

Scorecard - Kingston Hydro Corporation

9/29/2016

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	Trend	Target	
									Industry	Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	97.80%	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	64.20%	64.70%	66.90%	67.00%	65.80%	↑	65.00%	
	Customer Satisfaction	First Contact Resolution				98.32%	99.13%			
		Billing Accuracy				99.74%	99.68%	↓	98.00%	
		Customer Satisfaction Survey Results				'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					80.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹	C	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	0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.45	1.78	4.87	0.97	0.93	↓	2.03	
		Average Number of Times that Power to a Customer is Interrupted ²	1.40	1.17	3.19	0.52	0.91	↑	1.41	
	Asset Management	Distribution System Plan Implementation Progress				On track	On track			
	Cost Control	Efficiency Assessment		3	3	3	3			
		Total Cost per Customer ³	\$500	\$493	\$517	\$501	\$522			
		Total Cost per Km of Line ³	\$37,046	\$36,554	\$38,667	\$38,384	\$40,292			
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					12.89%		34.50 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	0.00%	0.00%		100.00%				
		New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	100.00%	→	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.95	1.17	1.10	1.13	1.67			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.00	1.29	1.42	1.35	1.21			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.58%	9.58%		
			Achieved	6.26%	10.34%	9.03%	9.98%	3.72%		

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”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2015 Scorecard MD&A:

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

Scorecard MD&A - General Overview

Kingston Hydro is proud to present its Scorecard for the year 2015 and is pleased to report it continues to meet or exceed all performance targets for the measures set out by the Ontario Energy Board (OEB). The scorecard measures how well Ontario's electricity distributors are performing each year, with respect to customer focus, operational effectiveness, public policy responsiveness, and financial performance.

Utilities Kingston manages the assets of Kingston Hydro Corporation, along with municipal water, wastewater and gas utilities. This unique multi-utility model is a strong contributor to the strengths of Kingston Hydro’s financial and customer service outcomes.

The utility upholds worker and public health and safety as its highest value. In 2015, measures related to Safety were expanded to include a survey to understand how knowledgeable local residents are about electrical safety. The survey resulted in an overall Public Safety Awareness Index Score of 80 out of 100 points in year one. The survey pointed to areas where Kingston Hydro can increase public safety education. The utility will implement a communications plan to continue raising safety awareness in the community.

Kingston Hydro's results in Conservation and Demand Management confirm that, in working with its customers, the utility is a provincial leader in energy conservation. In 2015, the final verified results for the 2011-2014 conservation framework were reported. Kingston Hydro was one of only five Ontario local distribution companies (LDCs) to meet or exceed both demand and consumption conservation targets, achieving 113 per cent and 124 per cent, respectively.

As implementation of its 2011-2014 conservation plan was winding down, Kingston Hydro was preparing a new plan for 2015-2020 that was approved by the Independent Electricity System Operator in late 2015. It details how the utility plans to implement programs that will help customers conserve into the future.

In the performance category of System Reliability, analysis determined that the largest impact on power interruption was due to aging infrastructure resulting in electricity equipment breakdowns or failure. In 2015, a Distribution System Plan was developed as part of Kingston Hydro’s 2016-2020 rate application. The plan identifies critical equipment replacement needs and rates have been set to ensure that this important work continues for power reliability to customers.

Service Quality

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

Utilities must connect new service for the customer within five business days, 90 per cent of the time, unless the customer agrees to a later date.

Kingston Hydro exceeded this target for the 257 new low voltage (less than 750 volts) services connected in 2015, despite the fact that connections increased significantly from 2014 (up by 29 per cent, from 199 new services).

As in 2014, one hundred per cent of the low voltage services were connected within the target of five working days (from the time all required permits were issued). Understanding that getting connected on time is important to customers, Kingston Hydro will continue to prioritize this work.

- **Scheduled Appointments Met On Time**

For appointments during the utility's regular business hours, the utility must offer a window of time that is not more than four hours long, and must arrive within that window, 90 per cent of the time.

Customers make appointments with Kingston Hydro for a variety of reasons, including for meter changes, service upgrades, and utility locates. Kingston Hydro strives to complete all requested appointments within five business days.

Kingston Hydro understands that being on time is important to deliver reliable customer service. As in 2014, this target was exceeded by meeting scheduled appointments on time, 100 per cent of the time. A total of 816 appointments were kept.

- **Telephone Calls Answered On Time**

During regular call centre hours, the utility's call centre staff must answer phone calls within 30 seconds of receiving the call directly, or having the call transferred to them, 65 per cent of the time.

In 2015, Customer Service Representatives answered a total of 57,412 calls, up 11 per cent over 2014 call volume. The call volume increased primarily in the third and fourth quarters, due to factors out of Kingston Hydro's control. These factors included a large power outage caused by loss of supply and customer enquiries due to regulatory changes such as to the Ontario Clean Energy Benefit and Debt Retirement Charge, and the introduction of the Ontario Electricity Support Program (all of these regulatory changes occurred January 1, 2016).

Down slightly due to this increase in calls, but still within the industry target, 65.8 per cent (37,783) of calls were answered within 30 seconds. The utility monitors this metric closely as understand that being able to reach a representative is important to customers.

Customer Satisfaction

- **First Contact Resolution**

Utilities should aim to address their customers' needs as quickly as possible. Ideally, their concerns and issues can be resolved the first time the customer contacts the utility.

2015 is the first full year Utilities Kingston, on behalf of Kingston Hydro, measured first contact resolution. The industry began tracking this measure in July of 2014.

For Utilities Kingston, this is a measure of the number of times a customer inquiry/request, related to their account, was handled by the first person to receive the contact.

For 2015, Utilities Kingston received 65,119 contacts from the public. Of those, 46,594 contacts are considered eligible for first contact resolution tracking. 99.13% of those eligible contacts were answered without having to transfer to another staff member. This is an improvement over the 2014 results.

- **Billing Accuracy**

An important part of business is ensuring that customer's bills are accurate.

This measure was introduced in late 2014. For the fourth quarter of 2014, the utility issued a total of 79,747 bills, 99.74 per cent being accurate.

For 2015, the utility issued 346,249 bills with a billing accuracy of 99.68 per cent, a slight decrease from the shorter period reported in 2014, but still well above the required industry target of 98 per cent of all bills being accurate.

- **Customer Satisfaction Survey Results**

Utilities use different ways to determine how satisfied their customers are with the service they receive. Distributors are required to report their results every second year, at a minimum. Kingston Hydro uses the survey result from the 2014 reporting year for the 2015 reporting year.

In early 2014, Utilities Kingston engaged UtilityPULSE, a division of Simul Corporation, to perform a third-party survey providing results for its electricity customers and comparisons to Ontario and national utilities. This represents the first customer satisfaction survey conducted on behalf of Kingston Hydro.

In April 2014, a random sample of 405 electricity customers responded to the telephone survey (39 per cent response rate). Of the 405 customers, 15 per cent represented small commercial customers and the remainder were residential customers. The sample size was

large enough to represent the customer base. An overall rating of 'A' was achieved. The next customer satisfaction survey, reporting on the year 2016, is slated for the first quarter of 2017.

Safety

- **Level of Public Awareness of Electrical Safety**

Because equipment such as power lines and poles tend to be located in public areas, the utility takes steps to prevent electrical accidents or incidents involving the public. One way is to provide information about safety risks and precautions to take when near this equipment.

The utility will carry out a survey every two years that measures the effort made to raise the public's safety awareness.

In February 2016, a public awareness survey was carried out among the people residing in Kingston Hydro's distribution area. The survey followed the requirements established in *Appendix B: Biannual Standardized Scorecard Public Awareness of Electrical Safety Telephone Questionnaire* published by the Ontario Energy Board on November 25, 2015. The survey sampled 400 local residents.

The overall Public Safety Awareness Index Score, calculated as per the standard, was 80 out of 100 points. This survey was the first of its kind in the province and therefore cannot be compared to previous results.

- **Compliance with Ontario Regulation 22/04**

The *Ontario Regulation 22/04 – Electrical Distribution Safety* sets out safety standards that utilities must follow in their operations – for example, making sure proper procedures are in place to prevent accidents or incidents, keeping the system in safe working condition, and so on. The utility must demonstrate how well it met the standards by providing declarations, audit results, inspection reports and other documentation.

For the year 2015, Kingston Hydro continued to demonstrate compliance with the regulation. This was substantiated through the annual independent *Audit of Compliance and Declaration of Compliance*, as well as the *Electrical Safety Authority Due Diligence Inspections*, and *Reports of Public Safety Concerns*.

- **Serious Electrical Incident Index**

The utility must report on any serious electrical incidents involving its equipment and the general public. As in prior reporting years, Kingston Hydro did not have any serious electrical incidents in 2015 and the Serious Electrical Incident Index remains at zero.

Results				Target
Number of Incidents	Km of Line	Rate Default Value	Serious Incident Index	Serious Incident Index
0	357	100	0.000	0.000

System Reliability

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

An important feature of a reliable distribution system is recovering from power outages as quickly as possible. The utility tracks the average length of time, in hours, that its customers have experienced a power outage over the past year.

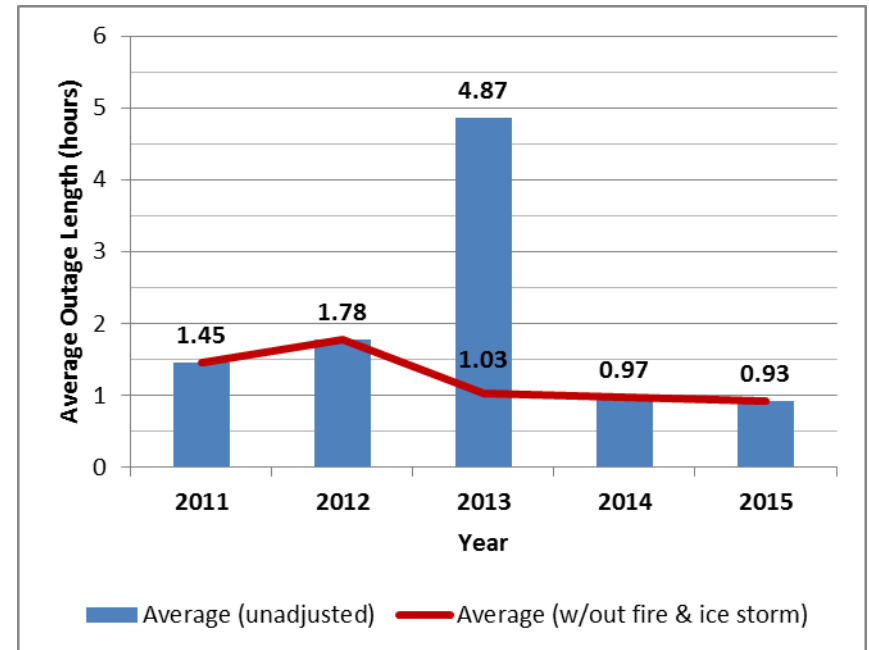
Kingston Hydro strives to reduce the impact of power outages on its customers and includes both planned and unplanned (emergency) power disruptions in its tracking.

In 2015, the average length of power outages was 0.93 hours - just under 56 minutes. This is well below the distributor target of 2.03 hours, and well below the 2.3 hour combined average of the previous four years.

In 2013, the Kingston Hydro distribution system was impacted by a major ice storm, as well as a significant fire in the downtown core, that resulted in significant outages. This accounts for the irregular peak of 4.87 hours for that year. Omitting those outages from the calculations, the trend continues to move downward since 2012.

The largest impact on the 2015 average was from electricity equipment breakdowns/failures that accounted for almost half of the total customer-hours of interruption.

The customer impact from aging infrastructure and equipment breakdowns or failures is a major driver for the infrastructure improvements Kingston Hydro completes through its capital replacement program and asset management plan.



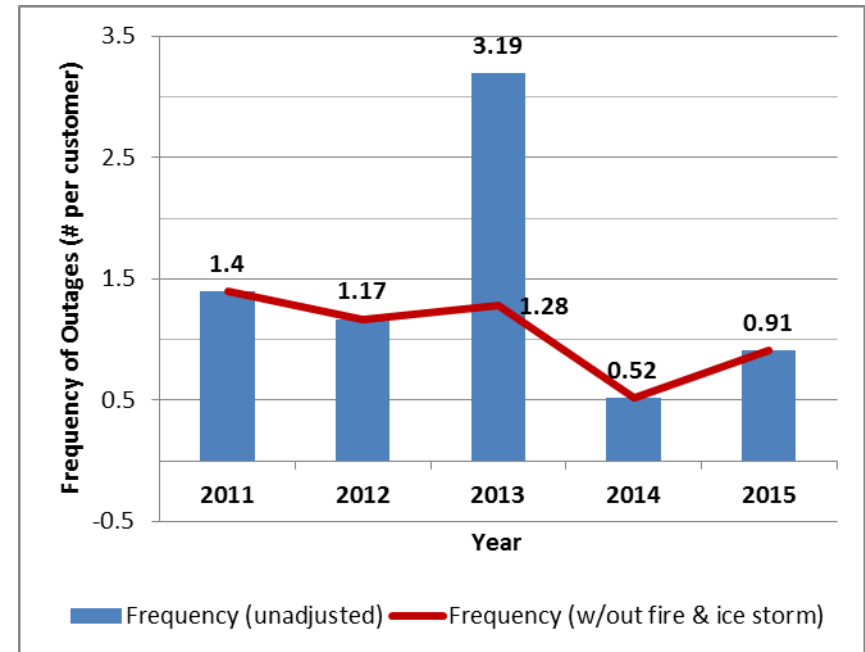
- **Average Number of Times that Power to a Customer is Interrupted**

Another important feature of a reliable distribution system is reducing the frequency of power outages. The utility also tracks the number of times its customers have experienced a power outage over the past year.

In 2015, the average number of times that power to a customer was interrupted was 0.91 – an increase from last year, but below prior reporting years, and well below the distributor target of 1.41 times.

In the summer of 2015, one event affected approximately one quarter of customers in the Kingston Hydro distribution area. A switch on a main feed failed, interrupting power to thousands of customers. This single occurrence increases the average number of times that customers lost their electricity from a frequency of 0.67 to 0.91.

As in the previous section *Average Number of Hours that Power to a Customer is Interrupted*, this measure was also most significantly impacted by aging equipment that failed. More than half can be attributed to this cause.



While planned power interruptions will always be required to allow crews to operate, upgrade, replace and maintain the infrastructure, as well as to ensure worker and public safety, Kingston Hydro strives to reduce outage duration to the greatest extent possible. The cause of forced outages continue to be analyzed to ensure that programs are targeting areas that achieve the desired reductions in power interruptions.

Asset Management

- **Distribution System Plan Implementation Progress**

Local distribution companies measure that their work continues to be “on track” with their system plans.

Asset management forms part of a new requirement to undertake Distribution System Plans (DSP). The DSP implementation is a new performance measure instituted by the OEB in 2013, for 2014 reporting.

Kingston Hydro completed its Distribution System Plan in 2015 as part of its 2016 Custom IR rate application submission to the OEB (EB-2015-0083). The DSP outlines Kingston Hydro’s forecasted capital expenditures, over the next five years (2016-2020), required to maintain and expand Kingston Hydro’s electricity system to serve its current and future customers.

Throughout 2015, Kingston Hydro was guided by its DSP in implementing its 2015 capital expenditures. Overall Kingston Hydro’s expenditures on capital were within 6 per cent (\$210, 748) of its proposed expenditures. The following observations regarding the 2015 capital expenditures as it relates to the asset management plan are:

- Kingston Hydro’s actual expenditure pattern in 2015 was/is consistent with the proposed expenditure pattern in Kingston Hydro’s Distribution System Plan.

Category of Investment	2015 (%)	DSP (%)
System Access	6.5	11.3
System Renewal	84.6	82.5
System Service	0.6	1.4
General Plant	8.3	4.8
	2015 \$	DSP \$
System Access	221,070	405,000
System Renewal	2,866,380	2,972,000
System Service	20,952	50,000
General Plant	280,847	173,000
Total	3,389,249	3,600,000

Kingston Hydro's infrastructure planning continues to focus capital investments on replacing and/or refurbishing system assets to extend the original service life of the asset and thereby maintain the ability of the electrical system to provide safe and reliable electrical service to customers.

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. Total costs for Ontario local distribution companies (LDCs) are evaluated by the Pacific Economics Group on behalf of the OEB to divide LDCs into five groups, depending on the difference between their predicted and their actual costs.

For the fourth consecutive year, in 2015, Kingston Hydro maintained an efficiency assessment of Group 3, meaning Kingston Hydro's actual costs continue to be within +/-10 per cent of predicted costs. Group 3 is considered average efficiency.

Kingston Hydro's costs were one per cent lower than predicted for the period 2013-2015, performing better than the period 2012-2014 when its costs were one per cent higher than predicted.

In 2015, Kingston Hydro's actual costs were \$455,000 or 3.1 per cent less than predicted.

Kingston Hydro continues to manage its expenditures to ensure efficiencies will be maintained at a minimum of Group 3.

- **Total Cost per Customer**

Total cost per customer is the sum of all the capital and operating costs incurred by Kingston Hydro to provide service to its customers, divided by Kingston Hydro's total number of customers.

Kingston Hydro's result for 2015 is \$522 per customer, a 4.2 per cent increase from 2014, approximating the industry average of 3.9 per cent.

It is worth noting that prior to 2015, Kingston Hydro's total cost per customer had remained relatively stable at approximately \$500 per customer. Over the 2011-2015 period, Kingston Hydro's total cost per customer increased a total of 4.4 per cent, an average increase of 1.1 per cent, per year.

Kingston Hydro's [2016 Custom Incentive Rate-setting \(Custom IR\) application](#) has outlined capital and operating costs estimates for the 2016 through 2020 period.

- **Total Cost per Km of Line**

Total cost per Km of Line is the sum of all the capital and operating costs incurred by Kingston Hydro to provide service to its customers, divided by Kingston Hydro's total kilometres of line.

Kingston Hydro's result for 2015 is \$40,292 per kilometer of line, a 5.0 per cent increase from 2014. These costs are expected to increase on a yearly basis as Kingston Hydro replaces old, fully-depreciated infrastructure with new infrastructure.

Kingston Hydro's total cost per kilometer of line has increased a total of 8.8 per cent in the past four years, an average increase of 2.2 per cent, per year.

Kingston Hydro's [2016 Custom Incentive Rate-setting \(Custom IR\) application](#) has outlined capital and operating costs estimates for the 2016 through 2020 period.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

Customers can reduce the amount of power they use through conservation efforts. A utility has targets to help customers in these efforts. The OEB has set these targets, at the request of the Government of Ontario.

2015 was a transitional year for Kingston Hydro conservation and demand management (CDM) framework. The 2011-2014 programs wound down as Kingston Hydro prepared its 2015-2020 conservation plan and delivered saveONenergy programs that were held over from the previous 2011-2014 framework.

The 2011-14 programs ran through 2015, though significant saturation was observed with legacy commercial and low-income programs. Results published by the Independent Electricity System Operator (IESO) indicate that, during 2015, Kingston Hydro achieved 4.4 GWh of annual savings persisting to December 31, 2020, or 12.9 per cent of its 34.5 GWh 2020 savings target.

Kingston Hydro's final 2015 conservation report will be published in the fall by the Ontario Energy Board.

2015 also represented the year that final verified results for the 2011-2014 conservation framework were reported. Kingston Hydro was one of only five Ontario LDCs to meet or exceed both their demand and consumption conservation targets, achieving 113 per cent and

124 cent respectively. Kingston Hydro earned significant performance and cost-effectiveness incentives for these achievements from the OEB and IESO that will be re-invested in local infrastructure.

The [Kingston Hydro 2015-2020 conservation plan](#) was approved by the IESO in late 2015 and details how the utility plans to implement programs that will help customers conserve.

Connection of Renewable Generation

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

Kingston Hydro received no requests from customers for connection of renewable generation requiring a connection impact assessment in 2015.

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

The utility must connect smaller generators producing less than 10 kW of power within five business days, 90 percent of the time, unless the customer agrees to a later date. These generators are known as “micro-embedded generation facilities.”

In 2015, the 15 micro-embedded generation facilities were connected on time, for a result of 100 per cent. A proportionally large number of connection applications were terminated or abandoned by customers as MicroFIT rates decreased and IESO contract provisions were strengthened.

Financial Ratios

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

A common way of measuring the financial health of a company is through financial ratios.

This first ratio measures whether or not the utility has enough resources (assets) on hand at a particular point in time to pay the debts that could become due over the next 12 months. Kingston Hydro's Current Ratio is at 1.67:1.00 (compared to 1.13:1.00 in 2014) as at December 31, 2015, indicating that for every \$1.00 of short term liabilities due it has \$1.67 of assets available to fund those payments.

This ratio was relatively consistent over the period 2010-2014 and the increase for 2015 provides added financial assurance that the Company can meet its short term financial obligations.

- **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.

The OEB uses a deemed capital structure (debt:equity) of \$1.50 to \$1.00. This means that for \$1.00 invested in infrastructure, the company's deemed regulatory capital financing structure is 60 per cent funding with new debt and 40 per cent with available cash.

Kingston Hydro's debt:equity ratio is \$1.21 to \$1.00. This means that for every \$1.00 the company has invested in assets, 55 per cent has been funded with debt and 45 per cent has been funded with cash. Over the 2016-2020 period, as the company continues to invest in infrastructure, Kingston Hydro expects this ratio to approach \$1.50:1.00 as it borrows more money to finance capital infrastructure.

In addition, in the current environment, Kingston Hydro believes it is prudent to leave some room for additional short term borrowing in the event more funds are required to fund regulatory asset balances.

- **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 OEB.

Kingston Hydro's current approved return on equity is 9.58 per cent, which was awarded during the 2011 cost of service rate

application proceeding. In its latest cost of service proceeding for 2016 – 2020 rates, the company's deemed return on equity is fixed at 9.19 per cent.

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

This shows the utility's actual Return on Equity earned each year for the period 2011 through 2015. Kingston Hydro achieved a return on equity of 3.72 per cent for 2015.

The decrease from 2014 is primarily due to one-time costs associated with the disposition of the stranded meters that are no longer in use. In addition, the company's deemed interest expense increased approximately \$300,000 due to higher net capital assets and a higher working capital allowance.

For 2016, the company expects to achieve its new regulated return on equity of 9.19 per cent.

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.