

Scorecard - Kitchener-Wilmot Hydro Inc.

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	94.30%	91.30%	91.30%	90.90%	90.30%		90.00%		
		Scheduled Appointments Met On Time	96.00%	96.70%	96.10%	95.30%	96.20%		90.00%		
		Telephone Calls Answered On Time	76.90%	76.40%	78.60%	80.40%	78.10%		65.00%		
	Customer Satisfaction	First Contact Resolution				98.6%	98.9				
		Billing Accuracy				100.00%	100.00%		98.00%		
		Customer Satisfaction Survey Results			A	A	A				
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness					83.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	1	0	1	0			0
	Rate per 10, 100, 1000 km of line		0.536	0.532	0.000	0.526	0.000			0.223	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	1.00	0.97	0.87	0.72	0.57			0.87	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.89	0.88	0.69	1.03	0.77			0.92	
	Asset Management	Distribution System Plan Implementation Progress				In Progress	In Progress				
	Cost Control	Efficiency Assessment		2	2	2	2				
		Total Cost per Customer <sup>3</sup>	\$450	\$450	\$466	\$483	\$481				
		Total Cost per Km of Line <sup>3</sup>	\$21,079	\$21,225	\$22,062	\$23,132	\$23,150				
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings <sup>4</sup>					20.68%			105.71 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	100.00%		90.00%		
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.18	2.05	2.14	1.95	1.97				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.78	0.74	0.69	0.65	0.61				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.85%	9.85%	9.36%	9.36%			
			Achieved	11.02%	10.91%	8.94%	10.87%	11.47%			

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

Kitchener-Wilmot Hydro Inc. (KWHI) has been a part of the local community for more than 100 years. As the energy industry continues to grow and evolve, KWHI remains committed to its promise to deliver safe, reliable and efficient electricity distribution services to its customers.

In 2015, KWHI exceeded industry targets for all Scorecard measures, with exceptional ratings in customer satisfaction and system reliability. KWHI also had the 6<sup>th</sup> lowest total cost per customer out of 71 distributors across the province. KWHI continues to pace and prioritize capital investments to effectively manage distribution system assets, complete necessary infrastructure improvements, and reduce outage frequency and outage duration to improve customer experience.

KWHI achieved an “A” in overall customer satisfaction, with respondents indicating a strong trust and confidence in KWHI’s ability to manage ongoing operations. Also of note were high customer scores for knowledge and helpfulness of staff in responding to customer inquiries.

With a service territory of more than 400 square kilometres, a staff of 182 and more than 92,000 customers, KWHI does its best to effectively manage a distribution system that includes more than 1,900 kilometres of overhead and underground distribution lines, 23,000+ power poles, 10,700+ transformers and 8 transformer stations. KWHI will continue to provide safe, reliable service for all its customers electricity needs.

## Service Quality

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

In 2015, KWHI connected more than 1,400 low-voltage residential and small business customers within the 5 day timeline prescribed by the Ontario Energy Board (OEB). KWHI met the standard by connecting nearly 91% of its total service connections on time.

- **Scheduled Appointments Met On Time**

In 2015, KWHI had more than 1,900 scheduled customer appointments where the customer or representative was required to be present. KWHI continues to exceed the industry standard of 90% of appointments scheduled met on time.

- **Telephone Calls Answered On Time**

In 2015, KWHI's Customer Service team handled more than 73,000 telephone calls, a 2% increase in number of calls over last year, answering 78.1% of customer calls within 30 seconds and exceeding the industry standard of 65% as set by the Ontario Energy Board. With increased customer adoption of KWHI's online web forms, a push for email communications and the expanded use of social media in 2015, KWHI is committed to finding new ways for customers to connect with its staff quickly and easily to decrease wait times and call volume.

## Customer Satisfaction

- **First Contact Resolution**

In 2014, utilities were given an opportunity to define this measure in the manner that provides the most meaningful assessment. KWHI defines First Contact Resolution as all telephone calls answered by the Call Centre on first contact. As this measure is evolving, KWHI will continue to monitor its progress and track best practices of other LDCs.

KWHI strives to handle each customer interaction quickly, efficiently and to a customer's satisfaction. In 2015, 98.9% of phone calls received by the Call Centre achieved first contact resolution due to the excellent service provided by KWHI's Customer Service staff.

- **Billing Accuracy**

In 2015, KWHI issued more than 645,000 electricity bills to over 92,000 customers. During 2015, KWHI moved to monthly billing, increasing the quantity of bills issued during the year. Despite the increasing volume, KWHI is one of only 4 distributors that achieved 100% billing accuracy in 2015 and remains committed to its billing accuracy standards in 2016.

- **Customer Satisfaction Survey Results**

In 2015, KWHI engaged a third party to conduct a customer satisfaction survey. The survey invited customers to provide feedback on a variety of areas including customer service, reliability, service value, billing and outages. The data collected from this survey was used as a baseline to guide customer service improvements. In this survey, KWHI received an “A” for its overall performance.

During 2015, KWHI implemented a series of communication campaigns, website refresh, as well as a new LinkedIn and Instagram handle. KWHI plans to introduce additional self-service web options to improve the online customer experience.

## Safety

- **Public Safety**

During 2015, KWHI provided electrical safety education to students and to contractors in KWHI’s service territory. In partnership with other utilities, KWHI plans and hosts a bi-annual contractor safety conference to educate local contractors on electrical hazards and safe work practices.

KWHI provides a series of public electrical safety messages across radio, its webpage and YouTube channel, social media, newspapers and other outlets connecting with businesses, seniors, farmers, volunteers, parents, and children in our service area with seasonally relevant public safety reminders. KWHI also provides funding for electrical safety messages and demonstrations at the Waterloo Regional Police Service’s Children’s Safety Village, and sponsors a Children’s Hero Award.

KWHI delivered an extensive customer outreach program to continue educating customers on overhead power line safety, underground electrical contact/locate safety and emergency preparedness including participation in the Electrical Safety Authority’s Powerline Safety Week.

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

This component of the public safety measure is intended to measure the level of safety awareness of the general public within the electricity distributor's service territory.

The score of 83% is the result of a standard survey performed by a third party in February 2016. KWHI will use the information gathered in this first survey to develop and target its safety messages going forward.

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

This component of the public safety measure is expected to address the level of distributor compliance to Ontario Regulation 22/04, which governs the safe design and construction of electrical distribution systems. Measurement includes an audit and declaration of compliance submitted by the distributor and due diligence inspections completed by the Electrical Safety Authority. KWHI fully complies with Ontario Regulation 22/04 safety standard.

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

A Serious Electrical Incident is defined as electrical contact, fire or explosion or equipment failure in the distribution system that causes loss of life or critical injury to a member of the general public. This component of Public Safety measures the number of serious electrical incidents involving members of the general public in KWHI's service territory. KWHI had no serious electrical incidents in 2015. KWHI continues to make public safety a priority through its educational activities and programs.

## **System Reliability**

In 2015, KWHI continued its program of focused investments in animal control and vegetation management to improve system reliability. In addition, faulted or end-of-life equipment is being replaced with new components with better performance – such as polymer insulators and switches. KWHI also refreshed its existing website to include a section for outage updates and is using Twitter to better communicate outage locations and restoration times with customers impacted by an outage. During 2015, KWHI began testing its new outage management system that will help crews locate and identify outage locations more quickly and provide customers with up-to-date outage information. This system will be fully operational by second quarter 2016 which will help KWHI to maintain or improve system reliability performance that customers have come to expect. In 2016, KWHI will continue to educate customers about the new outage management system, customer facing outage map, outage causes and restoration efforts.

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

KWHI had a decrease in the average number of hours a customer was without power during the year. This decrease is a result of a thorough analysis of the root causes of outages and focused investments to lessen the impact these outages have on customers of KWHI.

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

KWHI had a decrease in the average number of times a customer was without power during the year. KWHI remains below the provincial average for this measure. KWHI continues to monitor and analyze its investments to maintain the high reliability standards KWHI's customers have come to expect.

## **Asset Management**

- **Distribution System Plan Implementation Progress**

KWHI has a long term asset management plan that allows it to effectively pace infrastructure replacement and investments. KWHI will incorporate elements of its ongoing asset management plan into a Distribution System Plan (DSP) that will be submitted to the OEB in its next Cost of Service rate filing.

## **Cost Control**

The following section commentary is based on figures generated by the Ontario Energy Board based on total cost benchmarking analysis conducted by the Pacific Economics Group Research LLC. The model used by the OEB is based on econometrics. This model establishes relationships between business conditions (i.e. number of customers, kWh deliveries, length of lines) and distributor cost. Many adjustments are made to ensure fair comparison between distributors.

- **Efficiency Assessment**

The efficiency assessment measure compares distributors' actual costs to costs predicted by the OEB model described above. Those LDCs with a large difference between actual costs and predicted costs are considered to be better cost performers and therefore given a lower stretch factor assignment for efficiency improvements. KWHI ranked 6<sup>th</sup> for cost efficiency in 2015 and has maintained its Group 2 cost efficiency level for the past four years while continuing to provide excellent customer service and high reliability performance.

- **Total Cost per Customer**

KWHI's total cost per customer compares favourably to all other LDC's providing distribution services to its customers. Distribution services includes design, maintenance and construction of infrastructure, emergency services, customer services and customer education. KWHI's total cost per customer of \$481 is much lower than the provincial average.

- **Total Cost per Km of Line**

KWHI's total cost per kilometer of line compares favourably to all other LDC's providing distribution services to its customers. KWHI's total cost per kilometer of line of \$23,150 is lower than the provincial average.

## Conservation & Demand Management

The year 2015 marked the first year of a new six year Conservation First Framework. In this Conservation First Framework 2015-2020, KWHI has been allocated an electricity savings target 105.7 GWh of energy savings to be achieved through a suite of energy efficiency programs under the saveONenergy brand offered to both residential and commercial customers.

A comprehensive breakdown of KWHI's 2015 Conservation and Demand Management savings results and forecasts from 2015-2020 CDM Plan will be made available annually on the KWHI's website.

- **Energy Savings**

In 2015, KWHI achieved 21% of its six year energy savings target. Some highlights from 2015 program performance include:

Residential

- 2,893 furnaces and central air conditioners were replaced through the heating and cooling incentive program
- 98,081 coupons were used by customers to purchase energy savings technologies such as LED lights
- 293 new homes participated in energy efficiency standards including Energy Star homes, Energy Star light fixtures and LEDs

Commercial

- 424 commercial businesses completed energy savings projects through the retrofit program achieving 16,393 MWh in energy savings
- 185 small businesses participated in lighting retrofits

## Connection of Renewable Generation

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

In 2015, KWHI performed 4 connection impact assessments (CIA) and all were completed within the prescribed time limit. KWHI has consistently met 100% of its CIA reviews on time over the past 5 years. KWHI expects it will continue to meet this target into 2016.

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

In 2015, KWHI connected 105 micro-embedded generation facilities within the prescribed time limit. KWHI has consistently met 100% of its micro-embedded generation facilities connections on time, well above the industry target of 90%. KWHI strives to meet this target again in 2016.

## Financial Ratios

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

The current ratio is a liquidity ratio that measures a company's ability to pay short-term and long-term obligations. To gauge this financial metric, the current ratio considers the total current assets of a company relative to that company's total current liabilities. KWHI is maintaining a current ratio that allows it to have a margin of safety to cover financial obligations on a timely basis.

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

The OEB uses a deemed capital structures of 60% debt and 40% equity for distributors when establishing rates. This equates to a debt to equity ratio of 1.5. KWHI's actual debt to equity ratio of 0.61 maintains a strong balance sheet.

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

KWHI's current distribution rates were approved by the OEB effective January 1, 2016 and include an expected (deemed) regulatory return on equity of 9.36%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity.

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

KWHI's return achieved in 2015 was 11.47%, which exceeds the regulatory return on equity but is well within the +/-3% range allowed by the OEB. The average return over the past 5 years was 10.64% which is also well within return included in KWHI's approved rates. KWHI achieved returns higher than the deemed rate in 2015 due to lower than planned operating costs during the year. KWHI is mindful of lower revenues as a result of lower demand and energy consumption and actively seeks productivity savings arising from related process improvement initiatives.

## 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.