

Scorecard - North Bay Hydro Distribution Limited

9/29/2016

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	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%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Telephone Calls Answered On Time	71.60%	77.20%	78.20%	78.40%	82.10%	⬆	65.00%		
	Customer Satisfaction	First Contact Resolution					4	6			
		Billing Accuracy					99.92%	99.88%	⬇	98.00%	
		Customer Satisfaction Survey Results			93.3%	A	A				
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						81.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹	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 ²	2.87	1.60	2.32	1.95	1.10	⬇		2.29	
		Average Number of Times that Power to a Customer is Interrupted ²	2.16	2.29	1.89	1.14	0.88	⬇		2.05	
	Asset Management	Distribution System Plan Implementation Progress					87%	94%			
	Cost Control	Efficiency Assessment		3	3	3	3				
		Total Cost per Customer ³	\$605	\$598	\$614	\$659	\$675				
		Total Cost per Km of Line ³	\$23,351	\$23,096	\$25,228	\$27,926	\$28,297				
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 Cumulative Energy Savings ⁴						20.96%		20.26 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	0.00%							
		New Micro-embedded Generation Facilities Connected On Time			100.00%	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)	1.88	1.98	1.65	1.84	2.07				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.88	0.91	0.72	0.81	0.94				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.85%	9.85%	9.85%	9.30%			
			Achieved	10.15%	9.08%	8.88%	7.17%	10.65%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

4. The CDM measure is based on the new 2015-2020 Conservation First Framework. This measure is under review and subject to change in the future.

Legend:

5-year trend

⬆ up ⬇ down ➡ flat

Current year

● target met ● target not met

2015 Scorecard Management Discussion and Analysis (“2015 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 2015 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

Scorecard MD&A - General Overview

In 2015, North Bay Hydro Distribution Ltd. (“NBHDL”) met or exceeded all performance targets, continuing the 5 year trend that consistently shows a stable business meeting industry objectives and in some areas significantly exceeding industry targets.

- ✓ While NBHDL’s scorecard indicates that 20.96% of the 2015-2020 energy savings target was hit in 2015, this does not include the results of the successful start-up of the North Bay Regional Health Centre (NBRHC) co-generation facility. NBHDL conservatively estimates achieving at least 70% of the six year target in year 1 once the Co-Gen savings are factored in. NBHDL played a critical role during the design and construction phases especially overcoming telecommunication challenges which are very difficult given distances and northern Ontario terrain. NBHDL was instrumental in having combined heat and power, behind the meter, deemed a qualifying energy efficient technology eligible for incentives and to be acknowledged in contributing to energy efficiency targets. This has assisted many LDC’s with the potential to cost effectively meet targets assigned in the new 2015-2020 framework.
- ✓ NBHDL is also working in collaboration with other LDC’s through the CustomerFirst framework to jointly plan and implement CDM programs. The CustomerFirst team includes Greater Sudbury Hydro, Northern Ontario Wires, PUC Distribution, Espanola Hydro, Newmarket-Tay Hydro, St Thomas Energy and NBHDL. This collaboration has resulted in the approval of a pilot program, the Home Energy Assistance Retrofit (HEAR) program, aimed at residential customers with electric heating. CustomerFirst has also allowed consolidation of CDM functions including program administration and training.
- ✓ NBHDL is proud of the community’s first score on the Public Awareness of Electrical Safety survey that was completed in the City of North Bay in February 2016. A scoring of 81% as the level of public awareness is an excellent foundation and has set a high bar for improvements to safety awareness in the years to come. In fact, this scoring is understated as residents have a very practical approach to staying away from downed power lines; residents of North Bay think that staying away more than 6 meters is advisable whereas the survey question answer was pegged at 3-6 meters. Residents of North Bay have it right, not the survey question and answer, as the general public can never stay far enough away from downed lines. Worker safety is also a strategic imperative and in 2015 NBHDL achieved another year of ZERO lost time injuries, a record that NBHDL prides itself on.
- ✓ 2015 saw a significant amount of resources committed throughout the first half of the year to finalizing NBHDL’s Cost of Service rate application, under the new Renewed Regulatory Framework, for rates and costs that become effective in 2015. The last rate application that re-set rates was in 2010 and the new approved rates will set the foundation of the business for the next five years.
- ✓ As a result of significant customer engagement NBHDL implemented a new tree planting program throughout the City of North Bay in 2015. NBHDL continues to educate customers on the importance of vegetation maintenance around power lines to support reliability and safety objectives. The tree planting program, which is very popular with participating customers, helps to mitigate the impacts of vegetation maintenance activities and enhances the green canopy in the City of North Bay.

The scorecard results confirm a strong and healthy business that’s providing value to the City of North Bay and its customers.

Service Quality

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

In 2015 approximately 41 eligible low-voltage residential and small business customers were connected to the system within the five-day timeline prescribed by the OEB, 100% of the time. NBHDL has achieved results above the industry target of 90% since 2011 and has done so through a continued commitment to customers and through adherence to processes in place to meet the five-day window.

Where feasible, NBHDL coordinates connection activities with other planned construction activities undertaken by the utility and throughout the City of North Bay. NBHDL attends the annual utilities meeting held by the City's engineering department and is involved on the City Development and Review Team ("DART") where representatives from all utilities, City departments (Public Works, Parks and Rec, Economic Development Office (EDO), Fire, etc.) and local agencies (MTO, North Bay and Mattawa Conservation Authority, etc.) review applications put forth to the City that involve new development/servicing, zoning changes, and site plan and control. A strong relationship exists between NBHDL and the EDO and this provides the City with the ability to easily obtain information that helps in attracting new development into the NBHDL service territory.

- **Scheduled Appointments Met On Time**

Approximately 4,600 appointments were scheduled with customers in 2015 for various activities including, but not limited to, work requested by customers, conservation and demand management initiatives, providing underground locate services, meter access and investigation when requested by customers. NBHDL also meets with customers regarding the tree trimming program that includes not only discussing the program itself, but addressing customer concerns and questions and obtaining the proper permissions for tree removal or trimming. Consistent with the prior years, 100% of these appointments were met on time, which significantly exceeds the industry target of 90%.

NBHDL maintains routine appointment scheduling for different activities (ex; service spots are completed every Thursday) and strives to meet appointments on time at all times. If the appointment is initiated by NBHDL, customers are contacted and scheduled at a time that best meets their schedule. In 2011 an automated system was implemented for underground locate requests which now flow through Ontario One Call; once a customer calls into Ontario One Call an email is sent to NBHDL and a work order is automatically created and sent to mobile units in field. Field staff schedule the work within a 5 day window. This automation has created a very efficient process for both customers and employees and, unlike many utilities, NBHDL completes this program with in house staff for quality assurance and flexibility to respond to requests.

- **Telephone Calls Answered On Time**

In 2015 almost 28,000 in-coming calls from customers – an average of 110 calls per working day – were handled. A customer service representative answered a call in 30 seconds or less 82% of the time. This result exceeds the OEB mandated 65% target for timely call response. Since 2011, NBHDL has averaged over 27,000 calls per year to its Customer Service Centre and has still consistently performed better than the OEB's target while experiencing improvement in the performance metric.

In 2013, NBHDL restructured its Customer Service department to centralize all inquiries; customers can now call and speak with a representative that is able to handle all manner of inquiry or concern eliminating the need to transfer customers to different individuals or departments – a one-stop shop. It is important to note that, though not a statistic the OEB measures, customer service representatives also serve over 10,000 walk-in customers a year and handled over 14,000 outbound calls in 2015.

Customer Satisfaction

With the exception of Billing Accuracy, specific customer satisfaction measurements have not been defined across the industry. The OEB has instructed utilities to review and develop measurements in these areas and begin tracking with plans to review information provided by utilities over the next few years and implement a commonly defined measure for these areas in the future. As a result, each utility may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

- **First Contact Resolution**

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.

Due to customer demand, NBHDL is one of few utilities to still offer counter service to walk-in customers and front line staff are trained to resolve customers' issues directly, both on the phone and in-person. For NBHDL, First Contact Resolution was measured based on the number of customer concerns that were escalated formally to NBHDL's President or directly to the OEB. NBHDL's customer service representatives endeavor to resolve all customer concerns directly, however, calls can be escalated to department managers either by customer request or in cases where management input is required. Much like the front line staff, management makes every attempt to resolve the concern in a matter that satisfies the customer and meets internal policies. As a customer centric service provider, NBHDL is typically able to resolve all manner of customer issues, however, in 2015 six (6) concerns were escalated; two (2) to the President and four (4) to the OEB.

In all instances of customer concerns the issue is addressed directly and every attempt is made to ensure the proper processes and policies are in place, and followed, to prevent future escalations and to ensure fairness to all customers and NBHDL while delivering an efficient customer service experience.

- **Billing Accuracy**

After consultation with electricity distributors, the OEB has prescribed a measurement of billing accuracy which must be used by all utilities. An industry target of 98% billing accuracy was established.

In 2015, just over 300,000 bills were issued and NBHDL achieved a billing accuracy of 99.88%, exceeding the prescribed OEB target of 98%. NBHDL continuously monitors its billing accuracy and processes to identify opportunities for improvement and to ensure accurate bills are produced for customers.

- **Customer Satisfaction Survey Results**

The 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 OEB is allowing electricity distributors' discretion as to how they implement this measure.

Regardless of the OEB's formal introduction of Customer Satisfaction Survey Results, customer engagement has always been important to the success of NBHDL, the purpose of which has been to focus on addressing issues of concern raised directly by customers. NBHDL is both proactive and reactive in its customer engagement consultations, the majority of which provide helpful insight in to the day to day operations of NBHDL. Historically, NBHDL has relied on direct, day-to-day, real time interactions with customers to inform decision making, to advise of issues important to customers and to address communication and customer service needs.

In 2015, as part of the rate application and aligned with the OEB's view to more formal survey results, NBHDL engaged the commonly used UtilityPULSE for a bi-annual formal customer satisfaction survey. This survey is widely utilized among LDCs in Ontario and the results of the survey contribute to benchmarking scores from electric utility customers across Canada. The survey covers a wide range of issues relating to customer satisfaction, service levels, business operations, reliability, conservation, smart meters and smart grid. The survey provides information that supports improving customer care at every level of the business. In addition to providing NBHDL customer responses to a variety of questions, both provincial and national results were provided to give NBHDL a sense of not only where the company stands in terms of customer perception, but how NBHDL fares across other LDCs in Ontario and across the board in Canada. The results of the survey provided a snapshot of performance based on customer responses on 6 categories: Customer Care (Price / Value), Company Image (Corporate Leadership/Stewardship) and Management Operations (Operational Effectiveness / Power Quality & Reliability). NBHDL was graded with an overall "A" compared to an Ontario and National average of "B+". This survey confirms NBHDL sets a high standard for performance when it comes to customer care. As an example, in the category of demonstrating credibility and trust, NBHDL scored 82% (above the Ontario average of 77% and National average of 80%).

NBHDL will continue to use the bi-annual survey results to benchmark improvement and to identify additional opportunities to enhance customer satisfaction. On-going, daily interactions that leave the customer with the information they need will remain NBHDL's highest priority.

Safety

NBHDL is committed to protecting our workforce, customers, the public and the environment. In addition to achieving compliance with applicable laws, we strive for excellence in our environmental, health and safety performance through adopting good management practices and setting clear objectives and targets for achieving continual improvement. To achieve this, we ensure that environmental, health and safety management accountabilities and responsibilities are clearly defined and understood, that our employees are competent and effectively trained, and that appropriate resources are made available.

NBHDL has a Joint Health and Safety Committee that meets monthly or as determined by the Committee. Multiple safety training sessions are held for staff throughout the year. While formal meetings and training programs are important, safety is a daily focus and practice for all employees. NBHDL makes every effort to eliminate accidents/incidents in the workplace and should an accident/incident occur, it is investigated for cause(s) and recommended action(s) are put in place when necessary to prevent a reoccurrence.

NBHDL reached a milestone of five (5) years no lost time on March 21st, 2016. As of July 31st, 2016, NBHDL employees have worked 1,959 days and 478,706 hours without a lost time incident. Prior to this latest achievement, NBHDL had eight (8) years no lost time on January 31st, 2011; employees worked 629,944 hours and 2,636 days without a lost time. This is an accomplishment to be extremely proud of – NBHDL wants every worker to go home safe at the end of every day.

- **Public Safety**

The 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**

In order to gauge overall electrical safety awareness amongst the general public, the ESA was tasked with developing standardized survey questions and methodology in consultation with the Ontario Energy Board and key stakeholders, including distributors. The survey is intended to measure the level of public awareness, within the distributor's service territory, of electrical safety information and precautions related to distribution system assets and 2015 is the first year that the data for this component of measure will be shown on utility scorecards. It's important to note that this survey is not focused on utility customers only; it is completed by randomly-selected residents, 18 years or older, residing in a utility's service territory. In our case, the survey was conducted by telephone among a representative sample of 400 residents of the City of North Bay.

Six core questions were developed and an index score was applied to each response to allow comparability of utilities across the Province. The categories deemed significant to public safety awareness were the likelihood to call before you dig, the impact of touching a power line, the safe proximity to overhead power lines, the danger of tampering with electrical equipment, the safe proximity to a downed power line, and actions taken in vehicle in contact with wires. During February 2016 a random sample of 400 residents of the City of North Bay were contacted by a reputable research group, working on behalf of NBHDL, and asked to complete the public awareness survey. The sample was weighted by age, gender and region using the Statistics Canada Census data to reflect the actual demographic composition of the adult population residing in the City of North Bay. Both cell phones and landlines were included in the sample to ensure that those who do not have a landline phone were represented. The general public's responses are an impressive benchmark for NBHDL to monitor and compare to in future years the survey is required to be taken. Over half of the respondents (52%) would definitely call before digging, almost all respondents (91%) think touching a power line is very dangerous (we agree!), close to 1-in-5 respondents (19%) believe you should maintain a distance of 3 to 6 metres (while more than half (51%) believe you should maintain a distance of 6 metres or more), a strong majority (88%) believe tampering with equipment is very dangerous, a majority (78%) believe you should maintain a distance of 10 metres or more, and a strong majority (92%) believe you should stay in the vehicle until power has been disconnected from the line.

After calculating the Public Safety Awareness Index Score, in accordance to OEB parameters, North Bay Hydro had an overall score of 81% for general public awareness. The City of North Bay's public awareness result is one that NBHDL is very proud of and we will continue to do the best job we can to get the message of electrical safety out to the public. While respondents did not pick the 'best' answer for the safe proximity to overhead lines (3 to 6 meters), NBHDL will always caution the public to stay as far away as possible from power lines and encourages a distance of 6 meters or more – you can never be too safe when it comes to electrical safety.

While not a formal component of the scorecard, NBHDL engages the public on the importance of safety through several avenues. An annual school program for grade school students provides an overview of electrical safety, safety messages, dangers in the home, safety tips and what to do, how to stay aware, and hazards – a dill pickle gets electrocuted in the process! NBHDL's website includes a page dedicated to safety. The information provides the hazards and tips on generator safety, what to do when the power goes out, indoor electrical safety, outdoor safety, safety tips for kids, and safety information related to vegetation management. NBHDL also promotes the "Call Before You Dig!" campaign with Ontario One Call.

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

Over the past five years, NBHDL was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by the company's 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**

NBHDL has not had any serious incidents due to contact with its infrastructure by the public over the last five years.

System Reliability

The majority of outages in the NBHDL system can be attributed to 4 OEB codes: Unknown/Other, Tree Contact, Adverse Weather, and Foreign Interference. NBHDL believes the Unknown/Other code is typically related to tree contact or animal contact that cannot be verified. The NBHDL system is predominantly overhead and trend data will always correlate with the number and severity of storms that roll through the City each year and there were few major storms in 2015.

Outages that are caused by trees can be mitigated. The approach to tree trimming has changed to address the high amount of large mature trees located too close to high voltage lines, trees located directly under high voltage lines that were being topped and not removed (which creates perpetual maintenance costs and recurring safety hazards) and right of ways not cleared back enough at time of trimming to allow for 4 or 5 years of growth. NBHDL employed a local utility arborist to provide sound arboricultural advice and embarked on a new program that has been very customer inclusive while addressing major safety and reliability concerns. Once all cycles within the City of North Bay are completed to the new standard, it is NBHDL's belief that the number of tree related outages will be reduced and in turn there will be a reduction in the potential of animal contact situations as trees will be at a much greater separation from all high voltage lines. In addition, the new standards will help reduce tree related damage in storm situations and make the system safer for the general public and employees. NBHDL undertook substantial customer interaction in 2015 surrounding NBHDL's vegetation management program. NBHDL heard from customers that this was an issue of great importance and acted on that by responding through customer appointments, media campaigns and engaged a local, community based, environmental group to assist with a plan to maintain the tree canopy in the urban part of the City. We will continue to maintain efforts to re-green the City while addressing the need for safe tree clearance with respect to power lines.

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

NBHDL's system reliability has been trending in an improved manner, when analyzed over the past five year period. Variations in the number and severity of storms from one year to the next influence the comparability of the results and 2015 results are largely due to favourable weather resulting in less than typical storm related outages.

NBHDL's control room remotely manages the local grid rerouting power and dispatching crews 24/7/365. NBHDL's crews respond to outages quickly and efficiently and work hard to restore power as quickly as possible.

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

NBHDL's Average Number of Times that Power to a Customer is Interrupted (i.e., frequency) of .88 was well below the target range of 2.05. The frequency of outages was also influenced by the weather experienced in North Bay throughout 2015.

As explained below in the Asset Management section, NBHDL has put together an extensive plan to address aging infrastructure that addresses old and high risk defective equipment. This plan provides 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. NBHDL has a largely overhead supplied system and as a result, power lines are more exposed to the elements. While this leads to more

outages than underground supplied systems, the trade-off is lower costs to customers. NBHDL will be transitioning to an automated system for the tracking of reliability metrics, including the analysis of worst performing feeder information and is implementing this project in a further effort to improve reliability.

Asset Management

• Distribution System Plan Implementation Progress

Distribution System Plan (DSP) 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 DSP outlines a utility's forecasted capital expenditures, over a five year period, required to maintain (and for some utilities expand) the distributor's system to serve its current and future customers. This measure is intended to assess NBHDL's effectiveness at planning and implementing the DSP.

NBHDL owns and operates sixteen (16) municipal stations, has almost 600,000 meters of overhead lines and underground cable circuits and there are fifty-four (54) distribution feeders, eight (8) subtransmission feeders, and 3,147 distribution transformers. A significantly large percentage of the assets employed on NBHDL's distribution system have been in service for much longer than their typical useful life and the main focus of the capital program is investments in system renewal. More specifically, NBHDL has been adhering to a plan to complete a voltage conversion program that began in 1977/1978 – the completion of this project will harmonize the entire system to one distribution voltage for optimal efficiency. In 2013, NBHDL hired a 3rd party expert in the field of asset management to conduct an Asset Condition Assessment to assist in developing the five (5) year DSP with a model that uses data related to the health and condition of assets, including asset age, results of testing and visual inspections to determine the risk of asset failure in order to find the right balance between capital investments in new infrastructure and operating and maintenance costs so that the combined total cost over the life of the asset is minimized.

NBHDL has based the DSP implementation progress as a percentage (%) of budgeted gross capital spending compared to actual spending. NBHDL achieved 94% of the DSP forecasted budget of \$7.1m in 2015. Given the dynamic nature of the business, a number of issues emerge over the course of a year that require the management to postpone, re-prioritize or otherwise amend the capital work plan adopted at the start of the year. External factors such as extreme cold weather and a deep frost line are the type of elements that can have an impact on the ground when executing the work and cause delays that are outside NBHDL's control. Projects in 2015 included work done on over 20 different voltage conversion jobs including significant construction work on Main St. W, King St., Fifth Ave., Fourth Ave., and McIntyre. Major betterment work on Norman Ave. was completed and work began for an underground rebuild of the Turret Complex. 2015 also saw the complete construction of a new substation on Booth Rd., customer demand work, and general operational requirements such as parking lot upgrades, IT requirements and updates to the fleet.

NBHDL makes every effort to maximize the utilization of assets without compromising reliability or safety and will continue to do so in the future while executing on the DSP. In an effort to manage costs and keep rates low, NBHDL anticipates that capital spending will remain reasonably stable and paced for the 2015 - 2019 planning horizon.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC (PEG) 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 2015 for the fourth year in a row NBHDL was placed in Group 3, which is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered “average efficiency” – in other words, NBHDL’s costs are within the average cost range for distributors in the Province of Ontario and also include NBHDL’s northern Ontario peers. In 2015, 51% (36 distributors) of the Ontario distributors were ranked as “average efficiency”; 28% were ranked as “more efficient”; 21% were ranked as “least efficient”. A core objective of NBHDL is to maintain in Group 3.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of NBHDL’s capital and operating costs and dividing this cost figure by the total number of customers that NBHDL serves. The cost performance result for 2015 is \$675/customer which is a \$16 (2.4%) increase per customer over 2014. This total cost figure does not reflect NBHDL’s actual costs. Rather, these figures represent econometric values derived by the PEG model in order to rank Ontario utilities on a comparative “same size” basis. The total cost used in these measures reflects the mature state of development seen in Northern Ontario and in North Bay; an aging population with increased demands on service.

NBHDL continually strives to manage costs without unduly affecting service to customers or creating significant rate increases while addressing increasing customer expectations of an interactive, value added service provider. NBHDL understands that the service we provide is an essential part of every-day life for customers and increasing bills are a concern for all. NBHDL’s costs account for approximately 20% of a typical residential customer’s bill and the company actively monitors costs against prudent budgets set for both capital and operating costs which are aligned with NBHDL’s most recent Cost of Service rate application. Operating costs are those associated with the maintenance, inspection and operation of the system and those associated with metering, billing and collections. NBHDL has experienced a significant increase in its OM&A workload as a result of increased demand by customers for services and has managed this substantial increased workload without a major change to staffing levels. This has been done primarily through productivity improvements. NBHDL intends to continue managing workload increases in this manner and expectations are for a consistent staffing level in the future. NBHDL’s capital program is explained in the Asset Management section.

From the fall of 2013 through to the fall of 2015 NBHDL was actively involved in a Cost of Service Application that detailed all operating and capital costs of the company from 2010 through to a forecast of 2015. The 2015 costs then form the basis of rates for the next 5 years. Staff at the OEB and intervenors, representing various customer groups, go through thousands of pages of evidence supporting NBHDL’s case for rates and test that evidence for reasonability, prudence and justification. Similar to most utilities in the province, NBHDL has experienced increases in its total costs required to deliver quality and reliable services to customers. Province wide programs such as Smart Meters and Time of Use pricing, growth in wage and benefits costs for employees, increased customer engagement, an extensive overhaul to the vegetation management program, increased information technology costs supporting new regulated and internal business processes, as well as investments in the renewal of the distribution system, have all contributed to increased operating and capital costs at NBHDL.

Examples of efforts to reduce costs and achieve productivity improvements include a reduction in inventory of stores materials, purchasing materials through a joint Northern LDC Buying Group, performing substation maintenance activities by training existing in-house staff and providing them with the tools to do so (previously contracted out), utilizing a competitive purchase process and working with other utilities to make a bulk purchase of substation transformers, offering e-billing to customers, bill production and printing has been brought in-house to reduce external costs, managing overtime, automating processes such as locates and disconnect/reconnects in the field, standardizing processes for 3rd party vendors like Cogeco or Bell to attach to poles, and formalizing processes for requests for customer connections. These efforts were reflected in the new rates approved in July 2015.

NBHDL will continue to seek additional cost savings and improve efficiency while maintaining quality customer service and effective asset management as detailed throughout the 2015 rate application that set out the capital and operating investment needs of the business for the next 5 years.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the cost per customer calculation above, but the total cost is divided by the kilometers of line that NBHDL operates to serve its customers. NBHDL's 2015 rate is \$28,297 per Km of line, a \$371 (1.3%) increase over 2014. NBHDL's capital focus is asset renewal which is simply replacing the same Km of line, not increasing total Km; this results in increasing renewal costs each year, but with the same total Km of line. NBHDL also experiences a low level of growth in its total kilometers of lines due to a low annual customer growth rate. In 2013, NBHDL revised its calculation of circuit kilometers for 2009 through 2012 and for comparative purposes would like to provide the following \$/km: 2011 - \$24,881 and 2012 - \$24,644.

The City of North Bay has experienced limited growth typical of municipalities in Northern Ontario. Utilities situated in or clustered around the GTA have growth both in customers and lines to service these customers, which are often built by developers. Their metrics can be different than areas or communities served more remote from Toronto. NBHDL uses multiple measures, beyond those used by the OEB to compare 'same size' utilities, to monitor the efficiency of the business and strives to manage costs while delivering on capital and maintenance programs, and will continue to do so.

Conservation & Demand Management

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

NBHDL is committed to helping our customers understand their energy usage by offering programs that enable them to become more energy efficient. As an electrical distributor, NBDHL has conservation target of 20.20 Gigawatt hours over the next five years. Results for 2015 show a progression of 20.96% towards that target. As this is a six year plan, NBDHL expects a minimum of 20% of the target to be reached each year to be successful. This achievement was made possible by the strong participation by local commercial customers in our retrofit and energy efficient lighting programs. Residential customers also participated in saveONenergy coupon events opting to change out lights in their own homes to more energy efficient ones as well purchasing other energy efficient equipment. The combined efforts of all such programs and participants from both residents and businesses made the achievement of substantial energy savings possible.

NBHDL also believes that partnerships are a key component to our overall success. To help meet NBHDL's conservation goals under the Conservation First Framework that was introduced in 2015 by the Independent Electricity System Operator (IESO), NBDHL is working with other Utilities in the province through a collaborative group called CustomerFirst to design and deliver cost effective conservation programs for our customers. By working together, CustomerFirst utilities will find efficiencies in the delivery of conservation and this will lead to cost savings for electricity customers. As a member of CustomerFirst, NBHDL is part of a joint Conservation (CDM) Plan that has been approved by the IESO. The joint plan will achieve 141,877 MWh of savings which is equal to the combined targets that were allocated to each CustomerFirst member under the new framework.

NBHDL is committed to providing our customers with cost effective conservation programs to help them save electricity and lower their electricity bills. All sectors and customer types are covered in the joint plan and customers will have access to multiple province-wide, local and pilot programs. The joint CDM plan includes four pilot programs that will be developed and launched to meet the local needs of our customers. In 2015, CustomerFirst received approval from the IESO to deliver a pilot residential program (HEAR) designed to assist residential customers with electrical heating. The program will be available to customers in the NBHDL service area beginning the fall of 2016.

Through the CustomerFirst joint CDM Plan, North Bay Hydro Distribution Limited will continue to work collaboratively with the other CustomerFirst utilities to find efficiencies and reduce costs. The group will be sharing resources and working together in all areas of CDM including sales, marketing, customer and project support to provide value to ratepayers.

In 2015 NBHDL was able to demonstrate the value of locally owned and operated LDC's by bringing a cogeneration project, together with many partners including the North Bay Regional Health Centre, in to service on time and under budget. This project had a number of technical challenges to overcome but NBHDL was able to innovate with its partners to overcome problems unique in the north. This project together with other program results should allow NBHDL to achieve 70% of its 2015-2020 target once monitoring and verification is complete.

Connection of Renewable Generation

Ontario runs two renewable generation programs. FIT ("Feed-in Tariff") applicants are those customers setting up solar or other renewable generation equipment to generate more than 10 kW of electricity at a time. MicroFIT applicants are those customers applying to generate electricity at a level less than or equal to 10 kW of electricity at a time. NBHDL encourages customers to participate in the FIT and microFIT programs, and has been able to meet all timelines for assessments and connections.

- **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 CIAs in 2015. NBHDL has three (3) FIT installations with generating capacity of 1.88 MW, including the Merrick Landfill.

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

In 2015, NBHDL connected 10 new micro-embedded generation facilities (microFIT projects of less than 10 kW) within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. The workflow to connect these projects is very streamlined and NBHDL works closely with its customers and their contractors to tackle any connection issues to ensure the project is connected on time. NBHDL has forty-three (43) MFIT installations with generating capacity of .35 MW.

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. NBHDL's current ratio increased from 1.84 in 2014 to 2.07 in 2015 as a result of long term borrowing that increased cash balances, which was offset by lower accounts receivable and current liabilities. NBHDL's current ratio in subsequent years is expected to remain at current levels or slightly increase with future borrowing and continual management of accounts receivable and liabilities.

- **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. NBHDL's debt to equity ratio of .94 in 2015 reflects a lower capital mix than 60/40, however, NBHDL took on additional debt in 2015 which is reflected in the increase from .81 in 2014.

NBHDL manages its liquidity and debt to support its financial obligations and execute its operating and capital plans as well as maintain capacity and access to capital to support future development of the business. NBHDL's liquidity and leverage ratios are strong compared to the required covenant levels imposed by lenders.

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

NBHDL's 2015 distribution rates were approved by the OEB in 2015 Cost of Service Application that was finalized in November 2015. These rates include an expected (deemed) regulatory return on equity of 9.30%. 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**

Prior to the 2015 Cost of Service Application NBHDL had been operating the business based on rates that were set in 2010, with minimal inflationary increases from 2011 through 2014. During that timeframe, NBHDL achieved a return on equity within the levels approved by the OEB with a noticeable lower rate of return in 2014; an additional year outside of the normal 4 year timeframe for Cost of Service applications. NBHDL's return achieved in 2015 was 10.65%, which is within the +/-3% range allowed. Productivity improvements and operational efficiencies have enabled NBHDL to stay within the OEB range for ROE since 2010 and these efficiencies have been reflected in the rates approved in 2015. The ROE in 2015 is a reflection of re-setting the rates after managing the business through the last 5 years to minimal increases; the rates set in 2015 must now carry the operating and construction needs of the business for the next 5 years and NBHDL must manage the business within the +/-3% range of allowed return.

NBHDL will continue to seek process improvements, find efficiencies and manage costs while delivering on the operational and capital programs that have been put before the OEB. NBHDL will continue to deliver electricity to its customers in a safe, reliable and efficient manner that provides good value for money while being responsive to customer and community needs and contributing to provincial and local public policy objectives.

Note to Readers of 2015 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.