

Scorecard - Enersource Hydro Mississauga Inc.

9/29/2016

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	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	98.90%	99.20%	98.60%	97.60%	99.10%		90.00%		
		Scheduled Appointments Met On Time	99.30%	99.00%	99.20%	99.80%	99.70%		90.00%		
		Telephone Calls Answered On Time	80.50%	84.90%	84.30%	84.80%	84.00%		65.00%		
	Customer Satisfaction	First Contact Resolution				78.3%	77.59%				
		Billing Accuracy				98.73%	99.39%		98.00%		
		Customer Satisfaction Survey Results			92%	88%	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					77.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C		C	C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	3	0	1	0		1	1
	Rate per 10, 100, 1000 km of line		0.000	0.581	0.000	0.193	0.000		0.108	0.108	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.72	0.68	1.49	0.67	0.64		0.82	0.82	
		Average Number of Times that Power to a Customer is Interrupted ²	1.54	1.36	1.37	1.13	1.46		1.30	1.30	
	Asset Management	Distribution System Plan Implementation Progress			99%	105%	126%				
	Cost Control	Efficiency Assessment		2	2	2	2				
		Total Cost per Customer ³	\$664	\$689	\$692	\$697	\$760				
		Total Cost per Km of Line ³	\$25,135	\$26,379	\$26,742	\$27,100	\$29,706				
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					12.33%		483.27 GWh		
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	94.74%	94.12%	100.00%	92.11%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time			98.44%	100.00%	96.67%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.94	1.65	1.45	1.14	1.11				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.47	1.34	1.26	1.21	1.49				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.57%	8.57%	8.93%	8.93%	8.93%			
			Achieved	8.65%	6.58%	9.46%	9.43%	7.54%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
 2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
 3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
 4. The CDM measure is based on the new 2015-2020 Conservation First Framework. This measure is under review and subject to change in the future.

Legend:

5-year trend

up down flat

Current year

target met target not met

2015 Scorecard Management Discussion and Analysis (“2015 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2015 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

Enersource Hydro Mississauga Inc. (Enersource) serves over 200,000 residential and commercial customers across Mississauga. Its vision is to be a leading energy solutions provider through integrity, innovation, teamwork and excellence.

In 2015, Enersource met or exceeded all targets except for the system reliability measure that tracks the average number of times that power to a customer is interrupted. People often think weather is the primary cause of power disruptions, which tends to be true for the big outages such as the ice storm of December 2013. Most outages that affect a small number of people for a short period of time are typically caused by aging equipment. Many of our substations and distribution lines (overhead and underground) were installed over forty years ago as part of significant development that Mississauga experienced in the late 1970s and early 1980s. Enersource has developed a five-year Distribution System Plan which is intended to address, among other things, the aging infrastructure affecting its system reliability. This plan includes increased capital expenditures for substation upgrades (considered its most significant assets), and underground sub-division rebuilds to replace aging and faulty cables, a major contributor of Enersource’s system failures.

Service Quality

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

The industry target requires that distributors connect eligible low-voltage (less than 750 volts) residential and small business customers within a five-day timeline, at least 90% of the time. In 2015, Enersource exceeded this target by 9.1% by connecting 2,640 of 2,663 connection requests within the defined timeline 99.1% of the time. This result reflects a slight improvement over the 2014 result of 97.6%, while managing a 16% increase in the number of connections over the previous year.

- **Scheduled Appointments Met On Time**

OEB reporting requirements distinguish between appointments requiring a customer's presence and those that do not. Of appointments requiring a customer's presence, Enersource met 1,994 of 2,000 appointments within the required timeline for a result of 99.7% for 2015. Of appointments not requiring a customer's presence, Enersource met 37,807 of 38,310 appointments within the required timeline for a result of 98.7% for 2015. These results are considerably better than the industry target of 90%. When comparing results year-over-year, Enersource managed a 9% increase in the number of appointment requests while maintaining its service level. Appointments include requests for underground cable locates, reconnections, meter reads, etc.

- **Telephone Calls Answered On Time**

The OEB requires that electricity distributors answer telephone calls within 30 seconds, 65% of the time. In 2015, Enersource received 8% more qualified incoming telephone calls over 2014, for a total of 145,793 calls. Of those calls, 84.0% were answered within 30 seconds, significantly higher than the OEB-established industry target of 65%.

Customer Satisfaction

Specific customer satisfaction measurements have not been previously defined across the industry. Electricity distributors began tracking results in July, 2014 so that information could be reported in 2015. For First Contact Resolution and Customer Satisfaction Survey Results, 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**

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

Enersource has defined FCR as resolving a residential or commercial customer's inquiry or problem during the first telephone call. Until a more commonly defined measure is established by the OEB, Enersource has measured FCR based on whether the customer calls more than once within a 30 day period. Based on this limited definition, Enersource's 2015 result was 77.6%; marginally lower than the 2014 result of 78.3%.

Enersource continues to analyze situations where customers have initiated multiple calls in order to identify opportunities to improve a business process or provide expanded communication to customers.

- **Billing Accuracy**

Effective October, 2014, the OEB established a definition for billing accuracy requiring that at least 98% of a distributor's bills are accurate. The OEB's definition of an accurate bill means there has been no adjustment, no meter estimate, and no cancellation and rebill. Based on this definition, in 2015 Enersource accurately produced greater than 1.3 million bills 99.39% of the time, against an industry target of 98%; this is an improvement over its 2014 result of 98.73%.

- **Customer Satisfaction Survey Results**

The OEB introduced the Customer Satisfaction Survey Results measure in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. Initially, electricity distributors have discretion as to how they measure customer satisfaction, with the intent that a formal measure will be introduced by the OEB in 2018.

In 2015, Enersource took steps to provide its customers with information important to them about the electricity system in their community. Enersource provided customers with information about how it is planning to maintain the Mississauga electricity system reliably, safely, and cost-effectively into the future. Customers had the opportunity to ask questions and provide feedback to Enersource about their views and concerns.

Enersource invited its approximately 200,000 residential and commercial customers to participate in a web-based survey. The invitations were sent via multiple channels, including Press Release, email invitation to those customers whose email addresses were on file, bill inserts, and multiple Twitter announcements.

Ninety percent of the 2,206 customers that visited the survey site said they had a "High" or "Medium" degree of confidence in Enersource continuing to do a good job of providing safe, reliable, cost effective electricity by implementing the investments associated with its Distribution System Plan.

Safety

- **Public Safety**

The OEB introduced a public safety measure in 2015. This measure looks at safety from a customer's point of view. The safety measure is tracked 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. Details of these components and how Enersource performed in each component can be found below.

Operating safely is Enersource's overriding objective, both as an employer and as a responsible operator within the community. As an

employer, Enersource's Safety First culture includes mandatory, ongoing safety training for all employees, quarterly staff review of potential and actual safety incidents, and sharing of important safety messages. Enersource also includes a safety component in its employee incentive plan, available to all employees.

Enersource's Safety First culture is demonstrated in the community through its e-SMARTkids website which is designed to teach grade school children about electrical safety, and its partnership with MySafeWork which educates young workers about safety regulations within the workplace.

To ensure employee safety preparedness, Enersource's ongoing safety training includes orientation training for new employees, annual safety boot-camp for front-line employees, and skills training for apprentices.

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

Public awareness in Enersource's territory is measured based on a survey of its population. The survey measures awareness levels of electrical safety related to its distribution equipment and is based on a standard survey created by the ESA. The first of these public awareness surveys was performed in 2015 with Enersource scoring a Public Safety Awareness Index of 77%. The survey results have provided Enersource with a baseline of awareness and identified gaps where additional education and awareness efforts may be required. Enersource will continue to analyze these results and plan its public safety communication accordingly.

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

In 2015, and the previous four years, Enersource was compliant with Ontario Regulation 22/04. This regulation establishes electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by electricity distributors.

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

This metric details the number and rate of "serious electrical incidents" per 1,000 km of line (5,174 km for Enersource). The target for the Serious Incident Index is based on a 30% reduction of the previous five years' results. Ratings reflected in the scorecard for each year are based on actual incidents for the previous year. Enersource improved its Serious Electrical Incident Index over 2014 and met the target for 2015 with no Serious Electrical Incidents for the year.

System Reliability

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

Enersource met its 2015 target with customers experiencing an average outage of 0.64 hours during the year. Enersource continues to have one of the lowest rates of outages in Canada, but still, service interruptions do occur. Enersource keeps its team well trained and

vehicles well maintained to respond to outages quickly to ensure that customers are back online as soon as possible. Enersource ensures that it has the equipment and technology needed to spot potential issues so outages may be avoided or resolved as quickly as possible when they do occur.

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

Enersource customers experienced an increased average of 1.46 power interruptions in 2015, versus 1.13 interruptions in 2014. Enersource works hard to ensure reliability of its system by maintaining, repairing, and replacing aging equipment when necessary in order to prevent disruptions and outages, and by increasing the capacity of its distribution lines to handle higher levels of demand. Still, most of Enersource's outages and voltage fluctuations are caused by aging equipment that was installed 20-40 years ago and is now wearing out. Enersource's Distribution System Plan addresses repairs and replacement of lines and equipment. These investments will allow us to continue to provide safe and reliable power to our customers in an environmentally-friendly way.

In addition to interruptions due to aging equipment, Enersource experienced significant outages on March 3, 2015 due to numerous pole fires throughout the City of Mississauga. Pole fires can happen when road salt and brine gets into the insulators on wooden poles which, when exposed to weather conditions like rain and mist, can create arcing of the insulators.

Asset Management

- **Distribution System Plan Implementation Progress**

The Distribution System Plan Implementation Progress measure was initiated by the OEB in 2013. Until the OEB establishes a definition for this measure, utilities may define the measure in the manner that best fits their situation.

In 2015, Enersource approached its customers in the midst of preparing its five-year Distribution System Plan, also known as its Long Term Plan. Through this process, customers were able to ask questions and provide feedback about their views and concerns which Enersource would then take into account when finalizing the Distribution System Plan.

Enersource measures the progress of its Distribution System Plan as a percent of actual versus forecasted budget. In 2015, Enersource spent 126% of its forecasted budget. The increase in capital spend in 2015 over 2014 is primarily due to the following areas of activity: System Service and Renewal projects for substation upgrades, sub-transmission expansion, and subdivision underground and overhead rebuilds to address aging and faulty cables; and, increased System Access capital expenditures due to increases in customer connection requests and industrial and commercial customer upgrades that are difficult to forecast.

- **Efficiency Assessment**

The total costs for Ontario local electricity distributors are evaluated by the Pacific Economics Group LLC, on behalf of the OEB, to produce a single efficiency ranking. Ontario electricity distributors are divided into five groups which are based on the magnitude of the difference between their respective individual actual and predicted costs; Group 1 being the most efficient, and Group 5 being the least efficient.

Since 2012 Enersource has received a Group 2 efficiency assessment, considered “more efficient”. Enersource continues to assess and analyze opportunities to maintain or improve its operational efficiency through potential business process and technological improvements.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Enersource’s capital and operating costs and then dividing this cost by the total number of customers that Enersource serves. The cost performance result for 2015 is \$760 per customer, which is 9% higher than the 2014 result of \$697 per customer. Total cost per customer is influenced by growth in maintenance costs and replacement of aging assets. Capital expenditures for projects such as substation upgrades and subdivision underground and overhead rebuilds contributed to the increase in total cost per customer as did an increase in spending to accommodate increased customer connections and industrial and commercial customer upgrades. While not recoverable in distribution rates, Enersource did incur costs relating to its merger and acquisition activities which did contribute to almost one-third of the increase.

When comparing Enersource’s Total Cost per Customer against other electricity distributors with a high percentage of residential customers, it is important to consider Enersource’s significant commercial and industrial base. Enersource has nine Large Use customers (5 MW annually or greater) totaling almost 1 billion kWh of consumption in 2015, including Canada’s largest and busiest airport. In other words, the electricity consumed by Enersource’s Large Use customers would equate to approximately 110,000 residential customers consuming 750 kWh per month, which would spread the total cost over a much larger number of customers theoretically reducing the total cost per customer. Large Use customers also require additional infrastructure, systems, and customer support which may increase Enersource’s total cost over other residential-based electricity distributors.

- **Total Cost per Kilometre of Line**

The total cost per km of line divides the same cost as above (for total cost per customer) by the km of line that Enersource operates to serve its customers. Enersource’s total cost per km of line for 2015 was \$29,706, a 9.6% increase over 2014.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

Enersource has achieved a net verified annual first year 2015 Energy savings of 73,151 MWh and 59,583 MWh savings persisting to 2020. This is equivalent to 12% of our six year total 2015-2020 Conservation and Demand Management (CDM) allocated target of 483,270 MWh.

Connection of Renewable Generation

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

Electricity distributors are required to complete Connection Impact Assessments (CIAs) within 60 days of receiving a request from an applicant proposing to connect an embedded generation facility to the distribution system. In 2015, Enersource completed 100% of the 70 CIA requests received within the required time limit, while managing an 84% increase over the number of requests for 2014.

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

Electricity distributors are required to connect micro-embedded generation facilities within five business days, at least 90% of the time. In 2015, Enersource connected 116 of 120 new micro-embedded generation facilities within the required five business day timeline, for an annual Connected On-Time result of 96.67%, slightly below our 2014 result of 100%.

Financial Ratios

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

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 one 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.

Enersource’s current liquidity ratio is 1.11, down slightly from 1.14 in 2014.

- **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 leveraged 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.

Enersource's current total debt to equity ratio is 1.49, up from 1.21 in 2014.

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

Enersource's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.93%. The OEB allows a distributor to earn within +/- 3% (300 basis points) of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review by the OEB of the distributor's revenues and cost structure.

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

Enersource achieved a return on equity in 2015 of 7.54%, which is well within the +/- 3% range allowed by the OEB, and lower than Enersource's 2014 achieved return on equity of 9.46%. The reduction in Return on Equity relative to 2014 is primarily attributed to increases in maintenance costs and replacement of aging assets.

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.