

Scorecard - Thunder Bay Hvdro Electricitv Distribution Inc.

Performance Outcomes	Performance Categories	Measures	2014	2015	2016	2017	2018	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%	99.90%	100.00%	100.00%	99.14%		90.00%		
		Scheduled Appointments Met On Time	100.00%	99.90%	100.00%	100.00%	100.00%		90.00%		
		Telephone Calls Answered On Time	87.10%	92.40%	93.30%	94.81%	94.79%		65.00%		
	Customer Satisfaction	First Contact Resolution	A+	A+	A+	A+	A+				
		Billing Accuracy	99.97%	99.93%	99.81%	99.88%	99.87%		98.00%		
		Customer Satisfaction Survey Results	A	A	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		82.00%	82.00%	84.00%	84.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.92	2.02	1.69	1.63	2.33			1.59	
		Average Number of Times that Power to a Customer is Interrupted ²	2.69	2.39	2.70	3.05	2.88			2.58	
	Asset Management	Distribution System Plan Implementation Progress	On track	On-track	On Track	106.13	101.14				
	Cost Control	Efficiency Assessment	3	3	3	4	4				
		Total Cost per Customer ³	\$606	\$635	\$666	\$657	\$682				
		Total Cost per Km of Line ³	\$26,864	\$27,195	\$28,444	\$28,819	\$30,130				
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		10.92%	53.07%	106.88%	126.00%			48.42 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%	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)	1.85	1.61	1.41	1.71	1.56				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.72	0.75	0.73	0.86	0.80				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	7.00%	7.00%	7.00%	8.78%	8.78%			
			Achieved	5.99%	5.69%	1.40%	3.25%	8.93%			

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 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 2015-2020 Conservation First Framework. 2018 results are based on the IESO's unverified savings values contained in the March 2019 Participation and Cost Report.

Legend:

5-year trend
 up down flat

Current year
 target met target not met

2018 Scorecard Management Discussion and Analysis (“2018 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 2018 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

During 2018, Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd. applied to the Ontario Energy Board (OEB) through a merger, amalgamation, acquisition and divestiture (MAAD) application (EB-2018-0124) seeking approval to merge the two distribution companies and operate under one distribution license. On November 15, 2018 the Ontario Energy Board issued its decision and order and granted leave for the two distribution companies to amalgamate and continue operations under its new company name “Synergy North Corporation” and under the new distribution license ED-2018-0233. The merged entity became operational as of January 1st 2019 and as such, the data included in the attached scorecard review and management discussion and analysis is for the 2018 reporting year and will only refer to statistics for the predecessor company, Thunder Bay Hydro Electricity Distribution Inc. (TBHEDI).

TBHEDI operated under the distribution license ED-2002-0529 in 2018 and owned, operated and managed the assets associated with the distribution of electrical power to approximately 45,000 residential and 5,000 commercial customers living in the City of Thunder Bay, and Fort William First Nations. TBHEDI delivered electricity through a distribution network of over 1,155 kilometers of line. and is considered the largest local distribution company in Northwestern Ontario.

TBHEDI had a successful year in 2018, exceeding most of the performance targets for the measures which have been established by the Ontario Energy Board (OEB) in this scorecard to benchmark Ontario’s 63 electricity distributors.

TBHEDI monitors the OEB scorecard measures; Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and Financial Performance on an ongoing basis and is continuously seeking opportunities to improve its performance. The company is committed to meeting the needs of its customers both today and in the future as Synergy North Corporation (ED-2018-0233). TBHEDI is confident that its focus on customer outcomes will allow the company to continue to meet or exceed performance targets.

In 2019, Synergy North Corporation will continue its efforts to maintain a high level of achievement on the scorecard performance results, and strives to be better in the scorecard areas which can be identified as improvable compared to prior years, and 5 year rolling reliability averages.

Service Quality

- **New Residential / Small Business Services Connected on Time – Industry Target Exceeded**

The Ontario Energy Board's Distribution System Code (DSC 7.2) requires electricity distributors to connect and complete a new service request for low voltage (<750 volts) within five business days from the day on which all applicable service conditions are satisfied.

Over the 2014 to 2018 period, TBHEDI has connected on average, 99.81% of our new residential, micro fit, and small business customers on time. This is consistently above the OEB's industry standard of 90% for all Distribution Companies in Ontario. In 2018 TBHEDI achieved a result of 99.14% of all its new residential/small business services connected within five business days.

- **Scheduled Appointments Met On Time - Industry Target Exceeded**

The Ontario Energy Board's Distribution System Code (DSC 7.4) requires that for appointments during regular business hours, the electricity distributor must offer a window of time that is no longer than four hours. The distributor must then arrive for the appointment within the scheduled time frame 90% of the time on an annual basis.

TBHEDI exceeded the industry target and achieved a result of 100% in 2018. TBHEDI has consistently performed far better than the Ontario Energy Board industry quality standard of at least 90% of the time on an annual basis. TBHEDI has demonstrated strong performance throughout the years 2016, 2017 and 2018 achieving a service level of 100% appointments met on time. TBHEDI has improved performance over the 2015 to 2018 period by 0.10% rising from 99.9% of scheduled appointments met on time in 2015, to 100% in 2018. This increase in scheduled appointments met on time exemplifies the return on improvements made to internal processes. TBHEDI aims to continue meeting all new service connections and appointments 100% of the time under the new company name of Synergy North Corporation in the future.

- **Telephone Calls Answered On Time - Industry Target Exceeded**

The Ontario Energy Board's Distribution System Code (DSC 7.6) requires that customer calls must be answered within a 30 second window 65% of the time. This measure can be highly influenced by factors such as the amount of power outages in a year and front line staffing levels, which can fluctuate greatly throughout the year.

TBHEDI has consistently performed better than the Ontario Energy Board quality standard of answering 65% of external calls that it receives within 30 seconds. TBHEDI set a specific internal company goal intentionally higher than the Ontario Energy Board mandated target as our continued commitment to our customer service quality. The company has set a target rate of 90% of all calls answered within the 30 second window. For 2018, TBHEDI is pleased to report that it has achieved a rate of calls answered of 94.79% in fewer than 30 seconds, which is consistent with 2017's performance measure of 94.81% in exceeding the organization's own internal benchmark. The 94.79% rate is an increase of 7.69% over the five year average from 2014 - 2018's average achieved rate of 92.5%. Synergy North aims to maintain the same internal key performance indicator above the OEB mandated rate ensuring that the company not only meets the mandated Board target of 65% but that it is exceeded every year by a wide margin.

Customer Satisfaction

- **First Contact Resolution - Industry Target Not Established**

First Contact Resolution is a measure of a distributor's effectiveness at satisfactorily addressing customers' complaints and inquiries. TBHEDI aims to minimize and address customer complaints as quickly as possible and at the first point of contact with an employee of the utility. In doing so, the organization tracks and monitors service inquiries.

When a customer contacts TBHEDI, they expect to have their issue resolved within one call or interaction. TBHEDI recognizes this customer satisfaction measure, and closely monitors the incoming call types and escalations for each customer interaction. Using this knowledge TBHEDI is regularly performing internal training for customer service and front line representatives, so as to be able to answer customer inquiries at the first point of contact. TBHEDI also finds it extremely effective to update front line staff of industry changes related to billing, industry news, conservation measures, or internal operations to quickly and efficiently respond at the first point of contact.

In 2018 TBHEDI has achieved a first contact resolution score of 99.96% inquiries resolved at first point of contact which equates to a high ranking of “A+” on TBHEDI’s scorecard. This result is consistent between the years 2014 – 2018 and is the standard of customer service that Synergy North Corporation will aim to maintain.

- **Billing Accuracy – Industry Target Exceeded**

The OEB prescribes a measurement of billing accuracy which must be used by all electricity distributors. The uniform measure for billing accuracy is defined and calculated as:

Percentage of bills inaccurately issued = (total number of bills issued for the year - number of **inaccurate** bills issued for the year) / the total number of bills issued for the year.

In 2018 TBHEDI issued 604,643 measurable bills, and achieved billing accuracy rate of 99.87%. TBHEDI over the last five years has continued to exceed the Ontario Energy Board prescribed benchmark target of 98%. Synergy North Corporation will continue this trend and be committed to providing customers with accurate and timely bills, and aims for this measure to achieve a rating of 100%.

- **Customer Satisfaction Survey Results – Industry Target Not Established**

Ontario Energy Board introduced the ‘Customer Satisfaction Survey Results’ measure beginning in 2013. As a minimum, distributors are required to measure and report a customer satisfaction result every other year. At this time the OEB is allowing electricity distributors the discretion as to how they implement this measure.

TBHEDI’s primary objective is to obtain valuable, unbiased, and statistically sound data that will support internal discussions for improving customer care at every level in the company. TBHEDI made the executive decision to participate in the ‘Utility Pulse 2017 Electric Utility Customer Satisfaction Survey’, conducted by a 3rd party, ‘Utility PULSE’. ‘Utility PULSE’ then conducted telephone interviews, surveying randomly sampled residential and small to medium sized business customers using a full customer listing supplied to them by TBHEDI. This report returned results to our utility early in 2017 based on 2016 performance. As the results are collected on a biennial basis the results from the 2017 Survey are reported on TBHEDI’s 2018 Scorecard with another measure of customer satisfaction results pending in 2019 (Synergy North Corporation).

The survey findings covered multiple categories grouped into 6 sections: (1) Customer Satisfaction: Initial, (2) Customer Satisfaction: Post, (3) Overall Satisfaction, (4) Customer Experience Performance Rating: CEPr, (5) Customer Centric Engagement Index: CCEI, and (6) Credibility & Trust Index. For each of these six performance measures TBHEDI scored very highly, and successfully met the provincial average or better in customers' opinion.

The Utility 'PULSE' report card yielded an overall ranking of 'A' for TBHEDI in the 2016 / 2017 study which is consistent with the ranking of 'A' achieved in the 2015 survey results. This is an exceptionally satisfying result for TBHEDI as the provincial average of other distributors surveyed by 'Utility Pulse' yields a 'B' ranking which is a decrease from its 2015 survey results of 'B+'.

TBHEDI has maintained a very high level of performance with respect to service quality and customer satisfaction results and is consistently seeking improvements and efficiencies. This customer survey and other customer engagement practices will continue in the future for Synergy North Corporation.

Safety

- **Public Safety**

In 2015, the OEB introduced measures in the Safety performance category for reporting. The Public Safety measure is generated by the Electrical Safety Authority and is comprised of three components: (A) Public Awareness of Electrical Safety, (B) Compliance with Ontario Regulation 22/04, and (C) Serious Electrical Incident Index. A breakdown of the three components is as follows:

- **Component A – Public Awareness of Electrical Safety – Industry Target Not Established**

The Public Electrical Safety Awareness survey measures the level of awareness of key electrical safety precautions among the public within the electricity distributor's service territory. The Ontario Energy Board has indicated that the performance target for public awareness of electrical safety will be established once three years of data is gathered.

To produce a statistically sound survey TBHEDI engaged a third party service 'Utility PULSE' to perform the Public Awareness of Electrical Safety Report in March of 2018. The results for the Public Awareness of Electrical Safety Survey are to be used on a Bi-annual basis. Utility PULSE results are based on a telephone survey (Random Digit Dialing) among 402 members of the general public, 18 years of age or older, within the distributors geographic service territory. The data has been statistically weighted according to 2016 Canadian census figures for age, gender and region.

As a result of the performed survey, TBHEDI achieved a Public Safety Awareness Index Score of 84% which is a 2% increase from the

study performed in 2015 and 2016 results. The awarded 84% average was determined using an index score calculation from six core measurement questions. Below are the questions asked to TBHEDI region consumers and non-consumers, as well as the corresponding knowledge scores;

Six Core Safety Question

- 1) Impact of Touching a Power Line.
- 2) Likelihood to 'Call before you dig'.
- 3) Proximity to overhead power line
- 4) Danger of tampering with electrical equipment.
- 5) Proximity to downed power line.
- 6) Action taken in vehicle contact with wires.

Customer Response

- 97.2% Correct Response, and 2.8% Incorrect Response
86.7% Correct Response, and 13.3 % Incorrect Response
75.9% Correct Response, and 24.1% Incorrect Response
98.7% Correct Response, and 1.3% Incorrect Response
84.8% Correct Response, and 15.2% Incorrect Response
92.3% Correct Response, and 7.7% Incorrect Response

Each of the questions above identified increases to correct responses as compared to the 2015/2016 survey results with the exception of #1 – 'Impact of Touching a Power Line' which decreased in correctness by 0.80%. TBHEDI understands the importance and value of public awareness regarding electrical safety, and is committed to actively educating customers and employees of the dangers, and repercussions. TBHEDI believes in the foundation of early education in regards to electrical safety and has engaged 15 local schools throughout the City of Thunder Bay in discussions related to electrical safety through the 'Hi-Line Hazard Electrical Safety & Awareness Program' which involves contests, and classroom visits. Other safety programs include Community Electrical Safety Awards, 'Call before you Dig' Campaign, awareness truck decals, Power Line Safety Week (May 14 - 20), 'Why I am committed to Safety' employee video in addition to other collaborative safety video projects, Home Electrical Safety Campaign and safety presentations to community groups.

TBHEDI recognizes the potential for improvement and aims to increase the public awareness of electrical safety well into the 90th percentile to maintain our reputation as an industry leader in safety.

○ **Component B – Level of Compliance with Ontario Regulation 22/04 - Distributor Target Met**

The Ontario Energy Board requires all distributors to be in compliance with Ontario Regulation 22/04, which outlines electrical safety requirements for the design, construction, and maintenance of electrical distribution systems.

Section 13 of Ontario Regulation 22/04 mandates that all distributors engage an auditor on an annual basis to review the distributor's compliance with sections 4, 5, 6, 7 and 8 of the above regulation and provide a report of the findings. Audit, Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations make up a level of compliance with Ontario Reg 22/04 component of the score card. Each section is evaluated and the auditor provides findings in terms of: compliant (C), non-compliance (NC), needs improvement (NI) and not applicable (NA).

TBHEDI has fully met the performance target level of compliance with Ontario Regulation 22/04 attaining a complete 'C'. TBHEDI continues to strive to maintain full compliancy with the Ontario Regulation 22/04. This is consistent over the 2014 to 2018 reporting period as issued on the scorecard by the Electrical Safety Authority.

TBHEDI is committed to creating and maintaining a corporate culture where health and safety is the company's top priority. TBHEDI has continued to enhance communication with employees, providing additional opportunities for staff to participate on committees and revamping communication tools. TBHEDI has re-branded its internal safety program '*My Safety Matters*' comprising ten guiding principles which emphasize the importance of safety at work and home. As a merged company Synergy North Corporation intends to continue this program under the new company name.

TBHEDI's employees overwhelmingly acknowledge that safety is the company's number one priority.

○ **Component C – Serious Electrical Incident Index – Distributor Average Target Met**

The Serious Electrical Incident Index component of the public safety measure is intended to address the consequential impact of improving public electrical safety on the distribution networks over time. It measures the number and rate of serious electrical incidents occurring on a distributor's assets and is normalized per 10, 100 or 1,000 km of line. Both the number of general public incidents and the rate per km of line are shown on the scorecard.

For the 2018 reporting period (January 1, 2017 to December 31, 2017) there were "0" incidents in TBHEDI's service territory. TBHEDI is found to be compliant with the Section 12 of Ontario Regulation 22/04 in regards to the incidents reviewed.

TBHEDI treats all safety incidents seriously, and safety is TBHEDI's top priority for both employees and the public. The company regularly promotes powerline safety through social media, its website, on-bill messaging, and community engagement. TBHEDI will continue to promote its programs "High Line Hazard" and "Call before you Dig" to ensure awareness, and promoting knowledge of safety compliance.

Serious Electrical Incident Index on the 2018 scorecard is shown maintaining "0.0" incidents reported from 2014 - 2018. Historical data related to this measure has been tracked by TBHEDI and the Electrical Safety Authority.

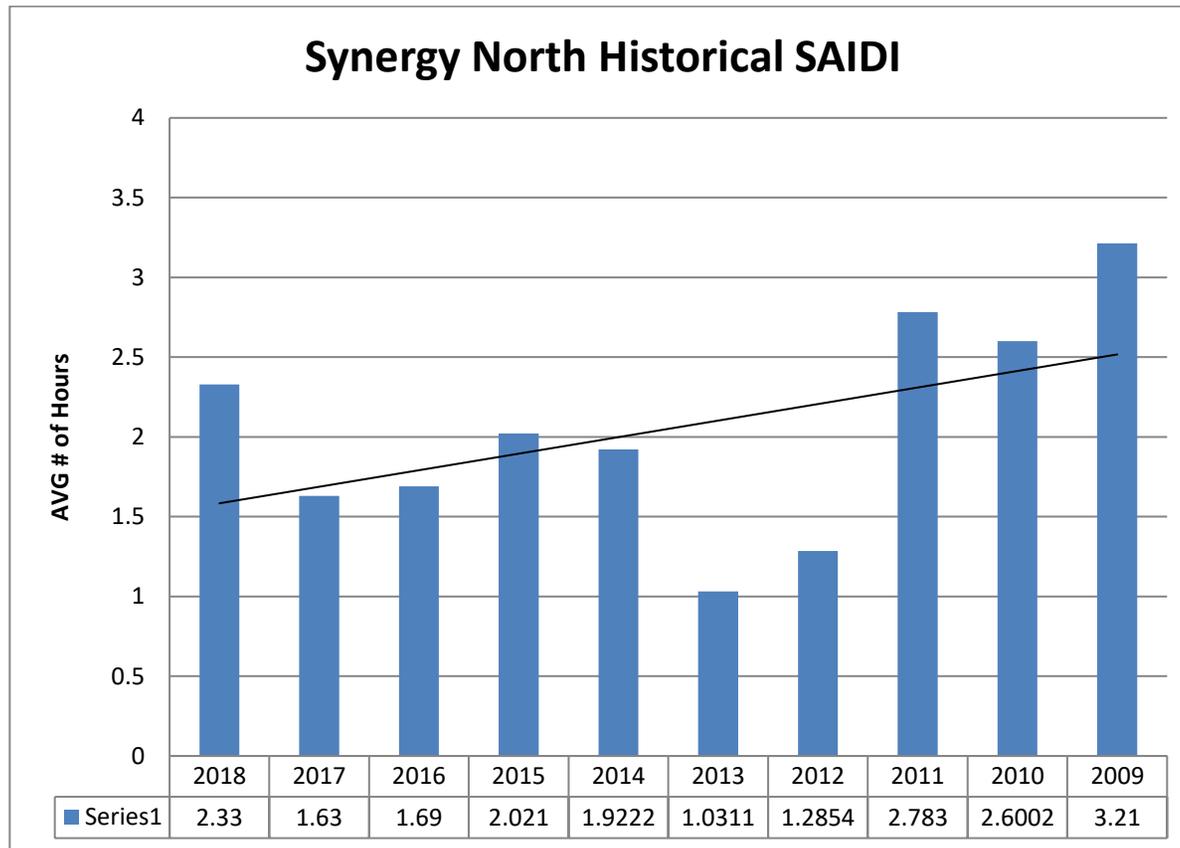
System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted 'SAIDI' – Distributor Target Not Met**

System Average Interruption Duration Index 'SAIDI' is an indicator of system reliability that expresses the length of interruptions that customers experience in a year on average. All planned and unplanned sustained interruptions should be used to calculate this index. TBHEDI's reliability statistic for the average number of hours that power to a customer is interrupted increased from 1.63 in 2017 to 2.33 in 2018, an increase of 0.70.

This average duration of outages is often due to severity of weather events. In 2018 TBHEDI's customer hours of interruption (excluding loss of supply to distributor, and major outages) increased from 82,628 in 2017 to 118,428 in 2018 a total increase of 35,800 hours. TBHEDI's customers benefitted from a slight decrease in terms of total outage duration events during the 2018 year with a decrease from 722 events in 2017 to 717 events in 2018. The distributor target for this performance metric is established on the OEB scorecard as a five-year rolling average (2012- 2016). TBHEDI has exceeded the rolling average Distributor Target of 1.59 for this scorecard measure in 2018 by a margin of 0.74 and attributes this to increased weather events during October and December of the 2018 year that did not qualify as major event outages but resulted in tree contacts, and foreign interference. TBHEDI acknowledges the 2018 increase to its SAIDI score and will continue to strive to reduce the number of hours in which a customer is interrupted as Synergy North Corporation in the future.

TBHEDI has reviewed this data on an expanded ten year data set (2009 – 2018) excluding loss of supply and major outages, and has concluded that over a ten year trend TBHEDI's customers are experiencing a declining trend in the length of interruptions that customers experience in a year on average. In the TBHEDI SAIDI graph below the declining trend line between 2.5 – 1.5 can be observed over the last ten years. This indicates overall TBHEDI customers have been experiencing an increased reliability over time.

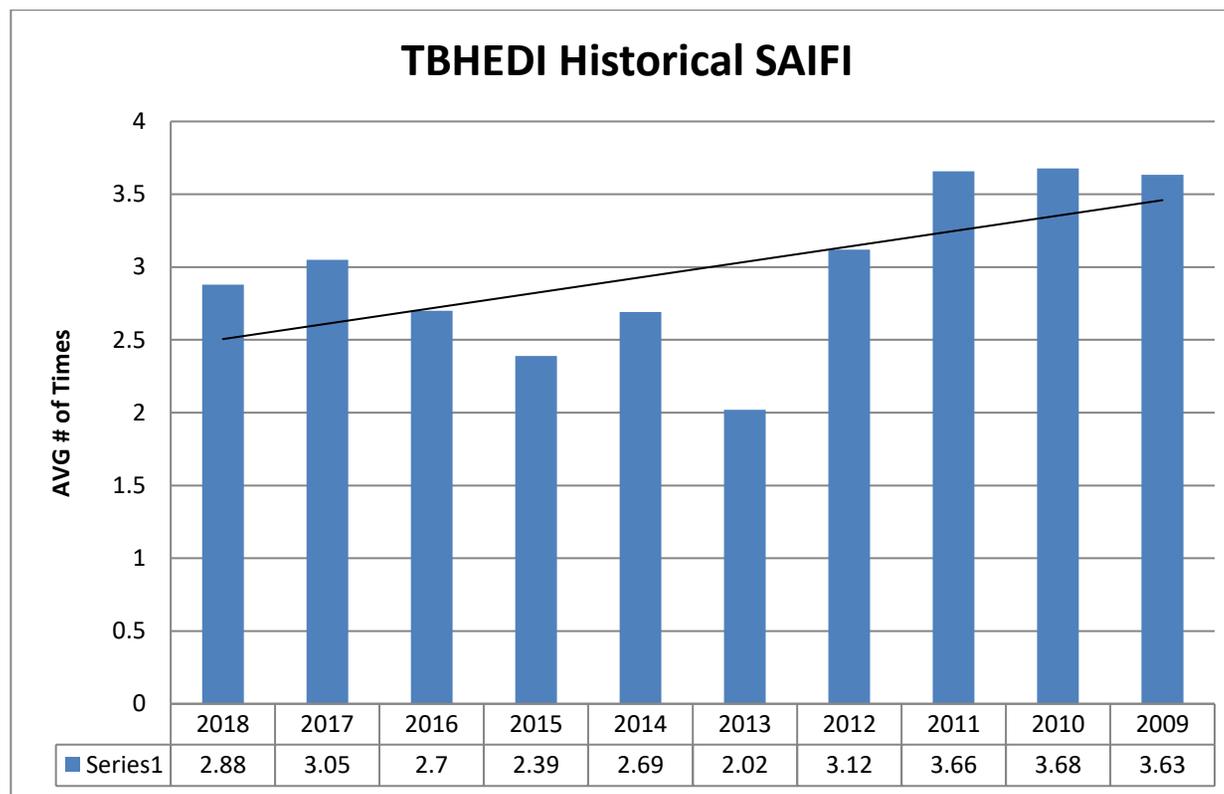


- **Average Number of Times that Power to a Customer is Interrupted 'SAIFI' - Distributor Target Not Met**

System Average Interruption Frequency Index 'SAIFI' is an indicator of the average number of sustained interruptions each distributor customer experiences. All planned and unplanned sustained interruptions should be used to calculate this index. SAIFI is defined as the number of sustained interruptions normalized per customer served. TBHEDI's reliability statistic for the average number of times that power to a customer is interrupted in 2018 decreased from 3.05 to 2.88, a change of 0.17 from the 2017 reporting year.

TBHEDI's number of times power to a customer is interrupted (excluding loss of supply to distributor, and major outages) decreased from 154,843 in 2017, to 146,436 in 2018 for a total decrease of 8,407. The distributor target for this performance metric is established as a five-year rolling average (2013- 2017). TBHEDI has exceeded the rolling average Distributor Target of 2.58 for this scorecard measure in 2018 by a minimal margin of 0.30.

TBHEDI has reviewed the SAIFI data on an expanded ten year data set (2009 – 2018) excluding loss of supply and major outages, and has concluded that over a ten year trend TBHEDI's customers are experiencing an overall decreasing trend in number of sustained interruptions that customers experience in a year on average. This declining trend line between 3.5 – 2.5 can be observed in the graph below.



Asset Management

- **Distribution System Plan Implementation Progress - Industry Target Not Established**

The Distribution System Plan (“DSP”) outlines forecasted capital expenditures over a five year period required to maintain and expand TBHEDI’s electricity system to service current and future customers.

The OEB requires that all Distribution System Plans must focus centrally on the following objectives: optimize investments and reflect regional and smart grid considerations; provide services to present and future customers; place a greater focus on delivering value for money; align the interests of the distributor with those of customers; and support the achievement of public policy objectives.

TBHEDI’s Distribution System Plan was completed in 2016 and approved by the Ontario Energy Board during its 2017 Cost of Service Application EB-2016-0105 and as a result the approved 2017 total capital budget was \$ 11.526 million.

Prior to the 2017 reporting year (as seen on the scorecard) TBHEDI reported the DSP metrics based on project planning while developing its DSP for OEB approval. In 2017, TBHEDI transitioned to reporting the DSP based on actual life to date capital expenditures divided by the total budgeted expenditure. Moving forward this scorecard metric will be reported as a cumulative total. For 2018, which is year 2 of the 5 year Distribution System Plan the cumulative actual capital expenditures (exclusive of System Access) divided by 2 years of total budgeted capital expenditure equates to the reported scorecard rating of 101.14% DSP. TBHEDI recognizes this scorecard rating as successful and aims to achieve the same future years.

Cost Control

- **Efficiency Assessment -**

Total costs for all electricity distribution companies are evaluated based on econometric modeling performed by the Pacific Economics Group LLC on behalf of the OEB to produce an efficiency ranking. A “predicted cost” is calculated by the model and the magnitude of the difference between distributor’s actual and predicted costs governs the assignment of a distributor into one of five groups.

2018 results were released on August 15th 2019 and for a second year; TBHEDI was placed in Group 4, which is defined as having actual costs in excess of +/- 10 to 25 percent of predicted costs, and receiving a stretch factor of 0.45%. TBHEDI has only exceeded Group 3’s +/- 10 percent threshold of predicted costs by a marginal value of 0.7%. Had actual costs been reduced by this small percentage, TBHEDI would have fallen into group 3 as it has been historically categorized prior to 2017.

As per the **OEB Consultant's standardized PEG formula**, TBHEDI's increase in Operating Maintenance and Administrative Costs was 0.55% and Capital Costs was 6.89% with an overall Total Cost impact of 4.02%. The Total Cost input variables are entered into an industry wide calculation to output benchmarking results. Actual cost over predicted cost is averaged over the last 3 years results to receive an assignment into one of the five groupings. Had the PEG model used a 9 year average TBHEDI would have remained in cohort 3 with an actual cost average of 7.96% which is far below the +/- 10 percent threshold.

Group 4 is considered slightly below industry average efficiency ranking and in 2018, 9 out of the 63 reported electricity distribution companies fell into this grouping with TBHEDI. In other words, TBHEDI's costs are considered to have exceeded on average the original prediction cost range for distributors in the Province of Ontario although TBHEDI has remained consistent within its board approved capital expenditures. TBHEDI identified this principle as a deficiency within the PEG formula. The deficiency in the model does not align the average spending over a 3 year period to the OEB Approved increased capital spending budget. However, TBHEDI acknowledges this inconsistency in the model and continues to diligently manage expenditures to ensure efficiencies will be achieved such that the best group ranking will be achieved in the future.

- **Total Cost per Customer -**

An evaluation by the Pacific Economics Group LLC ("PEG") on behalf of the Ontario Energy Board produces a cost per customer metric. This measure is the sum of total OEB Consultant's PEG model calculated capital and operating costs divided by the total number of customers that TBHEDI services.

Total costs include annual operating and capital costs. Operating costs are the costs associated with the maintenance, operation, billing and collection, and administrative and general expense of TBHEDI's distribution assets. Capital costs include enhancements, betterments and replacement of capital assets that are required each year to maintain a safe and reliable network. Capital costs fluctuate depending on the need to replace existing capital assets and additional infrastructure to support growth and develop.

The change in costs is consistent with ongoing operating activities and distribution system plan to replace, refurbish and modernize the utility's aged distribution system and to connect new customers. TBHEDI's cost performance result for 2018 has increased from \$657 per customer in 2017 to \$682 per customer in 2018. PEG model result for TBHEDI is an overall total cost increase of 4.02%.

TBHEDI is dedicated to searching for cost efficiencies in order to operate and maintain a reliable distribution system with the objective of minimizing impacts to customers.

- **Total Cost per Km of Line**

An evaluation by the Pacific Economics Group LLC (“PEG”) on behalf of the Ontario Energy Board produces a cost per kilometer of line metric. This measure sums the total capital and operating costs and divides the cost figure by the kilometers of line that TBHEDI operates to serve our customers.

Total costs include annual operating and capital costs. Operating costs are the costs associated with the maintenance, operation, billing and collection, and administrative and general expense of TBHEDI’s distribution assets. Capital costs include enhancements, betterments and replacement of capital assets that are required each year to maintain a safe and reliable network. Capital costs fluctuate depending on the need to replace existing capital assets and additional infrastructure to support growth and develop.

TBHEDI’s total cost per km of line in 2018 of \$30,130 increased compared to 2017, by \$1,311. As noted in the total cost per customer above, a 0.55% increase in OM&A expenses and a 6.89% increase in Capital Cost spending are TBHEDI’s 2018 versus 2017 percentage cost variances as per the PEG Report to the Ontario Energy Board for the 2018 year. The increase in total cost per Km of line has also been impacted by TBHEDI’s decrease in total km of line from 1,159 in 2017 to 1,155 in 2018. The decrease in km line year over year is attributed to capital rebuild projects from overhead lines to underground lines.

TBHEDI is dedicated to searching for cost efficiencies in order to operate and maintain a reliable distribution system with the objective of minimizing the impacts to customers.

Conservation & Demand Management

In 2015, a new energy conservation program called “Conservation First Framework” was mandated by the Ministry of Energy for the period 2015 to 2020. Consequently, the program administrator, the Independent Electricity System Operator (IESO) Board established CDM targets for the reduction of electrical consumption (kWh’s) to be met by licensed electricity distributors across the province.

The IESO supports this initiative by measuring the energy savings as a result of regulator approved energy saving programs. These approved energy savings programs are available to all of TBHEDI’s energy consumers; Residential, Small Business, Industrial and Commercial.

In 2019, the Government of Ontario enacted new legislation entitled “Fixing the Hydro Mess Act, 2019” which has had a significant impact on the operation and future of the CDM program.

- **Net Cumulative Energy Savings (% of Target Achieved)**

The Net Cumulative Energy Savings are reported by the IESO, who administers the Conservation and Demand Management Program. The current conservation target period runs from January 1, 2015 to December 31, 2020.

TBHEDI’s energy saving target for the 2015-2020 period is 48,420MWh or 48,420,000 kWh.

At the end of 2018, the actual kWh Energy Savings on the verified IESO report was 56,672 MWh or 126% of the six year target. TBHEDI has been committed to conservation programming for customers since 2005.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time - Industry Target Not Established**

Under the Green Energy Act, TBHEDI has an obligation to enable renewable generation connections into the distribution system. As part of the process TBHEDI must conduct Connection Impact Assessments (CIAs) within 60 days of receiving authorization. In the 2018 reporting year like TBHEDI did not receive requests to complete any CIAs for facilities that have a nameplate rated capacity of greater than 10kW thus does not have a rating in this category. TBHEDI has been able to conduct CIAs 100% within the 60 days in the past and will continue to strive to maintain this level of performance for upcoming CIAs.

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

TBHEDI is required to connect small generation facilities that produce less than 10kW of power to the distribution system within five business days of the applicant informing the distributor that it has satisfied all applicable service.

In 2018, TBHEDI did not have any requests to connect a micro-embedded generation facility. Historically, TBHEDI has been able to connect 100% of micro-embedded generation facilities within the 5 day time frame in the past and will continue to strive to maintain this level of performance for upcoming micro-embedded generation projects.

Financial Ratios

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

The current ratio is a common way of measuring the financial health of a company. Current Ratio measures whether or not a firm has enough resources (assets) on hand to pay its debts over the next 12 months. A current ratio that is greater than 1 means good short term financial strength, as it indicates that short term debts and financial obligations can be met and that the organization is in good financial health.

At 1.56, TBHEDI maintains a strong liquidity ratio. This ratio has been relatively consistent over the period 2014 – 2018.

TBHEDI's target is to maintain a current ratio of greater than 1.1 to 1.

- **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).

TBHEDI's debt to equity ratio of 0.80 is less than 1.5 and indicates that the organization is less levered than the deemed capital structure. In 2013, TBHEDI converted a portion of the outstanding Note Payable to the Corporation of the City of Thunder Bay to equity, thus, reduced the leverage ratio in that year.

TBHEDI's shareholder does not require a return on the debt held, repayment on the debt, nor does it require dividend payments. This has allowed TBHEDI to reinvest 100% of the return on equity into capital and/or operational costs, thus enabling a lower debt level than otherwise might be required and a higher retained earnings balance.

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

The profitability measure is defined as the approved return on equity that is embedded in TBHEDI's distribution rates. This measure assesses whether distributors are earning a fair return on their investment. TBHEDI's current approved return on equity is 8.78%, which was awarded in the 2017 Cost of Service Rate Application.

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

In 2018 TBHEDI achieved a returned on equity of 8.93% which is within the 300 basis points of the current approved return on equity of 8.78%.

Note to Readers of 2018

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.