33				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.35	0.35	0.35	0.33	0.32				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.12%	9.12%	9.12%	9.19%			
			Achieved	11.91%	2.90%	4.98%	5.38%	8.43%			

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.

**Legend:**

5-year trend

⬆ up   ⬇ down   ➡ flat

Current year

● target met   ● target not met

# 2016 Scorecard Management Discussion and Analysis (“2016 Scorecard MD&A”)

## Wasaga Distribution Inc. (“WDI”)

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 2016 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 2016, Wasaga Distribution Inc. (WDI) exceeded all performance targets with the exception of **System Reliability**. 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. WDI thanks their customers for their strong commitment to the utility in 2016 and extending into 2017.

In 2017, 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 2016, WDI connected 209 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 a slight decrease of 3.2% in the number of connections over 2015, 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 2015, 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 26 appointments in 2016 to connect services, disconnect services, or otherwise complete work requested by the customers. This represents a decrease of 35% over 2015.

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 2016, 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 2016, WDI received 22,785 calls from its customers (over 62 calls per day). This represents an increase of 0.85% in the number of calls over 2015. The increase in call volume is mainly attributable to the new OESP program. WDI considers “Telephone Calls” to be an important communication tool for identifying and responding to customers’ needs and preferences. Consistent with prior years Customer Service Representatives 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 to see this trend 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 2016 WDI received over 22,000 enquiries from customers and 99.93% were successfully resolved during first contact. In, other words 15 customer calls went to a senior staff member. 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. 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 2016 WDI issued more than 159,000 customer bills and achieved a billing accuracy of 99.84% 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 2015 and 2016 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 2016, WDI recruited RedHead Media to complete the Customer Satisfaction Survey in accordance with the Survey Implementation requirements of the Electricity Distributors Association (EDA) and the Innovative Customer Satisfaction Scorecard. 400 customers were surveyed and WDI received a score of 82.2%, which was above the average of all the CHEC LDC's that participated in the survey with RedHead Media (77.8%).

When customers were asked for open ended comments the large majority of comments were to keep Wasaga Distribution and not to sell to another utility. Other comments were improving the website, lowering the overall cost of electricity and keep on doing a great job! WDI intends to update its website in late 2017 or early 2018 and the Ontario Fair Hydro Plan is helping all electricity customers reduce their bills.

## 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. WDI will be completing another survey in 2018.

- **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 2016, 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 2016, WDI achieved 1.11 hours of interrupted power. This is worse than its historical performance and just slightly over the prescribed target of 0.72 hours. WDI experienced two significant events that were not preventable by WDI as they were caused by other sources. The first event (Feb 2016) involved one of the 44 kV main switches that was not returned to "normal" by a contractor after maintenance was finished and caused a large area of the Town to be out of service, this was WDI's fourth worst outage since 2012.

The second incident again was caused by a tree contractor, who, cut down a tree and took out an 8320 line (three phase) which affected 1,000 customers for 2 hours.

Procedures have been discussed with these contractors and both incidents are considered a one-off.

As these were both isolated incidents, WDI is confident it will return to its' pre-2016 numbers in 2017.

- **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 1.35 times during 2016 which is above WDI's prescribed target of 0.63 for interrupted power. The reasons for this isolated increase are explained above "Average Number of Hours that Power to a Customer is Interrupted."

As these were both isolated incidents, WDI is confident it will return to its' pre-2016 numbers in 2017.

## 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. In 2015, WDI successfully completed the Distribution System Plan as part of its' 2016 Rate Application. In 2016, Wasaga Distribution maintained its Distribution System Plan and successfully implemented \$850,000 with of Capital Additions. Delays in implementation were carried forward to 2017 for Sunnidale Road.

## 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 2016, 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 2017.

- **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 2016 is \$430/customer which is an increase of 2.38% over its 2015 result. On average, WDI's total cost per customer has increased by \$5.75 per annum for the period 2012 – 2016.

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 \$19,855 per km of line which is a 2.32% increase over its 2015 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 56.59% of its' 6.32 GWh required savings in 2016. This considerable delivery of target was largely influenced by the Town of Wasaga Beach's' initiative to switch all Street Lights to LED which finished in 2016. WDI also had a huge uptake from its customers for the Save on Energy coupon program. 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 2016, WDI did not have any Connection Impact Assessments requested, therefore; no CIA's were done in 2016.

- **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 2016, WDI connected 2 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 decreased from 2.57 in 2015 to 2.33 in 2015. This ratio still indicates that WDI is 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 2016, WDI's debt-to-equity ratio was 0.32 (much the same as 2015), 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 will 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 9.19%. 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 8.43% in 2016, which is within the +/- 3% range allowed by the OEB (see above paragraph). In 2015 WDI's achieved ROE was 5.38% and WDI stated in the 2015 analysis that this deficiency would be recovered through its' 2016 Rate Application. WDI had achieved this recovery in 2016.



## Note to Readers of 2016 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.