Scorecard - Sioux Lookout Hydro Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	96.40%	95.00%	100.00%	down	90.00%	
		Scheduled Appointments Met On Time	98.80%	97.30%	92.90%	98.50%	98.20%	up	90.00%	
		Telephone Calls Answered On Time	97.60%	97.10%	98.10%	98.60%	100.00%	up	65.00%	
	Customer Satisfaction	First Contact Resolution					100%			
		Billing Accuracy					99.67%	flat	98.00%	
		Customer Satisfaction Survey Results					89.51%			
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 [measure to be determined]								
		Level of Compliance with Ontario Regulation 22/04	NI	C	C	C	C	flat		C
		Serious Electrical Incident Index – Number of General Public Incidents	0	0	0	0	0	flat		0
		Serious Electrical Incident Index – Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	flat		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.90	1.71	0.47	0.23	1.28	down		at least within 0.23 - 1.71
		Average Number of Times that Power to a Customer is Interrupted	0.56	0.77	0.17	0.28	0.74	down		at least within 0.17 - 0.77
	Asset Management	Distribution System Plan Implementation Progress					Stage 1			
	Cost Control	Efficiency Assessment			3	3	3			
		Total Cost per Customer [1]	$737	$742	$814	$802	$869			
		Total Cost per Km of Line [1]	$9,622	$7,219	$7,928	$7,845	$8,445			
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 Annual Peak Demand Savings (Percent of target achieved) [2]		1.46%	5.01%	16.06%	29.80%	target not met		0.51MW
		Net Cumulative Energy Savings (Percent of target achieved)		7.40%	15.42%	27.87%	40.00%	target not met		3.32GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time								
		New Micro-embedded Generation Facilities Connected On Time					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)	1.40	1.35	1.15	1.00	0.96			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.96	0.86	0.80	0.71	0.64			
		Profitability: Regulatory Return on Equity – Deemed (included in rates)		8.57%	8.57%	8.98%	8.98%			
		Profitability: Regulatory Return on Equity – Achieved		9.67%	9.22%	12.30%	6.38%			

Notes:
1. These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
2. The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

Legend: up, down, flat, target met, target not met

Appendix A – 2014 Scorecard Management Discussion and Analysis ("2014 Scorecard MD&A")

Scorecard MD&A - General Overview

- In 2014 Sioux Lookout Hydro met all of its performance objectives, with the exception of Conservation and Demand Management. The company continues to exceed the industry target in the Service Quality category. New measures with respect to Customer Satisfaction were implemented in 2014 and these targets exceeded industry requirements as well. System reliability decreased in 2014 due to increased storm activity during the year and damage caused by lightning and high winds. 99% of Sioux Lookout Hydro's vast service territory is rural, with long spans of lines that travel through densely treed areas. Sioux Lookout Hydro is committed to maximizing system reliability through planned upgrades and replacements, and increasing tree trimming activity to mitigate damage caused by inclement weather conditions.

- In 2015 Sioux Lookout Hydro will strive to improve overall scorecard performance, and specifically in the Financial Performance and Cost Control categories.

Service Quality

- **New Residential/Small Business Services Connected on Time**
  Sioux Lookout Hydro connected 24 new residential/small business services in 2014. All 24 services were connected within 5 working days of receiving the ESA connection authorization. Sioux Lookout Hydro strives to connect new services on the same day the connection authorization is received by the Electrical Safety Authority.

- **Scheduled Appointments Met On Time**
  Sioux Lookout Hydro scheduled 112 appointments to meet with customers in 2014 to complete work requested by customers. Of these appointments, 110 were completed as required. There were 2 appointments that were missed, but were rescheduled and completed as required.

- **Telephone Calls Answered On Time**
  Sioux Lookout Hydro received 4,779 qualified incoming calls in 2014. 100% of these calls were answered within 30 seconds. This significantly exceeds the industry target of 65%. Due to the small size of the utility, Sioux Lookout Hydro does not have a sophisticated Call Centre; therefore all calls are answered in person by our office staff.

Customer Satisfaction

- **First Contact Resolution**
  Of all of the telephone, in person and written concerns from our customers, 100% were handled at the first point of contact and none had to be escalated in order to be resolved. Sioux Lookout Hydro takes pride in the fact that we can interact with our customers on a personal level due to the utility's small size. This allows better communication overall.

- **Billing Accuracy**
  This measure was implemented in October 2014 and reflects the last three months of 2014. During that time 99.67% of Sioux Lookout Hydro's bills were issued accurately. Sioux Lookout Hydro has a very large service territory, where there are few customers scattered in remote areas with high tree density. This sometimes causes challenges with transmitting data from the smart meters to the collectors and can result in estimated bills. Sioux Lookout Hydro has installed repeaters in some areas in order to minimize the need for estimating consumption. Repeaters are essentially smart meters which act as another collection point for data when the path to the collector is not clear from the customer's smart meter straight to the collector.

- **Customer Satisfaction Survey Results**
  Sioux Lookout Hydro conducted a customer satisfaction survey in October 2014. The results indicated that overall 89.51% of our customers are satisfied with the service Sioux Lookout Hydro provides. The main concern noted by customers was the high costs of electricity. Overall general comments contained positive remarks about Sioux Lookout Hydro's customer service. Sioux Lookout Hydro will be conducting another customer satisfaction survey in 2016.

Safety

- **Public Safety**
  - **Component A – Public Awareness of Electrical Safety**
    This measure is still being developed.

  - **Component B – Compliance with Ontario Regulation 22/04**
    Sioux Lookout Hydro was compliant with Ontario Regulation 22/04 for 2014 and preceding years. The company is audited yearly by an independent auditor as required by Electrical Safety Authority. The purpose of the audit is "To conduct a comprehensive review of the processes, guidelines, and standards used by Sioux Lookout Hydro Inc. in their designs, construction, installations, use, maintenance and repairs, extensions, connections and disconnections of electrical equipment forming the distribution system as to avoid or reduce the possibility of electrical hazards." Sioux Lookout Hydro will continue to modify its processes in order to improve efficiency and to maintain a safe distribution system free from hazards.

  - **Component C – Serious Electrical Incident Index**
    Sioux Lookout Hydro has not had any serious electrical incidents, and will continue to promote safe work practices and safety to the public in order to prevent such incidents.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**
  The number of hours that power to a customer was interrupted in 2014 increased over the previous year due to two storms that passed through the area at the end of June and beginning of July causing significant damage due to high winds and lightning. There were no such outages in 2013.

Sioux Lookout Hydro has a large service territory that is 99% rural, therefore the power lines run through heavily treed areas. Sioux Lookout Hydro mitigates the damage due to storms and adverse weather conditions through continual tree trimming along power lines.

- **Average Number of Times that Power to a Customer is Interrupted**
  As with the previous measure the average number of times a customer's power was interrupted in 2014 increased due to the aforementioned storms that occurred.

Asset Management

- **Distribution System Plan Implementation Progress**
  Sioux Lookout Hydro is in the planning stage of their Distribution System Plan (DSP). Sioux Lookout Hydro developed a five year asset management plan in 2012. In 2015 Sioux Lookout Hydro will be undergoing an asset condition assessment in order to develop a new five year capital expenditure plan, and incorporate the findings into the DSP. Sioux Lookout Hydro is a member of the working group for the West of Thunder Bay Integrated Regional Resource Plan, which will also be included in the DSP. The plan is expected to be complete by mid-year 2016.

Cost Control

- **Efficiency Assessment**
  The total cost and efficiency estimates use complex calculations that were developed by an independent third party consultant of the OEB, Pacific Energy Group (PEG) 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 2014, for the second year in a row, Sioux Lookout Hydro was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered "average efficiency" – in other words, Sioux Lookout Hydro's costs are within the average cost range for distributors in the Province of Ontario.

  Although Sioux Lookout Hydro's forward looking goal is to advance to the "more efficient" group, management's expectation is that efficiency performance will not decline.

- **Total Cost per Customer**
  Total cost per customer is calculated as the sum of Sioux Lookout Hydro's capital and operating costs and dividing this cost figure by the total number of customers that Sioux Lookout Hydro serves. Sioux Lookout Hydro's total cost per customer increased from 2013 to 2014 by $67. In order to compare year over year results, figures should be adjusted for significant one-time transactions. There was a one-time significant transaction that contributed to this increase. In 2014 an amount of $147,000 was expensed as per Ontario Energy Board (OEB) decision EB-2013-0170 due to Group 1 variance amounts disallowed by the OEB. The cost per customer after removing this one-time expense is $816 which is a 1.75% increase from 2013. The large increase in 2012 to $814 from $742 in 2011 is due to the disposition of the smart meter variance accounts which began accumulating balances in 2009 when the smart meters were procured and installed.

  Sioux Lookout Hydro will continue to seek ways in which to become more efficient in its operations in order to reduce operating costs. We have found that sharing services amongst the other Northwest LDCs allows us to achieve savings and will continue to seek ways to partner together in order to reduce costs.

- **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 Sioux Lookout Hydro operates to serve its customers. The calculated cost per Km of line for 2014 was $8,445, however as with total cost per customer the cost per km of line increased in 2014 due to the one time transaction explained under the Total Cost per Customer above. If the one-time transaction were removed, the adjusted cost per km of line is $7,931 which is a 1.1% increase over 2013.

  Sioux Lookout Hydro will continue to seek ways in which to become more efficient in its operations in order to reduce operating costs. We have found that sharing services amongst the other Northwest LDCs allows us to achieve savings and will continue to seek ways to partner together in order to reduce costs.

Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved)**
  Sioux Lookout Hydro did not meet its targets for conservation. Net Annual Peak Demand Savings achieved for the 2011-2014 programs was 29.8%.Several factors contributed to under-achieving the assigned targets. First, Sioux Lookout Hydro's customer base does not include any industrial customers. Sioux Lookout Hydro's largest customer is a sawmill with a peak demand of less than 5 MW when operating at 100%. The mill shut down late in 2010 due to the economy and began production at approximately half capacity in 2013, and is scheduled to close again in September 2015. The second largest customer is a hospital which operates under 1 MW. Another contributing factor is the method in which the targets were allocated, which did not take into consideration the unique demographics of Northwestern Ontario. Sioux Lookout is a small remote community approximately 400 km from the nearest large city centre which is Thunder Bay, and 60 km north off the TransCanada highway. Procuring contractors to perform retrofits and installations was a challenge as there is not enough work to employ a full time contractor locally. Finally, there was an LED street lighting project that was expected to be completed in 2014, but was postponed to 2015.

- **Net Cumulative Energy Savings (Percent of target achieved)**
  The Net Cumulative Energy Savings achieved for the 2011-2014 programs was 40%. Contributing factors to the under-achievement were limited programs available and some of which were targeted to Southern Ontario and summer peaking utilities. Northwestern Ontario is winter peaking. Lack of natural gas in Sioux Lookout resulted in the inability to participate in the HVAC furnace incentives. The Home Assistance Program for low income customers was late in developing (mid 2013) and didn't earn any substantial savings until 2014. The small business lighting program was popular; however the number of small businesses in Sioux Lookout limited participation. Sioux Lookout could only provide a scaled down version of the PeakSaver Plus program due to the lack of a paging system in the area, which took time to develop and was not offered until mid-2014. As explained in the previous section isolation and the remoteness of the area impacted customer uptake on initiatives.

  Looking ahead, Sioux Lookout Hydro received approval for its 2015-2020 conservation plan which is a joint plan between the (5) five Northwest LDC's. Sioux Lookout Hydro expects to achieve the new targets as the joint plan allows for the possibility of exchanging targets within the group. Also, the ability to develop pilot programs for the Northern LDC's and having a dedicated Energy Service Advisor and Energy Manager will enable customized programs for the North and improved communication with customers and channel partners on a regular basis.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**
  Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of receiving authorization from the Electrical Safety Authority. Sioux Lookout Hydro has not had any requests to connect generation projects over 10 kW to date.

- **New Micro-embedded Generation Facilities Connected On Time**
  In 2014 Sioux Lookout Hydro only had one request for connection which was completed within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% 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.

  Sioux Lookout Hydro's liquidity has decreased, in part, due to negative variance rate riders which require us to return funds to customers in the form of a credit on their bill for over- collected charges Sioux Lookout Hydro pays to other government agencies and that are passed through the utility. Another factor that contributes to liquidity is the change in the working capital allowance in 2013 from 15% to 13%. In 2015 Sioux Lookout Hydro expects to increase its liquidity to at least 1.0 due to positive regulatory variance rate riders and through increased collection efforts in order to attempt to reduce overdue accounts receivables.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**
  Sioux Lookout Hydro's debt to equity ratio has been decreasing over the last 5 years. This is due to the company paying down its long term debt and not requiring any new debt. The company has not incurred any new long term debt since 2009 when the company procured its smart meters. All of Sioux Lookout Hydro's other capital projects have been self-funded.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**
  The 8.98% deemed rate of return was established during Sioux Lookout Hydro's last cost of service rate application for 2013 rates in decision EB-2012-0165. The deemed rate of return is adjusted by the Ontario Energy Board (OEB) each time the utility submits a cost of service rate application. 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**
  In 2014, Sioux Lookout Hydro under-achieved the deemed return on equity by 2.6%. This is due to a decision by the OEB in the 2014 rate application, EB-2013-0170. The ruling required Sioux Lookout Hydro to expense approximately $147,000 from Group 1 variance accounts which would have otherwise been allowed to be collected through rates. This was a one- time expense. With the removal of this one-time expense Sioux Lookout Hydro would have exceeded 8.98% by an estimated 2%.

Note to Readers of 2014 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.