Scorecard - Halton Hills Hydro Inc.

9/29/2016

Performance Outcomes	Performance Categories	Measures		2011	2012	2013	2014	2015	Trend	Target: Industry	Target: 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		96.00%	100.00%	100.00%	100.00%	100.00%	⇧	90.00%	
		Telephone Calls Answered On Time		85.50%	87.70%	83.20%	89.70%	93.10%	⇧	65.00%	
	Customer Satisfaction	First Contact Resolution					100%	99.99%			
		Billing Accuracy					99.95%	99.96%	⇧	98.00%	
		Customer Satisfaction Survey Results				93%	90%	90%			
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						83.00%			
		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	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]		1.38	1.23	2.08	1.21	1.40	⇩		1.53
		Average Number of Times that Power to a Customer is Interrupted [2]		1.49	1.34	1.48	1.47	1.75	⇩		1.70
	Asset Management	Distribution System Plan Implementation Progress				On-track	On-track	On-track			
	Cost Control	Efficiency Assessment			1	1	1	1			
		Total Cost per Customer [3]		$647	$684	$642	$701	$744			
		Total Cost per Km of Line [3]		$9,382	$9,542	$9,034	$9,886	$10,490			
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]						17.78%			30.94 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		100.00%	100.00%	100.00%	100.00%	100.00%			
		New Micro-embedded Generation Facilities Connected On Time				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)		1.69	1.25	1.06	1.09	0.95			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.87	0.90	1.04	1.04	1.07			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.57%	9.12%	9.12%	8.82%	8.82%			
			Achieved	9.14%	13.30%	14.97%	12.91%	6.70%			

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

Scorecard MD&A - General Overview

Halton Hills Hydro Inc. ("HHHI") is a progressive electric distribution utility which owns and operates the electricity distribution system within its licensed service area (280 square kilometres extending to the municipal boundaries of the Town of Halton Hills, of which 255 square kilometres or 91% is a rural distribution system).

HHHI's Mission Statement, "*provide Halton Hills with Electricity Distribution Excellence in a safe and reliable manner*", is supported by eight strategic objectives:

- Safety
- Reliability
- Competitive Rates
- Financial Metrics
- Conservation
- Environment
- Community Focus
- Smart Grid Implementation

HHHI management undertakes an annual review of its business strategy and objectives. The purpose of this review is to ensure a direct alignment between the OEB's Renewed Regulatory Framework for Electricity Distributors (RRFE) and HHHI's strategic objectives.

HHHI places a strong focus on providing customers with distribution excellence. HHHI has continuously exceeded the OEB's minimum standards. In all areas measured, HHHI has met or exceeded its internal and OEB targets in 2015.

Service Quality

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

  In 2015, HHHI connected 100% of 497 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 Ontario Energy Board (OEB). 2015 is the 6th straight year that HHHI has maintained its 100% and is consistently above the OEB-mandated threshold of 90%. HHHI maintains its dedication to distribution system excellence through efficient crew scheduling, thereby allowing HHHI to connect customers within the 5 day window and in fact, usually within 1 day of all requirements being completed.

- **Scheduled Appointments Met On Time**

  HHHI scheduled 6,001 appointments with its customers in 2015 to complete work requested by customers including disconnections for upgrades, customer service meetings, reconnections, trench inspections and locates. Consistent with the prior 3 years, the utility met 100% of these appointments on time, which significantly exceeds the industry target of 90%. HHHI would like to note that the 2015 scheduled appointments increased by 26% over the 2014 appointments and increased over 200% from 2009. HHHI continues to maintain its commitment to customer service by maintaining its scheduled appointments.

- **Telephone Calls Answered On Time**

  In 2015, HHHI Customer Care agents received 22,761 calls from its customers. The number of calls decreased from 2014 as increased call volumes in early 2014 was attributed to the residual calls associated with the Ice Storm in December 2013. An agent answered a call in 30 seconds or less 93.1% of the time. This result significantly exceeds the OEB-mandated 65% target for timely call response.

Customer Satisfaction

- **First Contact Resolution**

  Specific customer satisfaction measurements have not been previously defined across the industry. The Ontario Energy Board (OEB) has 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. The process that HHHI used for first contact resolution resulted in 3 unresolved first contacts. Given the number of contacts (22,761) in 2015, the first contact resolution percentage would be 99.99%.

Starting in 2015, all escalated calls from Customer Care were directed to the Customer Care Supervisor (CCS). The CCS determines whether the escalation is due to no resolution or if the customer is not willing to accept the resolution (i.e. customer has a high bill, confirms consumption but still wants to discuss with the CCS). If the CCS determines that the call was not resolved, then a specific call type is entered into HHHI's Customer Information System and summarized for reporting.

- **Billing Accuracy**

In 2014, HHHI issued more than 145,000 bills and achieved a billing accuracy of 99.95%. In 2015, HHHI issued 146,245 bills and achieved a billing accuracy of 99.96%. This compares favourably to the prescribed OEB target of 98%.

In 2016, HHHI will transition to monthly billing for all customers, thus increasing the expected number of issued bills. HHHI 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 OEB is allowing electricity distributors discretion as to how they implement this measure.

Customer satisfaction is an important measure of customer loyalty and trust. In an environment where the electricity sector receives a high amount of attention in the media, maintaining customer satisfaction is a priority for HHHI. HHHI engages our customers throughout the year at community events, online through social media and through bill inserts and website messaging. HHHI strives to maintain at least a 90% customer satisfaction result through ongoing efforts to communicate relevant and timely customer information.

In 2012 and 2014, HHHI engaged a third party to conduct customer satisfaction surveys. These customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within HHHI. The survey asks customers questions on a wide range of topics, including: overall satisfaction with HHHI, reliability, customer service, outages, billing and corporate image. In addition, HHHI provides input to this third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data is then incorporated into HHHI's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these customer satisfaction surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps identify the most effective means of communication. HHHI's 2014 Customer Satisfaction Results contain a number of measures of customer satisfaction. In its 2014 Scorecard HHHI reported the number of customers that were "very or fairly" satisfied was 90.0%.

In 2015, HHHI conducted a customer survey in relation to their Cost of Service 5 year rate application. While the focus of that survey was on the rate application, results were consistent with prior surveys. HHHI will be conducting its next Customer Satisfaction Survey in early 2017 when the OEB releases the standardized survey questions to be used by all LDCs.

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.

Safety for our employees and our community is our number one priority, always. HHHI actively promotes the ESA's safety messaging through our website and social media, including annual participation in Powerline Safety Week. As well, we have an ongoing education program in our local public schools to educate children on the importance of electrical safety and energy conservation.

Our Contractor Compliance program ensures that subcontractors adhere to the same levels of safety as HHHI. Our Empower safety program ensures ongoing staff understanding and compliance with safety policies, training and procedures.

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

The Public Awareness of Electrical Safety measure is determined by public survey. The purpose of the survey is to monitor the effort and impact LDCs are having on improving public electrical safety for the Distribution Network. This public safety survey is intended to be conducted every two years. This survey differs from HHHI's customer satisfaction survey in that it targets the general public regardless of whether they were an LDC customer. The questions on the survey are standardized across the province.

HHHI's Public Awareness of Electrical Safety survey result was 83% for 2015.

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

Over the past five years, HHHI 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.

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

HHHI has had zero Serious Electrical Incidents and works diligently with staff and the public to maintain the highest degree of safety and education.

System Reliability

HHHI has removed any major events from the measures (i.e. 2013 Ice Storm). HHHI's five year historical average is within the Board's target range. HHHI is an embedded distributor to Hydro One and as such, will experience loss of supply. Loss of Supply is not a variable that HHHI can alter in an effort to improve reliability.

HHHI would like to note that the OEB has undertaken to standardize the System Reliability reporting related to the removal of Major Event incidents. As a result of the OEB's undertaking, 5 year historical system reliability will be re-submitted using the standardized methodology as part of the 2016 reliability submissions.

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

For 2015, the longest outages were related to defective equipment. Historically, HHHI's longest outages were related to adverse weather. The change in cause indicates that the efforts HHHI has taken to improve outage durations related to adverse weather has been effective.

The number of defective equipment incidents remained the same at 26 between 2014 and 2015. However, the average number of outage hours per incident increased. Due to the location and type of the defective equipment, more customers were affected at a time thus increasing the total number of hours per customer.

In an effort to decrease the duration of outages, HHHI continues to work towards a more automated and integrated distribution system. Substation reclosers, SCADA remote operated switches, SCADA wireless faulted circuit indicators and automated switches enable to Control Room to locate faulted portions of the system quicker, dispatch crews more efficiently and effectively and remotely sectionalize faulted sections allowing crews to focus their time on repairing the fault, instead of manually sectionalizing before beginning repairs.

In addition to the automation, HHHI continues to optimize its Control Room partnership with Oakville Hydro Distribution Inc. by using the expertise of our GIS Technician to increase the availability of distribution system maps. Additionally, HHHI has provided each line truck with a tablet that will enable operational crews to access the up to date GIS mapping and to ensure the information provided to the Control Room and crews is consistent.

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

In 2015, HHHI's greatest frequency of outages came as a result of tree contacts and defective equipment.

The number of tree contacts incidents decreased from 15 to 11 between 2014 and 2015. However, due to the location of the contacts, more customers were affected at a time, thus increasing the total number of interruptions per customer. HHHI's continuing tree trimming efforts have ensured that tree clearances have been maintained. HHHI expects to continue the schedule on a three year rotating cycle. HHHI would like to make note that as a result of the emergency tree trimming that was conducted in most of the HHHI service area during the 2013 Ice Storm, HHHI's contracted arborist has indicated that the vegetation growth in the area could actually increase, thus contributing to a possible increase in tree contacts in the short term.

Defective equipment was responsible for the next greatest frequency of outages.

Distribution insulators and switches are not normally replaced based on their performance. They are typically replaced when the pole or equipment they are associated with is replaced as part of a larger infrastructure project. HHHI has implemented a regular replacement program for porcelain insulators and switches. The current program and investments are both reactive and proactive to ensure that the distribution system is reliable and safe to operate. Reactive investments are made in conjunction with other projects, while proactive replacement removes aged assets that are more susceptible to failure. HHHI has directed its workforce to replace any porcelain switch with a polymer type switch when they are working on them in the field. HHHI field staff will also regularly identify areas where suspect porcelain insulators are located for inspection and replacement purposes.

Asset Management

- **Distribution System Plan Implementation Progress**

HHHI total capital expenditures in 2015 totalled $8,295,868 as compared to the forecasted $7,700,000 2016-2020 average approved in HHHI's 2016 Cost of Service Application Distribution System Plan.

As part of HHHI's 2016 Cost of Service Rate Application, HHHI submitted a Distribution System Plan (DSP). The DSP consisted of 487 pages and provides a comprehensive strategy for asset maintenance and prudent, cost effective guidance for capital project expenditures over the next five (5) years.

Included in the DSP is the Asset Management Strategy which provides historical data on the number and types of assets found in HHHI's distribution system as well as the asset condition and inspection and maintenance strategies and prioritization.

The Capital Expenditure sections of the DSP provide an analysis of the historical 5 year period leading up to the time frame of this plan as well as forecasted costs for the life of the plan. The DSP categorizes projects by four major categories, System Access, System Renewal, System Service and General Plant. Within each category and across categories, projects are assigned a risk ranking and a priority to help HHHI with resource planning and budgeting. Each project has its own

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 2015, for the fourth year in a row, HHHI was placed in Group 1where a Group 1 distributor is defined as having actual costs (opposite of excess but not shortage) of predicted costs. Prior to 2012, the OEB benchmarked LDCs by comparing similar distributors and using OM&A unit cost per customer.

  Since the benchmarking has changed to a solely econometric approach, HHHI has consistently placed in the top 6 in the province. The updated methodology includes weighting factors for costs associated with overhead versus underground infrastructure in addition to the inclusion of both capital and OM&A costs

- **Total Cost per Customer**

  Total cost per customer is calculated as the sum of HHHI's capital and operating costs and dividing this cost figure by the total number of customers that HHHI serves. The cost performance result for 2015 is $744 /customer.

  HHHI's Total Cost per Customer has increased on average by 3.7% per annum over the period 2011 through 2015. Similar to most distributors in the province, HHHI 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 employees, as well as investments in aggressive line clearing programs, new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. HHHI 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. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on HHHI's capital spending plans. HHHI will also continue to actively engage staff through the Creative and Critical Thinking initiative to find additional cost efficiencies throughout the LDC.

- **Total Cost per Km of Line**

  Total cost per km of Line is calculated as the sum of HHHI's capital and operating costs and dividing this cost figure by the total kilometer of line (1,556 km) in HHHI`s distribution system. The cost performance result for 2015 is $10,490/km of line, an increase of approximately 6% increase over 2014. The cost performance result for 2015 is an increase of approximately 11.8% increase over 5 years; on average a 2.36% increase.

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HHHI 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. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on HHHI's capital spending plans. HHHI will also continue to actively engage staff through the Creative and Critical Thinking initiative to find additional cost efficiencies throughout the LDC.

HHHI expects that the total cost per km of Line will increase in the coming year due to an increase in staff numbers for succession planning, increased capital expenses and a transition to monthly billing.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

The Independent Electricity System Operator (IESO) introduced the Conservation First Framework for 2015. The Conservation First Framework is designed to reduce electricity consumption by 7 terawatt-hours (TWh) or seven billion kilowatt-hours (kWh) by December 31, 2020. Of this target, HHHI is expected to reduce electricity consumption by 30.94 GWhs.

HHHI and Milton Hydro Distribution submitted a collaborative Conservation and Demand Management (CDM) Plan to the IESO on May 1, 2015. This plan was accepted by the IESO. The targets set out in the collaborative Conservation Plan for each year are as follows:

Year	Target (MWhs)	Achieved	Percent of Total
2015	3,137.7	5,494.02	17.78%
2016	3,626.5		
2017	2,699.1		
2018	7,563.4		
2019	7,019.7		
2020	7,494.7		

HHHI has been working towards the above goals and has achieved 17.78% (as reported by the OEB) of the targeted 10.0% in 2015.

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 2015, HHHI completed 1 CIAs and it was done within the prescribed time limit. Between 2010 and 2015 HHHI completed a total of 11 CIAs with 100% completed on time.

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

  In 2015, HHHI connected 14 new micro-embedded generation facilities (microFIT projects of less than 10 kW) 100% of time within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. Our workflow to connect these projects is very streamlined and transparent with our customers. HHHI 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.

  HHHI's current ratio is 0.95 in 2015 as compared to the 2014 value of 1.09.

- **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.

  HHHI continues to maintain a lower debt to equity structure from the deemed 60% to 40% capital mix as set out by the OEB. HHHI's 2015 debt to equity ratio is 1.07 as compared to the 2014 value of 1.04. HHHI is forecasting a positive notional debt position until 2017, at which time HHHI will be building and financing a transformer station. The 2017 and 2018 forecast reveals a debt equity ratio greater than 1.5 and reducing thereafter.

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

  HHHI's current distribution rates were approved by the OEB in the 2012 Cost of Service Rate Application (EB-2011-0271) and included an expected (deemed) regulatory return on equity of 8.82%. 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**

  In 2015, HHHI's achieved regulatory return on equity was 6.70%, which is within the +/-3% range allowed by the OEB.

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.