

Scorecard - Kenora Hydro Electric Corporation Ltd.

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	100.00%	100.00%	100.00%	100.00%	100.00%	↔	90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	↕	90.00%		
		Telephone Calls Answered On Time	100.00%	98.80%	98.50%	69.10%	99.30%	↕	65.00%		
	Customer Satisfaction	First Contact Resolution						99.3%			
		Billing Accuracy				100.00%	100.00%	↕	98.00%		
		Customer Satisfaction Survey Results						73%			
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						79.00%			
		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	8.99	0.43	0.36	0.53	0.61	↕		2.39	
		Average Number of Times that Power to a Customer is Interrupted ²	7.32	0.46	0.11	0.29	0.35	↕		1.94	
	Asset Management	Distribution System Plan Implementation Progress				In Progress	In Progress				
	Cost Control	Efficiency Assessment		3	3	3	3				
		Total Cost per Customer ³	\$555	\$527	\$532	\$554	\$618				
		Total Cost per Km of Line ³	\$31,574	\$29,919	\$30,201	\$31,428	\$35,092				
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						30.48%		5.27 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%	↕	90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.90	2.24	1.97	1.92	2.51				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.86	0.81	0.75	0.71	0.69				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.58%	9.58%			
			Achieved	1.25%	7.00%	9.50%	8.14%	0.71%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

4. The CDM measure is based on the new 2015-2020 Conservation First Framework. This measure is under review and subject to change in the future.

Legend:

5-year trend
 up down flat

Current year
 target met target not met

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

Scorecard MD&A - General Overview

Kenora Hydro’s staff take pride in serving the citizens of Kenora.

The measures on the scorecard indicate very positive results for 2015, as will be discussed next, measure by measure.

Service Quality

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

The OEB has set an industry standard of 5 business days to connect any new residential or small business account, once all the requirements for safe connection have been met. Kenora Hydro achieves this consistently, year over year. In 2015, all of the connections requested by customers were successfully performed within the 5 business day timeline.

- **Scheduled Appointments Met On Time**

Another measure that we strive to always achieve is the number of scheduled appointments that were met on time. The industry target is 90%, but we aim for never missing an appointment with a customer. There were 480 appointments made, and all were met on time during the year.

- **Telephone Calls Answered On Time**

Kenora Hydro met this OEB target for the year, answering 99.3% of qualified incoming calls within 30 seconds.

Customer Satisfaction

- **First Contact Resolution**

Kenora Hydro tracked the quantity of customer contacts, and noted those which could not be resolved on 'first contact'. There were only 0.7% of the customer contacts which were not resolved on the first call or visit to a customer service representative. We are fortunate that our front line customer facing staff are primarily very long term employees, and their knowledge and ability to accurately reply to most customer requests or questions is excellent.

- **Billing Accuracy**

For the 2015 year, we tracked the number of hydro billings that were issued with a billing error in them, and were subsequently cancelled and re-issued. During this period, there was one cancelled and re-issued hydro bill due to a billing error. We are again fortunate to have a long time employee in the position of billing clerk. She takes pride in her work and is dedicated to accurate billing for all customers.

- **Customer Satisfaction Survey Results**

During 2015 Kenora Hydro created a bill stuffer and provided online access to a customer satisfaction survey. Customers returned 227 completed surveys. The overall satisfaction question, giving customers an opportunity to rate their satisfaction with Kenora Hydro from 1 to 10, led to an overall average mark of 7.3. We encouraged customers to give us feedback or suggestions for improvement, and we received an overwhelming number of replies indicating two common concerns: that our customers want us to remain a local, municipally owned distributor, and that rates are too high. We also asked what customers would like to learn more about, and many respondents indicated that they would like to learn more about their bill. As a direct result of the comments received on the survey, we developed a newsletter in the fall of 2015, with the view to responding to the comments on the survey. We have subsequently issued a spring 2016 newsletter with more information about the bills, charges, available programs (OESP) and electrical safety information. This newsletter will be continued through 2016 incorporating into it any customer suggestions we receive.

Safety

- **Public Safety**

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

Kenora Hydro engaged an outside firm to conduct this Public Awareness of Electrical Safety survey. 400 customers were contacted by phone with the outcome of a score of 79% for Public Safety Awareness.

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

Kenora Hydro was 100% compliant with Ontario Regulation 22/04 for 2015. This regulation 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, specification and inspection of construction before they are put into service.

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

Kenora Hydro did not have any serious electrical incidents in 2015.

System Reliability

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

Without including the outages due to the loss of supply from Hydro One, Kenora Hydro customers, if they did experience a power outage in 2015 as a result of loss of power from Kenora Hydro's supply, were out of power on average for just over ½ an hour. With a distributor based target of 2.39 hours, the 2015 result of only 0.61 hours is in our opinion, an excellent result. Over the past several years we have made investments in our system with the direct intent of reducing outages and reducing the duration of any outages that do occur. A supervisory control and data acquisition system, SCADA, allowing us 24 hour monitoring of the distribution system allows us to dispatch crews more quickly, and to a more precise location. Combined with recently installed line fault indicators, the time to diagnose and begin repairs on issues in the system has been reduced. A fault in the system can be more accurately located, and the length of time customers are without power can be minimized with this faster diagnosis.

It should be noted that the impact of a significant wind event or accident resulting in time consuming pole and line replacements may cause this average to increase unexpectedly for any given year.

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

This number, 0.35, indicates that our customers had a loss of power, on average, much less than once last year. This figure does not include the outages due to the loss of supply from Hydro One. So, although there were some outages during the year, the vast majority of our customers did not experience any outages all year as a result of loss of power from Kenora Hydro. We have seen improvements in this measure over the past couple of years, in part due to an investment in animal guards, which help to prevent animals or birds from contacting wires and causing an outage at the poles or transformers. Although it is impossible to prevent all animal contacts, these guards have helped in the areas with traditionally high numbers of squirrel contacts. We are once again pleased with the very low number of outages to customers during the year.

Asset Management

- **Distribution System Plan Implementation Progress**

A Distribution System Plan outlines forecasted capital expenditure over the next five years required to maintain and, if needed, expand the system to serve current and expected future customers. We began collecting data in 2014, continuing through 2015 and are well into the process of developing an asset management plan, which assesses the existing infrastructure and based on risk ranking, provides the utility with a roadmap of priorities for asset replacement. This document will form the base for the Distribution System Plan, which will form the foundation of the next Cost of Service rate application process.

Cost Control

- **Efficiency Assessment**

The utility must manage its costs successfully in order to help assure its customers they are receiving value for the cost of the service they receive. Utilities' total costs are evaluated to produce a single efficiency ranking. This is divided into five groups based on how big the difference is between each utility's actual and predicted costs. Utilities whose actual costs are lower than predicted are considered more efficient and will be assigned to Group 1 or Group 2. Utilities that are considered average performers will be assigned to Group 3. Utilities whose actual costs are higher than predicted will be assigned to Group 4 or Group 5.

Since scorecard reporting began for this measure in 2012, Kenora Hydro has been allocated an efficiency assessment of "3".

- **Total Cost per Customer**

A measure that can be used as a comparison with other utilities is the utility's total cost per customer. Total cost is a sum of all the costs incurred by the utility to provide service to its customers. The amount is then divided by the utility's total number of customers.

Some utilities in the province have a very large customer base, some have a smaller customer base spread out over vast areas of the province. There are costs involved in operating a utility that will not vary based on customer count, such as the need to meet imposed regulatory requirements, and to have equipment and crew available and trained to maintain and repair the system. The costs per customer can vary widely from utility to utility, depending on the number of customers in the service area.

Total costs per customer have been increasing since 2012, with an increase in 2015 of 11.6% over 2014. This most recent cost increase per customer is due to both annual cost increases required to operate the utility, plus several large one-time expenses that occurred in 2015, in order to prepare for the next Cost of Service rate application. These costs included hiring external consultants for pole testing, asset condition assessment, and assistance in the preparation of the Distribution System Plan, plus the unanticipated costs of two customer surveys. As Kenora Hydro does not have any annual customer growth, any increase in costs must be borne by the fixed number of customers in our service area.

Kenora Hydro anticipates that the 2016 cost per customer will be reduced as compared to 2015, barring any unforeseen significant expenses.

- **Total Cost per Km of Line**

Another measure reported to the OEB is the utility's total cost per length of line.

Total cost is a sum of all the costs incurred by the utility to provide service to its customers. The amount is then divided by the number of kilometers of line the utility operates to serve its customers.

The cost per km of line to operate a distribution company in this province will be impacted largely by how widespread or dense the customers are. The greater km of line a utility maintains, a lower per km cost will likely be the result.

The physical service area of Kenora Hydro is small when compared to most other utilities in the province. In addition, the landscape and terrain in this area is often challenging, and therefore costly, to install and maintain our infrastructure. The amount of bedrock, and limitations due to swamps and wooded areas leads to a higher cost to install and maintain the poles and wires.

Every utility in the province is governed by the same OEB rules and regulations, regardless of its size. We must file all the same regulatory requirements as the big utilities do in Southern Ontario, and we continually strive to keep our costs low while meeting imposed targets and regulations.

Total costs per km of line have, like the cost per customer measure, been increasing since 2012, with an increase in 2015 of 11.6%

over 2014. This most recent cost increase per km of line is due to both annual cost increases required to operate the utility, plus several large one-time expenses that occurred in 2015, in order to prepare for the next Cost of Service rate application. These costs included hiring external consultants for pole testing, asset condition assessment, and assistance in the preparation of the Distribution System Plan, as well as the costs of two customer surveys. As our utility does not have any customer growth, and no new kilometers of line are added to the system annually, therefore any cost increases will directly impact the cost per km of line.

Kenora Hydro anticipates that the costs per km of line results for 2016 will be reduced when compared to the 2015 result, barring any unforeseen one-time expenses during the year.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

Kenora Hydro has a target for the 2015-2020 Conservation First Framework of 5.27 GWh. By the end of 2015, 30.48% of that target has been achieved.

Connection of Renewable Generation

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

No requests for connection impact assessments were received in 2015.

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

The utility must connect smaller generators producing less than 10kW of power within five business days, 90% of the time, unless the customer agrees to a later date. These generators are known as “micro-embedded generation facilities.” Kenora Hydro received application to connect 2 microFIT customers and met the target of 5 business days to connect in 100% of the cases.

Financial Ratios

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

This measure indicates if the utility has enough assets to pay its liabilities over the next 12 months. Any ratio over 1.0 to 1.0 indicates the ability to do so.

Kenora Hydro has a liquidity ratio of 2.51 : 1, which means that for every dollar of current liabilities, the utility had \$2.51 of current assets as of December 31, 2015. This figure has historically been near the 2 : 1 ratio.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

This measures the degree to which the utility is leveraging itself through its use of borrowed money. A ratio of less than 1.0 to 1.0 is a positive indication that the utility does not have more debt than it does equity in the Corporation.

Kenora Hydro has a debt to equity ratio of 0.69 : 1 as of December 31, 2015. This indicates that there is \$0.69 of debt for every dollar of equity. Historically this number has been dropping, from 0.86 : 1 in 2011, to 0.69 : 1 in 2015, as the repayment of our long term debt occurs over time.

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

Return on Equity is the rate of return that the utility is allowed to earn through its distribution rates, as approved by the Ontario Energy Board.

Kenora Hydro has a deemed RoE of 9.58%, as has been since the last Cost of Service Rate application in 2011.

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

This shows the utility's actual Return on Equity earned each year.

2015 indicates the lowest RoE result since scorecard reporting began in 2011. From a high of 9.5% in 2013, the actual returns have been decreasing, to 8.14% in 2014, and again dropping to 0.71% in 2015. This dramatic drop in actual RoE in 2015 is as a result of several large, one-time expenses that occurred in 2015, primarily the pole testing, asset management plan and distribution system plan development costs incurred in preparation for our next Cost of Service rate application. In addition to the large one-time expenses, general administration and operating costs since the last re-basing period have increased annually, eroding the achieved RoE figure.

Kenora Hydro anticipates that the RoE results for 2016 will be improved over the 2015 result, barring any unforeseen significant expenses during the year.

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.