

# 2015 Scorecard Management Discussion and Analysis (“2015 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 2015 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

## Scorecard MD&A - General Overview

- In 2015, Atikokan Hydro (“Atikokan”) mainly performed well in all areas of the scorecard.
- Atikokan Hydro met or exceeded all performance objectives with the exception of its deemed Return on Equity. Atikokan Hydro continues to strive to meet or exceed its scorecard performance and maintain reliability of supply to its customers with minimal interruptions.
- Atikokan understands Atikokan Hydro customers are primarily concerned with the cost of power and their total electricity bill and reliability as feedback from those who participated in Atikokan Hydro’s in house customer satisfaction survey. Atikokan strives to minimize the cost per customer impacts. Similar to other LDC’s, aging infrastructure and a decline in customer count continues to be a challenge for the utility but must be maintained for safety and reliable supply of electricity to those serviced by Atikokan Hydro.
- Atikokan Hydro continues to participate and offer CDM programs to its customers in efforts to not only meet its set targeted kWh Conservation Demand Management savings but for customers to reduce the amount of power consumed in order to save on their electricity bill.

## Service Quality

- **New Residential/Small Business Services Connected on Time**  
Utility’s must 90% of the time connect new services for customers within five working days once all conditions of service are met; Atikokan Hydro performs connections 100% of the time on time. This exceeds the Industry target. Atikokan Hydro takes pride in its ability to honor customer requests for connections. Due to the small size of the LDC, office staff directly engage with the outside crew and are aware of their schedules and abilities to complete work order requests. Historically Atikokan Hydro does not have a lot of new connection requests but performs the same service quality for all connection requests including disconnect/reconnects for electrical upgrades, or seasonal reconnections.
- **Scheduled Appointments Met On Time**  
Atikokan Hydro meets 100% of its scheduled appointments on time. This exceeds the Industry target of 90% Atikokan Hydro strongly believes that our customer’s time is very important and should be respected by meeting all scheduled appointments on time.

- **Telephone Calls Answered On Time**

The Ontario Energy Boards target for answering telephone calls on time is 65%; however, Atikokan Hydro exceeds this with answering 100% of calls on time and has historically been consistent. These statistics are manually logged. Atikokan Hydro has two incoming telephone lines and typically three staff are in the office to ensure incoming calls are answered in a targeted manner. Again this demonstrates Atikokan Hydro's focus on customers and excelling in service quality.

## Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution is a measure of a distributor's effectiveness at satisfactory addressing customer's complaints. This measure was added in 2014; the OEB has permitted distributors discretion on how this measure is reported. Based on the 2015 Scorecard Atikokan Hydro resolves 100% of customer contact first time and does not require referral to management for resolution.

- **Billing Accuracy**

The OEB Industry target for billing accuracy is 98%; Atikokan exceeds this with 99.98% billing accuracy for 2015. Atikokan has internal controls in place for verification of bills prior to releasing the bills to its customers.

- **Customer Satisfaction Survey Results**

Atikokan Hydro has had a portion of the bill dedicated to customer to have the ability to express their satisfaction or dissatisfaction with Atikokan Hydro or make comments. Atikokan Hydro did not had customers respond to this feature during 2015 and for this reason has interpreted this as favorable. Atikokan Hydro participated in its first customer satisfaction survey early in 2016. Overall of the customers that participated, results showed 97% satisfied with the services provided by Atikokan Hydro. Atikokan was pleased with the results.

## Safety

- **Public Safety**

- **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 among public within the electricity distributor's service territory. It measures the degree of

effectiveness for distributors' activities on preventing electrical accidents. Distributors are expected to demonstrate the impact of their public education efforts through biannual surveying of adults residing in their territory. Atikokan Hydro hired UtilityPulse to conduct a survey to determine Atikokan Hydro's Public safety Awareness. The survey was performed quarter 1 of 2016; the telephone survey results indicated an index score of 82%. Atikokan Hydro is pleased with the level of knowledge and awareness of the public on electrical safety.

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

Atikokan Hydro takes compliance issues with the Ontario Regulation 22/04 very seriously and strives to ensure that all aspects of Regulation 22/04 are met. Any needs improvement notations from the annual audit are implemented as soon as possible. The regulation establishes safety requirements and objectives for design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Atikokan Hydro was compliant with the Ontario Regulation 22/04 for 2015 and the historical years 2010 through 2014 with the exception of 2013 with a needs improvement.

○ **Component C – Serious Electrical Incident Index**

Atikokan Hydro is pleased to report zero serious electrical incidents and as the 2015 Scorecard indicates for the years prior to this as well. Atikokan Hydro believes safety of both staff and the public to be of the highest importance. The results received from the ESA for 2015 Scorecard reporting and historical years are as follows

Results					Target
Year	Number of Incidents	km of Line	Rate Default Value	Serious Incident Index	Serious Incident Index
2015	0	92	10	0.000	0.000
2014	0	92	10	0.000	0.000
2013	0	92	10	0.000	0.000
2012	0	92	10	0.000	0.000
2011	0	92	10	0.000	0.000
2010	0	92	10	0.000	0.000

## System Reliability

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

The average hours that power is interrupted is a measure of system reliability.

It is determined by dividing the total monthly duration of all interruptions experienced by all customers (excluding interruptions caused

by Loss of Supply events), in hours, by the average number of customers served.

The measure for 2015 is 0.13 and is considerably well compared to the last two years measure reported. Similarly to 2014, Atikokan Hydro experienced a decrease in the average number of hours that power to a customer was interrupted during 2015 as a result of fewer customers being impacted by scheduled outages as well as fewer weather related event outages. Atikokan Hydro is continually performing capital upgrades and maintenance on its distribution infrastructure to improve and maintain reliability to its customers. Atikokan Hydro's distributor target by the OEB is 0.83. The lower the reliability figure, the better the utility has performed compared to the target.

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

The average number of times that power to a customer is interrupted is a system reliability measure. It is determined by dividing the total number of interruptions experienced by all customers (excluding interruptions caused by Loss of Supply events), by the average number of customers served. The measure for 2015 is calculated as 0.03. This is the lowest it has been since 2010; reporting the same index measure of 0.03.

## Asset Management

- **Distribution System Plan Implementation Progress**

Atikokan Hydro Inc. is submitting its Distribution System Plan with its 2017 Cost of Service Rate Application. This Distribution System Plan is for the period of 2017 through 2021.

## Cost Control

- **Efficiency Assessment**

The total cost and efficiency ranking was developed by Pacific Energy Group (PEG), an independent third party consultant of the OEB. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2015 Atikokan 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 Atikokan Hydro's costs are within the average cost range for distributors in the Province of Ontario. This 2015 grouping in group 3 is an improvement for Atikokan Hydro from the prior year 2014 whereby Atikokan fell within Group 4 with actual costs 10-25% of predicted costs. Atikokan Hydro is continually striving to become more efficient.

- **Total Cost per Customer**

Atikokan Hydro's total cost per customer for 2015 is \$935.58. This is calculated by the sum of Atikokan Hydro's capital and operating

costs divided by the total number of Atikokan Hydro's customers. Atikokan reported a total of 1653 customers for 2015. The total cost per customer has increased from the prior year 2014; while total costs have increased, Atikokan total customer base has a trend of decline year over year. An increased customer base would lower the total cost per customer. Atikokan has been heavily investing in its aging infrastructures which drives up the cost per customer. The expenditures are necessary to ensure safe and reliable supply of electricity.

- **Total Cost per Km of Line**

Atikokan Hydro's total cost per Km of Line for 2015 is \$16,809.99. This measure is calculated as the sum of capital and operating costs divided by the number of kilometers of line the utility operates to serve its customers. Atikokan has a total of 92 Km of line. Some of Atikokan Hydro's lines are in rugged and thick bush terrain with minimal access points. As a result of the challenging area, greater costs to maintain these lines are incurred.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

Atikokan Hydro in collaboration with the Northwest Group (Thunder Bay Hydro Electricity Distribution, Fort Frances Power Corp., Kenora Hydro and Sioux Lookout Hydro) received approval for its joint 2015-2020 Conservation plan. Atikokan Hydro's allocated target is 1,140,000 kWh. 2015 Final Verified Results report Atikokan Hydro has met 9.63% or 109,769 kWh of its target. Atikokan Hydro will continue all efforts and resources in offering Conservation & Demand Management (CDM) programs in efforts to achieve its CDM target. Atikokan Hydro did not meet its target for the 2011-2014 CDM framework due to various barriers but optimistic Atikokan Hydro will meet the new target with some measures in place addressing these previous framework barriers including collaborating in hiring an Regional Energy Manager with the Northwest Group in efforts to meet the targets.

## Connection of Renewable Generation

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

Atikokan Hydro did not have any renewable generation impact assessments to consider.

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

Atikokan did not have any new Micro-embedded Generation Facilities connected during 2015; however, based on previous connections and Atikokan Hydro's practices, all connection requests are completed within the prescribed time frame of five business days.

## 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. Atikokan Hydro’s Current Ratio was 1.41 for year ending December 31, 2015.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The OEB uses a deemed capital structure of 60% debt and 40% equity or a ratio of 1.5 (60/40) for rate setting purposes. A high debt to equity ratio indicates a distributor may have difficulty generating cash flows to make its debt payments. Atikokan Hydro has significantly improved its debt to equity ratio over the last few years; continuing to pay back its borrowed debt but further converting its debt with its Shareholder, to equity. For 2015, Atikokan Hydro’s debt to equity was 25% debt and 75% equity. In the past Atikokan has had to borrow for implementation of smart meters and funding capital upgrades to the distribution system.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Atikokan Hydro’s current distribution rates were approved by the Ontario Energy Board and include an expected (deemed) Regulatory Return on Equity of 9.12%. The deemed Return on Equity was approved in Atikokan Hydro’s last cost of service rate application for 2012 rates in decision EB- 2011-0293. 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**

Atikokan Hydro’s actual achieved Return on Equity for 2015 was 13.14%; thereby, slightly greater than the allowable 3% dead band. The main driver in the over earnings above the deemed and allowable return on equity was greater distribution revenue than the Board approved distribution revenue in Atikokan Hydro’s last Cost of Service Rate Application. The increased distribution revenue is a result of greater consumption and demand than the Board Approved consumption load forecast. Overall Atikokan Hydro’s customer count has declined but an addition of general service customer since 2012 has contributed to this impact. A change in general service customers often have a greater material affect than a change in residential services.



## Note to Readers of 2015 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.