

Scorecard - Kitchener-Wilmot Hydro Inc.

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	91.30%	90.90%	90.30%	92.50%	98.93%	↑	90.00%		
		Scheduled Appointments Met On Time	96.10%	95.30%	96.20%	97.50%	97.93%	↑	90.00%		
		Telephone Calls Answered On Time	78.60%	80.40%	78.10%	78.40%	92.80%	↑	65.00%		
	Customer Satisfaction	First Contact Resolution			98.6%	98.9	99.4	99.6			
		Billing Accuracy			100.00%	100.00%	100.00%	99.58%	↓	98.00%	
		Customer Satisfaction Survey Results	A	A	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%	83.00%	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	0	1	0	0	0	→		0
	Rate per 10, 100, 1000 km of line		0.000	0.526	0.000	0.000	0.000	→		0.000	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.87	0.72	0.57	1.11	0.92	↓		0.87	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.69	1.03	0.77	1.11	1.03	↓		0.92	
	Asset Management	Distribution System Plan Implementation Progress		In Progress	In Progress	In Progress	In Progress				
	Cost Control	Efficiency Assessment	2	2	2	2	2				
		Total Cost per Customer <sup>3</sup>	\$466	\$483	\$481	\$494	\$487				
Total Cost per Km of Line <sup>3</sup>		\$22,062	\$23,132	\$23,150	\$23,866	\$23,707					
<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%	36.61%	83.39%			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%	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)	2.14	1.95	1.97	1.96	1.99				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.69	0.65	0.61	0.57	0.54				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.36%	9.36%	9.36%	9.36%			
			Achieved	8.94%	10.87%	11.47%	10.18%	9.59%			

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

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 at a reasonable cost to its customers.

In 2017, KWHI exceeded industry targets for most Scorecard measures, achieving exceptional ratings in customer satisfaction and system quality, and realized improvements in reliability. KWHI also had the 5th lowest total cost per customer out of 65 distributors across the province. KWHI continues to carefully 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.

With a service territory of more than 425 square kilometres, a staff of 187 and more than 95,000 customers, KWHI continues to effectively manage a distribution system that includes more than 1,900 kilometres of overhead and underground distribution lines, more than 23,000 power poles, more than 11,100 transformers and 8 transformer stations.

## Service Quality

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

In 2017, KWHI connected more than 1,900 low-voltage residential and small business customers within the five-day timeline prescribed by the Ontario Energy Board (OEB). This is an increase of 220 connections over 2016. By undertaking a thorough review of processes, KWHI improved its 2017 performance by 6.5% percent over 2016, connecting 98.9% of its total service connections on time.

- **Scheduled Appointments Met On Time**

In 2017, KWHI had more than 3,100 scheduled customer appointments where the customer or representative was required to be present, and once again both exceeded the industry standard of 90% of scheduled appointments met on time, and improved its performance over 2016, from 97.5% to 97.9%.

- **Telephone Calls Answered On Time**

In 2017, KWHI's Customer Service team responded to more than 71,000 telephone calls, a 20% decrease in the number of calls from 2016. 92.8% of customer calls were answered within 30 seconds, which exceeds the industry standard of 65% as set by the Ontario Energy Board. The decrease in phone calls can be attributed to the moratorium on disconnections and an 11% increase in email communications. KWHI remains committed to finding new ways for customers to connect with its staff quickly and easily to reduce wait times and call volumes.

## 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 telephones calls resolved 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 in an effort to improve its own customer service offering.

KWHI strives to handle each customer interaction quickly, efficiently and to the customer's satisfaction. In 2017, 99.6% 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 2017, KWHI continued to exceed the standard of billing accuracy achieving 99.6%, a decrease from 2016. In 2017, KWHI issued more than 1,148,000 electricity bills to over 95,000 customers, an increase of 5% over 2016. KWHI bills all its customers on a monthly basis.

- **Customer Satisfaction Survey Results**

In 2017, KWHI engaged a third party to conduct a customer satisfaction survey, which 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 is used as a baseline to guide customer service improvements. KWHI received an "A" for its overall performance.

KWHI continues to use customer feedback to enhance its customer service offering and give customers an effortless experience.

## Safety

- **Public Safety**

In 2017, KWHI provided electrical safety education to students, the Kitchener Fire Department and to contractors in KWHI's service territory, and sponsored a conference for the local Workplace Safety Prevention Services that addressed electrical safety messaging.

On an ongoing basis, KWHI shares public electrical safety messages through radio and newspaper advertising, on its website, and social media channels, and other outlets, providing businesses, seniors, farmers, volunteers, parents, and children in its service area with seasonally relevant public safety reminders. KWHI also provides funding for electrical safety education at the Waterloo Regional Police Service's Children's Safety Village, and sponsors the Children's Hero Award. In 2017, KWHI led a partnership to create six one-minute animated videos featuring "Lucky the Squirrel" who learns how to be safe around electricity. These safety videos are shared on a regular basis and have well over 10,000 views.

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 2018. KWHI is using the information gathered in this 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 2017. KWHI continues to make public safety a priority through its educational activities and programs.

## System Reliability

In 2017, 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 replaced with new components with better performance – such as polymer insulators and switches. During 2017, KWHI fully implemented 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.

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

KWHI had a reduction in the average number of hours a customer was without power during the year. KWHI continues to investigate longer than usual outages to determine the root causes and to evaluate ways to minimize the impacts on customers in the future.

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

The average number of times a KWHI customer was without power during the year also decreased in 2017. KWHI remains below the provincial average for this measure and continues to carefully monitor and assess 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 is incorporating 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 lower actual costs than predicted costs are considered to be better cost performers and therefore given a lower stretch factor assignment for efficiency improvements. KWHI ranked 5th in the province for lowest cost per customer in 2017, and has maintained its Group 2 cost efficiency level for the past six 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 other LDC's providing distribution services to its customers. Distribution services includes design, maintenance and construction of infrastructure, customer services and customer education. KWHI's total cost per customer of \$484 per year is lower than the provincial average.

- **Total Cost per Km of Line**

KWHI's total cost per kilometre of line compares favourably to other LDC's providing distribution services to its customers. KWHI's total cost per kilometre of line of \$23,707 is lower than the provincial average.

## Conservation & Demand Management

The year 2017 marked the third year of a new six-year Conservation First Framework. In this Conservation First Framework 2015-2020, KWHI has been allocated an electricity savings target of 105.7 GWh of energy savings to be achieved through a suite of energy efficiency programs under the Save On Energy brand offered to both residential and commercial customers.

KWHI's annual savings results from 2015-2020 will be made available on the IESO website.

- **Energy Savings**

KWHI achieved 83% of its six-year energy savings target. Some highlights from 2017 program performance include:

Residential

- 1,845 furnaces and central air conditioners were replaced through the Heating and Cooling Incentive Program
- 434,864 coupons were used by customers to purchase energy savings technologies such as LED lights

Commercial

- 321 commercial businesses completed energy savings projects through the Retrofit Program achieving 26,661 MWh in energy savings

## Connection of Renewable Generation

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

In 2017, KWHI performed seven 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.

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

In 2017, KWHI connected 132 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%.

## 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 structure 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 0.54 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, 2018 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 regulatory return on equity - achieved in 2017 was 9.59%, which exceeds the deemed regulatory return on equity but is well within the +/-3% range allowed by the OEB. The average return over the past 5 years was 10.21% which is also well within return included in KWHI's approved rates. KWHI achieved returns higher than the deemed rate in 2017 due to lower than planned operating costs during the year. KWHI is mindful of lower revenues as a result of lower kW demand and energy consumption and actively seeks productivity savings arising from related process improvement initiatives.

## 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.