Scorecard - Norfolk Power Distribution Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures		2010	2011	2012	2013	2014	Trend	Target: Industry	Target: 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		93.40%	99.10%	91.70%	94.80%	95.20%		90.00%	
		Scheduled Appointments Met On Time		96.60%	84.70%	94.10%	99.30%	98.50%		90.00%	
		Telephone Calls Answered On Time		84.00%	82.10%	84.10%	83.50%	82.80%		65.00%	
	Customer Satisfaction	First Contact Resolution						84.20%			
		Billing Accuracy						99.98%		98.00%	
		Customer Satisfaction Survey Results						89%			
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		NI	C	C	C	C			C
		Serious Electrical Incident Index	Number of General Public Incidents	0	3	0	0	0			0
			Rate per 10, 100, 1000 km of line	0.000	0.391	0.000	0.000	0.000			0.055
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted		1.48	5.77	1.78	2.04	3.50			at least within 1.48 - 5.77
		Average Number of Times that Power to a Customer is Interrupted		1.43	2.79	1.19	1.32	2.65			at least within 1.19 - 2.79
	Asset Management	Distribution System Plan Implementation Progress						100%			
	Cost Control	Efficiency Assessment				3	3	3			
		Total Cost per Customer [1]		$641	$651	$706	$689	$757			
		Total Cost per Km of Line [1]		$15,807	$16,097	$17,287	$16,915	$18,685			
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]			13.88%	21.09%	31.54%	41.83%			4.25MW
		Net Cumulative Energy Savings (Percent of target achieved)			26.32%	55.33%	80.48%	92.18%			15.68GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			66.67%	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)		1.47	1.62	1.65	1.34	2.22			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.00	1.00	0.96	0.91	1.22			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.57%	9.12%	9.12%	9.12%			
			Achieved		7.81%	5.17%	10.30%	2.99%			

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

Scorecard MD&A - General Overview

Norfolk Power had an eventful year in 2014 which resulted in successfully meeting or exceeding nearly all of its targets as described in detail below. Along with regular maintenance programs, Norfolk Power completed over $4 million dollars of capital upgrades to improve system reliability and replace aging equipment. Also during 2014 Norfolk Power was sold by the County of Norfolk to Hydro One. As part of that sale Hydro One reduced the distribution rates Norfolk Power charges its customers by 1% and froze them at the reduced level for 5 years.

Service Quality

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

In 2014, Norfolk Power connected 220 of 231 new low voltage services within 5 working days. As a percentage (95.2%), this number is consistent with the 217 of 229 connections (94.8%) in 2013 and well above the industry target of 90%.

- **Scheduled Appointments Met On Time**

In 2014 Norfolk Power saw an increase in customer appointments from 2,665 to 3,187 from the year before. Norfolk Power met 98.5% of those appointments which compares favorably to the industry standard of 90%.

- **Telephone Calls Answered On Time**

Norfolk Power was able to answer 82.8% of its calls in less than 30 seconds which is consistent with previous years and well above the industry target of 65%.

Customer Satisfaction

- **First Contact Resolution**

Norfolk Power recognizes the importance of resolving customer concerns in a timely manner and strives to resolve concerns during the first contact with each customer. In 2014, Norfolk Power was able to resolve 84.2% of concerns during the initial customer contact. This is a new metric added to the scorecard this year.

- **Billing Accuracy**

Norfolk Power is pleased to report a billing accuracy of 99.98% in 2014, which exceeds the 98.0% industry target.

- **Customer Satisfaction Survey Results**

Norfolk Power conducts a Customer Satisfaction survey every two years, although this is the first year the results have been reported on the Scorecard. The 2014 survey asked customers questions on a number of topics including customer service, corporate image and system reliability. Overall, 89% of customers indicated they were ‘very’ or ‘fairly’ satisfied with Norfolk Power. This is consistent with previous surveys in 2012 and 2010 which scored 89% and 86%, respectively.

Safety

- **Public Safety**

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

    N/A for 2014

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

    Norfolk Power is compliant with Ontario Regulation 22/04, which establishes safety standards for the design, construction and maintenance of electrical distribution systems.

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

  Norfolk Power considers safety at all levels of the organization to be its top priority and continues to work hard to ensure the public, our employees and our contractors, are provided with the training, information and tools necessary to be safe at all times. Norfolk Power is pleased to have zero serious electrical incidents to report in 2014.

System Reliability

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

The increase from 2.04 to 3.50 was primarily a result of two large wind storms in the fall in November 2014. A storm in November resulted in 11,615 customer hours of interruption for 2,543 customers and a storm in September resulted in 9,941customer hours of interruption for 6,858 customers. Despite the increase from 2013, this score falls within the range from previous years and within the distributor target of 1.48 – 5.77.

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

The increase from 1.32 to 2.65 was primarily a result of the wind storms explained above. This score falls within the histrocial range and within the distributor target of 1.19 – 2.79.

Norfolk Power continues with improvement programs such as tree trimming, installation of animal guards, end of life asset replacement, and system design to improve overall system reliability.

Asset Management

- **Distribution System Plan Implementation Progress**

Norfolk Power continues to implement its distribution system plan to replace aging assets and maintain its system.

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 OEB 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. In 2014, for the third year in a row, Norfolk was placed in Group 3. Group 3 is considered “average efficiency”, Norfolk’s costs are within the average cost range for distributors in the Province of Ontario.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Norfolk's capital and operating costs and dividing this cost figure by the total number of customers that Norfolk serves. The result for 2014 is $757/customer. The increase compared to the previous year was primarily the result of one-time expenses related to the sale of Norfolk Power by Norfolk County, increased station maintenance and environmental expense, as well as increases in normal operating expenses. Post sale to Hydro One additional expenses were incurred related to integration of the two companies.

- **Total Cost per Km of Line**

Total cost per Km of line is calculated as the sum of Norfolk's capital and operating costs and dividing this cost figure by the total Kms of line in Norfolk's infrastructure. The cost performance result for 2014 is $18,685/km. The causes of the increase in cost per Km of line are the same described above under Cost per Customer.

Conservation & Demand Management

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

Norfolk Power had a target to reduce peak demand by 4.25MW. Norfolk was able to meet 41.8% of this target which was an increase from 31.5% in 2013. Norfolk was unsuccessful in meeting its target due to allocated TOU demand savings falling below the provincial forecast, Ontario Power Authority ("OPA") province-wide CDM programs being launched later than expected and overall uptake of programs by customers being lower than anticipated.

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

Norfolk Power had a four year energy savings target of 15.68 GWh and was successful in achieving 92.2% or 14.46 GWh. The shortfall was the result of and slower than anticipated uptake of province-wide CDM programs and completion of related projects. Specifically, several RETROFIT projects were not completed by December 31, 2014 and carried over into the first quarter of 2015.

Connection of Renewable Generation

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

There were no Customer Impact Assessments for Norfolk Power in 2014.

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

Norfolk works closely with customers to ensure timelines are met. As a result, 100% of microFIT connections were successfully completed on time in 2014 which compares favorably to the Industry target of 90%.

Financial Ratios

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

Norfolk's strong balance sheet shows that current assets are more than twice as much as the current liabilities. This shows great liquidity as Norfolk has the potential to pay off its currently liabilities if it were to liquidate its current assets.

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

The OEB 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 (60/40). Norfolk Power's debt to equity rose from .91 to 1.22 at the end of 2014. The increase in the ratio reflects an increase of debt, but debt level is still well below the deemed capital structure.

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

Norfolk Power has an approved return on equity of 9.12%, which was approved in 2012 for a 4 year period. The OEB allows a distributor to earn within +/- 3% of the expected return on equity.

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

Norfolk Power's return in 2014 was 2.99%, which falls below the +/-3% range allowed by the OEB. The shortfall was due primarily to increased costs from the previous year. In addition to normal operating expense increases, specific increases include one-time expenses related to the sale of Norfolk Power by Norfolk County, and increased expenses for station maintenance and environmental expense. Post sale to Hydro One additional expenses were incurred related to integration of the two companies.

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.