

Scorecard - Orillia Power Distribution Corporation

9/24/2017

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	Trend	Target		
									Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	100.00%	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	98.40%	99.70%	99.70%	92.60%	96.60%		65.00%		
	Customer Satisfaction	First Contact Resolution			99.93%	99.93%	99.93%				
		Billing Accuracy			99.98%	99.98%	99.98%		98.00%		
		Customer Satisfaction Survey Results			A	A	A				
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%	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	0.56	1.13	2.15	1.06	0.52			1.00	
		Average Number of Times that Power to a Customer is Interrupted ²	1.89	1.03	1.28	2.44	1.10			1.26	
	Asset Management	Distribution System Plan Implementation Progress			In Progress	In Progress	In Progress				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer ³	\$593	\$591	\$612	\$614	\$658				
		Total Cost per Km of Line ³	\$31,948	\$32,280	\$33,711	\$35,448	\$37,337				
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				10.02%	23.63%			16.58 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%	87.50%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time		100.00%	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)	1.78	1.49	1.39	1.17	0.75				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.05	1.02	0.85	1.01	1.19				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.85%	9.85%	9.85%	9.85%			
			Achieved	11.60%	11.70%	12.11%	8.99%	-1.59%			

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

Appendix A

2016 Scorecard Management Discussion and Analysis (“2016 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 2016 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

Orillia Power met or exceeded all of our performance targets in 2016. Orillia Power continues to focus on system improvements that will enhance reliability and efficiency going forward which includes developing and improving our asset management tools and procedures. In doing so, Orillia Power strives to extract the maximum value from all of the distribution system components and deliver reliable, cost-effective services to our customers.

In 2016, Orillia Power decommissioned two "end of life" substations as part of our overall asset management plan. The decommissioning of these substations was completed simultaneously with a voltage conversion from 4.16kV to 13.8kV and the building of a new substation. Although total cost per customer and total cost per Km of line trended upwards in 2016, Orillia Power customers will benefit in future years with an expected reduction in operating costs from reducing the total number of substations from 10 to 9, while at the same time improving reliability and capacity.

Orillia Power scored above the provincial and national average for overall customer satisfaction in our most recent Customer Satisfaction Survey. Since then, customer perception of the industry as a whole has been negatively affected by general dissatisfaction due to rising electricity costs. With the announcement of the Ontario Fair Hydro Plan (OFHP), a direct outcome of provincial recognition of consumer concerns, it is expected that bill relief, up to 25% of total bills, will be implemented in 2017. Orillia Power strives to maintain first class customer service including delivering new services, such as e-billing, conservation programs and easy access to our customer service representatives.

Orillia Power expects to achieve or exceed our performance targets in 2017 by staying focused on customer needs, system efficiencies and continuous improvement in all performance categories.

Service Quality

New Residential / Small Business Services Connected on Time

In 2016, Orillia Power connected 100% of 242 (90 in 2015) eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to our system within the five-day timeline prescribed by the Ontario Energy Board (OEB). This is consistent with previous years and above the OEB-mandated threshold of 90%. In order to provide increased efficiency and convenience for customers, where possible, Orillia Power coordinates connection activities with other planned construction activities undertaken by the utility, other utilities or municipal and provincial government agencies.

Scheduled Appointments Met on Time

Orillia Power scheduled 308 appointments in 2016 (213 in 2015) to complete work requested by customers. Consistent with previous years, Orillia Power met 100% of these appointments on time, exceeding the industry target of 90%. The company recognizes and respects the value of customers' time and demonstrates this by consistently exceeding the industry target in this area.

Telephone Calls Answered on Time

In 2016 Orillia Power customer service representatives (CSR) received approximately 11,900 calls (11,600 in 2015) from our customers – approximately 47 calls per working day. A CSR answered a call in 30 seconds or less 96.6% of the time (92.6% in 2015) significantly exceeding the OEB-mandated 65% target. Customers regularly indicate to company staff that they value the ability to 'talk to a person' when they have a question or issue. Customer service staff take pride in maintaining this measure at a high level as it is one of our company priorities and it helps to build a positive relationship with our customers.

Customer Satisfaction

First Contact Resolution

Orillia Power endeavors to resolve all issues and answer questions received from our customers by way of telephone calls, walk-ins, letters and email and was successful in 2016 in achieving this on first contact with our customers 99.93% of the time (99.93% in 2015). The measure represents the total number of enquiries successfully answered at the first point of contact with our customer service staff divided by the total number of enquiries in the period January 1, 2016 to December 31, 2016.

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 OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for all distributors.

Billing Accuracy

In 2016 Orillia Power issued approximately 163,600 bills and achieved a billing accuracy of 99.98%, consistent with previous years. Billing accuracy is defined as the number of accurate bills issued expressed as a percentage of total bills issued. This compares favorably to the prescribed OEB target of 98%. Orillia Power continues to monitor our billing accuracy results and processes to ensure this success rate is maintained. In addition to ensuring a high level of billing accuracy, Orillia Power works with customers to help them better understand their bills and manage their electricity costs. Our customer friendly web portal allows customers to download a copy of their bill and monitor their consumption patterns and other useful information that may assist them in shifting consumption to low demand periods, potentially finding savings through lower bills.

Customer Satisfaction Survey Results

Orillia Power engaged a third party to conduct a customer satisfaction survey on our behalf, with the objective to provide information that supports discussion surrounding improving customer service at all levels and departments within Orillia Power. The telephone survey asked customers questions on a wide range of topics, including overall satisfaction with Orillia Power, reliability, customer service, outages, billing and corporate image. Results of the survey inform Orillia Power's planning process and form the basis of plans to improve customer satisfaction and to meet customer expectations and needs.

Orillia Power customers gave the company an 'A' overall for consistently providing reliable energy, handling outages and restoring power, accurate billing, quickly dealing with issues that affect customers, providing excellent quality services and making electricity safety a top priority. The independent, highly reputable firm engaged to conduct our survey has provided this service since 1999 for many Ontario utilities. Their report provided a comparison of our company to both National and Ontario survey results, with Orillia Power scoring above average among all Ontario utilities, as well as nationally, for customer care, company image, and management operations.

The next customer satisfaction survey is scheduled for Fall 2017.

Safety

Public Awareness of Electrical Safety

Orillia Power's public safety awareness index score is 83%. Orillia Power engaged a third party to conduct the survey on our behalf in Spring 2016. Results are based on a telephone survey among 400 members of the general public, 18 years of age or older, residing within Orillia Power's geographic service territory, then statistically weighted for age, gender and region using 2011 Canadian census figures. The result shows that many among the general public have good knowledge or have received some information pertaining to public electrical safety precautions. It also measures the level of effort placed by Orillia Power on preventing electrical accidents.

The Electrical Safety Authority (ESA) developed standardized questions for the survey to be conducted every two years. The ESA will monitor the effectiveness of the surveys and update survey questions, if required. The OEB will establish a performance target for public awareness of electrical safety once three years of data is gathered from distributors.

The next public safety awareness survey is scheduled for early 2018.

Compliance with Ontario Regulation 22/04

Orillia Power was fully compliant with Ontario Regulation 22/04 (Audit, Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations) in 2016, having met and exceeded ESA expectations with respect to Ontario Regulation 22/04. Orillia Power is working to continue this record in 2017. All the elements are evaluated as a whole and determine the status of compliance (Non-Compliant, Needs Improvement, or Compliant) in regards to the Public Safety Metric for the Public Safety Scorecard. The performance target is for the distributor to be fully compliant.

Serious Electrical Incident Index

Orillia Power is proud of our record of zero serious electrical incidents each year reported in the Scorecard. The index is defined by Ontario Regulation 22/04, involving all members of the public. The company is committed to continuing to educate the public on the dangers of contact with electricity through various forums as part of its ongoing customer outreach programs.

The metric measures the number of and rate of "serious electrical incidents" occurring on a distributor's assets and is normalized per 10, 100 or 1,000 km of line. A "serious electrical incident" will appear as part of this component if it was determined that a member of the public was involved in the incident (i.e. caused a death, critical injury or had the potential to cause death or critical injury). The performance target is based on the distributor's specific performance using the company's historical data and prior performance.

System Reliability

Average Number of Hours that Power to a Customer is Interrupted

On average in 2016, a customer's electricity was interrupted for 0.52 hours not counting events of loss of supply to Orillia Power's service area that are outside of our control (2015 – 1.06). The average number of hours that power to a customer is interrupted (i.e., duration) is a measure of system reliability or the ability of a system to perform its required function. The current 5-year rolling average is 1.08 hours (2015 - 1.17). The current rolling 5-year average exceeds the fixed 5-year (2010-2014) average target specific to Orillia Power of 1.00 as shown on the Scorecard. This is an improvement over the previous year's 5-year rolling average. Orillia Power is working to improve this trend in 2017.

Average Number of Times that Power to a Customer is Interrupted

On average in 2016, a customer's electricity was interrupted 1.10 times not counting events of loss of supply to Orillia Power's service area that are outside of our control (2015 – 2.44). The average number of times that power to a customer is interrupted (i.e., frequency) is an additional measure of system reliability. The current 5-year rolling average is 1.55 hours (2015 - 1.58). It exceeds the fixed 5-year (2010-2014) average target specific to Orillia Power of 1.26 as shown on the Scorecard but has improved over the previous year.

System reliability is a high priority for Orillia Power and our customers. This includes regularly monitoring our system for signs of reliability degradation and reinvesting as required to restore systems. Orillia Power's System Control Centre tracks and reviews reliability performance and this data is utilized in our asset management processes to target system maintenance, upgrades and improvements in the most appropriate areas. In 2017, Orillia Power expects to perform within the LDC-specific targets for duration and frequency of interruptions which were determined using our average performance over the period 2010-2014.

Asset Management

Distribution System Plan Implementation Progress

Orillia Power's Distribution System Plan (DSP) continues 'in progress' with the understanding that the measure refers to project management progress toward the completion of the DSP document itself, and does not reflect implementation. The DSP forms a major component of a cost of service rate application to be filed with the Ontario Energy Board (OEB) for the purpose of seeking new distribution rates. A DSP consolidates documentation of the company's asset management processes and capital expenditure plan ("the Asset Management Plan").

As stewards of the electrical distribution system in the City of Orillia for over 100 years, Orillia Power has long been involved in the management of assets. Distribution systems by their nature are asset focused, capital intensive operations. There is currently a shift in the industry towards more formalized asset management practices that is being driven by the expectation of improved operational efficiency and increasing regulatory demands. This shift is supported and enabled by advances in technology, data collection and analysis capabilities. Orillia Power has achieved significant milestones in the formalization of our asset management processes and this will be a major contribution to the ultimate completion and filing of our DSP in conjunction within the context of a 'full review' rate application.

Ultimately, the implementation of a detailed DSP in conjunction with the Asset Management Plan will assist Orillia Power in achieving the strategic goals of providing a safe, reliable, efficient and cost-effective distribution system for our customers.

Efficiency Assessment

Each utility in Ontario is assigned an efficiency ranking on an annual basis, based on performance. Total costs for each Ontario electricity distribution company are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking for each distributor. Distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs.

Orillia Power has been ranked in Group 3 with actual costs within +/- 10% of predicted costs, consistent with previous years. Orillia Power's costs are within the average cost range for distributors in Ontario. Orillia Power has shown consistent improvements in this measure annually and continues to work to find efficiencies in our operations.

Total Cost per Customer

Total cost per customer in a given year is calculated as the sum of capital and operating costs for Orillia Power's infrastructure within its service area divided by the total number of customers that Orillia Power serves. Total cost per customer for 2016 is \$658 per customer (2015 - \$614) which represents a 7.2% increase over 2015. In the normal course of business, Orillia Power strives to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts. Orillia Power customers have experienced an average annual increase in total cost per customer of 2.2% over the past 5 years.

In 2016, Orillia Power decommissioned two "end of life" substations as part of our overall asset management plan. The decommissioning of these substations was completed simultaneously with a voltage conversion from 4.16kV to 13.8kV and the building of a new substation. Although the cost per customer trended upwards in 2016, Orillia Power customers will benefit in future years with an expected reduction in operating costs from reducing the total number of substations from 10 to 9, while at the same time improving reliability and capacity. In addition, Orillia Power experienced significant equipment failures at 2 substations in 2016. Orillia Power utilized re-furbished and new retrofitted equipment to lessen the financial impact to our customers.

Total Cost per Km of Line

This measure uses the same total cost that is used in total cost per customer. Total cost is divided by the kilometers (Km) of line that Orillia Power owns and operates to serve our customers. Orillia Power's total cost per Km of line for 2016 is \$37,337 (2015 - \$35,448). The increase of 5.3% in 2016 is explained above (total cost per customer). Orillia Power's ability to fund capital renewal through an expanded customer base is limited by a historically low annual customer growth rate and, with normal increases in operating costs, cost per Km of line has risen year over year. Orillia Power continues to seek innovative solutions to help ensure costs remain competitive and within acceptable limits to our customers.

Orillia Power customers can expect that in 2017 total cost per customer and total cost per Km of line will trend downward. Orillia Power remains focused on implementing productivity and improvement initiatives to help smooth, and offset where possible, the costs associated with future system improvement and enhancements.

Conservation & Demand Management

Net Cumulative Energy Savings

Orillia Power achieved 2,075,100 kWh (2.1 GWh) in energy savings under CDM programs in 2016 (2015 – 1.9 GWh). Annual savings do not necessarily persist beyond the current year. The Independent Electricity System Operator (IESO) report indicates that 3.9 GWh of these savings will persist to 2020 which represents 23.63% of Orillia Power's 2015-2020 CDM target of 16.58 GWh. Orillia Power's target is part of the provincial target of 7,000 GWh issued by way of a directive from the Minister of Energy to the Ontario Energy Board (OEB) on March 26, 2014 to promote CDM activities in Ontario for the period January 1, 2015 to December 31, 2020 under the Conservation First Framework (CFF). Orillia Power has a plan in place to achieve our target through province-wide distributor CDM programs.

Orillia Power's official 'in-market' date for CDM programs under the CFF was January 1, 2016. Orillia Power must achieve a minimum of 8% of our overall target on an annual basis over the 2015-2020 CFF term in order to comply with the CFF Energy Conservation Agreement (ECA) entered into with the IESO. Orillia Power exceeded this goal in 2016. Orillia Power's 2017 CDM Plan will also meet this goal.

Connection of Renewable Generation

Renewable Generation Connection Impact Assessments Completed on Time

Orillia Power completed 1 Connection Impact Assessment (CIA) in 2016. It was completed within the prescribed time limit, within 60 days of receipt of a customer's complete application where no distribution system reinforcement or expansion is required. Orillia Power has developed processes that ensure that all CIAs are done within the prescribed and continually reviews our processes to identify areas of improvement.

New Micro-Embedded Generation Facilities Connected on Time

Orillia Power connected 3 new micro-embedded generation facilities (microFIT projects of less than 10 kW) in 2016. All were completed within the prescribed time limit. Our workflow to connect all new projects within the prescribed time frame of 5 business days is very streamlined and transparent with our customers. Orillia Power works closely with our customers and their contractors to identify and resolve all connection issues to ensure that projects are connected on time.

Financial Ratios

Liquidity: Current Ratio (Current Assets/Current Liabilities)

Orillia Power's current ratio in 2016 was 0.75 (2015 - 1.17).

As an indicator of financial health, a current ratio that is greater than 1.0 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 1.0 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.

Orillia Power employs a cash management strategy that attempts to minimize cash on hand through the utilization of working capital credit facilities (i.e. overdraft protection). This strategy will result in lower liquidity ratios than would otherwise be anticipated while still ensuring the company can meet all bill obligations as they are due.

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

Orillia Power's debt to equity ratio was 1.19 in 2016 (2015 – 1.01). 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). Orillia Power's current debt to equity ratio indicates that the company still has unleveraged capacity which can be used to borrow funds if required for future growth / expansion.

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

Orillia Power's distribution rates are approved by the OEB and include a deemed regulatory return on equity of 9.85%. The OEB may initiate a review of our rates if our achieved rate of return on equity is +/- 3% of our deemed return on equity, below 6.85% or above 12.85%. 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.

Profitability: Regulatory Return on Equity – Achieved

Orillia Power's regulated return on equity was -1.59% in 2016, well outside of the acceptable range for regulatory return on equity, noted above. This was driven by the impact of a one-time event triggered by a Share Purchase Agreement (SPA) entered into by the City of Orillia, Orillia Power's sole shareholder and Hydro One Inc on August 15, 2016. This caused the company to pay "departure taxes" of \$1,065,000 to the Ministry of Finance as we exited the 'Payment in Lieu of Taxes' (PILs) regime and entered the Canada Revenue (CRA) tax regime. Orillia Power previously remitted PILs to the Ontario Electricity Financial Corporation while a municipally-owned distribution company. In absence of the SPA, the normalized regulated rate of return on equity would have been 7.40%.

Note to Readers of the 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.