

# Scorecard - Erie Thames Powerlines Corporation

9/23/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	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	98.40%	99.30%	98.80%	98.80%	99.40%	↑	90.00%		
		Scheduled Appointments Met On Time	91.90%	98.10%	100.00%	100.00%	100.00%	↑	90.00%		
		Telephone Calls Answered On Time	81.60%	98.10%	94.60%	95.80%	95.50%	↑	65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution					99.7%				
		Billing Accuracy					99.85%	→	98.00%		
		Customer Satisfaction Survey Results					100 %				
<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 [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	NI	NI	C	NI	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	0.92	1.53	1.47	0.41	0.59	↓		at least within 0.41 - 1.53	
		Average Number of Times that Power to a Customer is Interrupted	0.48	0.75	0.31	0.20	0.30	↓		at least within 0.20 - 0.75	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress					In Progress				
	<b>Cost Control</b>	Efficiency Assessment			4	3	3				
		Total Cost per Customer <sup>1</sup>	\$624	\$634	\$564	\$610	\$631				
Total Cost per Km of Line <sup>1</sup>		\$34,467	\$35,056	\$30,891	\$32,792	\$33,707					
<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 Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>		5.32%	16.17%	33.89%	61.20%	●		4.28MW	
		Net Cumulative Energy Savings (Percent of target achieved)		18.88%	60.66%	109.24%	168.81%	●		18.60GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time		25.00%	100.00%						
		New Micro-embedded Generation Facilities Connected On Time				100.00%	92.86%		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)	0.79	0.67	0.78	0.75	0.58				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.04	1.06	1.23	1.19	1.05				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.68%	9.12%	9.12%	9.12%			
			Achieved		4.41%	8.43%	11.80%	10.63%			

**Notes:**

- These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
- The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

**Legend:**

-  up
-  down
-  flat
-  target met
-  target not met

## Appendix A – 2014 Scorecard Management Discussion and Analysis (“2014 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 2014 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 2014, Erie Thames Powerlines exceeded all performance targets and improved its results when compared to 2013 with the exception of the two measures of system reliability, and its target for demand savings within Conservation and Demand Management. Bad weather and increasing failure rates for aging distribution assets resulted in a slight decrease in reliability measures for 2014. However, Erie Thames remains well under the mandated target and continues to provide excellent reliability for its customers.
- Erie Thames undertook its first customer survey in 2014 and focused its questions for its upcoming Distribution System Plan and as a result the focus from a customer satisfaction perspective was on system reliability. Our customers (that completed the survey) were all completely satisfied with Erie Thames reliability. In future surveys, Erie Thames will include more questions that focus on the general satisfaction of its customers in all facets of the organization.
- In 2015, Erie Thames Powerlines expects to continue its performance in all areas of the scorecard and focus on reducing costs and ensuring customer satisfaction is a priority in every aspect of its operation.

### Service Quality

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

In 2014 Erie Thames Powerlines connected 99% of its 180 new residential and small businesses to the distribution system within the required 5 day window that has been determined by the Ontario Energy Board. This result is an improvement of almost one percent over 2013 and continues the solid performance over the past five years that Erie Thames has been able to maintain with this measure. Given the relatively small number of new connections annually that are dealt with by Erie Thames staff it is expected that the current level of performance will be easily maintained until such a time that there is a significant increase in the number of new connections required.

- **Scheduled Appointments Met On Time**

Erie Thames Powerlines scheduled 20 appointments with its customers in 2014 to complete work requested by customers. Consistent with the prior year, the utility met 100% of these appointments on time, which significantly exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2014 Erie Thames Powerlines customer service staff received approximately 29,880 calls and achieved a service level of 95.5% in answering those calls within 30 seconds, while only 4.4% of calls received were abandoned prior to customers speaking with an agent. Both of these results exceed the Ontario Energy Board's required level of service and are consistent with the performance of the call center in previous years. Erie Thames will look to continue with its excellent call center performance in 2015 and strive to reduce the number of abandoned calls experienced by our customers.

## Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The Ontario Energy Board (OEB) instructed all electricity distributors to review and develop measurements in these areas and begin tracking by July 1, 2014 so that information can be reported in 2015. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

For Erie Thames Powerlines, First Contact Resolution was measured based upon actual calls received from customers with respect to the same or similar issue and calculated this number as a percentage of all customer contacts received that resulted in the generation of an issue and for which a care order was created. The result was that 99.7% of customers' issues were dealt with on first contact. Erie Thames continues to review its tracking of this measure and will adjust how the data is compiled and expects that its 2015 performance will decrease due to more effective tracking of this measure.

- **Billing Accuracy**

Until July 2014 a specific measurement of billing accuracy had not been previously defined across the industry. After consultation with some electricity distributors, the Ontario Energy Board (OEB) has prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014.

For the period from October 1, 2014 – December 31, 2014 Erie Thames Powerlines issued more than 55,000 bills and achieved a billing accuracy of 99.85%. This compares favourably to the prescribed OEB target of 98%.

Erie Thames Powerlines continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time the Ontario Energy Board is allowing electricity distributors to use their own discretion as to how they implement this measure.

Erie Thames undertook its first customer survey in 2014 and focused its questions for its upcoming Distribution System Plan and consequently the results, from a customer satisfaction perspective, was on system reliability. Erie Thames Powerlines customers (that completed the survey) were all completely satisfied with Erie Thames reliability. In future survey's Erie Thames will include more questions that focus on the general satisfaction of its customers in all facets of the organization.

## Safety

- **Public Safety**

The Ontario Energy Board (OEB) introduced the Safety measure in 2015. This measure looks at safety from a customers' point of view as safety of the distribution system is a high priority. The Safety measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

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

Note, this component of the public safety measure will not have performance data for the 2014 scorecard because the survey result is not available. The year 2016 will be the first year that the data for this component of measure will be shown on the scorecard for the 2015 results.

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

In 2014, Erie Thames Powerlines was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - *Electrical Distribution Safety* 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, specifications and inspection of construction before they are put into service.

In 2013, Erie Thames Powerlines was given a score of Needs Improvement in compliance with Ontario Regulation 22/04 (Electrical Distribution Safety). This score was given due to an interpretation issue with respect to the ESA requirement to ground utilizing a metal guard. The ESA resolved with Erie Thames Powerlines that the grounding was not required with the specifications used by Erie Thames but the resolution was not obtained until after the 2013 results were published.

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

Erie Thames Powerlines has no reported serious incidents from 2010 to 2014. Erie Thames continues to be committed to safety in an effort to ensure this trend continues.

## System Reliability

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

Erie Thames Powerlines had a slight increase in 2014 of the number of hours that power to a customer is interrupted. The number of outage hours is still on the low side of the target range provided by the Ontario Energy Board. The most significant reason for the increase from 2013 is due to a single outage due to defective equipment experienced in March of 2014 due to a failed primary metering point at the border of the Town of Belmont. This outage affected the entire town and lasted almost six hours since the PME had been scheduled to be replaced and crew worked quickly to energize the PME in advance.

Erie Thames Powerlines continues to view reliability of electricity service as a high priority for its customers and as such conducts a vegetation management program that ensures the whole system is trimmed every three years. Similarly Erie Thames is dedicated to upgrading its assets to 27.6 kV in order to reduce its reliance on substations and thereby ensure that its reliability continue to be above average as aging stations are retired. This, combined with the Erie Thames Powerlines' senior management team's commitment to review the worst performing feeders on a quarterly basis in order to potentially improve reliability, will ensure customers continue to receive excellent reliability from Erie Thames' system.

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

Erie Thames average number of times that power to a customer is interrupted has increased slightly but is still at the low end of the range of acceptable set by the Ontario Energy Board. Erie Thames staff will continue to monitor its assets and outages and ensure that escalation of the number of outage does not continue to escalate to a point that it becomes an issue.

## Asset Management

- **Distribution System Plan Implementation Progress**

Erie Thames Powerlines plans to file an application with the OEB for a full review of its rates effective May 1, 2017. Accordingly, as of April 2015, Erie Thames Powerlines is now in the process of finalizing its Distribution System Plan (“DSP”).

Erie Thames will be in a position to file a percentage completion of its plan as part of its next RRR scorecard.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of 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 individual actual and predicted costs. In 2014, for the second year in a row, Erie Thames Powerlines was placed 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, Erie Thames Powerlines costs are within the average cost range for distributors in the Province of Ontario. In 2014, 45% (33 distributors) of the Ontario distributors were ranked as “average efficiency”; 29% were ranked as “more efficient”; 26% were ranked as “least efficient. Although Erie Thames Powerlines forward looking goal is to advance to the “more efficient” group, management’s expectation is that efficiency performance will not decline.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Erie Thames Powerlines capital and operating costs and dividing this cost figure by the total number of customers that Erie Thames serves. The cost performance result for 2014 is \$631 /customer which is a 3.4% increase over 2013.

Erie Thames Powerlines Total Cost per Customer has increased by only 1.6% since 2010 despite the increase in 2014 over 2013. Similar to most distributors in the province, Erie Thames Powerlines has experienced increases in its total costs required to deliver quality and reliable services to customers. Province wide programs such as Time of Use pricing, growth in wage and benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. Despite these changes Erie Thames has succeeded in keeping its cost of operations relatively flat and in doing so has been able to change its efficiency rating from 4 to 3. Erie Thames Powerlines will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts.

- **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 Erie Thames Powerlines operates to serve its customers. Erie Thames 2014 rate is \$33,707 per Km of line, a 2.8% increase over 2013. However since 2010 the cost per kilometer of line has reduced by 2.2% due to the same cost drivers as detailed in the total cost per customer and the addition of 72 kilometers of line required to service Erie Thames customers. This increase in kilometers is due in part to an increase in assets but can be directly attributable to the implementation of GIS and an updated recording of assets.

## Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved)**

Despite Erie Thames Powerlines best efforts its demand savings targets for 2014 were not met. Erie Thames did manage to meet over half of its cumulative demand targets. Erie Thames staff exhausted all possible programs and customers to attempt to achieve its target and leveraged all of the Independent Electricity System Operator programs to achieve the savings. Without a large industrial base within Erie Thames' service territory achieving the target set would prove difficult.

- **Net Cumulative Energy Savings (Percent of target achieved)**

Erie Thames Powerlines is pleased to have exceeded its four-year net cumulative energy savings target by the end of 2014 achieving almost 170% of the target. Our successful achievement was made possible by the strong and early participation by local commercial customers in our retrofit and energy efficient lighting programs, the use of an embedded energy manager at GM's CAMI Assembly plant, as well as several combined heat and power projects that were a great success for the businesses that implemented them.

## Connection of Renewable Generation

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

Erie Thames Powerlines did not have any requests to complete Connection Impact Assessments for Renewable Generation for >10kW during 2014 so therefore this field is blank.

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

In 2014, Erie Thames Powerlines connected 12 new micro-embedded generation facilities (microFIT projects of less than 10 kW) 93% of time within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. Erie Thames Powerlines works closely with its customers and their contractors to tackle 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 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.

Erie Thames Powerlines current ratio decreased from 0.75 to 0.58, this decrease and result under 1 is not indicative of the fact that Erie Thames is not able to pay its short term debt, but rather to the fact that Erie Thames’ parent company holds the long term debt on its books coupled with the fact that there was a significant increase in current regulatory liabilities in 2014 that are being paid to its customers. Through the course of 2015 ETPL has seen its regulatory accounts reverse from a liability position to an asset position which will change and improve liquidity going forward. Erie Thames will also address its leverage position which will assist in correcting the liquidity position.

- **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. Erie Thames Powerlines maintains a debt to equity structure that is less than the deemed 60% to 40% capital mix as set out by the OEB – this is demonstrated by the 2014 debt to equity ratio of 1.05. As detailed in the comments on liquidity Erie Thames Powerlines parent company holds the debt on its behalf. This debt structure will be corrected in 2015 to ensure that Erie Thames is taking on the advantages that the correct financial leverage might bring and in turn ensure a viable entity for its customers.

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

Erie Thames Powerlines 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% 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**

Erie Thames Powerlines return achieved in 2014 was 10.63%, which is well within the +/-3% range allowed by the OEB. The average return over the past 3 years was 10.3% which is also well within return included in Erie Thames Powerlines approved rates. Erie Thames Powerlines achieved returns higher than the deemed rate in 2013 and 2014 mainly due to higher revenue than forecast, as a result of increased energy consumption; and lower operating costs.

## Note to Readers of 2014 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.