Scorecard - Kingston Hydro Corporation

10/21/2020

Performance Outcomes	Performance Categories	Measures		2015	2016	2017	2018	2019	Trend	Target: Industry	Target: 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%	100.00%	100.00%	100.00%	100.00%	flat	90.00%	
		Scheduled Appointments Met On Time		100.00%	97.90%	100.00%	98.68%	99.73%	up	90.00%	
		Telephone Calls Answered On Time		65.80%	66.00%	68.76%	60.78%	64.63%	down	65.00%	
	Customer Satisfaction	First Contact Resolution		99.13%	98.86%	98.84%	98.96%	99.18%			
		Billing Accuracy		99.68%	99.75%	97.09%	99.71%	92.04%	down	98.00%	
		Customer Satisfaction Survey Results		'A'	'A'	'A'	'A'	'A'			
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		80.00%	80.00%	79.00%	80.00%	79.00%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C	flat		C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	1	0	0	flat		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	flat		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		0.93	1.32	1.40	1.50	0.88	up		1.03
		Average Number of Times that Power to a Customer is Interrupted [2]		0.91	0.59	1.07	1.00	0.73	down		0.95
	Asset Management	Distribution System Plan Implementation Progress		On track	On track	on track	On track	Trending Up			
	Cost Control	Efficiency Assessment		3	3	3	3	3			
		Total Cost per Customer [3]		$522	$531	$538	$583	$574			
		Total Cost per Km of Line [3]		$40,292	$43,562	$44,400	$48,238	$47,559			
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]		12.89%	23.40%	55.88%	84.00%	103.00%			34.50 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%	100.00%	100.00%	100.00%	flat	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.67	1.10	1.84	1.57	1.47			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.21	1.36	1.41	1.10	1.11			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.19%	9.19%	9.19%	9.19%			
			Achieved	3.72%	6.43%	7.82%	7.48%	9.50%			

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 now discontinued 2015-2020 Conservation First Framework. 2019 results include savings reported to the IESO up until the end of February 2020.

Legend:

5-year trend
up | down | flat

Current year
target met | target not met

2019 Scorecard Management Discussion and Analysis ("2019 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 2019 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

Kingston Hydro presents its scorecard for the year 2019. 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 major contributor to Kingston Hydro's strengths in customer service, and financial and operating efficiency.

In 2019, Kingston Hydro continued to perform strongly against the performance targets for the measures set out by the Ontario Energy Board (OEB). Utilities Kingston's employees prove time and again: our customers and community can count on us to be safe and reliable.

Our multi-utility model uniquely positions our company to deliver quality services that local residents and businesses can rely on. This is reflected in our solid scores related to customer focus. Utilities Kingston exceeded or improved many targets in this area.

While the metric of telephone calls answered on time was very slightly below industry target, our staff improved this result significantly year-over-year, as we focused on learning processes related to the implementation of a new customer relationship management system in 2018. We continue to monitor this metric closely, as we understand that being able to reach a representative is important to customers.

System reliability is also a key focus for Utilities Kingston. We track all electricity outages and strive to reduce the length of time that they affect customers. While in 2019 we met both metrics in this performance category, defective equipment continues to be the main contributor to a high five-year rolling average. We continue to focus on infrastructure renewal to ensure customers can rely on Kingston Hydro's electricity services in the future.

Recognized in the industry for our leadership in this area, safety continues to be an important focus for our organization. Our health and safety management system reduces accidents and injuries, ensures safe work environments, and furthers a culture of safety. Utilities Kingston and Kingston Hydro performed well against all targets under this category. As we write this report, our organization is focused on keeping our employees and customers safe, during the COVID-19 pandemic. Safety will continue to receive the highest level of attention.

In terms of cost control, we manage costs in order to ensure our customers receive value for the cost of the service. Kingston Hydro's total cost per customer for 2019 is significantly below provincial averages, and partly a reflection of the cost-saving scope economy benefits of our unique multi-utility model.

One metric was significantly below industry target in 2019: billing accuracy. An important part of business is ensuring that customer bills are accurate. An accurate bill provides customers the right information, the first time. In March of that year, we identified an issue with several accounts that was quickly adjusted. Additional check points have been implemented to ensure this issue does not occur in the future.

Utilities Kingston is committed to continually improve its service to customers. On behalf of Kingston Hydro, it continues to monitor performance, with a focus on safe, reliable and efficient services.

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 172 new low voltage (less than 750 volts) services connected in 2019. 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 Utilities Kingston, on behalf of Kingston Hydro, for a variety of reasons, including for meter changes, service upgrades, and utility locates. Utilities Kingston strives to complete all requested appointments within five business days, and understands that being on time is important to deliver reliable customer service. In 2019, 373 of 374 (99.73 per cent) of scheduled appointments were met on time, surpassing the target of 90 per cent.

- **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 2019, customer service representatives answered a total of 60,819 calls, a reduction of 2.76 per cent from 2018 call volume.
  - 64.63 per cent of calls (39,307) were answered within 30 seconds, an increase over 2018 results. We continue to focus efforts on improving this metric year over year. As the team continues to learn and adapt to new processes related to the implementation of the new customer relationship management (CRM) system, their efforts resulted in a 5.9 per cent improvement in results compared to 2018.
  - The utility continues to monitor this metric closely, as it understands 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.
  - For Utilities Kingston, this is a measure of the number of times a customer inquiry/request, related to their account, is handled by the first person to receive the contact.
  - 99.18 per cent of contacts were answered without having to transfer to another staff member, which was a slight increase over the 2018 result of 98.96 per cent. First contact resolution 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 bills are accurate. An accurate bill provides customers the right information, the first time.
  - For 2019, Utilities Kingston issued 345,527 bills on behalf of Kingston Hydro Corporation, with an overall billing accuracy of 92.04 per cent, a decrease from 2018. This fell below the industry standard of 98 per cent of all bills being accurate.
    - Billing accuracy results fell below the performance target of 98 per cent in 2019 due to adjustments that were made to accounts in the month of March. Global Adjustment rate riders were added to several accounts in error. The issue was identified, and the accounts were adjusted accordingly to correct the issue.
    - Additional check points have been implemented to ensure this issue does not occur in the future.

- **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.
  - A customer satisfaction survey was conducted by UtilityPulse on behalf of Kingston Hydro from August 22 – September 14, 2019 and the results are based on telephone interviews with 400 customers (both residential and commercial).
  - An overall rating of 'A' was reported in 2019, consistent with the previous surveys conducted in 2014 and 2016.
  - Highlighted in the 2019 Customer Satisfaction Survey was an overall satisfaction rate of 95 per cent, supported by a 91 per cent rating for trustworthiness. The Utilities Kingston overall credibility and trust score is 89 per cent, which exceeded the provincial and national benchmark of 84 per cent.

Safety

- **Public Safety**

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

    In February 2018, a public awareness telephone survey was carried out among 400 members of the general public residing in Kingston Hydro's distribution area. Kingston Hydro is using the results from this survey for reporting on the 2019 year. The survey followed the requirements established in *Appendix B: Biannual Standardized Scorecard Public Awareness of Electrical Safety Telephone Questionnaire,* published by the OEB on November 25, 2015.

    The survey yielded an overall Public Safety Awareness Index Score of 79 per cent (rounded up to 80 per cent in the scorecard for 2018), demonstrating that many people do have good knowledge or have received some information pertaining to the six core measurement questions. The next survey for Public Awareness of Electrical Safety will be carried out in 2020.

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

    For the year 2019, as in previous years, Kingston Hydro was fully 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	334	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 they affect customers. The average of 0.88 hours on the scorecard includes both planned interruptions necessary to conduct work safely (0.30 hours) and unplanned/emergency power disruptions (0.58 hours).

  The score in 2019 meets our target of 1.03 hours, as there were fewer outages attributed to defective equipment that year. Conversely, the current five-year rolling average of 1.2 hours is higher than Kingston Hydro's target, due to defective equipment. Employees continue to focus on infrastructure renewal, so our customers can rely on Kingston Hydro's electricity services for the future.

  In 2019, foreign interference (0.16 hours), tree contact (0.14 hours) and defective equipment (0.12 hours) were the primary causes of interruptions.

  Recognizing the importance of system reliability, Kingston Hydro strives to improve these areas for 2020 and beyond, through a focus on proactive tree trimming, preventative inspection, and infrastructure renewal programs. By focusing on relocating pole lines (to behind the curb) and using protective coverings, Kingston Hydro will also help reduce interference from motor vehicle collisions and animals.

- **Average Number of Times that Power to a Customer is Interrupted**
  On this measure, the average of 0.73 in 2019 and the current 5-year rolling average of 0.86 all meet our target of 0.95.

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 OEB (EB-2015-0083). The DSP outlines the forecasted capital expenditures, from 2016 to 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.

  Throughout 2019, 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:

  Table 1 – 2019 Net Capital Additions by OEB Investment Category

Investment Category	*Actual $	DSP Forecast $	Variance $
System Access	$567,880	$395,143	$172,737
System Renewal	$3,759,895	$3,312,285	$447,610
System Service	$112,851	$19,757	$93,094
General Plant	$408,491	$421,815	-$13,324
Total	$4,849,117	$4,149,000	$700,117

  *NOTE: Net Capital Additions = Total Actual Expenditures less Contributions

Table 2 – 2019 Capital – Percentages by OEB Investment Category

Investment Category	% Actual Total	% DSP Forecast Total	% Variance of Actual wrt Forecast Category	% Variance of Actual wrt Forecast Total
System Access	11.71%	9.52%	43.72%	4.16%
System Renewal	77.54%	79.83%	13.51%	10.79%
System Service	2.33%	0.48%	471.20%	2.24%
General Plant	8.42%	10.17%	-3.16%	-0.32%
Total	100.00%	100.00%		16.87%

The System Access variance of 43.72 per cent ($172,737) between the actual and forecast amount is attributed to meter replacements due to seal expiration and smart meter communication upgrades (e.g., regional network interface upgrades), which are deemed necessary and beyond the control of Kingston Hydro. When compared to the total DSP budget forecast amount, System Access expenditures represent a 4.16 per cent overall budget variance.

The System Service variance of 471.20 per cent ($93,094) between the actual and forecast amount is attributed to capacity upgrades at Substation MS16, required to mitigate the risk of asset overload and failure due to the decommissioning of Substation MS17, which serves a nearby industrial park. When compared to the total DSP budget forecast amount, System Service expenditures represent a 2.24 per cent overall budget variance.

The General Plant variance of -3.16 per cent (-$13,324) between the actual and forecast amount is very small. When compared to the total DSP forecast amount, General Plant expenditures represent only a -0.32 per cent overall variance.

The majority of Kingston Hydro's capital investment planning (77.54 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 13.51 per cent ($447,610). When compared to the total DSP budget forecast amount, System Renewal expenditures represent a 10.79 per cent overall variance. The increase in System Renewal expenditures for 2019 is mainly attributed to fast tracking the Substation MS1 rebuild, required because transformer oil was showing signs of rapid deterioration.

Kingston Hydro considers the total annual capital expenditures for 2019 to be "trending up" with the Kingston Hydro DSP. The overall variance of 16.87 per cent ($700,117) in total actual expenditures vs. total forecast is attributed mainly to fast tracking the Substation MS1 rebuild, which was not contemplated when Kingston Hydro's 2016-2020 capital plan was filed with the OEB. The Substation MS1

rebuild is an example of a critical System Renewal project that has the potential to impact system reliability; specifically the 5kV and 44kV feeders that supply downtown core of Kingston.

Cost Control

- **Efficiency Assessment**

  - The utility must manage its costs successfully in order to help ensure customers receive value for the cost of the service. Utilities' total costs are evaluated to produce a single efficiency ranking. Total costs for Ontario 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 their actual costs.

  - For the eighth consecutive year, in 2019, 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 total costs in 2019 were -1.1 per cent lower than 2018 and -3.8 per cent under expected costs. Infrastructure renewal continues to be the focus of where funds are spent.

  - For the three-year period 2017 through 2019, Kingston Hydro's actual costs have been less than predicted by an average of -1.3 per cent compared to an average of -6.3 per cent for the industry.

  - 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 2019 is $574 per customer, a -1.5 per cent decrease over 2018. This follows the previous three years' increases of 8.4 per cent, 1.3 per cent,, and 1.7 per cent. The 2018 increase was anticipated due to the significant capital rehabilitation work being done within our service territory. The Ontario average is $852 per customer while the average of all LDCs in Ontario is $705 per customer.

  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 Km of Line**
  Total cost per Km of line 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 kilometres of line.

  Kingston Hydro's result for 2019 is $47,559 per kilometre of line, compared to the 2018 cost of $48,238 per kilometre of line. This amount decreased by -1.4 per cent for the reasons noted above. Overall 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**
  - On March 21, 2019, the Province of Ontario restructured conservation and demand management (CDM) activity in the province by eliminating some programs, and assigning delivery of the remaining programs to the Independent Electricity System Operator (IESO).
  - After this date, no new CDM applications were taken on by Kingston Hydro.
  - The closing of outstanding applications in 2019 resulted in a savings of 10,363,357 kWh.
  - In August 2019, Kingston Hydro successfully applied to the IESO to deliver a custom residential smart thermostat program for its gas and electricity customers, whereby participants are granted a $100 rebate on their utility bill.
  - The program was launched in the early fall of 2019.
  - Kingston Hydro shares the cost of this program with Utilities Kingston, making it a very cost-effective program, with a Levelized Unit Electricity Cost (LUEC) of $0.02/kWh, and both Program Administrator Cost (PAC) and Total Resource Cost (TRC) of 1.4.
  - In the first year of the Smart Thermostat Program, 39 customers took advantage, saving approximately 32,682 kWh of electricity and approximately 13,455 m^3 of natural gas.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**
  Kingston Hydro did not receive any requests from customer for connection of renewable generation requiring a condition impact assessment in 2019.

- **New Micro-embedded Generation Facilities Connected On Time**
  One micro-embedded generation facility connected in 2019, and it was connected within the required timeframe.

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 1.47:1.00 (compared to 1.57:1.00 in 2018) as at December 31, 2019. This indicates that for every $1.00 of short-term liabilities due, Kingston Hydro has $1.47 of assets available to fund those payments.

  This ratio will fluctuate somewhat on a year-to-year basis but should remain within the range of 1.4:1.0 to1.9:1.0.

- **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 $1.11 to $1.00. This means that for every $1.00 the company has invested in assets, 52.6 per cent has been funded with debt and 47.4 per cent has been funded with equity. Over the 2016-2020 period, as the company continues to invest in infrastructure, Kingston Hydro expects this ratio to move toward $1.50:1.00 as it borrows more money to finance capital infrastructure.

- **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 2015 through 2019. Kingston Hydro achieved a return on equity of 9.50 per cent for 2019, up from 2018. This return on equity is within 300 basis points of our deemed return on equity.

Note to Readers of 2019 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.