

Scorecard - Niagara-on-the-Lake Hydro Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	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%	98.60%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%		
		Telephone Calls Answered On Time	88.60%	87.70%	91.50%	91.70%	85.30%		65.00%		
	Customer Satisfaction	First Contact Resolution				1	1				
		Billing Accuracy					99.77%		98.00%		
		Customer Satisfaction Survey Results				97%	97%				
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 [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0			0
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.000			0.000	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.06	15.39	0.94	3.55	0.94			at least within 0.06 - 15.39	
		Average Number of Times that Power to a Customer is Interrupted	0.03	4.36	0.95	0.42	1.07			at least within 0.03 - 4.36	
	Asset Management	Distribution System Plan Implementation Progress					99%				
	Cost Control	Efficiency Assessment				3	3	3			
Total Cost per Customer ¹		\$728	\$736	\$719	\$699	\$710					
Total Cost per Km of Line ¹		\$16,779	\$16,929	\$18,051	\$18,516	\$18,895					
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		9.51%	17.46%	33.22%	56.72%			2.42MW	
		Net Cumulative Energy Savings (Percent of target achieved)		46.82%	78.76%	103.75%	128.14%			8.27GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		100.00%		100.00%					
		New Micro-embedded Generation Facilities Connected On Time				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)	0.71	0.60	0.64	0.68	0.62				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.89	0.81	0.68	0.57	0.46				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.01%	8.01%	8.01%	9.36%			
			Achieved		11.00%	7.46%	3.84%	10.85%			

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 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%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

Niagara-on-the-Lake Hydro manages its operations so as to provide the best possible service to its customers at a reasonable cost over the long term. This focus on operational excellence will generally result in good benchmarks but there will be cases where our practices may not align with some of the benchmarks, such as our low debt to equity ratio or our significant annual capital investment program.

Customer Focus

Niagara-on-the-Lake Hydro’s focus is on serving the customer. We make every effort to make it easy for our customers to engage with us should they wish to. We remain committed to providing our customers with the most reliable service at the least possible cost.

Operational Effectiveness

Safety of the public and our workers is always Niagara-on-the-Lake Hydro’s over-riding priority. Niagara-on-the-Lake Hydro has had zero serious electrical incidents over the past years and is gratified to have won a prestigious safety award, the Infrastructure Health and Safety Association's "Zero Quest - Sustainability" award, the first electricity distributor in Ontario to do so.

The reliability of our system has improved substantially over the last decade and now has one of the lowest line loss ratios. The system will be enhanced by a major addition of transformer station capacity in 2015 as well as our ongoing capital investment program.

Public Policy Responsiveness

Niagara-on-the-Lake Hydro maintains strong relations and works closely with regulators and government bodies as we believe this is in the long-term best interests of our customers. Attention is focused on those areas most beneficial to our customers such as energy conservation (ranked 15th amongst distributors) and distributed generation (extensive uptake on solar generation).

Financial Performance

Niagara-on-the-Lake Hydro’s financial viability is maintained through a low debt to equity ratio and a sustained profitability.

Service Quality

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

In 2014, Niagara-on-the Lake Hydro connected 98.6% of the 361 requested low-voltage connections (i.e. under 750 volts) for residential and small business customers within the five-day timeline prescribed by the Ontario Energy Board. This number of requests represents a 37% increase over the 263 requests in 2013, which is driven primarily by new growth. Niagara-on-the Lake Hydro considers “New Services Connected on Time” an important form of customer engagement as it is the utility’s first opportunity to meet and/or exceed its customer’s expectations, which in turn affects the level of customer satisfaction within a utility’s territory.

- **Scheduled Appointments Met On Time**

If an appointment is scheduled with a customer it is expected that Niagara-on-the-Lake Hydro staff will keep that appointment except in the event of an emergency. 100% of scheduled appointments were met in 2014.

- **Telephone Calls Answered On Time**

In 2014, Niagara-on-the Lake Hydro received an average of approximately 800 calls per month (or 40 calls per day) from its customers. This represents almost 10% of its customer base. Niagara-on-the Lake Hydro considers “Telephone Calls” to be an important service for responding to its customers’ needs and preferences.

Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The Ontario Energy Board (OEB) has instructed all electricity distributors to review and develop measurements in these areas and begin tracking by July 1, 2014 so that information can be reported in 2015. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, distributors may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve

meaningful comparable information across electricity distributors. At this time, Niagara-on-the-Lake Hydro measures "first contact resolution" as the number of complaints that are escalated beyond internal departments to the CEO, Board of Directors or the OEB for resolution. In 2014, as in 2013, there was only one such complaint.

- **Billing Accuracy**

Billing Accuracy is a new scorecard measure introduced by the Ontario Energy Board late in 2014, and is defined as the number of accurate bills issued expressed as a percentage of total bills issued. Customers rely on their utility for an accurate bill and are understandably upset if a bill is not accurate so Niagara-on-the-Lake Hydro takes this responsibility very seriously. In the 3-month period from October to December, 2014, Niagara-on-the-Lake Hydro issued approximately 26,000 electricity bills and achieved a billing accuracy of 99.8%.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. The Ontario Energy Board has not yet issued a common definition for this measure but is expected to do so within the next few years. As a result, the measure used by Niagara-on-the-Lake Hydro may differ from other utilities in the Province.

Niagara-on-the-Lake Hydro designed and conducted a customer satisfaction survey in 2013. 32% of respondents were very satisfied with NOTL's performance on a list of services, 53% were satisfied and 13% were neutral, for a total of 97% satisfied or neutral. This result was reported in the 2013 Scorecard.

For 2015, Niagara-on-the-Lake Hydro has engaged a third-party organization to conduct a new customer satisfaction survey. This statistical survey canvasses a number of key areas including power quality and reliability, price, billing and payments, communications, and the overall customer service experience. There is a cost to surveys, which is ultimately passed on to the customer, which Niagara-on-the-Lake Hydro respects and seeks to minimize while still getting this valuable feedback from customers.

Safety

- **Public Safety**

Public Safety is a new scorecard measure introduced by the Ontario Energy Board for the 2014 scorecard. The Public Safety measure is generated by the Electrical Safety Authority and is comprised of three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index. A breakdown of the three components is as

follows:

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

Component A consists of a new statistical survey that gauges the public's awareness of key electrical safety concepts related to electrical distribution equipment found in a utility's territory. The survey also provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required. **Please Note: The survey for Component A has not yet been implemented and will not be reported until next year.**

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

Component B consists of a utility's compliance with Ontario Regulation 22/04 - Electrical Distribution Safety. Ontario Regulation 22/04 establishes the safety requirements for the design, construction, and maintenance of electrical distribution systems, particularly in relation to the approvals and inspections required prior to putting electrical equipment into service. Over the past three years, Niagara-on-the-Lake Hydro was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and the adherence to company procedures and policies.

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

Component C consists of the number of serious electrical incidents, including fatalities, which occur within a utility's territory. Niagara-on-the-Lake Hydro has had no fatalities and no serious incidents within its territory since incorporation in 2000. To maintain this high level of safety, efforts are continually made to identify areas of concern and then modify access to these areas by erecting additional barriers and further restricting access to these locations.

NOTL Hydro's over-riding priority is safety of the public and its employees. In 2012, NOTL Hydro was the first local distribution company to receive the Infrastructure Health and Safety Association's "Zero Quest - Sustainability" award.

System Reliability

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

The average number of hours that power to a customer is interrupted is a measure of system reliability or the ability of a system to perform its required function. Niagara-on-the-Lake Hydro views reliability of electrical service as a high priority for its customers and constantly monitors its system for signs of reliability degradation. Niagara-on-the-Lake Hydro also regularly maintains its distribution system to ensure its level of reliability is kept as high as possible. The OEB typically requires a utility to keep its hours of interruption within the range of its historical performance. However, outside factors such as severe weather, defective equipment, or even regularly scheduled maintenance can greatly impact this measure. For 2014, Niagara-on-the-Lake Hydro's customers experienced an average

of 0.94 hours of interrupted power which is within the range of the historical performance. The 2011 and 2013 hours of interruptions were relatively higher than other years due to a severe windstorm in 2011 and a severe lightning storm in 2013.

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

The average number of times that power to a customer is interrupted is also a measure of system reliability and is also a high priority for Niagara-on-the-Lake Hydro. As outlined above, the OEB also typically requires a utility to keep this measure within the range of its historical performance and outside factors can also greatly impact this measure. Niagara-on-the-Lake Hydro's customers experienced interrupted power an average of 1.07 times during 2014. This is within the range of its historical performance for interrupted power and consistent with other measures over the five-year period between 2010 and 2014. The 2011 hours of interruptions were relatively higher than other years due to a severe windstorm.

Asset Management

- **Distribution System Plan Implementation Progress**

Distribution system plan implementation progress is a new performance measure instituted by the Ontario Energy Board beginning in 2013. Niagara-on-the-Lake Hydro's Distribution System Plan was filed with the 2014 rate application and attempts to strike a balance between the need for system renewal, providing services to new and upgrading customers, adoption of new technology and automation, ongoing system maintenance and strong customer service while considering appropriate, affordable rates along with the long-term financial capabilities of our company. The plan outlines forecasted capital expenditures over the period 2014 to 2018. A prominent element of the system renewal component of the plan for 2015 is the replacement and upsizing of one of the transformer units at one of Niagara-on-the-Lake Hydro's two transformer stations. This \$2.5 million new unit will help ensure the security of supply for Niagara-on-the-Lake for years to come.

The Distribution System Plan Implementation Progress measure is intended to assess Niagara-on-the-Lake Hydro's effectiveness at planning and implementing these capital expenditures. Consistent with other new measures, utilities were given an opportunity to define this measure in the manner that best fits their organization. As a result, this measure may differ from other utilities in the Province.

Niagara-on-the-Lake Hydro currently defines this measure as the tracking of actual total capital project expenditures to planned total capital project expenditures, expressed as a percentage. For 2014, Niagara-on-the-Lake Hydro completed 99% of the capital projects planned for 2014 in terms of expenditures. The OEB is currently developing a standard measure in consultation with a Scorecard Working Group which is expected to be in place for utilities' 2015 scorecards.

Cost Control

- **Efficiency Assessment**

The total cost performance of each electricity distributor is evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2014, for the third year in a row, Niagara-on-the-Lake 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, Niagara-on-the-Lake Hydro’s costs are within the average cost range for electricity distributors in Ontario. In 2014, almost half of the distributors were ranked as “average efficiency” with the other distributors split approximately equally between those ranked as “more efficient” and those ranked as “less efficient.”

Niagara-on-the-Lake Hydro manages its costs with a view to providing the best service to its customers. This could include “inefficiencies” such as customers having access to all staff at its office or investing to improve reliability. In 2014, although we remained in Group 3, Niagara-on-the-Lake Hydro was in the top 5 of distributors in terms of improvement in cost performance since 2012 based on the evaluations by the Pacific Economics Group LLC.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of capital and operating costs divided by the total number of customers served. Operating costs are based on actual results while capital costs are almost double actual costs due to an econometric adjustment formula. Niagara-on-the-Lake Hydro’s operating cost per customer of \$243 is one of the lowest in Ontario for distributors with similar customer densities. A low capital cost per customer may be an indicator of insufficient investment rather than efficiency. Niagara-on-the-Lake Hydro maintains a significant capital investment program to accommodate growth and continually improve the system.

- **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 kilometers of line that the distributor operates to serve its customers. Niagara-on-the-Lake Hydro’s system currently accesses most of the Town so that most growth comes from in-fill projects using existing line or subdivision clusters served from the same line. As a result this benchmark can be expected to increase over time with inflation and new customer growth.

Conservation & Demand Management

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

Late in 2010, the OEB introduced a new 2011 - 2014 framework for electricity conservation and demand management (CDM) in Ontario. The OEB established CDM targets for the reduction of electrical consumption (kWh's) and electricity demand (kW's) to be met by licensed electricity distributors across the province. The Ontario Power Authority supported this initiative through the introduction of a number of OEB approved CDM programs designed to conserve electricity across all classes of electricity customers.

Niagara-on-the-Lake Hydro achieved 56.72% of its Net Annual Peak Demand (MW) Savings target of 2.42 MW at the end of 2014. The customer mix within Niagara-on-the-Lake was not conducive to achieving demand savings. Niagara-on-the-Lake Hydro ranked #38 of the Ontario LDCs in demand savings and only 6 LDCs met 100% of their demand target. No demand target has been set for the 2015-2020 period.

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

Niagara-on-the-Lake Hydro exceeded its four-year Net Cumulative Energy (GWh's) Savings target of 8.27 GWh at the end 2014 by 28.14%. This was the 15th best relative performance by an electricity distributor. This was achieved by leveraging the suite of OEB approved CDM programs primarily designed for the residential and small commercial classes of customers. For the 2015-2020 period, a new CDM framework is being implemented and new targets set for Energy Savings.

Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIA's) on all renewable generation connections within 60 days of receiving authorization from the Electrical Safety Authority. Niagara-on-the-Lake Hydro has developed and implemented an internal procedure to ensure compliance with this regulation. NOTL Hydro outsources the CIA work to an engineering consultant.

Niagara-on-the-Lake Hydro had 1 Renewable Generation Connection Impact Assessment in 2013, which was completed on time. In 2014, there were no impact assessments. As a result, the 2014 measure appears as blank in the scorecard.

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

In 2014, Niagara-on-the-Lake Hydro connected 5 new micro-embedded generation facilities (microFIT projects of less than 10 kW), of which 100% were connected within the prescribed time frame of five business days. These new connections bring the total number of micro-embedded generation facilities in Niagara-on-the-Lake at the end of 2014 to 130. Niagara-on-the-Lake Hydro works closely with its customers and their contractors to try make the installation as seamless as possible.

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.

Niagara-on-the-Lake Hydro’s current ratio decreased from 0.68 in 2013 to 0.62 in 2014. Reflected in the current liabilities in the calculation of these ratios are two long-term demand instalment loans (known as “swap” loans), one for the construction of a new transformer station in 2003 and the other for the purchase of a transformer station from Hydro One in 2005. As these are demand loans they are included in current liabilities for financial statement reporting purposes. Excluding these loans totaling approximately \$2.2 million from current liabilities, the current ratio was 1.14 in 2013 and 0.89 in 2014, which provides a more representative indicator of Niagara-on-the-Lake Hydro’s liquidity. The lower ratio in 2014 is primarily the result of timing of accounts payable.

Niagara-on-the-Lake Hydro maintains a practice of not carrying excess cash but using a line of credit with a Schedule A bank. This is more efficient than having excess cash in the bank. Niagara-on-the-Lake Hydro is comfortable with this practice due to its low debt levels.

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

The debt to equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. The Ontario Energy Board uses a capital structure of 60% debt and 40% equity (a debt to equity ratio of 60/40 or 1.5) when setting rates for an electricity utility. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments, while a low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that may be had through increased financial debt.

In 2014, Niagara-on-the-Lake Hydro’s debt to equity ratio was 0.46. Niagara-on-the-Lake Hydro's fiscal strategy regarding the debt to equity ratio has been to maintain a low risk debt/equity load. This was done to ensure that we had the borrowing capacity at favourable terms to meet the needs of the utility for planned and unexpected capital programs. Keeping the company fiscally sound serves the

best interests of customers and shareholders. Our debt to equity ratio allows Niagara-on-the-Lake Hydro to maintain its aggressive cash management practice and its strong capital program.

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

Return on equity (ROE) measures the rate of return on shareholder equity. ROE demonstrates an organization's profitability or how well a company uses its investments to generate earnings growth. Niagara-on-the-Lake Hydro's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.36% effective on May 1, 2014. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. If a distributor performs outside of this range, it may trigger a regulatory review of the distributor's financial structure by the OEB.

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

Niagara-on-the-Lake Hydro achieved a ROE of 10.85% in 2014, which is well within the 9.36 +/-3% range allowed by the OEB (see above paragraph). Actual ROE will vary from year to year based on the timing of tax expenses and capital activities. The average ROE over the previous 3 years (2011 to 2013) was 7.43%, which was also well within the deemed rate of 8.01% at that time +/- 3% range. It is also indicative of a healthy financial organization.

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.