

# Scorecard - Canadian Niagara Power Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	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	94.70%	97.70%	95.70%	93.10%	96.00%		90.00%	
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
		Telephone Calls Answered On Time	85.10%	83.40%	84.60%	82.60%	78.20%		65.00%	
	Customer Satisfaction	First Contact Resolution					99.9%			
		Billing Accuracy					99.92%		98.00%	
		Customer Satisfaction Survey Results				80.84%	79.59%			
<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 [measure to be determined]								
		Level of Compliance with Ontario Regulation 22/04	NI	C	C	C	C			C
	Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	1			0
		Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.978			0.137
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.90	1.82	1.89	3.22	1.95			at least within 0.90 - 3.22
		Average Number of Times that Power to a Customer is Interrupted	1.27	1.63	2.21	2.72	2.07			at least within 1.27 - 2.72
	Asset Management	Distribution System Plan Implementation Progress					Completed			
	Cost Control	Efficiency Assessment				4	4	4		
Total Cost per Customer <sup>1</sup>		\$715	\$727	\$679	\$726	\$749				
Total Cost per Km of Line <sup>1</sup>		\$19,893	\$20,204	\$18,790	\$20,275	\$21,202				
<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 Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>		8.06%	14.05%	37.28%	54.56%			4.07MW
		Net Cumulative Energy Savings (Percent of target achieved)		30.41%	46.13%	64.52%	82.55%			15.81GWh
	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%		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)	0.77	0.65	0.33	0.34	0.33			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	2.68	2.97	2.53	2.30	2.02			
		Profitability: Regulatory Return on Equity		Deemed (included in rates)	8.01%	8.01%	8.93%	8.93%		
			Achieved	7.21%	9.42%	6.71%	8.31%			

**Notes:**

- 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.
- The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

**Legend:**

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

## Appendix A – 2014 Scorecard Management Discussion and Analysis (“2014 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 2014 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard\\_Performance\\_Measure\\_Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf)

### Scorecard MD&A - General Overview

In 2014, CNPI met or exceeded 83% of all performance targets.

In 2015, 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 2014, CNPI connected 96% of the 150 new eligible low-voltage residential and small business customers within the Ontario Energy Board’s prescribed five day timeline. Since 2010, CNPI has consistently met the Ontario Energy Board’s target and continues to trend upwards.

- **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 2014, customer service representatives answered 78.20% of its 42,361 calls within 30 seconds. This exceeds the Ontario Energy Board's mandated 65% target. 2014 results are slightly lower than previous years. 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 from July 1, 2014 to December 31, 2014. For this period, less than one percent of calls were escalated.

- **Billing Accuracy**

For the period from October 1, 2014 – December 31, 2014, CNPI issued approximately than 87,000 invoices and 99.9% were accurate. This is above the industry standard of 98%.

- **Customer Satisfaction Survey Results**

CNPI utilizes a third party to conduct a telephone survey for its residential customers. The survey includes questions regarding the quality of service, safety, billing, customer communications and information on the industry. The results cited on the scorecard represent customers who indicated that they were 'completely' and 'mostly' satisfied with the overall quality of service. To date, CNPI has not included responses of being 'somewhat' satisfied in the scorecard result. 2014 results were slightly lower than 2013 which is consistent with lower 2014 industry results. This reduction may be attributable to well published events in the industry as a whole, such as the Ombudsman's report on electricity billing and the increasing cost of energy. However, within the survey, customers continue to rate CNPI very high for the safe and reliable delivery of service and providing timely and accurate bills at 90% and 91%, 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**

CNPI has a number of internal initiatives to communicate Public Awareness of Electrical Safety to our customers. Additionally, CNPI partners with ESA in promoting ESA provincial wide public safety campaigns.

- **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 2014 is Compliant.

- **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 one incident in 2014.

## System Reliability

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

CNPI's customers experienced a decrease in the average duration of electrical service disruptions in 2014 over the previous year. 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 have experienced a reduction in the average number of electrical service disruptions in 2014 over the previous year. 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 has also completed an asset condition assessment 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 currently follows an internally developed five year capital planning process for expenditures on the distribution system. CNPI is in the process of aligning its internally developed process with the requirements outlined in the Chapter 5 Consolidated Distribution System Plan Filing guideline, including the Distribution System Plan. CNPI will be filing a formal Distribution System Plan in accordance with Chapter 5 in 2016 as part of evidence for its next cost of service 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 model developed by Pacific Economics Group to predict a distributor's costs relies on a data set that includes all distributors in Ontario. For 2014, CNPI was placed in Group 4 indicating that actual costs are within +/- 25% of predicted costs.

However, CNPI uses industry-standard budgeting and accounting practices to predict and track its costs. The actual costs incurred each year by CNPI to deliver all of its programs generally compare favorably to the costs predicted by these practices. For 2014, these actual costs were within 5% of predicted (budgeted) costs. CNPI believes that this variance is minimal and indicative of sound performance from its distribution system planning process. CNPI's forward looking goal is that this efficiency performance will not decline in future years.

- **Total Cost per Customer**

Total cost is calculated as the sum of CNPI's OM&A costs, including depreciation and financing costs. 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 2014 is \$749 /customer which is a 3.2% increase over 2013. However, CNPI's Total Cost per Customer has increased on average by only 1.3% per annum over the period 2010 through 2014. This compares favorably with the Consumers Price Index (CPI) over the same period.

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 2014 rate is \$21,202 per km of line, a 4.6% increase over 2013. However, CNPI's Total Cost per Customer has increased on average by only 1.8% per annum over the period 2010 through 2014. This compares favorably with the CPI over the same period.

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.

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## **Conservation & Demand Management**

- **Net Annual Peak Demand Savings (Percent of target achieved)**

On the basis of the IESO's "2011 – 2014 Final Results Report" issued on September 1, 2015, CNPI achieved 54.6% of its Net Annual Peak Demand Savings. 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.

CNPI had been challenged in its efforts to meet the assigned target due to a significant reduction in customer demand and energy consumption, in 2011, which has continued into 2014 with a decline in customer demand coupled with customer closures. This resulted in significant adverse economic impacts affecting the entire service territory. Due to these negative economic impacts, a lack of growth and decline in the larger customer base, the CNPI service territories have seen a dramatic overall decline in energy throughput and system

demand since 2008; the year that was used as the base year to set the mandated targets.

- **Net Cumulative Energy Savings (Percent of target achieved)**

On the basis of the IESO's "2011 – 2014 Final Results Report" issued on September 1, 2015, CNPI achieved 82.6% of its Net Energy Savings. 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.

CNPI had been challenged in its efforts to meet the assigned target due to a significant reduction in customer demand and energy consumption, in 2011, which has continued into 2014 with a decline in customer demand coupled with customer closures. This resulted in significant adverse economic impacts affecting the entire service territory. Due to these negative economic impacts, a lack of growth and decline in the larger customer base, the CNPI service territories have seen a dramatic overall decline in energy throughput and system demand since 2008; the year that was used as the base year to set the mandated targets.

## Connection of Renewable Generation

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

CNPI did not receive any requests for a renewable generation connections in 2014.

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

In 2014, CNPI connected twenty-three (23) new micro-embedded generation facilities (microFIT projects of less than 10 kW). All but one facilities were connected within the prescribed time frame of five business days. Only one facility was connected on the sixth day. 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. On a consolidated basis, the 2014 liquidity current



ratio based on CNPI's audited financial statements is 1.59 (2013 1.22). 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 shown a 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 Ontario Energy Board uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5.

The Scorecard reports the total debt to equity ratio for CNPI's segmented distribution business. On a consolidated basis, the 2014 leverage debt to equity ratio based on CNPI's audited financial statements is 1.27. The 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 2014 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 2014 was 8.31%, which is within the +/- 3% range allowed by the Ontario Energy Board. CNPI achieved returns are higher in 2014 as compared to 2013 due to a higher adjusted regulated net income, as a result of decreased expenses offset by a decline in distribution revenue.

## Note to Readers of 2014 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.