

# Scorecard - Kingston Hydro Corporation

9/24/2017

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	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	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%	97.90%		90.00%		
		Telephone Calls Answered On Time	64.70%	66.90%	67.00%	65.80%	66.00%		65.00%		
	Customer Satisfaction	First Contact Resolution				98.32%	99.13%	98.86%			
		Billing Accuracy				99.74%	99.68%	99.75%		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					80.00%	80.00%			
		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	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 <sup>2</sup>	0.79	1.03	0.97	0.93	1.32			1.06	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.62	1.28	0.52	0.91	0.59			0.92	
	Asset Management	Distribution System Plan Implementation Progress				On track	On track	On track			
	Cost Control	Efficiency Assessment		3	3	3	3	3			
		Total Cost per Customer <sup>3</sup>		\$493	\$517	\$501	\$522	\$531			
Total Cost per Km of Line <sup>3</sup>			\$36,554	\$38,667	\$38,384	\$40,292	\$43,562				
<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>					12.89%	23.40%		34.50 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time				0.00%		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)		1.17	1.10	1.13	1.67	1.10			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.29	1.42	1.35	1.21	1.36			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.58%	9.58%	9.58%	9.58%	9.19%		
			Achieved		10.34%	9.03%	9.98%	3.72%	6.43%		

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.

**Legend:**

5-year trend

up down flat

Current year

target met target not met

## 2016 Scorecard Management Discussion and Analysis (“2016 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 2016 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 2016. 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 performance outcomes.

In 2016, Kingston Hydro continued to meet or exceed all performance targets for the measures set out by the Ontario Energy Board (OEB), with the exception of one *System Reliability* target. The increase in the number of hours that power to a customer is interrupted can be largely attributed to two events: an adverse weather event outside of the utility’s control and the collapse of a pole line on John Counter Boulevard.

The latter event was an isolated incident, driven by a number of unrelated factors. The affected pole line had been identified for replacement during regular pole inspection. The utility had built a new pole line and, at the time of the collapse, removal of the affected pole line was nearly complete. In fact, the end-of-life pole line was scheduled to be transferred to the new poles on the north side of the road the Monday following the collapse. The company is very confident in its ongoing investments to ensure the safety and reliability of the local electricity distribution system.

In the winter of 2016, Utilities Kingston contracted UtilityPULSE, an opinion research firm, to phone 400 of its 27,000 customers in central Kingston and ask a few questions about its electrical services. It is one of many electric utilities in Ontario to have conducted the customer satisfaction survey, as required by the Ontario Energy Board. This is the second time the utility conducted a customer satisfaction survey, the first in 2014.

In a difficult environment where customers are worried about the cost of electricity and more are finding it difficult to pay their bills, Utilities Kingston maintained its overall satisfaction score of ‘A’. 92 per cent of surveyed Utilities Kingston customers said they are satisfied with the electrical services they receive from the company. The survey results demonstrate that customers trust their utility. This is something that Utilities Kingston does not take for granted and the company is committed to continual improvement.

One area the utility is particularly proud of is its service quality. While total call volume to its call centre increased by 17 per cent year-over-year, customer service representatives exceeded the industry target of answering calls on time. The increase in call volume was consistent throughout the year, due to factors out of Kingston Hydro's control. These factors included the threat of a Canada Post labour dispute in the summer, a busy student move in/out season in the spring and fall, impending regulatory changes through the fall of 2016, and complaints about door-to-door salespeople.

Conservation is the cleanest and least costly way to increase electricity system capacity, while empowering customers to manage their electricity use and save money. It can extend the useful life of existing infrastructure and reduce the environmental impact of electricity distribution.

By helping customers access grants and incentives for conservation investments from provincial Save on Energy programs, Kingston Hydro actively invests in making local businesses more competitive and local homes more affordable to live in.

2016 continued to be a transition year for Kingston Hydro's conservation program, as delivery plans and service agreements for both the Small Business Lighting and Home Assistance Program were developed and put into place. Overall, since 2015, Kingston Hydro has achieved 8.07 GWh of annual savings, or 24 per cent of its 2015-2020 provincially mandated electricity conservation target.

## 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 153 new low voltage (less than 750 volts) services connected in 2016. As in previous years, 100 per cent of these services were connected within the target of five working days (from the time all required permits were issued).

- **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, and understands that being on time is important to deliver reliable customer service. In 2016, scheduled appointments were met on time 97.9 per cent of the time. While down slightly from the previous year, this well exceeds the target of 90 per cent. Of a total of 561 appointments, 549 were kept within the designated window.

- **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 2016, customer service representatives answered a total of 67,244 calls, up 17 per cent over 2015 call volume.
- 66 per cent of calls (44,397) were answered within 30 seconds, increased slightly from 2015 and exceeding the industry target of 65 per cent. The utility monitors this metric closely, as we 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 are resolved the first time the customer contacts the utility.

2016 is the second 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 2016, Utilities Kingston received 76,359 contacts from the public. Of those, 48,150 contacts are considered eligible for first contact resolution tracking. 98.86 per cent of those eligible contacts were answered without having to transfer to another staff member, down slightly from the 2015 result of 99.13 per cent. This is closely monitored to ensure that front line staff members have the information and tools available so they can effectively address customer inquiries.

- **Billing Accuracy**

An important part of business is ensuring that customer's bills are accurate. An accurate bill is important to provide customers the right information, the first time.

- For 2016, the Utilities Kingston issued 349,780 bills on behalf of Kingston Hydro Corporation, with a billing accuracy of 99.75 per cent, a slight increase from the first full year reported in 2015. This exceeds the 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 2017 for the 2016 reporting year.

In early 2017, 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 benchmarks. This represents the second customer satisfaction survey conducted on behalf of Kingston Hydro; the first was conducted in 2014.

Between January 24 and February 11, 2017, a random sample of 401 small commercial and residential electricity customers responded to the telephone survey (38 per cent response rate, compared to the 39 per cent response rate in 2014). The sample size was large enough to represent the customer base. An overall rating of 'A' was achieved again in 2017, consistent with the first time this survey was conducted in 2014.

Some of the 2017 results include:

- Credibility and trust rating – 88 per cent (Ontario benchmark 77 per cent)
- Customer satisfaction – 92 per cent (Ontario benchmark 84 per cent)
- Provides reliable electricity – 96 per cent (Ontario benchmark 89 per cent)
- Quickly restores power – 93 per cent (Ontario benchmark 85 per cent)
- Operates a cost effective electricity system – 75 per cent (Ontario benchmark 56 per cent)
- Provides good value – 72 per cent (Ontario benchmark 56 per cent)
- Report card score – 'A' (Ontario benchmark B)

The next customer satisfaction survey will be carried out in 2019.

## Safety

- **Public Safety**

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

In February 2016, a public awareness telephone survey was carried out among 400 members of the general public residing in Kingston Hydro's distribution area. Kingston Hydro used the results from this survey for reporting on both the 2015 and 2016 years.

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 yielded an overall Public Safety Awareness Index Score of 80 per cent, showing that many people do have good knowledge or have received some information pertaining to the six core measurement questions. The next Public Awareness of Electrical Safety Survey will be carried out in 2018.

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

For the year 2016, as in previous years identified in the scorecard, Kingston Hydro was compliant with the Ontario Electrical Distribution Safety Regulation 22/04. This is substantiated through the annual independent Audit of Compliance and Declaration of Compliance, as well as the Electrical Safety Authority Due Diligence Inspections (DDI) and Reports of Public Safety Concerns.

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

Results				Target
Number of Incidents	km of Line	Rate Default Value	Serious Incident Index	Serious Incident Index
0	356	100	0.000	0.000

For the reporting period, Kingston Hydro did not have any serious electrical incidents.

## System Reliability

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

Kingston Hydro tracks all electricity outages and strives to reduce the length of time that they affect customers.

The average of 1.32 hours on the scorecard includes both planned interruptions necessary to conduct work safely (0.55 hours) and unplanned/emergency power disruptions (0.77 hours).

Over one-third of the 1.32 hours can be attributed to just two events. A forced outage in June 2016 from a pole line collapse increased the measure by 0.3. A major outage due to adverse weather impacted the measure by a further 0.19.

A third party investigation of the pole line collapse determined that several factors contributed to the pole line failure. At the time of the collapse, the pole line had been identified by the utility to be replaced due to its condition and age, and in fact, the lines were being transferred to the new poles the following business day. The pole line collapse was an isolated incident, driven by a number of unrelated factors that Kingston Hydro is confident won't occur again.

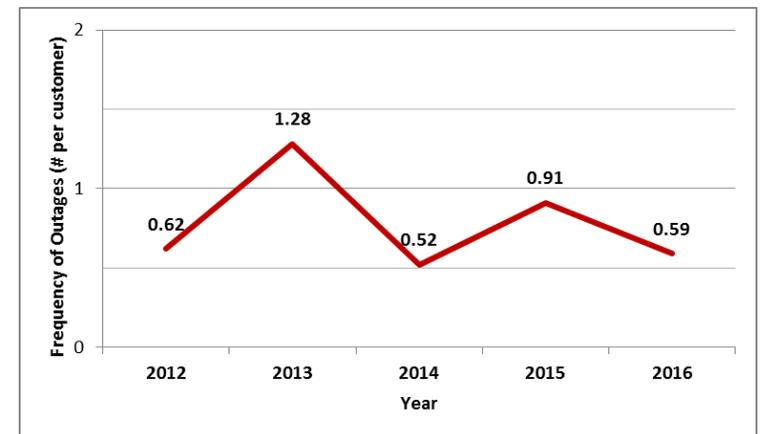
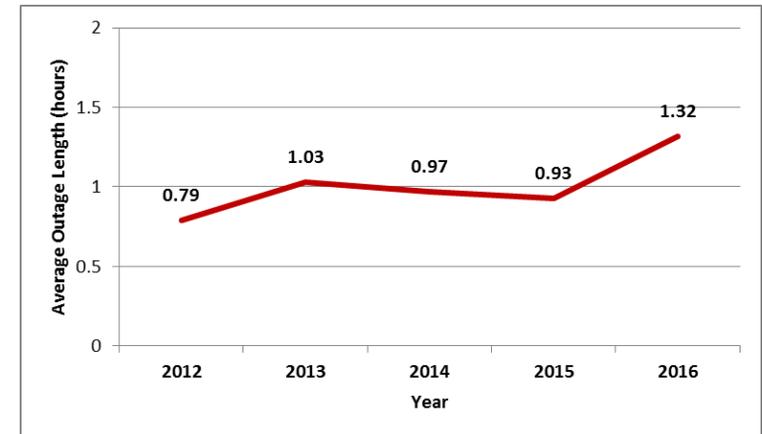
The event reinforces the importance of continuing to move forward with the capital replacement program and asset management plan, both of which can help prevent this type of event and harden the system against adverse weather impacts.

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

On this measure, Kingston Hydro exceeded the target of 0.92.

While Kingston Hydro strives to reduce the number of power interruptions, planned outages are required to allow crews to operate, upgrade, replace and maintain the infrastructure, as well as to ensure worker and public safety. The utility strives to reduce outage duration to the greatest extent possible.

In the case of forced outages, the causes will continue to be analyzed to ensure that programs are targeting areas that achieve reduced power interruptions.



## Asset Management

- Distribution System Plan Implementation Progress**

Kingston Hydro completed its Distribution System Plan (DSP) in 2015 as part of its 2016 Custom Incentive Rate-Setting (Custom IR) rate application submission to the Ontario Energy Board (OEB) (EB-2015-0083). The DSP outlines the 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. The DSP also includes the supporting asset management rationale used to develop the annual forecasted capital expenditures.

Total annual capital expenditures and System Renewal expenditures for 2016 remain "on track" with the Kingston Hydro DSP and have variances of 2.4 per cent (\$133,095) and 10.7 per cent (\$454,418) respectively. Throughout 2016, the DSP guided Kingston Hydro's capital expenditures; however variances by investment category are to be expected due to the dynamic and ever-changing nature of competing investment priorities. The following tables summarize these variances:

Category of Investment	Actual %	DSP Forecast %	2016	
			Variance wrt Category %	Variance wrt Total%
System Access	12.7%	9.2%	41.4%	3.8%
System Renewal	81.3%	75.2%	10.7%	8.0%
System Service	0.3%	0.4%	-20.7%	-0.1%
General Plant	5.7%	15.3%	-61.7%	-9.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2.4%</b>	<b>2.4%</b>

Investment Category	Actual \$	2016		Variance \$
		DSP Forecast \$		
System Access	\$ 735,295	\$ 520,000	\$	215,295
System Renewal	\$ 4,701,418	\$ 4,247,000	\$	454,418
System Service	\$ 15,851	\$ 20,000	\$	(4,149)
General Plant	\$ 330,531	\$ 863,000	\$	(532,469)
<b>Total</b>	<b>\$ 5,783,095</b>	<b>\$ 5,650,000</b>	<b>\$</b>	<b>133,095</b>

The General Plant variance by investment category of -61.7 per cent (-\$532,649) is attributed to deferral of new vehicle purchases and work in progress on a new financial management system. When compared to the total DSP budget forecast amount, the variance in General Plant expenditures is -9.4 per cent.

The System Access and System Service variance by investment category of 41.4 per cent (\$215,295) and -20.7 per cent (-\$4,149), respectively, are attributed to evolving customer and third-party requests/obligations (e.g., fibre-to-the-home telecom project), which are beyond the control of Kingston Hydro. When compared to the total DSP budget forecast amount, the variances in System Access and System Service expenditures are 3.8 per cent and -0.1 per cent respectively.

The majority of Kingston Hydro's capital investment planning (81.3 per cent of total actual expenditures) continues to focus on system renewal, which involves 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. The system renewal variance by investment category was 10.7 per cent (\$454,418). When compared to the total DSP budget forecast amount, the variance in system renewal expenditures is 8 per cent.

## 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 services 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 actual costs.

For the fifth consecutive year, in 2016, 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 2016, Kingston Hydro's actual costs were \$429,000 or 2.9 per cent less than predicted. For the last three years, Kingston Hydro's actual costs have been less than predicted by an average of 3.2 per cent 0.6 per cent better than the industry average of 2.6 per cent.

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 2016 is \$531 per customer, a 1.7 per cent increase from 2015, 0.8 per cent better than the industry average of 2.5 per cent.

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

- **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 2016 is \$43,562 per kilometre of line, a 8.1 per cent increase from 2015. These costs are expected to increase on a yearly basis, as Kingston Hydro replaces old, fully-depreciated infrastructure with new infrastructure.

Kingston Hydro's 2016 Custom IR rate 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.

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

Results published by the IESO confirm that, during 2016, Kingston Hydro achieved 2.58 GWh of annual savings persisting to December 31, 2020, down from 5.49 GWh of annual savings in 2015.

2016 continued to be a transition year for Kingston Hydro, as delivery plans and service agreements for both the Small Business Lighting and Home Assistance Program were developed and put into place; these programs began to be offered in Kingston Hydro's territory in 2017.

To date, Kingston Hydro has achieved 8.07 GWh of savings, or 23.40 per cent of its 2015-2020 provincially mandated electricity conservation target of 34.50 GWh.

Several large-scale projects were started in 2016, which will have significant impacts on Kingston Hydro's 2015-2020 Conservation First Framework (CFF) targets; these projects will be completed in 2018. Included in these large-scale projects is a proposed fuel cell, to be funded by Infrastructure Ontario. Kingston was selected as a site for this innovative project because of Utilities Kingston's unique multi-utility delivery model. This project will contribute approximately 3.8 GWh, or 11 per cent, toward Kingston Hydro's CFF targets.

## 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 condition impact assessment in 2016.

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

In 2016, all seven micro-embedded generation facilities were connected on time.

## 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 1.10:1.00 (compared to 1.67:1.00 in 2015) as at December 31, 2016, indicating that for every \$1.00 of short term liabilities due it has \$1.10 of assets available to fund those payments.

This ratio was relatively consistent over the period 2012-2016 and the decrease for 2016 reflects additional short term borrowings, included in current liabilities, to fund regulatory asset balances that are not included in the current asset classification.

- **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 \$1.36 to \$1.00. This means that for every \$1.00 the company has invested in assets, 58 per cent has been funded with debt and 42 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 deemed return on equity is 9.19 per cent, which was awarded in its latest cost of service proceeding for 2016 – 2020 rates.

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

This shows the utility's actual return on equity, earned each year for the period 2012 through 2016. Kingston Hydro achieved a return on equity of 6.43 per cent for 2016, which is within the 300 basis points of our deemed return on equity.

## Note to Readers of 2016 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.