

Scorecard - Greater Sudbury Hydro Inc.

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	99.60%	99.00%	99.80%	99.40%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%		
		Telephone Calls Answered On Time	67.90%	77.30%	72.10%	69.40%	66.90%		65.00%		
	Customer Satisfaction	First Contact Resolution				82%	83%	84%			
		Billing Accuracy				99.86%	99.90%	99.92%		98.00%	
		Customer Satisfaction Survey Results				97%	92%	91%			
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness				73.68%	73.68%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	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 <sup>2</sup>	1.61	1.35	1.21	1.01	1.19			1.18	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.05	1.16	1.83	1.25	0.87			1.18	
	Asset Management	Distribution System Plan Implementation Progress				87.54%	87.40	96.40%			
	Cost Control	Efficiency Assessment		3	4	4	3	4			
		Total Cost per Customer <sup>3</sup>		\$605	\$560	\$648	\$627	\$648			
		Total Cost per Km of Line <sup>3</sup>		\$29,194	\$26,887	\$30,698	\$29,627	\$30,649			
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings <sup>4</sup>					20.03%	55.88%		34.74 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time				100.00%		100.00%			
		New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%	100.00%		90.00%	
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.47	0.48	0.46	0.47	1.47				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	5.13	3.31	3.26	3.04	1.99				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.10%	8.98%	8.98%	8.98%	8.98%			
			Achieved	11.79%	19.00%	14.04%	8.36%	10.17%			

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

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

## Scorecard MD&A - General Overview

In 2016, Greater Sudbury Hydro Inc (GSH) continued to perform strongly. Measures in all areas continued to indicate performance in line with industry expectations. GSH met its customer service obligations and this was reflected generally in high customer satisfaction.

GSH continued to demonstrate strong financial performance in 2016. While maintaining strong levels of capital spent, GSH managed cash and remained liquid throughout the year.

GSH is continuing to review business processes in efforts to further enhance efficiencies and continuously improve.

### Service Quality

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

In 2016, GSH connected 99.4% of approximately 643 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 -0.4% reduction of our previous year’s performance, however, remains firmly above the OEB-mandated threshold of 90%. Where practicable, GSH coordinates connection activities with other planned construction activities undertaken by the utility, other utilities or municipal and provincial government agencies. GSH is currently working with local municipalities to further enhance the coordination between municipal and electrical distribution construction activities.

- **Scheduled Appointments Met On Time**

There were 857 appointments involving meeting a customer or the customer’s representative where the appointment date and time is set. Consistent with the prior year, the utility met 100% of these appointments on time, which significantly exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2016, GSH's customer contact centre agents received over 61,425 calls from its customers - an increase of 6.8% over 2015. On average 246 calls were answered per working day. An agent answered a call in 30 seconds or less in 66.9% of these calls. This result exceeds the OEB-mandated 65% target for timely call response.

## Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been defined across the industry. First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

For GSH, First Contact Resolution was measured based on live agent transactional phone surveys conducted by a third party service provider. For the period of January 1 to December 31, 2016, GSH provided the third party service provider with a weekly sample of all inbound customer telephone calls into GSH's Customer Service.

Third party telephone agents, in turn, contacted and surveyed customers - typically within a week of their initial inbound contact. Customers were asked to rate various facets of their customer experience, and were also asked if their issue (i.e. their reason for calling) was resolved on their first call to GSH. Using the results of this survey, GSH calculated a first contact resolution of 84% for 2016. This was a slight increase from our 2015 results (83%).

GSH endeavors to use the customer survey results to identify customer service improvements which will increase first contact resolution in the future.

- **Billing Accuracy**

For the 2016 calendar year, GSH issued more than 331,500 bills and achieved a billing accuracy of 99.92%. This compares favourably to the OEB's prescribed target of 98%.

GSH will continue to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

Over the past 4 years, 2013-2016 inclusive, GSH has engaged Oraclepoll Research to conduct our annual customer satisfaction surveys. These surveys provide valuable information which supports discussions around improving customer service at all levels and in all departments within GSH.

The survey asks customers questions on a wide range of topics, including:

- a) overall satisfaction with GSH,
- b) customer service,
- c) price of electricity compared to other essential services,
- d) overall value,
- e) reliability,
- f) response to outages,
- g) commitment to customers,
- h) concern about public safety and safe work practices,
- i) communication with the public in general,
- j) preferred methods of communication and quality of materials,
- k) interest in information about home energy efficiency and cost savings,
- l) ease of understanding bills,
- m) an open-ended question asking for suggestions on how to improve customer service.

Occasionally some questions are added surrounding specific activities the utility may be considering for the future. The final reports on these customer satisfaction surveys evaluate the level of customer satisfaction and identify areas for improvement. This data is then incorporated into GSH's planning process and forms the basis of plans to improve customer satisfaction and better meet the needs of customers.

GSH's 2016 Customer Satisfaction Results contain a number of measures of customer satisfaction, including Customer Service, Price Comparison, and Overall Value. In the "Scorecard", Overall Customer Satisfaction is the measurement reported. In 2016, GSH was essentially "flat". The 2016 Customer Satisfaction rating saw a 1% decline to 91%, from 92% in 2015. In previous years, GSH has ranged from a high of 97% in 2014 to a low of 90% in 2013. GSH again noted an increase in the number of people who rated their overall satisfaction at "Total Poor"—in 2016, 8% reported a total poor satisfaction level compared to 6% in 2015 and just 2% in 2014.

Though the Price Comparison factor is not reported in this "Scorecard", survey results continue to show dramatic increases in the level of dissatisfaction with the price paid for electricity when compared to what customers pay for other essential services such as heating fuel, telephone, or cable TV/Satellite.

Survey Year	% of Customers Surveyed who Consider the Price of Electricity to be in the “Total Poor” Category
2013	27%
2014	40% (increase of 13%)
2015	52% (increase of 12%)
2016	58% (increase of 6%)

GSH attributes the modest decrease in overall satisfaction to a variety of factors, including:

- 1) The price of the commodity and most other elements charged on the bill are beyond GSH’s control (just 14% of each dollar paid on a hydro bill to GSH in 2016 went to local distribution), and
- 2) The loud political noise decrying the cost and state of hydro in Ontario, which we believe to be affecting the perspective of average customers who do not understand how the system works.

## Safety

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

GSH commissioned Oraclepoll Research to survey the community with the six proscribed questions created by the ESA. Reported for 2015, the survey was conducted in February 2016 via telephone and included both landline as well as cell phone numbers. GSH rated 73.68% when the ratings outlined by ESA were applied to the responses.

This survey is conducted on a biennial basis, and so, the same result as 2015 is reported. This survey will be re-performed in late 2017.

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

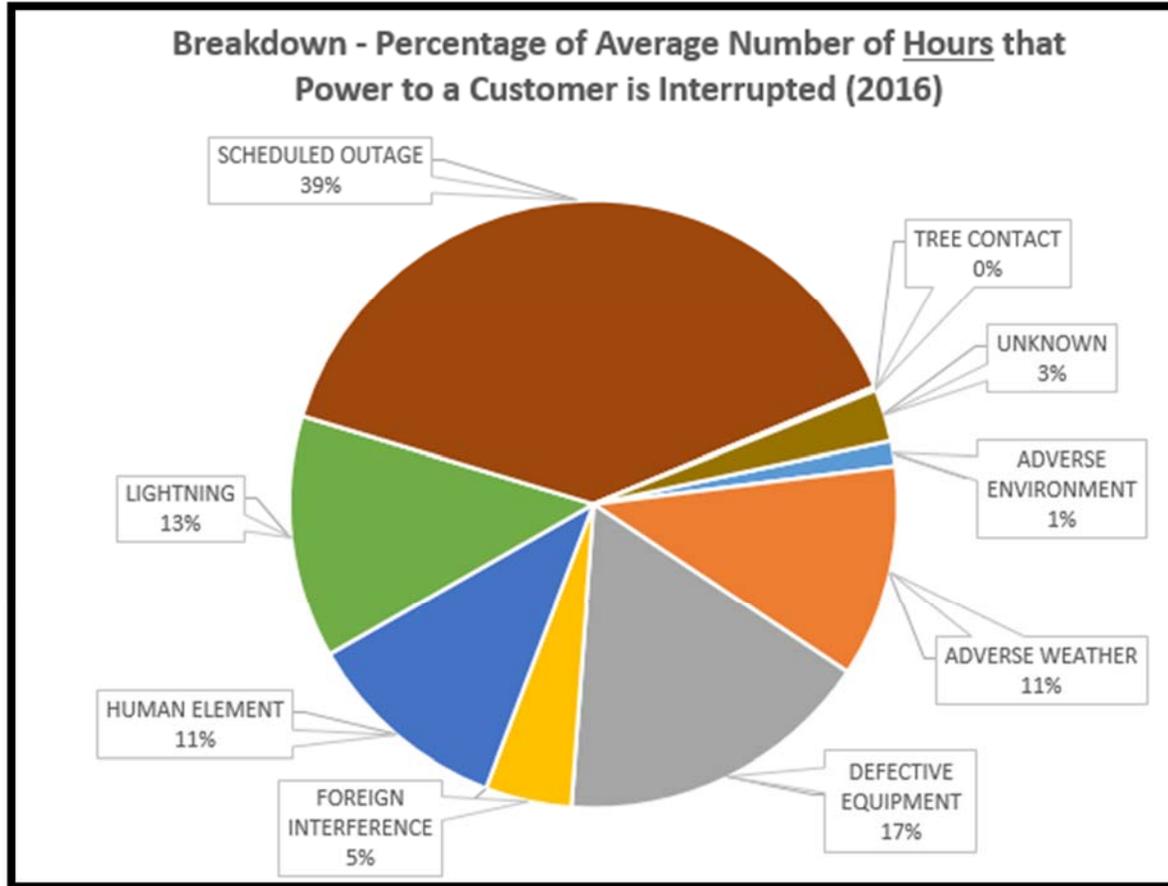
Over the past five years, GSH was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - Electrical Distribution Safety establishes objective 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**

GSH has maintained a “Serious Electrical Incident Index” value of 0 for the past 5 years.

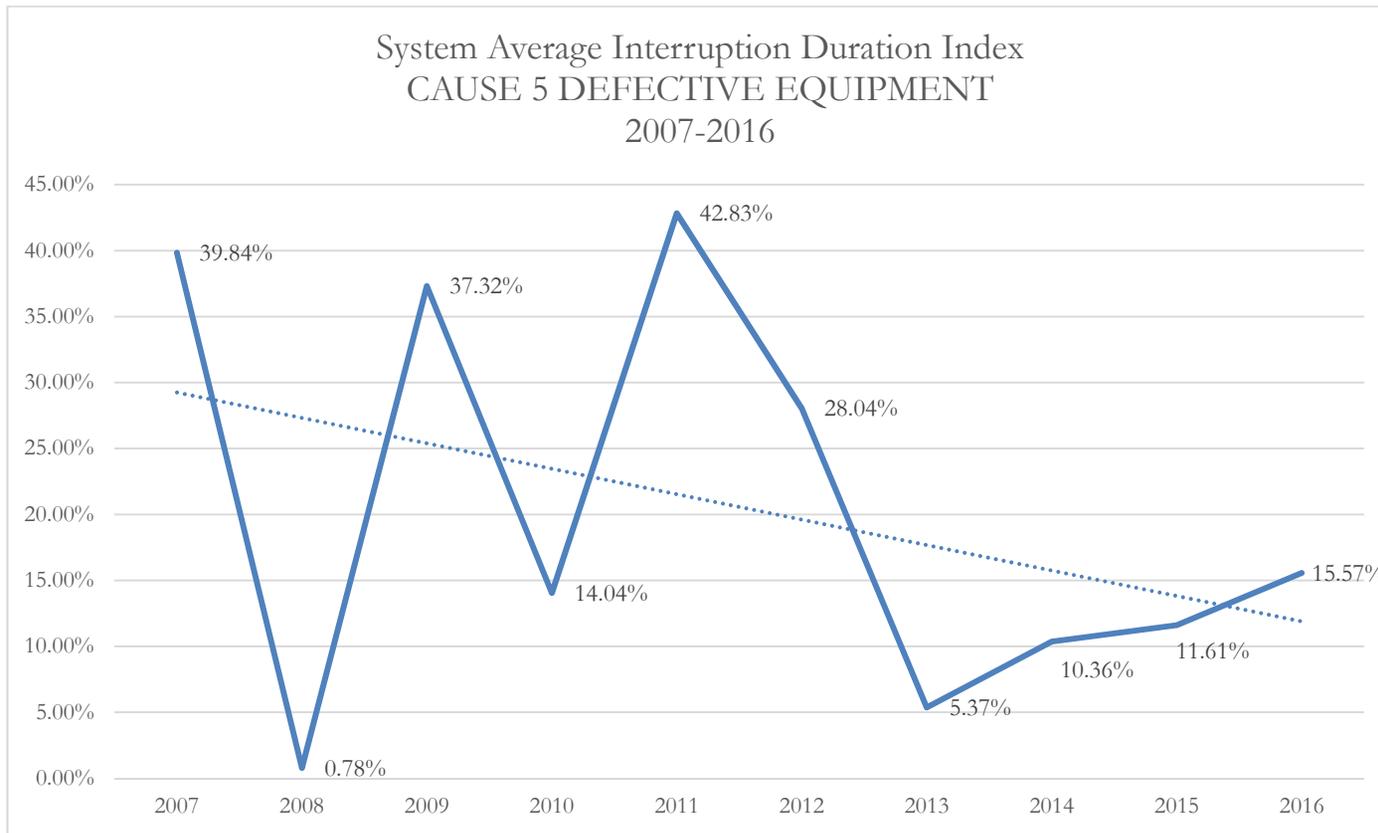
## System Reliability

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



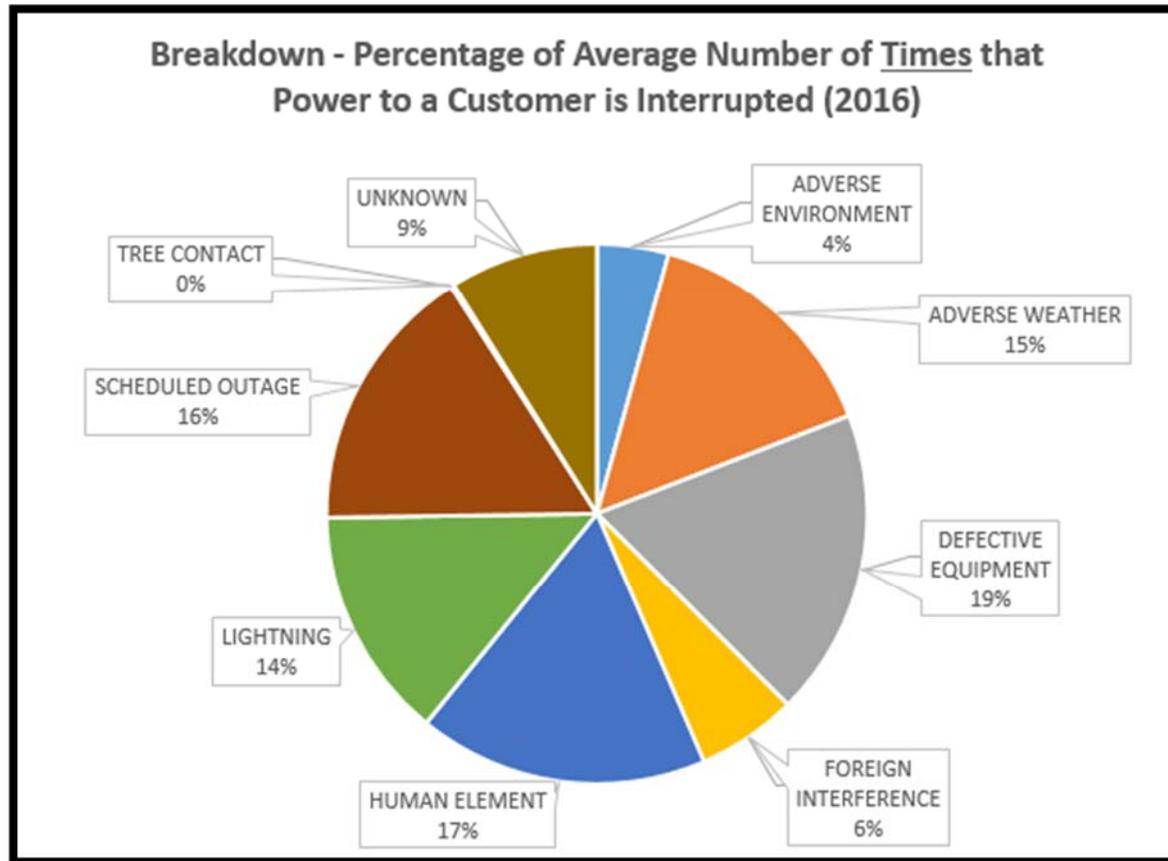
The above pie chart answers the following question: when power to a customer is interrupted, what percentage of the average hour of an outage is attributed to which cause? **Note:** the above excludes the cause “loss of supply”, as this not within GSH’s control.

GSH experienced an increase in the average number of hours that power to a customer was interrupted during 2016. The Average Number of Hours that Power to a Customer is Interrupted (i.e., duration) of 1.19 was slightly above the OEB-mandated target of 1.18. Importantly, however, the duration of service interruptions due to Cause 5 (Defective Equipment) has gradually decreased over the historical period shown in the chart below which can be attributed to an increased focus on planning and renewal activities:



As an outage cause directly-controlled by GSH, “Scheduled Outages” was the leading cause contributing to outage duration. These type of outages have a substantial impact because of more rigorous safety procedures regarding worker safety and the type of work being undertaken. The performance of hazard analysis and job planning have resulted in frequent (and longer) planned outages. The Occupational Health & Safety Act requires that an Employer do “Everything reasonable in the circumstances for the safety of the worker” and the Infrastructure Health & Safety Association has embarked on “ZeroQuest”, a path to zero Lost-Time Injuries (LTI) in the sector. GSH has embraced both of these concepts over the years. This practice is fully supported by Senior Management at GSH. As it were, roughly 39% of this metric for 2016 was reflected in the “Scheduled Outages” cause code.

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

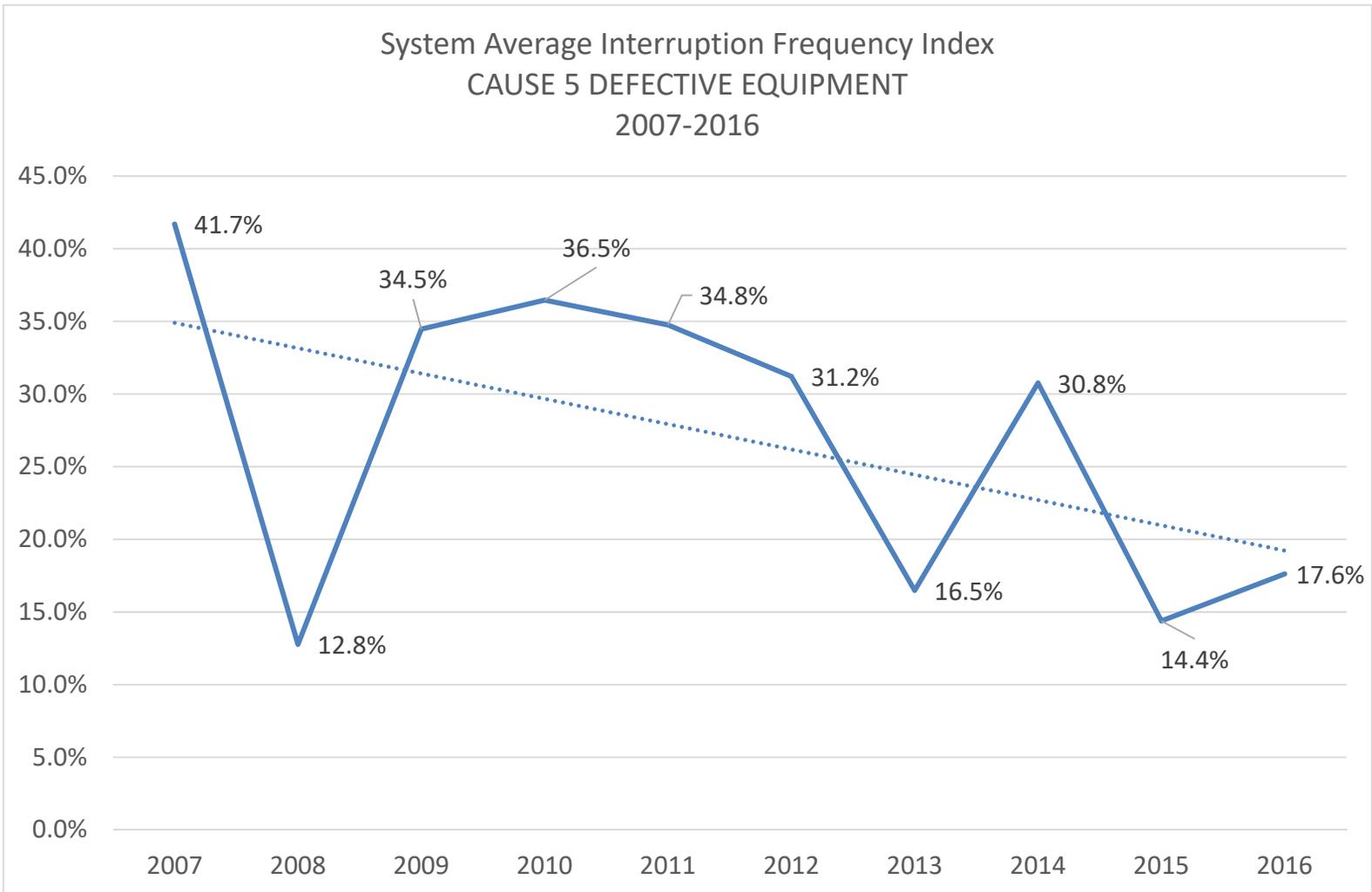


The above pie chart answers the following question: when power to a customer is interrupted, what’s the likelihood of a given cause?  
**Note:** the above excludes the cause “loss of supply”, as this is not within GSH’s control.

GSH’s Average Number of Times that Power to a Customer is Interrupted (i.e., frequency) of 0.87 was below the target of 1.18. The frequency of outages has gradually decreased in recent years. The trend as defined in the Scorecard is affected in a negative way as a result of a particularly bad year in 2014 that saw SAIFI increase to 1.83 – far above historical norms. The leading cause for service disruptions in 2016 was ‘Equipment Failure (17.6%).

The failure of aging infrastructure has regained the status of leading cause for service interruptions (Adverse Weather, with 33%, was the

leader in 2015). However, the percentage of outage frequency caused by 'Defective Equipment', is still trending downward overall. The following chart depicts this relationship:



This is a direct result of the paced system renewal program that the utility has had in place to ensure assets are replaced/refurbished appropriately to mitigate outage risk.

As an outage cause directly-controlled by GSH, "Scheduled Outages" is the third-leading cause (15.44%) contributing to outage frequency.

These type of outages have a substantial impact because of more rigorous safety procedures regarding worker safety and the type of work being performed. The performance of hazard analysis and job planning have resulted in frequent (and longer) planned outages.

GSH has conducted a detailed review of its distribution assets and prepared a comprehensive plan, which provides for the renewal of its distribution system over the next ten years. Greater Sudbury Hydro Inc. has adopted a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance customer and utility affordability.

## Asset Management

- **Distribution System Plan Implementation Progress**

GSH is currently in the process of drafting its' inaugural Distribution System Plan ("DSP").

At its' most recent Rate Application in 2013, GSH filed an Asset Management Plan ("AMP") that outlined the utility's forecasted capital expenditures required to maintain and expand its electricity system to serve its current and future customers. The AMP is the basis for GSH's annual budget, and GSH measures the progress of this metric as a ratio of actual total capital expenditures made in a calendar year over the total amount of planned capital expenditures for that calendar year per the annual budget. The 2016 measure indicates that Greater Sudbury Hydro Inc. achieved 96.40% of planned spending.

## 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. For 2016 GSH is ranked in the fourth group based on the PEG calculation.

PEG uses data from GSH's trial balance to determine total costs. The trial balance includes pro forma amounts for gains/loss on GSH's other post-employment benefits (OPEB). In the interest of conservatism GSH decided to recognize the full actuarial change in the year that it is calculated, on that year's income statement. The change in this liability is largely an inverse function of market or fair value interest rates. While the full impact of the OPEB is included in the efficiency calculation the dollars are not included in rates. Normalizing GSH's income statements over the period of study to remove the impact of the OPEB change in liability may well have produced a better efficiency rating for GSH.

GSH has continued to focus on controllable costs throughout 2016 & 2017, reviewing many of the key business process in an effort to optimize those processes and drive efficiencies.

- **Total Cost per Customer**

Total Cost per Customer is calculated as the sum of Greater Sudbury Hydro Inc.'s (GSH) operating costs and an inflated capital cost and dividing this cost figure by the total number of customers that GSH serves. The cost performance result for 2016 is \$648 per customer and ranges from \$560 to \$648 per customer in years 2012 through 2015.

The dollar amount used for GSH's total capital cost in this cost per customer calculation is derived by Pacific Economics Group LLC as part of its Ontario LDC benchmarking exercise. This exercise derived an inflated total capital cost of \$16.6 million for GSH in 2016, which does not approximate actual capital spend in the year. Actual capital additions were \$9.1 million in 2016. If this calculation used actual capital costs, the cost per customer in 2016 would be \$490 or a total reduction of 24% from the scorecard reported cost per customer.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Total Cost per Customer calculation above. The total cost is divided by the kilometers of line that GSH operates to serve its customers. Please see the relevant discussion under "total cost per customer".

If this calculation used actual capital costs, the "cost per KM of line" in 2016 would drop from \$30,649 to become \$23,169 or a total reduction of 24% from the scorecard reported figure.

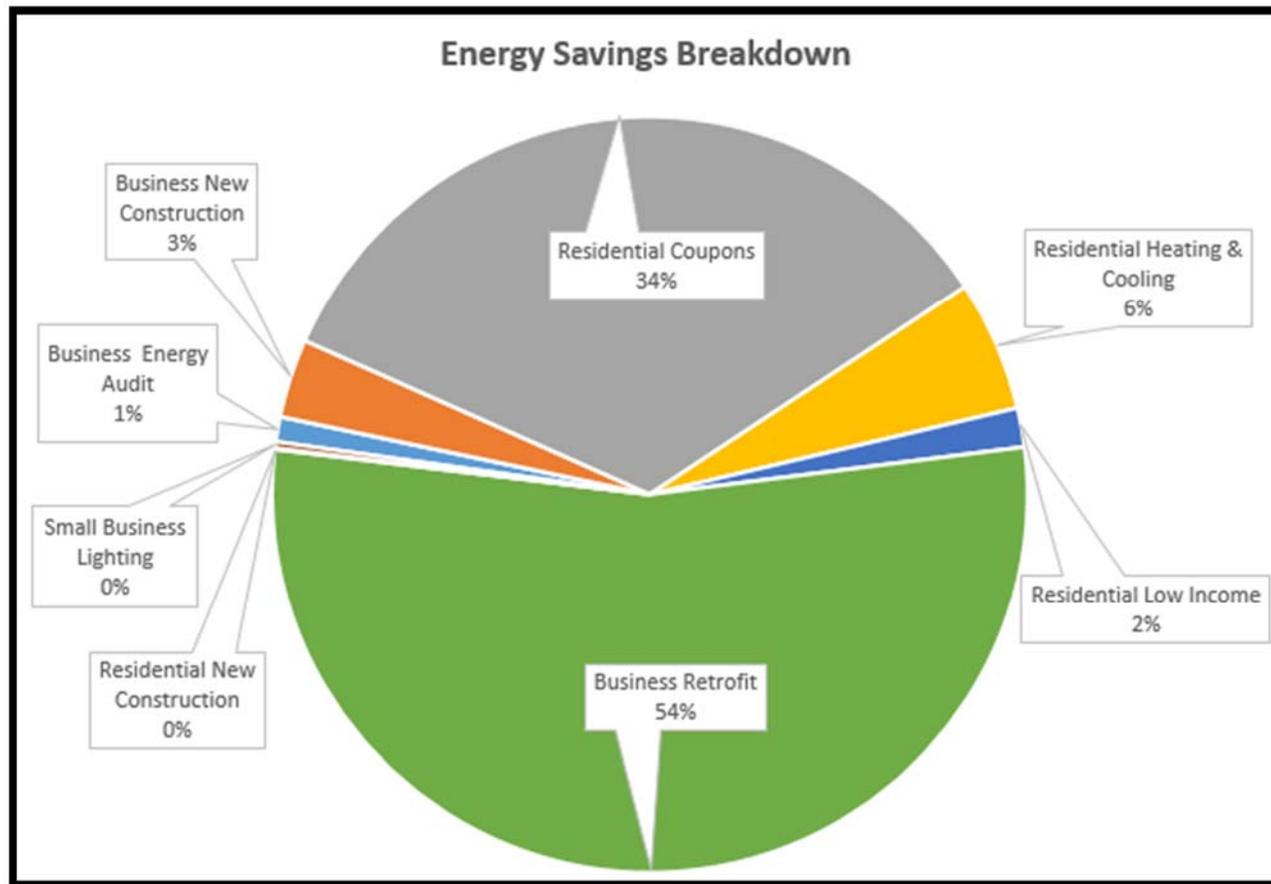
## Conservation & Demand Management

- **Net Cumulative Energy Savings**

GSH is committed to assisting our customers with reducing their energy usage by offering customers conservation programs. GSH has a target to reduce usage by 34,740,000 kWhs over a six year period which started in 2015. GSH cumulative savings from 2015 & 2016 shows a progression of 55.88% towards that target.

The achievement of surpassing half of the target in only two years was made possible by the participation of local commercial and municipal customers in our retrofit program which pays for up to 50% of capital costs for the replacement of equipment and lighting to more energy efficient options.

We also saw a strong participation from residential customers who used save on energy coupons to purchase such items as LED lights, programmable thermostats, dimmer switches and ceiling fans at participating retailers. Residential customers were also able to purchase energy efficient furnaces and air conditioning units at participating retailers that offered the point of sale rebate.



GSH also believes that partnerships are a key component to our overall success. To help meet GSH’s conservation goals under the Conservation First Framework that was introduced in 2015 by the Independent Electricity System Operator (IESO), GSH is working with other Utilities in the province through a collaborative group called CustomerFirst to design and deliver cost effective conservation programs for our customers. By working together, CustomerFirst utilities find efficiencies in the delivery of conservation and this leads to cost savings for electricity customers.

As a CustomerFirst utility in 2016, GSH customers with electric baseboards had the opportunity to participate in a pilot program called the Home Energy Assessment Retrofit program (HEAR program), where an assessor came to their home to suggest ideas that could make their home more energy efficient. They also received free installed equipment such as programmable thermostats, LED light bulbs, pipe wrap and smart power bars. Customers surveyed that participated in the pilot responded that their motivation for participating was saving money on their bill with 82% giving the quality of the service provided as a 5 out of 5 ranking. The savings results of this program are not included in this year’s scorecard results as they have not been evaluated in time for this reporting, but will be included in next year’s

results.

## Connection of Renewable Generation

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

Depending on the size of a proposed embedded generation facility, electricity distributors are required to conduct Connection Impact Assessments (CIAs) within as soon as 60 days of the receipt of the application where no distribution system reinforcement or expansion is required.

In 2016, GSH completed two CIAs and each were done within the prescribed time limit. GSH outsources the CIA work to an engineering consultant. To further improve the speed of CIA delivery, GSH sets strict guidelines on the information required by the proponent even before we begin the CIA work.

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

In 2016, GSH connected 5 new micro-embedded generation facilities (microFIT or net-metered projects of less than 10kW) 100% of the 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. GSH works closely with its customers and their contractors to tackle any connection issues to ensure a micro-embedded generation facility 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”. GSH’s current ratio improved from 0.47 to 1.47 from 2015 to 2016.

Prior to the 2016 year-end, the Promissory Note valued at \$48,645,457 and payable to GSH’s shareholder (the City of Greater Sudbury) was treated as current debt in the audited financial statements since the nature of the note is that it is ‘callable on demand’. For 2016, the City confirmed that it would not call the note within the next year and as such the Promissory Note was re-classified to long-term debt.

- **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.

GSH Inc elected to have a 70% debt, 30% equity arrangement with the City of Greater Sudbury at the time of incorporation back in the year 2000. This makes the utility more leveraged than the deemed structure. The 2016 Scorecard shows a significant improvement in the total debt to equity ratio for GSH by improving from 3.04 in 2015 to 1.99. GSH's equity improved significantly and this was largely a result of the \$5 million actuarial gain during the year.

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

Greater Sudbury Hydro's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.98%. 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**

GSH's return achieved in 2016 was 10.17%, which is within the +/- 3% range allowed by the OEB.

The methodology the OEB uses to calculate the achieved regulatory return on equity changed beginning in 2015. GSH performed a calculation of what previous year ROE results would be under the revised methodology. This calculation indicated an 11.19% achieved ROE in 2014 and a 14.28% ROE in 2013, which would be a reduction in achieved ROE of 2.85% and 4.72% respectively.

If achieved ROE using the new methodology is averaged over the four year period from 2013 to 2016, GSH is well within the deemed ROE included in its rates.

## Note to Readers of 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.