

Scorecard - Milton Hydro Distribution 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	99.00%	98.60%	98.00%	99.50%	96.50%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	99.70%	99.80%	100.00%		90.00%		
		Telephone Calls Answered On Time	76.80%	82.60%	74.50%	77.80%	96.30%		65.00%		
	Customer Satisfaction	First Contact Resolution				84%	97.4%				
		Billing Accuracy				99.96%	99.98%		98.00%		
		Customer Satisfaction Survey Results				91%	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					82.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	NI	C	C	C		C		
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	1	0	0		0	
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.102	0.000	0.000		0.142	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.05	0.81	7.94	1.22	0.31		2.31		
		Average Number of Times that Power to a Customer is Interrupted ²	1.12	1.05	0.99	1.06	0.23		0.92		
	Asset Management	Distribution System Plan Implementation Progress				on track	on track				
	Cost Control	Efficiency Assessment		3	2	2	3				
		Total Cost per Customer ³	\$676	\$644	\$654	\$679	\$739				
		Total Cost per Km of Line ³	\$21,698	\$21,166	\$22,402	\$23,629	\$25,946				
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					21.80%		45.36 GWh		
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	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)	1.56	1.59	1.68	1.59	2.21				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.79	0.90	0.92	1.17	1.34				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.58%	9.58%			
			Achieved	8.90%	8.15%	10.60%	10.29%	7.68%			

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

Appendix A – 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

In 2015, Milton Hydro exceeded all its industry performance targets. Milton Hydro’s System Reliability continues to improve primarily as a result of fewer major storms and an increase in spending on vegetation control which includes tree trimming maintenance in order to reduce the vulnerability of the distribution system to bad weather events.

Milton Hydro’s vision, Reliably Powering Our Community, supports the Scorecard requirements for service quality, customer satisfaction, public policy and financial stability. Reliably Powering Our Community focuses not only on the reliable supply of power or electricity but also to empower our community to participate in conservation and renewable generation. Milton Hydro is committed to be available for questions and answers, to assist our customers as needed. Milton Hydro values include Safety, Innovation and Integrity.

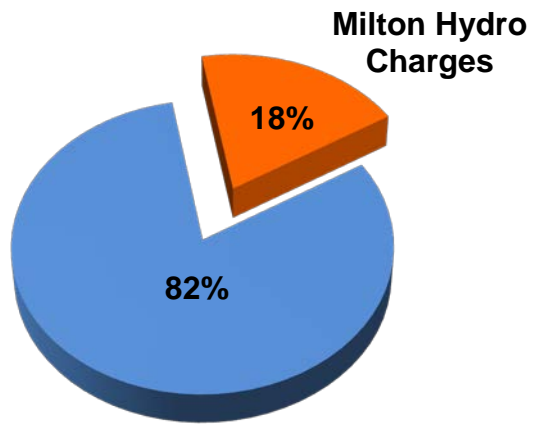
In early 2016, Milton Hydro engaged UtilityPULSE to conduct a public safety awareness survey targeting the residents in the Town of Milton. This customer survey supports Milton Hydro’s Safety value and was undertaken to assess the public’s level of knowledge and awareness of key electrical safety precautions. The survey included six core measurement questions: Likelihood to “call before you dig”; Impact of touching a power line; Proximity to overhead power line; Danger of tampering with electrical equipment; Proximity to downed power line; and Actions taken in a vehicle in contact with wires. This was the first time that Milton Hydro conducted the public safety awareness survey and the residents in the Town of Milton scored 82%, congratulations to everyone that participated.

Milton Hydro’s Distribution Charges required to provide the delivery of safe, reliable electricity to homes and businesses within the Town of Milton make up approximately 18% of a Residential customer’s bill and even less on a General Service customer’s bill. The remaining 82% or more is passed through to Provincial agencies at rates set by the Ontario Energy Board.

The following two graphs reflect Milton Hydro’s 2016 Residential Distribution Charges in relation to: 1) all charges on an average Residential customer’s bill; and 2) the increase in the Cost of Electricity compared to the increase in Milton Hydro’s Distribution Charges since 2005. The cost of Electricity alone accounts for 60% of an average Residential customer’s bill.

Milton Hydro Charges on Total Bill

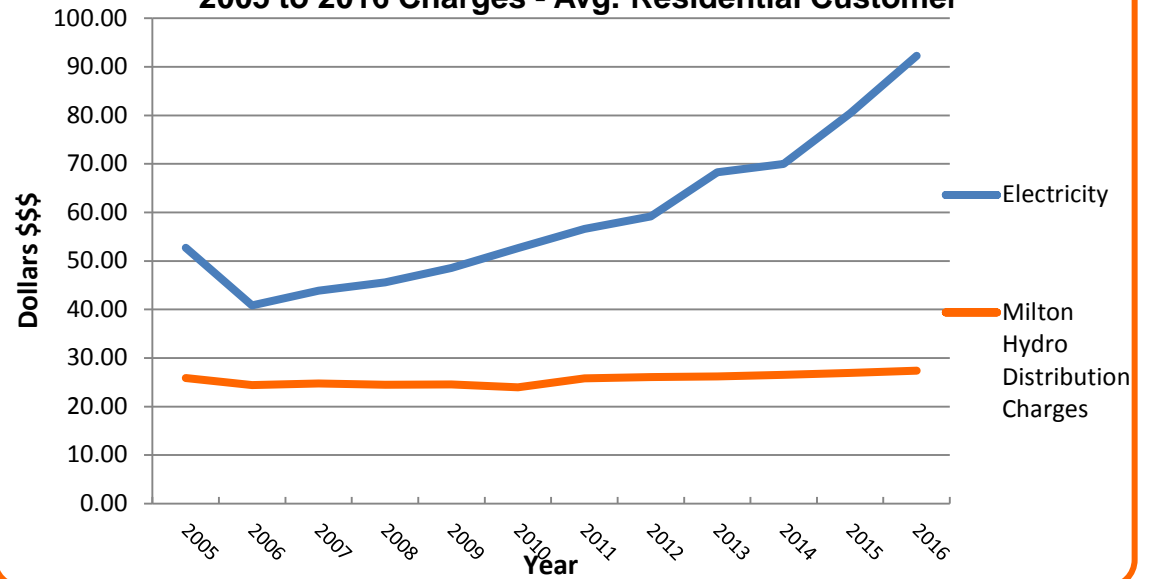
Residential Electricity Bill



Electricity (60%), Transmission (6%),
Market Charges (3%), Taxes (13%)

Change in Milton Hydro Distribution Charges & Cost of Electricity

2005 to 2016 Charges - Avg. Residential Customer



Service Quality

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

In 2015, Milton Hydro connected 96.5% of 1,026 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”). This is a decrease from the previous year due to staffing shortage but continues to be well above the OEB mandated threshold of 90%.

- **Scheduled Appointments Met On Time**

Milton Hydro received requests for 373 appointments in 2015 with its customers to complete work requested, meter reads, reconnects and various other requests. Milton Hydro met 100% of these appointments on time exceeding the industry target of 90%

- **Telephone Calls Answered On Time**

In 2015, Milton Hydro received 31,601 incoming calls from its customers which is over 120 calls per working day. Our Customer Service Representatives (“CSR’s”) answered 96.3% of the calls within 30 seconds or less. This result exceeds the 65% target set out by the OEB. This is an 18.5% improvement over 2014 driven primarily by internal process and system improvements.

Customer Satisfaction

The OEB has instructed all electricity distributors to review and develop measurements in the area of Customer Satisfaction 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. Milton Hydro began its Customer Engagement in 2014.

- **First Contact Resolution**

This measure can be defined in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

Milton Hydro tracks customer calls through its Customer Information System and if the call needs to be escalated or a second call made then a separate tracking code is used. Milton Hydro received 338 customer calls with complaints of which 9 were escalated to a supervisor. Milton Hydro responded to 97.4% of customer issues on the first call.

- **Billing Accuracy**

In 2015 Milton Hydro issued 439,444 bills to customers of which 96 required corrections thereby achieving an accuracy rate of 99.98% exceeding the industry target of 98%. Milton Hydro runs consumption and dollar exception reports to catch accounts that may require reviewing before sending them out which ensures the accuracy of the billing.

- **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 distributor's discretion as to how they implement this measure.

Milton Hydro engaged UtilityPULSE in the spring of 2014 to perform an Electric Utility Customer Satisfaction Survey to obtain actionable and measureable feedback from Milton Hydro customers. This was Milton Hydro's first customer satisfaction survey and is expected to be updated in 2016 or early 2017 pending an OEB Decision on a generic customer satisfaction survey to be used by all distributors. The customer satisfaction survey is part of Milton Hydro's commitment to proactive communication and customer satisfaction. The UtilityPULSE survey reviewed responses from households and small businesses that pay or look after the electricity bills from Milton Hydro. Milton Hydro achieved an "A" rating or 91% in customer satisfaction.

Milton Hydro and Innovative Research Group collaborated in May and June 2015 on the development of a workbook that was used in the customer consultations and that served as the basis of the online workbook phase of the customer engagement program.

The objective of the workbook was to provide customers with information about the provincial electricity system, Milton Hydro's role within it, and the OEB rate application process. The workbook also included information on cost drivers, and Milton Hydro's response to these drivers, its investment plan for the next five years, and the impact this investment would have on customer rates. Survey questions embedded in the workbook allowed Milton Hydro to identify customer preferences and priorities, seek customer feedback on rate increases. From the results of the Workbook almost nine-in-ten (89%) of respondents indicate being either very (43%) or somewhat (46%) satisfied with the service they receive from Milton Hydro. Only one-in-ten are either somewhat (8%) or very (3%) dissatisfied with their service.

This information is incorporated into Milton Hydro's planning process and forms the basis of plans to improve customer communication and satisfaction to meet the needs of customers.

Milton Hydro will be conducting its next Customer Satisfaction Survey this fall or in the first quarter of 2017.

Safety

- **Public Safety**

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

Milton Hydro engaged UtilityPULSE in the spring of 2016 to perform a Public Awareness of Electrical Safety Survey to obtain actionable and measureable feedback from residents in the Town of Milton. 2016 is the first year that the data for this component of measure is available and is shown on the scorecard for the 2015 results. Survey questions included awareness of issues such as “call before you dig”; “Impact of touching a power line”; “Proximity to overhead power line”; and “Actions taken in vehicle in contact with wires”. The Public Awareness Safety Survey results may be found on Milton Hydro’s web page. Respondents from the Town of Milton scored and 82% for public safety awareness.

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

For 2015 Milton Hydro was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by Milton Hydro’s 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**

In 2015 no serious electrical incidents were reported. This resulted in a Serious Incident Index of 0.000 and reflects the efforts of multiple organizations across various sectors to educate both workers and the public on the dangers associated with electricity. Milton Hydro supports the ongoing efforts to educate, inform and raise the general public’s and workers’ electrical safety awareness.

System Reliability

Overall Milton Hydro’s System Reliability has improved in 2015 primarily a result of a more aggressive vegetation management (tree trimming) program and a fewer number of storms – ice, snow and wind.

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

Milton Hydro experienced an average of 0.31 hours that power to a customer was interrupted during 2015 primarily as a result of planned outages, defective equipment, and foreign interference such as animals/birds. Milton Hydro did not experience the number and severity of adverse weather as it had in the previous two years. Milton Hydro’s 2015 average of 0.31 hours is better its five year average (2010 – 2014) of 2.31 hours of interruption.

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

Milton Hydro's average number of times that power to a Customer is interrupted (i.e. Frequency) is 0.23 times which is better than its five year average (2010 – 2014) of 0.92 times that power was interrupted. The number of times that power was interrupted improved for the same reasons as stated above being a decline in the number and severity of adverse weather.

Asset Management

- **Distribution System Plan Implementation Progress**

Milton Hydro filed an Application with the OEB for a full review of its rates for 2016. As part of this Application, Milton Hydro filed its Distribution System Plan ("DSP") which provides for a five year plan for new distribution plant and renewal of aging distribution system to ensure the safe and reliable delivery of electricity and balance ratepayer and utility affordability.

Milton Hydro will measure its progress of its DSP implementation over the five year period and update the plan as required to ensure a safe, reliable supply of power.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC ("PEG") 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, Milton Hydro was placed in Group 3, where a Group 3 distributor is defined as "average" when compared to other distributors in the Province of Ontario. In 2015, 36 distributors or 50% were ranked as Group 3 "average efficiency".

Milton Hydro moved to the Group 3 ranking in 2015 as additional costs were incurred on systems expected to improve Milton Hydro's distribution system protection and control and response to system problems.

Milton Hydro's forward looking goal is to advance to the "more efficient" Group 2 ranking over the next few years.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Milton Hydro's capital and operating costs and dividing this cost figure by the total number of customers that Milton Hydro serves. The cost performance result for 2015 is \$739 per customer which is an 8.8% increase from the prior year. In 2014 Milton Hydro purchased land and a building for its Service Centre and Administration facilities to be occupied in the fall of 2015. The value of the land in the amount of \$4,040,000 is included in the 2014 total cost of operations. The building valued at \$8,525,000 was capitalized in 2015 and included in the total cost.

- **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 Milton Hydro operates to serve its customers. Milton Hydro's 2015 cost per Km of line is \$25,946, which is 9.8% higher than 2014. In 2014 Milton Hydro purchased land and a building for its Service Centre and Administration facilities to be occupied in the fall of 2015. The value of the land in the amount of \$4,040,000 is included in the 2014 total cost of operations. The building valued at \$8,525,000 was capitalized in 2015 and included in the total cost.

Conservation & Demand Management

- **2015-2020 CDM Target (GWh)**

Milton Hydro's 2015 to 2020 Conservation and Demand Management five year target is 45,363.8 MWhs (45.36 GWhs) as provided in the Distributor Target column.

- **Net Cumulative Energy Savings**

Milton Hydro's 2015 conservation savings of 9,889.5 MWhs (9.89 GWhs) is 21.80% of Milton Hydro's five year target. Milton Hydro anticipates meeting its five year target as required.

Connection of Renewable Generation

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

Renewable generation includes generation from solar, wind, water and biomass of less than 10 MWs. Milton Hydro had 3 requests for renewable generation connection impact assessments ("CIAs") in 2015 and completed each CIA on time 100% of the time.

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

Micro-embedded generation is typically roof top solar systems not exceeding 10 kW in size. Milton Hydro has connected 60 new Micro-embedded Generation Facilities on time 100% of the 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.

Milton Hydro’s current ratio increased from 1.59 in 2014 to 2.21 in 2015. This is a result of annual fluctuations in current assets and liabilities.

- **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. The 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.

Milton Hydro’s 2015 debt to equity ratio of 1.34 is up from 2014 by 15%. This ratio rose in 2015 due to the financing and renovation of the Service Centre and Administration facilities. Milton Hydro does not anticipate exceeding the 60/40 debt/equity ratio but it is expected that the total debt will remain near the 60% level. The ratio is a factor in the budget approval process.

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

Milton Hydro’s current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.58%. 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**

Milton Hydro's return achieved in 2015 was 7.68%, which is 20% below its allowed return but within the +/-3% range (12.58 to 6.58%) allowed by the OEB. Milton Hydro's 2015 return was lower than the deemed rate due to higher operating costs resulting in lower net income.

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.