

Scorecard - Northern Ontario Wires Inc.

9/24/2014

Performance Outcomes	Performance Categories	Measures	2009	2010	2011	2012	2013	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%	87.50%	97.20%	91.90%		90.00%		
		Scheduled Appointments Met On Time	100.00%	96.00%	100.00%	100.00%	100.00%		90.00%		
		Telephone Calls Answered On Time	100.00%	0.00%	0.00%	0.00%	100.00%		65.00%		
	Customer Satisfaction	First Contact Resolution									
		Billing Accuracy									
		Customer Satisfaction Survey Results									
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Public Safety [measure to be determined]									
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	2.75	4.62	3.42	4.63	3.89		at least within 2.75 - 4.63		
		Average Number of Times that Power to a Customer is Interrupted	2.02	2.03	1.23	2.19	1.62		at least within 1.23 - 2.19		
	Asset Management	Distribution System Plan Implementation Progress									
	Cost Control	Efficiency Assessment				1	1				
		Total Cost per Customer ¹	\$539	\$552	\$581	\$627	\$687				
		Total Cost per Km of Line ¹	\$8,806	\$8,983	\$9,506	\$10,284	\$11,268				
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 Annual Peak Demand Savings (Percent of target achieved) ²			10.00%	11.00%	13.60%			1.06MW	
		Net Cumulative Energy Savings (Percent of target achieved)			32.00%	56.00%	79.30%			5.88GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time									
		New Micro-embedded Generation Facilities Connected On Time					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)	1.99	1.94	2.22	1.94	1.59				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.80	0.71	0.83	1.22	1.69				
		Profitability: Regulatory Return on Equity			Deemed (included in rates)	9.85%	8.01%	8.98%			
					Achieved	10.65%	2.48%	-13.11%			

Legend:

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

Notes:

1. 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.

2. The Conservation & Demand Management net annual peak demand savings do not include any persisting peak demand savings from the previous years.

Management Discussion and Analysis for Year 2013

Service Quality

Northern Ontario Wires Inc. has met and exceeded the Service Quality Indicators apart from the Telephone Calls. NOW Inc. does not have an automated system which would calculate the measurement required. We are a small utility that provides a personable service by answering all calls live. We have tracked our calls internally, however this measurement is not accepted. There are no plans to convert to an automated system as we firmly believe that we are to remain accessible to our customers with our friendly front-line staff.

Customer Satisfaction

Safety

System Reliability

Northern Ontario Wires Inc. experiences very few power outages in our opinion. Most outages occur from defective equipment on an aging infrastructure, which we are aggressively upgrading in accordance with our Asset Management Plan. Otherwise, we deal with weather and foreign interferences (mainly crows). We have noted there have been more frequent interruptions in Kapuskasing, which were out of our control and a Hydro One Inc. issue (loss of supply).

Asset Management

Cost Control

NOW Inc. is continuously seeking measures to improve costs by lowering expenses. These numbers can also be skewed due to our northern geography. Northern Ontario Wires Inc. serves three municipalities, which are non-continuous service territories. Hydro One Inc. is the provider in between. As such, NOW Inc. must maintain three service centres and three crews. However, given these challenges, we have managed to maintain a tight expense line and have streamlined our staff. We have eliminated one senior management position, one billing clerk position and a lineman has recently retired. Most of these savings will only be realized in 2015. In addition, NOW Inc. is a member of the North-East District Buying Consortium, which assures best pricing on inventory.

Conservation & Demand Management

Northern Ontario Wires Inc. is pleased with the CDM results thus far. It has been a challenge to meet the Demand target however as we are predominantly residential (86%). Another point for consideration is that we are a winter-peaking utility. We are confident we will meet the Energy target by the end of 2014.

Connection of Renewable Generation

Northern Ontario Wires Inc. currently has a total of 13 micro-embedded generation facilities. Of these, the Connection Impact Assessments were all completed in a timely manner and the facilities connected on time. There have been no recent applications for micro-embedded generation facilities to measure.

Financial Ratios

In 2013, Northern Ontario Wires had a large user that declared bankruptcy. The plywood mill filed for protection, which led to a large loss to the company. Had this event not occurred, we would have had a positive return on equity. However, given the cost control measures that were already implemented (see Cost Control), we were able to mitigate the impact of this event. Subsequently, NOW Inc. had to rely heavily upon its line of credit as a result of this cash flow issue. Additionally, we are looking to close the gap on the global adjustment estimate as this creates a financial lag in cash flow. By implementing small changes, we can improve the profitability and return on equity.

In June of 2013, Northern Ontario Wires Inc. assumed 100% of the CEO's salary, whereas these costs were previously shared with the affiliate. Other one time, unforeseen and unavoidable occurrences such as substation repairs, organization level changes all contributed to a low ROE.

Another interesting point is the Cost of Service Application. Consultant and regulatory fees (hearing at OEB) were considerably higher than anticipated, which had a direct result on our profit margin. bucket truck

With regard to fleet, it is prudent to add that we are having difficulty with a , wherein repair costs have been above norm. We are presently exploring different options in order to rectify this issue.

In management's opinion, excluding these aforementioned unique occurrences, Northern Ontario Wires Inc. would have achieved a positive return on equity more consistent with OEB guidelines.