

# Scorecard - Kitchener-Wilmot Hydro Inc.

9/16/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	93.10%	94.30%	91.30%	91.30%	90.90%		90.00%		
		Scheduled Appointments Met On Time	97.20%	96.00%	96.70%	96.10%	95.30%		90.00%		
		Telephone Calls Answered On Time	75.40%	76.90%	76.40%	78.60%	80.40%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution					98.6%				
		Billing Accuracy					100.00%		98.00%		
		Customer Satisfaction Survey Results				A	A				
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public awareness [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	1	1	0	1			0
	Rate per 10, 100, 1000 km of line		0.539	0.536	0.532	0.000	0.526			0.299	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted	0.79	1.00	0.97	0.87	0.72			at least within 0.79 - 1.00	
		Average Number of Times that Power to a Customer is Interrupted	1.10	0.89	0.88	0.69	1.03			at least within 0.69 - 1.10	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress					In Progress				
	<b>Cost Control</b>	Efficiency Assessment			2	2	2				
		Total Cost per Customer <sup>1</sup>	\$444	\$450	\$450	\$466	\$483				
Total Cost per Km of Line <sup>1</sup>		\$20,606	\$21,079	\$21,225	\$22,062	\$23,132					
<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).	<b>Conservation &amp; Demand Management</b>	Net Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>		21.14%	27.21%	60.21%	73.31%			21.56MW	
		Net Cumulative Energy Savings (Percent of target achieved)		56.50%	78.58%	98.50%	114.09%			90.29GWh	
	<b>Connection of Renewable Generation</b>	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%			90.00%	
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.39	2.18	2.05	2.14	1.95				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.85	0.78	0.74	0.69	0.65				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.85%	9.85%	9.85%	9.36%			
			Achieved		11.02%	10.91%	8.94%	10.87%			

**Notes:**

- These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
- The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

**Legend:**

- up
- down
- flat
- target met
- target not met

# 2014 Scorecard Management Discussion and Analysis (“2014 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 2014 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.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 to its customers.

In 2014, KWHI exceeded industry targets for all Scorecard measures, with exceptional ratings in customer satisfaction and system reliability. KWHI also had the 10th lowest total cost per customer, out of 72 distributors across the province. KWHI continues to pace and prioritize capital investments to effectively manage distribution system assets, complete necessary infrastructure improvements, reduce outage frequency and outage duration to improve customer experience.

KWHI achieved an “A” in overall customer satisfaction, with respondents indicating a strong trust and confidence in KWHI’s ability to manage ongoing operations. Also of note were high customer scores for knowledge and helpfulness of staff in responding to customer inquiries.

With a service territory of more than 400 square kilometres, a staff of 177 and more than 91,000 customers, KWHI does its best to effectively manage a distribution system that includes more than 1,900 kilometres of overhead and underground distribution lines, 23,000+ power poles, 10,600+ transformers and 8 transformer stations. KWHI will continue to provide safe, reliable service for all its customers electricity needs.

## Service Quality

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

In 2014, KWHI connected close to 750 low-voltage residential and small business customers within the 5 day timeline prescribed by the Ontario Energy Board (OEB). Despite a 30% increase in new service connection requests from 2013, KWHI still met nearly 91% of its total service connections on time.

- **Scheduled Appointments Met On Time**

In 2014, KWHI had more than 2,300 scheduled customer appointments. With a 39% increase in appointments from 2013, KWHI continues to exceed the industry standard of 90% of appointments scheduled on time.

- **Telephone Calls Answered On Time**

In 2014, KWHI's Customer Service team handled more than 72,000 telephone calls. KWHI had a 2.3% improvement over last year's numbers, answering 80.4% of customer calls on time, which can be attributed to the introduction of various digital customer service tools and ongoing improvements in the Customer Service department. KWHI continues to exceed the industry standard of 65% of calls answered on time. With the introduction of new online web forms, a push for email communications and the use of social media in 2015, KWHI is committed to finding new ways for customers to connect with our staff quickly and easily to decrease wait times and call volume.

## Customer Satisfaction

- **First Contact Resolution**

For 2014 utilities were given an opportunity to define this measure in the manner that provides the most meaningful assessment. KWHI was required to report for the period July – December 2014. For the purposes of this measure, KWHI defines First Contact Resolution as all telephone calls transferred outside of the Call Centre to be calls that are not resolved on first contact.

KWHI strives to handle each customer interaction quickly, efficiently and to a customer's satisfaction. For the period of July to December 2014, over 33,000 calls were received by our Call Centre, with 98.6% achieving first contact resolution due to KWHI's excellent Customer Service staff. As this measure is evolving, KWHI will continue to monitor its progress and track best practices of other LDCs.

- **Billing Accuracy**

Billing Accuracy is a new measure introduced by the OEB in 2013. During 2014, the OEB defined an accurate bill as one that contains correct meter readings, customer information and rates to calculate an accurate bill. For the 2014 year, KWHI was required to measure this for the period of October – December 2014.

During this period in 2014, KWHI issued more than 135,000 electricity bills to over 91,000 customers. KWHI is one of only 7 distributors that achieved 100% billing accuracy in 2014. KWHI remains committed to its billing accuracy standards as it moves to monthly billing in 2015, doubling the total number of bills issued to more than 1 million.

- **Customer Satisfaction Survey Results**

KWHI engaged a third party to conduct customer satisfaction surveys. The survey invited customers to provide feedback on a variety of areas including customer service, reliability, service value, billing and outages. The data collected from these surveys was used as a baseline to guide customer service improvements. In this survey, KWHI received an “A” for its overall performance.

During 2014, KWHI implemented a series of communication campaigns, new website design, and a Twitter handle. KWHI plans to introduce additional self-service web options to improve the online customer experience. In 2015, KWHI will also introduce transactional surveys for customers to provide more feedback to improve the customer experience for customer moments including new account sign-ups, moving in/out and billing inquiries.

## Safety

- **Public Safety**

During 2014, KWHI provided electrical safety education to contractors and emergency service personnel on electrical safety issues. KWHI hosts a bi-annual contractor safety conference to educate local contractors on this important topic. Also, in 2014, KWHI ran a series of public safety messages across radio, web, social media, newspapers and other outlets to communicate seasonally relevant public safety reminders. In 2015, KWHI has planned an extensive customer outreach program to continue educating customers on power line safety, locate safety and emergency preparedness including participation in the Electrical Safety Authority’s Powerline Safety Week.

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

The Public Awareness of Electrical Safety component of the public safety measure is expected to measure the level of awareness of key electrical safety precautions by the general public within the electricity distributor's service territory. It measures the level of effort placed by distributors on preventing electrical accidents. The first reporting of this measure will occur on the 2015 Scorecard.

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

Ontario Regulation 22/04 governs electrical installations to ensure public safety. The Compliance with Ontario Regulation 22/04 component of the public safety measure is expected to address the level of distributor compliance to Ontario Regulation 22/04, Electrical Distribution Safety. Measurement includes an audit of compliance as submitted by distributors, declaration of compliance submitted by distributor, reports evaluated (e.g., due diligence inspections, audits, public safety concerns, etc.), and outcome (e.g., compliant, needs improvement, non-compliant). 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.

## **System Reliability**

In 2014, 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 was replaced with new technology with much longer lifespan – such as polymer insulators and switches. KWHI also revamped its existing website to include a section for outage updates and launched Twitter to better communicate outage locations and restoration times with customers impacted by an outage. In 2015, KWHI will introduce an outage management system that will help crews locate and identify outage locations more efficiently which will help KWHI to maintain system reliability standards our customers have come to expect. KWHI will also introduce customer education campaigns on outage restoration efforts and causes in 2015.

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

KWHI had a decrease in the average number of hours a customer was without power during the year. This decrease is a result of a thorough analysis of the root causes of outages and focused investments to lessen the impact these outages have on customers of KWHI.

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

KWHI had a slight increase in the average number of times a customer was without power during the year. Despite the increase, KWHI remains below the provincial average for this measure. KWHI continues to monitor and analyze 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 will incorporate elements of its ongoing asset management plan into a Distribution System Plan (DSP) that will be submitted to the OEB by April 2017.

## 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 a large difference between actual costs and predicted costs are considered to be better cost performers and therefore given a lower stretch factor assignment for efficiency improvements. KWHI ranked 10<sup>th</sup> for cost efficiency in 2014 and has maintained its Group 2 cost efficiency level for the past three years, while continuing to provide excellent customer service and high reliability standards.

- **Total Cost per Customer**

KWHI's total cost per customer compares favourably to all other LDC's providing distribution services to its customers. Distribution services includes design, maintenance and construction of infrastructure, emergency services, customer services and customer education. KWHI's total cost per customer of \$483 is much lower than the provincial average.

- **Total Cost per Km of Line**

KWHI's total cost per kilometer of line compares favourably to all other LDC's providing its distribution services to customers. KWHI's total cost per kilometer of line of \$23,132 is lower than the provincial average.

## Conservation & Demand Management

The year 2014 marked the final year of the current framework of conservation and demand management programs that began in 2011. In this tranche, KWHI was allocated a four year target of 21.56 MW of net peak demand savings and 90.2 GWh of net cumulative energy savings to be achieved through customer participation in the saveONenergy suite of programs offered through the Ontario Power Authority (now the Independent Electricity System Operator).

A comprehensive description of KWHI's 2014 Conservation and Demand Management program results will be available in KWHI's Conservation and Demand Management Report to be submitted to the OEB at the end of September 2015 and will be available on KWHI's website.

- **Net Annual Peak Demand Savings (Percent of target achieved)**

From 2011 through 2014, KWHI achieved 73.3% of its total peak demand savings target. Unfortunately, the Demand Response 3 program which provided the majority of the demand savings was discontinued prior to the end of the period which negatively affected customer participation and savings results.

The highlight from the 2014 program performance include:

- 13 businesses participated in Demand Response program achieving 5.7MW's of demand savings

- **Net Cumulative Energy Savings (Percent of target achieved)**

From 2011 through 2014, KWHI achieved 114.1% of its net cumulative energy savings.

Some highlights from 2014 program performance include:

- 2,710 furnaces and central air conditioners were replaced through the Heating and Cooling Incentive program
- 96,748 coupons were used by customers to purchase energy saving technologies such as LED lights, achieving 2,940 MWh in energy savings
- 207 businesses completed energy savings projects through the Retrofit program achieving 4,440 MWh in energy savings

## Connection of Renewable Generation

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

In 2014, KWHI performed 20 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. KWHI expects it will continue to meet this target into 2015.

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

In 2014, KWHI connected 67 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%. KWHI strives to meet this target again in 2015.

## 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 structures 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 0.65 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, 2015 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 return achieved in 2014 was 10.87%, which exceeds the regulatory return on equity, is well within the +/-3% range allowed by the OEB. The average return over the past 4 years was 10.43% which is also well within return included in KWHI's approved rates. KWHI achieved returns higher than the deemed rate in 2014 due to lower operating costs, and lower capital expenditures than planned. KWHI is mindful of lower revenues as a result of lower demand and energy consumption and actively seeks productivity savings arising from related process improvement initiatives.

## Note to Readers of 2014 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.