

Scorecard - Canadian Niagara Power Inc.

9/29/2016

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	Trend	Target	
									Industry	Distributor
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	97.70%	95.70%	93.10%	96.00%	94.40%		90.00%	
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
		Telephone Calls Answered On Time	83.40%	84.60%	82.60%	78.20%	76.10%		65.00%	
	Customer Satisfaction	First Contact Resolution				99.9%	99.80%			
		Billing Accuracy				99.92%	99.91%		98.00%	
		Customer Satisfaction Survey Results			80.84%	79.59%	94%			
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness					81.00%			
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	NI		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	0.978	0.000		0.137	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	1.82	1.89	3.22	1.95	2.36		1.96	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.63	2.21	2.72	2.07	2.78		1.98	
	Asset Management	Distribution System Plan Implementation Progress				Completed	Completed			
	Cost Control	Efficiency Assessment		4	4	4	4			
		Total Cost per Customer <sup>3</sup>	\$727	\$679	\$726	\$749	\$778			
		Total Cost per Km of Line <sup>3</sup>	\$20,204	\$18,790	\$20,275	\$21,202	\$21,726			
<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).	Conservation & Demand Management	Net Cumulative Energy Savings <sup>4</sup>					12.30%		28.48 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			0.00%					
		New Micro-embedded Generation Facilities Connected On Time			97.78%	95.65%	100.00%		90.00%	
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.65	0.33	0.34	0.33	0.35			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	2.97	2.53	2.30	2.02	1.72			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.01%	8.01%	8.93%	8.93%	8.93%		
			Achieved	7.21%	9.42%	6.71%	8.31%	10.00%		

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 fixed 5-year (2010 to 2014) average 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 new 2015-2020 Conservation First Framework. This measure is under review and subject to change in the future.

**Legend:**

5-year trend  
 up down flat

Current year  
 target met target not met

# 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](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

## Scorecard MD&A - General Overview

In 2015, CNPI continued to meet or exceed the majority of its performance targets, with notable improvement in the results of its customer satisfaction survey.

In 2016, CNPI expects to continue to improve its overall scorecard performance results as compared to previous years. These performance improvements are expected as a result of enhanced system reliability due to CNPI’s investment in its distribution system and continued responsiveness to customer feedback.

### Service Quality

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

In 2015, CNPI connected 94.4% of the 144 new eligible low-voltage residential and small business customers within the Ontario Energy Board’s prescribed five day timeline. Since 2011, CNPI has consistently met the Ontario Energy Board’s target.

- **Scheduled Appointments Met On Time**

CNPI continues to exceed the Ontario Energy Board standard of meeting customers as requested within the prescribed timelines set out by the Ontario Energy Board.

- **Telephone Calls Answered On Time**

In 2015, customer service representatives answered 76.1% of its 39,803 calls within 30 seconds. This exceeds the Ontario Energy Board's mandated 65% target. 2015 results are slightly lower than previous years. Longer call processing times due to the complexity of customer calls are affecting the call answering statistics. CNPI continues to offer and promote self-serve options and utilizes social media to engage and inform customers in an effort to offer customers additional channels to interact with the Company.

## Customer Satisfaction

- **First Contact Resolution**

CNPI measured First Contact Resolution by tracking the number of escalated calls as a percentage of total calls taken by the customer contact center. For this period, less than one percent of calls were escalated. Also, longer processing times directly align with high results in First Call Resolution. While calls may take longer to answer, the customer is able to resolve their issue or concern in one call the over 99 per cent of the time.

- **Billing Accuracy**

For 2015, CNPI issued approximately 348,514 invoices and for the second year in a row, 99.9% were accurate. This is above the industry standard of 98%.

- **Customer Satisfaction Survey Results**

In 2015, CNPI moved to a new third party survey provider, UtilityPULSE, to be more consistent with other LDCs in the province. The survey size was expanded and general service customers were included in the telephone survey. The phone numbers were randomly selected and were stratified so that 85 per cent of the interview were conducted with residential customers and 15 per cent with general service customers. The 2015 satisfaction score of 94% is significantly higher than previous years and is higher than both the national and Ontario averages which are 89% and 88% respectively.

The survey provides useful information to better meet the needs of CNPI's customers and is incorporated into the distribution system plan, capital planning and overall company objectives.

## Safety

- **Public Safety**

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

In addition to the Customer Satisfaction surveys completed for CNPI in 2015, UtilityPulse was also engaged to complete surveys in relation to “Public Awareness of Electrical Safety”. On completion of this survey, UtilityPulse generated a “Public Safety Awareness Index Score” for CNPI and other LDC’s. Province-wide scores ranged from 77% to 86%, with both average and median Index Scores of 82%. CNPI’s score of 81% suggests that members of the public are generally well-informed about the safety hazards associated with electrical distribution systems, but also that further education and engagement would be beneficial.

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

This component includes the results of an Annual Audit, Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations. All the elements are evaluated as a whole and determine the status of compliance (Non-Compliant, Needs Improvement, or Compliant).

Results provided by ESA, CNPI’s status for 2015 is Needs Improvement.

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

“Serious electrical incidents”, as defined by Regulation 22/04, make up Component C. The metric details the number of and rate of “serious electrical incidents” occurring on a distributor’s assets and is normalized per 10, 100 or 1,000 km of line (10km for total lines under 100km, 1000km for total lines over 1000km, and 100km for all the others).

Results provided by ESA, CNPI had zero incidents in 2015.

## System Reliability

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

CNPI's customers experienced an increase in the average duration of electrical service disruptions in 2015 over the previous year. There were three significant events that contributed to this decline in performance. The first event was due to sudden equipment failure on September 9<sup>th</sup> that occurred while the nearby backup supply was unavailable because of planned construction activities, resulting in longer than normal restoration times. The other two events were caused by severe wind storms on October 29<sup>th</sup> and November 12<sup>th</sup>, with sustained wind speeds in excess of 80 km/h, and gusts in excess of 105 km/h.

CNPI continues to invest in grid modernization in order to gain visibility on the state of the distribution system and improve overall response and restoration times. Grid modernization initiatives include the deployment of automated devices and implementation of an outage management system. CNPI understands that reliability of electrical service is a high priority for its customers and continues to invest in replacement of end-of-life assets as well as vegetation management.

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

CNPI's customers experienced an increase in the average number of electrical service disruptions in 2015 over the previous year. The events that contributed to this increase are the same as those described in the section above. The wind storms of October 29<sup>th</sup> and November 12<sup>th</sup> resulted in 85 separate outages, impacting thousands of customers.

CNPI has deployed several initiatives aimed at reducing the number of electrical service interruptions such as the vegetation management program and cyclical asset preventative maintenance programs.

CNPI reviews outage statistics on a monthly basis to identify areas of poor distribution system performance. This process indicates any trends in poor performance and identifies opportunities to improve reliability. CNPI also completes asset condition assessments to identify assets that present a risk of impacting system reliability. CNPI uses reliability indicators and asset condition assessment data as key drivers into the system planning process.

## Asset Management

- **Distribution System Plan Implementation Progress**

CNPI completed its 2015 capital projects as planned. CNPI has also developed an Asset Management Plan and a Distribution System Plan in accordance with the OEB's Chapter 5 Consolidated Distribution System Plan Filing Requirements. In April 2016, CNPI filed these plans as part of evidence in support of its 2017 cost of service rate application.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the Ontario Energy Board to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. The statistical model developed by Pacific Economics Group to predict a distributor's costs relies on a data set that includes all distributors in Ontario.

For 2015, CNPI was placed in Group 4 indicating that actual costs are within 25% of the costs predicted by the statistical model. CNPI's total costs are reflective of its continued re-investment in its distribution system.

- **Total Cost per Customer**

The statistical model developed by Pacific Economics Group produces total capital and operating costs for each distributor that can be used for the purpose of comparing distributors. This amount is then divided by the total number of customers that CNPI serves to determine Total Cost per Customer. The cost performance result for 2015 is \$778 per customer which is a 3.9% increase over 2014. However, CNPI's Total Cost per Customer has increased on average by only 1.8% per annum over the period 2011 through 2015.

Historical cost measures are reflective of the fact that 80% of CNPI's service territory is located in rural areas, subject to more severe weather due to its location on the shore of Lake Erie (Lake Ontario for Eastern Ontario Power's service territory) with its prevailing winds and lake effect precipitation, and the operation and maintenance of several distribution substations. CNPI performs a comprehensive series of programs to meet all legal and regulatory requirements, with special emphasis on public safety, optimizing reliability, meeting customers' needs, and general cost control.

CNPI will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts. CNPI will continue to seek and implement productivity and system reliability improvement initiatives to help offset some of the costs associated with future system enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on CNPI's capital spending plans.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the total kilometers of line that CNPI operates to serve its customers. CNPI's 2015 rate is \$21,726 per km of line, a 2.5% increase over 2013. However, CNPI's Total Cost per Customer has increased on average by only 2.0% per annum over the period 2011 through 2015.

As outlined on Total Cost per Customer above, historical cost measures are reflective of the fact that 80% of CNPI's service territory is located in rural areas, subject to more severe weather due to its location on the shore of Lake Erie (Lake Ontario for Eastern Ontario Power's service territory) with its prevailing winds and lake effect precipitation, and the operation and maintenance of several distribution substations. CNPI performs a comprehensive series of programs to meet all legal and regulatory requirements, with special emphasis on public safety, optimizing reliability, meeting customers' needs, and general cost control.

As outlined on Total Cost per Customer above, CNPI will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts. CNPI will continue to seek and implement productivity and system reliability improvement initiatives to help offset some of the costs associated with future system enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on CNPI's capital spending plans.

## **Conservation & Demand Management**

- **Net Cumulative Energy Savings**

On the basis of the IESO's "Final 2015 Annual Verified Results Report" issued on June 30, 2016, CNPI achieved 12.3% of its Net Energy Savings target for the 2015 – 2020 timeframe. CNPI fully leveraged the suite of Independent Electricity System Operator ("IESO") province-wide demand management programs and placed emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers.

Much of this success can be attributed to the successful promotion of energy efficiency programs and strong participation by commercial customers in the Retrofit and Small Business Lighting Programs.

## Connection of Renewable Generation

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

CNPI did not receive any requests for renewable generation connections requiring Connection Impact Assessments in 2015.

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

In 2015, CNPI connected twenty (20) new micro-embedded generation facilities (microFIT projects of less than 10 kW). All twenty facilities were connected within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. CNPI works closely with its customers and their contractors to make the connection process as streamlined and transparent as possible.

## Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

The Scorecard reports the current ratio for CNPI's segmented distribution business as 0.35 for 2015 (2014 0.33). CNPI however manages liquidity on a consolidated basis that includes both its transmission and distribution divisions. On this basis, the 2015 liquidity current ratio based on CNPI's audited financial statements is 1.48 (2014 1.59). The liquidity ratio has remained relatively unchanged over the past several years and going forward it is expected to, at a minimum, be held relatively constant. CNPI has consistently maintained a consolidated liquidity ratio greater than 1.0, which is an indication that CNPI is appropriately leveraged.

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

The Scorecard reports the total debt to equity ratio for CNPI's segmented distribution business as 1.72 (2014 2.02). CNPI however manages its capital structure on a consolidated basis that includes both its transmission and distribution divisions. On this basis, the 2015 leverage debt to equity ratio based on CNPI's audited financial statements is 1.28 (2014 1.27). CNPI's consolidated leverage ratio has remained relatively unchanged over the past several years and going forward it is expected to be held relatively constant.



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

CNPI's 2015 distribution rates were approved by the Ontario Energy Board as part of its last Cost of Service application for rates effective January 1, 2013 and this included an expected (deemed) regulatory return on equity of 8.93%. The Ontario Energy Board allows a distributor to earn within +/- 3% of the expected return on equity.

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

CNPI's return achieved in 2015 was 10.00% (2014 8.31%), which is within the +/- 3% range allowed by the Ontario Energy Board. CNPI achieved returns are higher in 2015 as compared to 2014 due to a higher adjusted regulated net income.

## 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.