

Scorecard - Sioux Lookout Hydro Inc.

Performance Outcomes	Performance Categories	Measures	2013	2014	2015	2016	2017	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	95.00%	100.00%	100.00%	100.00%	100.00%	↑	90.00%		
		Scheduled Appointments Met On Time	98.50%	98.20%	96.20%	91.70%	100.00%	↓	90.00%		
		Telephone Calls Answered On Time	98.60%	100.00%	96.20%	94.00%	93.54%	↓	65.00%		
	Customer Satisfaction	First Contact Resolution		100%	100%	100%	100%				
		Billing Accuracy		99.67%	99.90%	99.84%	99.96%	↑	98.00%		
		Customer Satisfaction Survey Results		89.51%	89.51%	82.99	82.99				
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%	79.00%	79.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	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 ²	0.23	1.28	0.68	0.67	1.38	↓	0.92		
		Average Number of Times that Power to a Customer is Interrupted ²	0.28	0.74	0.36	0.57	1.26	↓	0.50		
	Asset Management	Distribution System Plan Implementation Progress		Stage 1	Stage 2	Stage 5	Stage 5				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer ³	\$802	\$869	\$818	\$852	\$848				
Total Cost per Km of Line ³		\$7,845	\$8,445	\$8,273	\$8,644	\$3,389					
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%	27.84%	47.72%			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)	1.00	0.96	0.95	0.93	0.94				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.71	0.64	0.58	0.51	0.48				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	8.98%			
			Achieved	12.30%	6.38%	7.38%	5.16%	5.69%			

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 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

- In 2017, Sioux Lookout Hydro met all of its performance objectives, with the exception of average number of times that power to a customer is interrupted and average number of hours that power to a customer is interrupted. These objectives are determined by SLHI’s five year rolling average and will be discussed further under System Reliability. All other measures continue to exceed industry or distributor targets.
- Safety and Reliability remain at the forefront of Sioux Lookout Hydro’s priorities and the development of the Distribution System Plan to be implemented in 2018 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 has exceeded this measure for the last five years with the last four scoring at 100% of services connected on time, which is within 5 days of receiving the connection authorization from the Electrical Safety Authority. Sioux Lookout Hydro strives to connect new services on the same day the connection authorization is received by the Electrical Safety Authority. Eighteen new services were connected in 2017.
- **Scheduled Appointments Met On Time**
 - In 2017 Sioux Lookout Hydro scheduled 38 appointments with a customer representative, of these 38 were met on time for a score of 100.00%. Sioux Lookout Hydro will continue to work towards achieving 100% of appointments met on time.

- **Telephone Calls Answered On Time**

- Sioux Lookout Hydro received 4,242 qualified incoming calls in 2017. 93.54% of these calls were answered within 30 seconds. While there is a slight decrease over 2016, Sioux Lookout Hydro still 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 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 2017 Sioux Lookout achieved 99.96% billing accuracy, exceeding the industry target of 99%. We will continue to have effective processes and procedures in place to verify information before bills are issued in order to maintain a high level of billing accuracy.

- **Customer Satisfaction Survey Results**

- Sioux Lookout Hydro conducted a customer satisfaction survey in July 2016. The results indicated that overall 82.99% of our customers were satisfied with the service Sioux Lookout Hydro provides. The most important issues noted by customers continue to be the high costs of electricity and system reliability, which is consistent with the 2014 Customer Satisfaction Survey.

Safety

- **Public Safety**

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

- Sioux Lookout Hydro hired UtilityPULSE, an independent survey company to perform the survey in late 2017 using random digit dialing to connect with 300 members of the general population of the Municipality of Sioux Lookout.
- 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.
- The survey was conducted the first time in 2015, for reporting in 2016 and presented a score of 79%. The result of the second survey in 2017 scored a 79% as well.

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

- Sioux Lookout Hydro was compliant with Ontario Regulation 22/04 for 2017 and all 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 customer was interrupted in 2017 increased to 1.38 from 0.67 in 2016. The distributor specific target of 0.92 was not met. The main reason for this was one unknown incident which caused a large number of customers to be without power for 1 hour which could not be classified as a major event due to the short duration but had a significant impact on the statistic. If this outage were removed from the calculation, then the average number of hours that power to a customer was interrupted in 2017 is 0.74. The remaining increase is a result of more incidents due to adverse weather, foreign interference, lightning and tree contact.

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

- The average number of times that power to a customer was interrupted in 2017 increased to 1.26 from 0.57 in 2016. The distributor specific target of 0.50 was not met. The increase over 2016 is attributed to the unknown outage referenced above, where 1,844 customers were affected. Removing this outage from the calculation results in a figure of 0.61. The remaining increase is a result of more incidents due to adverse weather, foreign interference, lightning and tree contact as mentioned above.

Sioux Lookout Hydro has a service territory of 539 sq. km, and the geography includes long spans of line through heavily treed areas which contributes to the challenges faced by Sioux Lookout Hydro to increase its reliability.

However, Sioux Lookout Hydro performs scheduled outages from time to time in order to improve the reliability of its distribution system through upgrades and general maintenance. In 2017 only 1% of the outages were caused by defective equipment compared to 2% in 2016. Sioux Lookout Hydro is committed to performing the necessary maintenance in order to reduce the number and duration of outages going forward.

Asset Management

- **Distribution System Plan Implementation Progress**

- The Distribution System Plan implementation progress was a new performance measure instituted by the OEB starting in 2013. Sioux Lookout Hydro submitted their Distribution System Plan to the OEB for approval in September 2017 as part of their 2018 Cost Of Service Rate Application. Sioux Lookout Hydro is currently awaiting approval. The plan outlines Sioux Lookout Hydro's forecasted capital expenditures over the next five years from 2018 to 2022 that are required to maintain and expand the electrical distribution system within Sioux Lookout to service its current and future customers.
- Stage 5 indicates that the plan is complete and awaiting review and approval from the OEB to be implemented in 2018.

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 2017, for the sixth 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 costs are within the average cost range for distributors in the Province of Ontario.
- For 2017 Sioux Lookout Hydro's actual costs were 7.93% less than predicted costs. This is an improvement over 2016 where the actual costs were 3.42% less than predicted costs. Although Sioux Lookout Hydro's forward looking goal is to advance to the "more efficient" group, management's expectation is that efficiency performance will continue to be within +/- 10 percent of predicted costs, with the goal being less than predicted costs.

- **Total Cost per Customer**

- The 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 slightly in 2017 by \$4.00 per customer.
- Sioux Lookout Hydro will continue to seek ways to become more efficient in its operations in order to reduce operating costs. We have found sharing services among 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 divided by the kilometers of line that Sioux Lookout Hydro operates to serve its customers. The figure for 2017 is reduced significantly from prior year reporting. This is due to implementing a new mapping system which allows for more detailed records, as well as a review of the CEA definition which uncovered that Sioux Lookout Hydro was utilizing the road Km of line as its metric when circuit Km of line was the correct figure. This resulted in an increase of Km of line reported from 322 Km to 711 Km and a decrease in cost per Km of Line by \$5,255.
- Sioux Lookout Hydro will continue to seek ways to become more efficient in its operations in order to reduce operating costs. We have found sharing services among 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 third year and mid-point of the 2015-2020 Conservation First Framework is 47.72%. With this achievement, Sioux Lookout Hydro Inc. remains on pace to achieve its set target by the frameworks' end in 2020. Sioux Lookout Hydro will continue to promote the conservation programs available in our area in order to achieve our target of 3,700 MWh by 2020.

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 the 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 2017 Sioux Lookout Hydro did not have any requests to connect micro-embedded generation facilities.

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 .94, 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. 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, from 0.71 in 2013 to 0.48 in 2017. The current OEB 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 somewhat.

- **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 2017, Sioux Lookout Hydro under-achieved the deemed return on equity by 3.29%. This is outside +/- 3% allowed by the OEB. The main drivers for this are an increase to OM&A expenses due to things such as vehicle maintenance, consulting fees to prepare the Distribution System Plan and Cost of Service Rate Application and retroactive billing system increases. Sioux Lookout Hydro submitted its Cost of Service Rate Application to be implemented in 2018 and expects that the achieved Regulated Return on Equity will be within the +/- 3% deadband once the application is approved by the OEB and new rates are implemented.

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.