

Scorecard - Kenora Hvdro Electric Corporation Ltd.

Performance Outcomes	Performance Categories	Measures	2014	2015	2016	2017	2018	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	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	99.10%	99.48%	100.00%		90.00%		
		Telephone Calls Answered On Time	69.10%	99.30%	99.00%	99.98%	97.00%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution		99.3%	99%	99%	99%				
		Billing Accuracy	100.00%	100.00%	99.94%	99.93%	99.97%		98.00%		
		Customer Satisfaction Survey Results		73%	76%	76%	76%				
<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		79.00%	79.00%	78.00%	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	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.53	0.61	0.59	3.84	0.21			2.39	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.29	0.35	0.43	1.88	0.12			1.94	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress	In Progress	In Progress	In Progress	In Progress	In Progress				
	<b>Cost Control</b>	Efficiency Assessment	3	3	3	3	2				
		Total Cost per Customer <sup>3</sup>	\$554	\$618	\$578	\$603	\$633				
		Total Cost per Km of Line <sup>3</sup>	\$31,428	\$35,092	\$32,835	\$34,365	\$35,943				
<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 Cumulative Energy Savings <sup>4</sup>		30.48%	42.22%	62.51%	79.00%			5.27 GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time									
<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)	1.92	2.51	3.24	3.52	3.97				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.71	0.69	0.65	0.63	0.61				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.58%	9.58%	9.58%			
			Achieved	8.14%	0.71%	5.42%	0.25%	-1.30%			

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 2015-2020 Conservation First Framework. 2018 results are based on the IESO's unverified savings values contained in the March 2019 Participation and Cost Report.

**Legend:**

5-year trend  
 up down flat

Current year  
 target met target not met

# 2018 Scorecard Management Discussion and Analysis (“2018 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 2018 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 2018, Thunder Bay Hydro and Kenora Hydro reached an agreement to merge the two distribution companies into one entity – Synergy North Corporation effective January 1<sup>st</sup> 2019. As such, Synergy North Corporation is the party responsible for this reporting on behalf of the predecessor corporation. For simplicity, the balance of this report will refer to “Kenora Hydro” as the data included in the 2018 Scorecard and reviewed in this Management Discussion and Analysis is for the predecessor corporation, Kenora Hydro only.

Kenora Hydro is pleased to report that, again in 2018, it has met all industry targets. 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 was always paramount and formed 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 achieved this consistently, year over year. In 2018, all five of the connections requested by customers were successfully performed within the 5 business day timeline.

- **Scheduled Appointments Met On Time**

Another measure that we strived to achieve is the required target of scheduled appointments that were met on time. The industry target is 90%. There were 1,384 appointments made, and all were met on time during the year, giving us a 100% rate on this measure.

- **Telephone Calls Answered On Time**

Kenora Hydro met this OEB target for the year, answering 97% 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 were always fortunate that our front line customer facing staff were primarily very long term employees, and their knowledge and ability to accurately reply to most customer requests or questions on first contact was excellent.

- **Billing Accuracy**

The number of hydro billings that were cancelled and re-issued during the year was tracked. A total of 17 bills of 66,434 produced were considered to have contained a billing error. The target of 98% is again met this year, with 99.97% accuracy for Kenora Hydro. We were fortunate to have a long time employee in the position of billing clerk. She took pride in her work and was dedicated to accurate billing for all customers.

- **Customer Satisfaction Survey Results**

A customer satisfaction survey was not conducted in 2018. In 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 for a 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 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 2018. 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 2018.

## System Reliability

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

Results under this measure for 2018 are improved over 2017. In 2017 we encountered several lengthy outages beyond our control; several pole fires and one outage required for equipment repairs at the substation. 2018 results are greatly improved over last year, with a result of 0.21 hours, the best result on the scorecard since 2014. Overall, this indicates that on average any outages customers experienced were relatively brief, about 13 minutes in duration.

- **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 2018 was 0.12 times, that being the average number of times during the year that a customer's power was interrupted. A result of less than one outage to a customer over a year is very positive, and was an improvement over 2017 results.

## 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 to assist in assessing the existing infrastructure. This assessment; combined with risk ranking, provided the utility with a roadmap of priorities for asset replacement. This document will assist in forming the base for incorporating Kenora area assets into the combined Synergy North Distribution System Plan.

## 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". In 2018, Kenora Hydro has been allocated an assessment of "2".

Kenora Hydro is now classified as having an efficiency assessment of "2". This measure has been set by the OEB, based on a comparison of year-over-year, or distributor to distributor results, however, the basis for this distributor specific ranking has not been provided to Kenora Hydro.

From the OEB's "technical definition",  
Group Demarcation Points for Relative Cost Performance

- 1 Actual costs are 25% or more below predicted costs
- 2 Actual costs are 10% to 25% below predicted costs
- 3 Actual costs are within +/-10% of predicted costs
- 4 Actual costs are 10% to 25% above predicted costs
- 5 Actual costs are 25% or more above predicted costs

- **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 12% in 2015, a reduction of (6)% in 2016 from 2015, and an increase of 4% in 2017. A further increase of 5% as indicated in results for 2018 is not unexpected, as merger related costs have increased the total expenses for the year. With no customer growth being the norm in Kenora, any additional costs beyond the anticipated appear 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, and we continually strive to keep our costs low while meeting 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 2018, the increased costs in 2018, as noted in the narrative for Total Costs per Customer, are again reflected in the higher Total Cost per Km of line performance category. This measure has increased by approximately 5% from 2017.

## 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 2018, 79% 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 2018.

- **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 met this measure 100% in 2018.

## 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 1.0 to 1.0 and greater indicates the ability to do so.

Kenora Hydro has a liquidity ratio of 3.97:1, which indicates that for every dollar of current liabilities, we have \$3.97 of current assets available to meet those obligations. This result has improved year over year since 2014.



- **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 0.61:1, which indicates that there is \$0.61 of debt for every dollar of equity.

- **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.

For 2018, Kenora Hydro had an allowed ROE rate of 9.58% which has been in place since our last COS application.

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

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

In 2018, the achieved rate of Return on Equity was (1.30)%, down from 0.25% in 2017, 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, each year, higher property taxes, insurance costs, PIL taxes, OEB cost assessments, none of which were previously built into our distribution rates. 2018 also had some significant increases in OM&A expenses for merger related costs.

## Note to Readers of 2018 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.