

Scorecard - Northern Ontario Wires 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%	87.50%	97.20%	91.90%	100.00%	↑	90.00%		
		Scheduled Appointments Met On Time	96.00%	100.00%	100.00%	100.00%	100.00%	↑	90.00%		
		Telephone Calls Answered On Time	0.00%	0.00%	0.00%	100.00%	100.00%	↑	65.00%		
	Customer Satisfaction	First Contact Resolution					100%				
		Billing Accuracy					100.00%	→	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	NI	NI	NI	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	4.62	3.42	4.63	3.89	2.19	↓		at least within 3.42 - 4.63	
		Average Number of Times that Power to a Customer is Interrupted	2.03	1.23	2.19	1.62	1.41	↓		at least within 1.23 - 2.19	
	Asset Management	Distribution System Plan Implementation Progress					Excellent				
	Cost Control	Efficiency Assessment			1	1	1				
		Total Cost per Customer ¹	\$552	\$581	\$627	\$687	\$643				
Total Cost per Km of Line ¹		\$8,983	\$9,506	\$10,284	\$11,268	\$10,532					
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		7.93%	19.35%	32.90%	52.74%	●		1.06MW	
		Net Cumulative Energy Savings (Percent of target achieved)		31.91%	56.20%	79.28%	97.69%	●		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)	1.94	2.22	1.94	1.59	1.22				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.71	0.83	1.22	1.69	1.71				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.85%	8.01%	8.98%	8.98%			
			Achieved		10.65%	2.48%	-13.11%	8.99%			

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

Scorecard MD&A - General Overview

In 2014, Northern Ontario Wires Inc. exceeded all performance targets with the exception of the two measures of conservation and demand management. Northern Ontario Wires continues to promote conservation and demand management and has had success despite the achieved results on the scorecard which is outlined below. System reliability results showed improvement and similar to other utilities in Ontario, Northern Ontario Wires Inc. must replace aging infrastructure in addition to vegetation control including tree trimming activities to increase system reliability.

In 2015, the company expects to improve its overall scorecard performance results as compared to prior years. The performance improvements are expected as a result enhanced system reliability due to the investment in its distribution system reliability and continued responsiveness to customer feedback.

Service Quality

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

In 2014, Northern Ontario Wires Inc. connected 100% of 40 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB). This is an 8% improvement from the previous year and above the OEB-mandated threshold of 90%. The improvement over the prior year was primarily the result of a newly implemented work order scheduling and tracking system. In addition, where possible, Northern Ontario Wires Inc. also coordinates connection activities with other planned construction activities undertaken by the utility, other utilities or municipal and provincial government agencies. Northern Ontario Wires Inc. is currently working with local municipalities, to further enhance the coordination between municipal and electrical distribution construction activities.

- **Scheduled Appointments Met On Time**

Northern Ontario Wires Inc. only had 6 appointments with its customers in 2014 to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. Consistent with the prior year, the utility met 100% of these appointments on time, which significantly exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2014 Northern Ontario Wires Inc. received approximately 4,821 calls from its customers – roughly 20 calls per working day. Our clerks answer calls within 30 seconds or less at all times. This result significantly exceeds the OEB-mandated 65% target for timely call response. Northern Ontario Wires does not have an automated system and promotes a one-on-one friendly service. Call volumes are consistent with previous years.

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, each electricity distributor 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.

For Northern Ontario Wires Inc., First Contact Resolution was measured based on whether the clerk answering the call resolved the issue. This is documented for each call. In some cases, written correspondence was required and documented accordingly.

- **Billing Accuracy**

Until July 2014 a specific measurement of billing accuracy had not been previously defined across the industry. After consultation with some electricity distributors, the Ontario Energy Board (OEB) has prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014.

For the period from October 1, 2014 – December 31, 2014 Northern Ontario Wires Inc. issued more than 12,000 bills and achieved a billing accuracy of 100%. This compares favourably to the prescribed OEB target of 98%.

Northern Ontario Wires Inc. continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) 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. At this time the Ontario Energy Board is allowing electricity distributors discretion as to how they implement this measure.

In 2014, Northern Ontario Wires Inc. conducted a customer satisfaction survey. The customer satisfaction survey provides information that supports discussions surrounding improving customer service at all levels and departments within Northern Ontario Wires Inc. The final report on these customer satisfaction surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps identify the most effective means of communication. The survey asks customers questions on a wide range of topics, including: overall satisfaction with Northern Ontario Wires Inc. reliability, customer service, outages, billing and corporate image. In its 2014 Scorecard Northern Ontario Wires Inc. reported the number of customers that were very or fairly satisfied and received a score of 89% in 2014. The general feedback was positive and Northern Ontario Wires Inc. will continue to monitor customer satisfaction and response.

Safety

- **Public Safety**

The Ontario Energy Board (OEB) introduced the Safety measure in 2015. This measure looks at safety from a customers' point of view as safety of the distribution system is a high priority. The Safety measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

Component A – Public Awareness of Electrical Safety

Northern Ontario Wires Inc. continues to promote electrical safety within the service territories and maintains a website with safety tips for when dealing with electricity. Additionally, information detailing outages and how to prepare for them are outlined for customer reference. **Note, this component of the public safety measure will not have performance data for the 2014 scorecard because the survey result is not available. The year 2016 will be the first year that the data for this component of measure will be shown on the scorecard for the 2015 results.**

Component B – Compliance with Ontario Regulation 22/04

In January 2014 Northern Ontario Wires Inc. was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). In prior years, there were minor points that needed improvement and were immediately rectified. Northern Ontario Wires Inc. has a strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - *Electrical Distribution Safety* establishes objective based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

Component C - Serious Electrical Incident Index

Northern Ontario Wires Inc. had no reported incidents.

System Reliability

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

Northern Ontario Wires Inc. experienced a decrease in the average number of hours that power to a customer was interrupted during 2014. Northern Ontario Wires Inc.'s system reliability has been trending in an improved manner, when analyzed over the past five year period. NOW's construction standards are being reviewed to improve resiliency to severe weather, enhanced tree trimming practices are being enacted and upgrades to the distribution system are being regularly implemented.

Northern Ontario Wires Inc. continues to view reliability of electricity service as a high priority for its customers and as such developed a program several years ago for the continuous improvement of reliability, which has been incorporated into the Asset Management Plan and capital works.

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

Northern Ontario Wires Inc.'s Average Number of Times that Power to a Customer is Interrupted (i.e., frequency) of 1.41 was within the target range of 1.23-2.19. The frequency of outages is on a downward trend in recent years, thus proving the effectiveness of our Asset Management Plan. Northern Ontario Wires Inc. has adopted a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance ratepayer and utility affordability.

Asset Management

- **Distribution System Plan Implementation Progress**

Distribution system plan implementation progress is a new performance measure instituted by the OEB starting in 2013. Consistent with other new measures, utilities were given an opportunity to define it in the manner that best fits their organization. The Distribution System Plan ("DSP") outlines Northern Ontario Wires Inc.'s forecasted capital expenditures, over the next five (5) years, required to maintain and expand the distributor's electricity system to serve its current and future customers. The "Distribution System Plan Implementation Progress" measure is intended to assess NOW's effectiveness at planning and implementing the DSP. Northern Ontario Wires Inc. measures the progress of its DSP implementation as a ratio of actual total capital expenditures made in a calendar year over the total amount of planned capital expenditures for that calendar year per the DSP.

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, Northern Ontario Wires Inc. was placed in Group 1, where a Group 1 distributor is defined as being the most efficient. Northern Ontario Wires Inc. is continually working to ensure this rating continues.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Northern Ontario Wires Inc.'s capital and operating costs and dividing this cost figure by the total number of customers that NOW Inc. serves. The cost performance result for 2014 is \$643 /customer which is a 6.3% decrease over 2013.

Northern Ontario Wires Inc. continues to strive to lower operating costs in order to provide the most cost effectiveness to our customers. Province wide programs such as Time of Use pricing, growth in wage and benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. Northern Ontario Wires Inc. however, has mitigated these increases with effective planning and cost sharing. Northern Ontario Wires Inc. will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements.

- **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 Northern Ontario Wires Inc. operates to serve its customers. NOW's 2014 rate is \$10,532 per Km of line, a 6.5% decrease over 2013. Northern Ontario Wires Inc. experienced a low level of growth in its total kilometers of lines due to a low annual customer growth rate. See above cost per customer section for cost drivers commentary. Northern Ontario Wires Inc. continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Conservation & Demand Management

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

Northern Ontario Wires Inc. did not meet its Net Annual Peak Demand Savings target at the end of 2014. Given that NOW is a northern peaking utility, the suite of Ontario Power Authority ("OPA") province-wide demand management programs were primarily designed for southern peaking utilities. Additionally, Northern Ontario Wires Inc.'s customer base is 86% residential, with little to no industrial customers, thus making the Demand Target a challenge to achieve. However, given these challenges, Northern Ontario Wires Inc. implemented an LED exchange and a behaviour-based program resulting, which if included with NOW's final peak demand result would have resulted in an increase from 52.7% to 62.2%. It is noted that Demand targets for the 2015-2020 framework have been eliminated.

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

Northern Ontario Wires Inc. is pleased to have achieved its four-year net cumulative energy savings target by the end of 2014. Although the Ontario Power Authority (OPA) has indicated 97.69% of the target, Northern Ontario Wires Inc. implemented two additional programs outside of the province-wide offering: the first event was a very successful LED exchange, which occurred in June 2014; the second event was a behaviour-based program for customers with electric heat in the fall of 2014. Both gained positive results. According to our calculations and if these additional savings were to be included in NOW's final Energy Savings target, a 4.9% increase would have resulted, making our new total 102.6%. Our successful achievement was made possible by the strong and early participation by local commercial customers in the small commercial direct install program.

Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of receiving authorization from the Electrical Safety Authority. There were no Connection Impact Assessments in 2014 or 2013. Northern Ontario Wires Inc. outsources the CIA work to an engineering consultant.

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

In 2014, Northern Ontario Wires Inc. had no new micro-embedded generation facilities (microFIT projects of less than 10 kW). The minimum acceptable performance level for this measure is 90% of the time. Our workflow to connect these projects is very streamlined and transparent with our customers. NOW Inc. works closely with its customers and their contractors to tackle any connection issues to ensure the project is connected on time.

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.

Northern Ontario Wires' current ratio decreased from 1.59 in 2013 to 1.22 in 2014. This is not indicative of a decline in financial performance but rather the result of an increase in the receivable for variance accounts which are excluded from current assets. Northern Ontario Wires' current ratio in subsequent years is expected to be in line with results from earlier years as opposed to 2014.

- **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). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring. Northern Ontario Wires continues to maintain a debt to equity structure that approximates the deemed 60% to 40% capital mix as set out by the OEB – this is demonstrated by the 2014 debt to equity ratio of 1.71.

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

Northern Ontario Wires' current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.98%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

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

Northern Ontario Wires' return achieved in 2014 was 8.99%, which is well within the +/-3% range allowed by the OEB. The average return has increased as Northern Ontario Wires has continued to enhance its efficiency as evident by out group 1 efficiency assessment for cost control. In the prior year Northern Ontario Wires experienced events that were not typical in nature which negatively impacted the achieved regulatory return on equity.

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 judgment on the reporting date of the performance scorecard, and could be markedly different in the future.