

Scorecard - Kenora Hydro Electric Corporation Ltd.

Performance Outcomes	Performance Categories	Measures	2013	2014	2015	2016	2017	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%	99.10%	99.48%		90.00%		
		Telephone Calls Answered On Time	98.50%	69.10%	99.30%	99.00%	99.98%		65.00%		
	Customer Satisfaction	First Contact Resolution			99.3%	99%	99%				
		Billing Accuracy		100.00%	100.00%	99.94%	99.93%		98.00%		
		Customer Satisfaction Survey Results			73%	76%	76%				
<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			79.00%	79.00%	78.00%				
		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>	0.36	0.53	0.61	0.59	3.84			2.39	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.11	0.29	0.35	0.43	1.88			1.94	
	Asset Management	Distribution System Plan Implementation Progress		In Progress	In Progress	In Progress	In Progress				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer <sup>3</sup>	\$532	\$554	\$618	\$578	\$603				
Total Cost per Km of Line <sup>3</sup>		\$30,201	\$31,428	\$35,092	\$32,835	\$34,365					
<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>			30.48%	42.22%	62.51%			5.27 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	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)	1.97	1.92	2.51	3.24	3.52				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.75	0.71	0.69	0.65	0.63				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.58%	9.58%			
			Achieved	9.50%	8.14%	0.71%	5.42%	0.25%			

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 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

# 2017 Scorecard Management Discussion and Analysis (“2017 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 2017 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

Kenora Hydro is pleased to report that again in 2017 we have met all industry targets. We did not, however, meet one “Distributor Target” for the “Average number of hours that power to a customer is interrupted”. Each measure will be discussed in detail to follow.

Of critical importance to the Corporation, Kenora Hydro had no serious incidents during the year. The safety of the public and our staff is always paramount and forms the basis of every decision, be it day to day operating or year over year planning and decision making.

### Service Quality

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

The OEB has set an industry standard of 5 business days to connect any new residential or small business account, once all the requirements for safe connection have been met. Kenora Hydro achieves this consistently, year over year. In 2017, all of the connections requested by customers were successfully performed within the 5 business day timeline.

- **Scheduled Appointments Met On Time**

Another measure that we strive to always achieve is the number of scheduled appointments that were met on time. The industry target is 90%. There were 579 appointments made, and 576 were met on time during the year, giving us a 99.48% rate.

- **Telephone Calls Answered On Time**

Kenora Hydro met this OEB target for the year, answering 99.98% of qualified incoming calls within 30 seconds.

## Customer Satisfaction

- **First Contact Resolution**

Kenora Hydro tracked the quantity of customer contacts, and noted those which could not be resolved on 'first contact'. There were only 1% of the customer contacts which were not resolved on the first call or visit to a customer service representative. We are fortunate that our front line customer facing staff are primarily very long term employees, and their knowledge and ability to accurately reply to most customer requests or questions is excellent.

- **Billing Accuracy**

For the 2017 year, we tracked the number of hydro billings that were issued with a billing error in them, and were subsequently cancelled and re-issued. During the year, a total of 46 bills of 67,128 produced are considered to have contained a billing error. The target of 98% is again met this year, with 99.93% accuracy. We are fortunate to have a long time employee in the position of billing clerk. She takes pride in her work and is dedicated to accurate billing for all customers.

- **Customer Satisfaction Survey Results**

Although no survey was conducted in 2017, during 2016 Kenora Hydro created a bill stuffer and provided online access to a customer satisfaction survey. Customers returned 135 paper surveys and 144 online responses, total of 279 completed surveys. The overall satisfaction question, giving customers an opportunity to rate their satisfaction with Kenora Hydro from 1 to 10, led to an overall average mark of 7.6/10. We encouraged customers to give us feedback or suggestions for improvement, and once again this year received an overwhelming number of replies indicating two common concerns: that our customers want us to remain a local, municipally owned distributor, and that rates are too high.

## Safety

- **Public Safety**

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

Kenora Hydro engaged an outside firm to conduct this Public Awareness of Electrical Safety survey in 2017. 400 customers were contacted by phone with the outcome of a score of 78% for Public Safety Awareness.

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

Kenora Hydro was 100% compliant with Ontario Regulation 22/04 for 2017. This regulation establishes objective based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specification and inspection of construction before they are put into service.

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

Kenora Hydro did not have any serious electrical incidents in 2017.

## System Reliability

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

During 2017, we encountered several lengthy outages beyond our control. There were several pole fires, each of which caused lengthy outages to safely replace equipment and transfer services to a new pole. There was one complete outage to all customers for almost an hour for required equipment repairs at the substation. There were several very windy days in both spring and fall which also caused some lengthy outages, especially to our island customers. If an evening wind storm hits, and the power is interrupted to those customers, it is our safety policy that crews will not travel by water to access the island until the storm stops and daylight is present. These factors can, and did during 2017, cause some lengthy outages for these island customers. In addition to weather related events, our aggressive pole replacement program required several more lengthy outages to safely change all pole top assets while de-energized at many locations. Our result for 2017 was 3.84, that being the average number of hours that power to a customer was interrupted during the year.

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

This measure is the System Average Interruption Frequency Index (Loss of Supply). It is an index of system reliability that expresses the number of times per reporting period that the supply to a customer is interrupted. It is determined by dividing the total number of interruptions experienced by all customers (excluding interruptions caused by the loss of supply from Hydro One to Kenora Hydro), by the average number of customers served. Our result for 2017 was 1.88, that being the average number of times during the year that a customer's power was interrupted.

## Asset Management

- **Distribution System Plan Implementation Progress**

A Distribution System Plan outlines forecasted capital expenditure over the next five years required to maintain and, if needed, expand the system to serve current and expected future customers. We began collecting data in 2014, continuing through 2016 and are well into the process of developing an asset management plan, which assesses the existing infrastructure and based on risk ranking, provides the utility with a roadmap of priorities for asset replacement. This document will form the base for the Distribution System Plan, which will form the foundation of the next Cost of Service rate application process.

## Cost Control

- **Efficiency Assessment**

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

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

- **Total Cost per Customer**

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

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

Total costs per customer have been increasing since 2013, with annual increases of 4% in 2014, 12% in 2015, a reduction of (6)% in 2016 from 2015, and an increase of 4.3% in 2017. 2017 was a year with two identifiable and large expenses not incurred in 2016. Legal fees for merger related costs, and a large increase in our allocated costs from the City of Kenora for services were the two primary drivers of the increase. With virtually no customer growth being the norm, any additional costs are magnified as increases in the per customer cost annually.

- **Total Cost per Km of Line**

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

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

The cost per Km of line to operate a distribution company in this province will be impacted largely by how widespread or dense the customers are. The greater Km of line a utility maintains, a lower per Km cost will likely be the result. The physical service area of Kenora Hydro is small when compared to most other utilities in the province. In addition, the landscape and terrain in this area is often challenging, and therefore costly, to install and maintain our infrastructure. The amount of bedrock, and limitations due to swamps and wooded areas leads to a higher cost to install and maintain the poles and wires.

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

Much the same as the per customer costs, the per Km of line costs have fluctuated in the same manner and magnitude. Having no customer growth or new development in 2017, no new Km of lines have been added, therefore the increased costs in 2017, as noted in the narrative for Total Costs per Customer, the two major increases in costs incurred during the year are again reflected in the higher Total Cost per Km of line performance category.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

Kenora Hydro has been assigned a target savings for the 2015-2020 Conservation First Framework of 5.27 gWh. By the end of 2017, 62.51% of that target has been achieved.

## Connection of Renewable Generation

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

No requests for connection impact assessments were received in 2017.

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

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

Kenora Hydro did not have any micro-embedded generation connections in 2017.

## Financial Ratios

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

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

Kenora Hydro has a liquidity ratio of 3.52 : 1, which indicates that for every dollar of current liabilities, we have \$3.52 of current assets available to meet those 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. A ratio of less than 1.0 to 1.0 is a positive indication that the utility does not have more debt than it does equity in the Corporation.

Kenora Hydro has a debt to equity ratio of 0.63 : 1, which indicates that there is \$0.63 of debt for every dollar of equity. This ratio continues to improve annually as our repayment of long term debt continues.

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

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

Kenora Hydro has had a ROE rate of 9.58% since our last COS application.

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

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

In 2017, the achieved rate of Return on Equity was 0.25%, down from 5.42% in 2016, as was anticipated. Since 2011, operating and administrative costs have increased annually with greater impact than the IRM rate adjustments allowed for each year. In addition to an annual increase in general costs to operate, since the COS application we have experienced higher property taxes, insurance costs, PIL taxes, OEB cost assessments, and amortization expense, none of which were previously built into our distribution rates. 2017 also had two large increases in OM&A expenses, those being legal fees relating to the proposed merger with Thunder Bay hydro, and large unanticipated increase in allocated service costs from the City. These were the two primary drivers of the decrease in the Return on Equity figure for 2017.

## Note to Readers of 2017 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.