

Scorecard - Kinaston Hvdro Corporation

9/24/2019

Performance Outcomes	Performance Categories	Measures	2014	2015	2016	2017	2018	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	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	97.90%	100.00%	98.68%		90.00%		
		Telephone Calls Answered On Time	67.00%	65.80%	66.00%	68.76%	60.78%		65.00%		
	Customer Satisfaction	First Contact Resolution	98.32%	99.13%	98.86%	98.84%	98.96%				
		Billing Accuracy	99.74%	99.68%	99.75%	97.09%	99.71%		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%				
		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	1	0			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000			0.042
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.97	0.93	1.32	1.40	1.50			1.03	
		Average Number of Times that Power to a Customer is Interrupted ²	0.52	0.91	0.59	1.07	1.00			0.95	
	Asset Management	Distribution System Plan Implementation Progress	On track	On track	On track	on track	On track				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer ³	\$501	\$522	\$531	\$538	\$583				
		Total Cost per Km of Line ³	\$38,384	\$40,292	\$43,562	\$44,400	\$48,238				
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%			34.50 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%								
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%	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)	1.13	1.67	1.10	1.84	1.57				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.35	1.21	1.36	1.41	1.10				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.58%	9.58%	9.19%	9.19%	9.19%			
			Achieved	9.98%	3.72%	6.43%	7.82%	7.48%			

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

Appendix A – 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

Kingston Hydro presents its scorecard for the year 2018. 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 2018, Kingston Hydro continued to perform strongly against the performance targets for the measures set out by the Ontario Energy Board (OEB).

Utilities Kingston takes great pride in customer relationships, and the trust our customers place in us. 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 all targets in this area, with the exception of *telephone calls answered on time*. We monitor this metric closely, as we understand that being able to reach a representative is important to customers. This service level was partially-impacted by a major change that affected the call centre: implementation of a new customer relationship management tool. We are pleased to convey that we did not receive complaints about the customer experience during that time.

One other category in the 2018 scorecard did not meet targets: system reliability. The average number of hours that power to a customer is interrupted increased to 1.5, while the distributor target is 1.03. Utilities Kingston determined that two incidents contributed significantly: 1) defective equipment at a substation and 2) high winds and a downed tree. In response to the first, we inspected all related substation equipment and concluded this was an isolated incidence. Regarding number two, Kingston Hydro will continue to focus on tree trimming activities to reduce outages related to tree contact.

Our conservation programs promote energy efficiency, while preserving and protecting the environment. We thank our customers for their commitment. By helping them access grants and incentives for conservation investments from provincial Save on Energy programs in 2018, Utilities Kingston actively invested in making local businesses more competitive and local homes more affordable to live in. As of

December 2018, we were well on our way to exceeding the (now cancelled) 2020 conservation and demand management target of 34.50 GWh in savings, achieving 76.7 per cent of the total. For the period January 1 to April 15, 2019, Kingston Hydro achieved additional savings which increased the total savings to the value shown on the scorecard, 84.0 per cent.

Recognized in the industry for our leadership in this area, safety continues to be an important focus for our organization. The Utilities Kingston health and safety management system helps to reduce accidents and injuries, ensures safe work environments, and furthers a culture of safety. Utilities Kingston and Kingston Hydro performed well against all of the targets under this category. Safety will continue to receive the highest level of attention.

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 220 new low voltage (less than 750 volts) services connected in 2018. 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 2018, 449 of 455 (98.68 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 2018, customer service representatives answered a total of 62,551 calls, down ~3 per cent from 2017 call volume.
- 60.78 per cent of calls (38,016) were answered within 30 seconds, decreasing slightly from 2017 and falling below the industry target of 65 per cent.
- The utility monitors this metric closely, as it understands that being able to reach a representative is important to customers:

- The call centre implemented a new Customer Relationship Management (CRM) tool in 2018, which required extensive training before and after the system was implemented. Resources from the call centre were 'off the phones' to complete training. Once the system was implemented, there continued to be an expected learning curve for CSRs. Although service levels were impacted, the call centre did not receive complaints about the customer experience during that time.
- Security deposits were also fully reintroduced in 2018 and had an impact on the average handle time as these new changes required additional explanation to customers. To support CSRs and help inform customers, proactive information was added to the website.

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.
- 98.96 per cent of contacts were answered without having to transfer to another staff member, consistent with the 2017 result of 98.84 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 2018, Utilities Kingston issued 350,380 bills on behalf of Kingston Hydro Corporation, with an overall billing accuracy of 99.71 per cent, an increase from 2017. This just exceeded the industry standard of 98 per cent of all bills being accurate.

• **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. Kingston Hydro last completed a survey result in early 2017 for the 2016 reporting year.
- An overall rating of 'A' was reported in 2016, consistent with the first time this survey was conducted in 2014.
- The next customer satisfaction survey is being carried out in the summer of 2019, for the 2019 reporting year.

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 2018 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), 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 2018, 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	0.042

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 that they affect customers. The average of 1.50 hours on the scorecard includes both planned interruptions necessary to conduct work safely (0.29 hours) and unplanned/emergency power disruptions (1.21 hours). The score does not meet our target, primarily due to two separate incidents. One single outage caused by a defective insulative fibre board at a substation was responsible for 0.34 hours of the average. In response to this incident, all equipment at substations was checked to verify that this was a particularly isolated case. One other single incident involved high winds and a tree disrupted power to a main feeder circuit, contributing another 0.15 hours to the average. Kingston Hydro will continue to focus on tree trimming to reduce this source of outages.

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

On this measure, Kingston Hydro was just off target. The tree incident noted above was responsible for contributing 0.22 to the 1.00 score.

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 Ontario Energy Board (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 2018, 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 – 2018 Capital - Expenditures by OEB Investment Category

Investment Category	*Actual \$	DSP Forecast \$	Variance \$
System Access	\$280,566	\$580,000	(\$299,434)
System Renewal	\$3,672,340	\$3,083,000	\$589,340
System Service	\$462,186	\$200,000	\$262,186
General Plant	\$475,781	\$406,000	\$69,781
Total	\$4,890,873	\$4,269,000	\$621,873

***NOTE: Actual Expenditures = Total Expenditures less Contributions**

Table 2 – 2018 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	5.74%	13.59%	-51.63%	-7.01%
System Renewal	75.09%	72.22%	19.12%	13.81%
System Service	9.45%	4.68%	131.09%	6.14%
General Plant	9.73%	9.51%	17.19%	1.63%
Total	100.00%	100.00%		14.57%

The System Access variance of -51.63 per cent (-\$299,434) between the actual and forecast amount is attributed to a combination of meter replacement, and evolving customer and third-party requests/obligations (e.g., new development, modifications to existing customer connections, upgrades for property or infrastructure development, etc.), which are beyond the control of Kingston Hydro. When compared to the total DSP budget forecast amount, System Access expenditures represent a -7.01 per cent overall budget variance.

The System Service variance of 131.09 per cent (\$262,186) between the actual and forecast amount is attributed to various capacity upgrades required to mitigate the risk of asset overload and failure. When compared to the total DSP budget forecast amount, System Service expenditures represent a 6.14 per cent overall budget variance.

The General Plant variance of 17.19 per cent (\$69,781) between the actual and forecast amount is attributed to four main expenditures in 2018: new vehicle purchases, a new outage management system, tools and equipment, and a new CRM. When compared to the total DSP forecast amount, General Plant expenditures represent only a 1.63 per cent overall variance.

The majority of Kingston Hydro's capital investment planning (75.09 per cent of total actual expenditures) continues to focus on System Renewal. This involves replacing and/or refurbishing system assets to extend the original service life of the asset, maintaining safe and reliable electricity service to customers. The System Renewal variance by investment category was 19.12 per cent (\$589,340). When compared to the total DSP budget forecast amount, System Renewal expenditures represent a 13.81 per cent overall variance. The increase in System Renewal expenditures for 2018 is attributed to the Phase 4 Princess Street joint reconstruction project with the City of Kingston, which was approximately \$1.2 million.

Kingston Hydro considers the total annual capital expenditures for 2018 to be “on track” with the Kingston Hydro DSP. The overall variance of 14.57 per cent (\$621,873) in total actual expenditures vs. total forecast is attributed to the Phase 4 Princess Street joint reconstruction project with the City of Kingston, which was fast-tracked by the City and not contemplated when Kingston Hydro’s 2016-2020 capital plan was filed with the OEB. The Phase 4 Princess Street joint reconstruction project is an example of a System Renewal project that has a significant System Access component, as the timing of this joint reconstruction work was beyond the control of Kingston Hydro.

Cost Control

- **Efficiency Assessment**

- The utility must manage its costs successfully in order to help assure its customers they receive value for the cost of the service they receive. 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 seventh consecutive year, in 2018, 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 2018 were eight per cent higher than 2017 but just one per cent over expected costs as funds are spent on infrastructure renewal.
- For the three-year period 2016 through 2018, Kingston Hydro’s actual costs have been less than predicted by an average of one per cent compared to an average of 4.4 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 2018 is \$583 per customer, an eight per cent increase over 2017. This follows the previous two years’

increases of 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 \$825 per customer while the average of all LDCs in Ontario is \$688 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 2018 is \$48,238 per kilometre of line compared to 2017 cost of \$44,400 per kilometre of line. This amount increased by nine per cent for the reasons noted above. These costs are expected to continue 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

- Results published by the IESO confirm that, during 2018, Kingston Hydro achieved 2,241 MWh of annual savings persisting to 2020.
- Participation in the Save on Energy Retrofit, Process & Systems Upgrades, Coupon and Instant Discount Programs accounted for the majority of savings achieved in 2018.
- As of December 2018, Kingston Hydro has achieved 27,471.6 MWh of savings, or 76.7 per cent of its 2015-2020 provincially mandated electricity conservation target of 34.50 GWh (this target was cancelled in March 2019).
- For the period January 1 to April 15, 2019, Kingston Hydro achieved additional savings which increased the total savings to the value shown on the scorecard, 84 per cent.

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 2018.
- **New Micro-embedded Generation Facilities Connected On Time**
All five micro-embedded generation facilities were 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 1.57:1.00 (compared to 1.84:1.00 in 2017) as at December 31, 2018, indicating that for every \$1.00 of short term liabilities due it has \$1.57 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 to 1.9:1.0

- **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 \$1.10 to \$1.00. This means that for every \$1.00 the company has invested in assets, 52.5 per cent has been funded with debt and 47.5 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 2014 through 2018. Kingston Hydro achieved a return on equity of 7.48 per cent for 2018, down slightly from 2017. This return on equity is within 300 basis points of our deemed return on equity.

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.