

Scorecard - Sioux Lookout Hydro Inc.

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%	96.40%	95.00%	100.00%	100.00%	↑	90.00%	
		Scheduled Appointments Met On Time	97.30%	92.90%	98.50%	98.20%	96.20%	↑	90.00%	
		Telephone Calls Answered On Time	97.10%	98.10%	98.60%	100.00%	96.20%	↑	65.00%	
	Customer Satisfaction	First Contact Resolution				100%	100%			
		Billing Accuracy				99.67%	99.90%	↑	98.00%	
		Customer Satisfaction Survey Results				89.51%	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					79.00%			
		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	1.71	0.47	0.23	1.28	0.68	↓	0.92	0.92
		Average Number of Times that Power to a Customer is Interrupted ²	0.77	0.17	0.28	0.74	0.36	↓	0.50	0.50
	Asset Management	Distribution System Plan Implementation Progress				Stage 1	Stage 2			
	Cost Control	Efficiency Assessment		3	3	3	3			
		Total Cost per Customer ³	\$742	\$814	\$802	\$869	\$818			
		Total Cost per Km of Line ³	\$7,219	\$7,928	\$7,845	\$8,445	\$8,273			
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					14.52%		3.70 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time								
		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)	1.35	1.15	1.00	0.96	0.95			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.86	0.80	0.71	0.64	0.58			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.57%	8.57%	8.98%	8.98%	8.98%		
			Achieved	9.67%	9.22%	12.30%	6.38%	7.38%		

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

- In 2015, Sioux Lookout Hydro met all of its performance objectives, showing an upward trend in four areas and remaining relatively flat in all other measures. Our Customer Focus objectives continue to exceed industry targets and will remain an important focus going forward.
- Safety and reliability are also at the forefront of Sioux Lookout Hydro’s priorities and the development of the Distribution System Plan will complement these objectives for optimal results. Cost control is always a challenge for Sioux Lookout Hydro given its small customer base and large service territory containing long spans of line located in unpopulated forested areas. Maintaining and upgrading our Distribution System in order to improve system reliability and meet regulatory requirements will require ongoing investments as our infrastructure and equipment ages.

Service Quality

- **New Residential/Small Business Services Connected on Time**
 - Sioux Lookout Hydro connected 24 new residential/small business services in 2015. 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 130 appointments to meet with customers in 2015 to complete work requested by customers. Of these appointments, 125 were completed as required. There were 5 appointments that were missed, but were rescheduled and completed as required.
- **Telephone Calls Answered On Time**
 - Sioux Lookout Hydro received 4,543 qualified incoming calls in 2015. 96.2% 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**

- In 2015 Sioux Lookout Hydro achieved 99.9% billing accuracy, which is an improvement from 2014 of 99.67%.

- **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 was implemented in 2016, but reported for the 2015 year. Sioux Lookout hired UtilityPULSE, an independent survey company to perform the survey using random digit dialing to connect with the entire Municipality of Sioux Lookout. It was challenging to complete the required number of completed surveys due to lack of trust from the community of a third party agency. Of the 300 required surveys, Sioux Lookout Hydro achieved 264.
- The survey was developed by the Electrical Safety Authority and will be used going forward to measure the level of awareness of key electrical safety precautions among the public within Sioux Lookout Hydro's service territory. Sioux Lookout Hydro's score was 79%

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

- Sioux Lookout Hydro was compliant with Ontario Regulation 22/04 for 2015 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 Average Number of Hours that power to a customer was interrupted decreased by .60 in 2015 from 2014. This was mainly due to a decrease in storm activity in 2015. 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 2015 decreased due to decreased storm activity in 2015.

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 underwent 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 2015, for the fourth 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 decreased from 2014 to 2015 by \$51. 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 an 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 was \$816. When compared to the 2015 cost per customer of \$818, the costs are remaining relatively stable over the four year period since smart meters were included in the regular operating and maintenance accounts.
- 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 from 2014, the adjusted cost per km of line is \$7,931. Also, the Total km of line reported in 2015 decreased by 11 km due to more accurate information provided by mapping software not previously utilized, resulting in a higher Total Cost per Km of line than preceding years.
- 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 Cumulative Energy Savings**

The Net Cumulative Energy Savings achieved for the first year of the 2015-2020 Conservation First Framework is 14.52%. Included in this figure is savings relating to the Municipal street light retrofit which was completed in Q4 of 2015 where all street lights were converted to LED, resulting in Sioux Lookout Hydro exceeding its target of 7% in the first year of the framework.

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 2015 Sioux Lookout Hydro only had one request to connect micro-embedded generation facilities. This connection was completed within the 5 business days as required.

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 is currently at .95, which is very close to the expected 1.0. The figure has declined, 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 did not increase its liquidity to 1.0 as anticipated. However, it is Sioux Lookout Hydro’s practice to fund capital investments with short term funds (i.e. cash) rather than incur debt which would lead to increased interest payments to its customers. Sioux Lookout Hydro continually monitors its short term assets to ensure that all of its short term obligations are met.

- **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. The current deemed debt to equity ratio is 1.5. The decline is a result of 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. As mentioned above Sioux Lookout Hydro currently funds capital investments through its short term funds.

It is expected that once the Distribution System Plan is implemented, Sioux Lookout Hydro will require additional long term debt to finance the replacement of key equipment over the next few years. This will increase the debt to equity ratio.

- **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 2015, Sioux Lookout Hydro under-achieved the deemed return on equity by 1.6%. This is within the +/- 3% allowed by the OEB.

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.