

Scorecard - Northern Ontario Wires Inc.

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	Trend	Target	
									Industry	Distributor
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	87.50%	97.20%	91.90%	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	0.00%	0.00%	100.00%	100.00%	100.00%	↑	65.00%	
	Customer Satisfaction	First Contact Resolution				100%	100%			
		Billing Accuracy				100.00%	99.92%	↓	98.00%	
		Customer Satisfaction Survey Results				89%	89%			
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness					80.14%			
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	NI	NI	NI	C	C	↑		C
		Serious Electrical Incident Index	Number of General Public Incidents	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 <sup>2</sup>	3.42	4.63	3.89	2.19	1.10	↓		3.75
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.23	2.19	1.62	1.41	0.61	↓		1.70
	Asset Management	Distribution System Plan Implementation Progress				Excellent	Excellent			
	Cost Control	Efficiency Assessment		1	1	1	1			
Total Cost per Customer <sup>3</sup>		\$581	\$627	\$687	\$643	\$608				
Total Cost per Km of Line <sup>3</sup>		\$9,506	\$10,284	\$11,268	\$10,532	\$9,975				
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings <sup>4</sup>					11.83%		4.31 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time								
		New Micro-embedded Generation Facilities Connected On Time			100.00%				90.00%	
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.22	1.94	1.59	1.22	1.31			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.83	1.22	1.69	1.71	1.52			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	8.01%	8.98%	8.98%	8.98%		
			Achieved	10.65%	2.48%	-13.11%	8.99%	6.20%		

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

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9/22/2016

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# 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](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

## Scorecard MD&A - General Overview

In 2015, Northern Ontario Wires Inc. once again exceeded all performance targets. System reliability results showed improvement and similar to other utilities in Ontario, NOW Inc. is replacing aging infrastructure in accordance with the Distribution System Plan and increased vegetation control activities in order to mitigate outages. NOW Inc. has also joined the Customer First Group to deliver its conservation programs. Although 2015 was a transition year, NOW Inc. expects higher results in subsequent years.

In 2016, the company expects to maintain its excellent results and improve where possible. Sustaining results is a priority focus as this enhances overall operational effectiveness, performance and customer satisfaction.

## Service Quality

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

In 2015, Northern Ontario Wires Inc. connected 100% of 12 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 percentage is maintained from the previous year and above the OEB-mandated threshold of 90%. Where possible, Northern Ontario Wires Inc. coordinates connection activities with other planned construction activities undertaken by the utility, other utilities or municipal and provincial government agencies. Northern Ontario Wires Inc. continuously works with local municipalities, to further enhance the coordination between municipal and electrical distribution construction activities.

- **Scheduled Appointments Met On Time**

Northern Ontario Wires Inc. meets with customers to complete work, read meters, reconnect, or otherwise perform necessary consultation. The 2015 result is consistent with the prior year as the utility met 100% of these appointments on time, which significantly exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2015 Northern Ontario Wires Inc. received approximately 5,964 calls from its customers, an increase of over 23% from the previous year. 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 Inc. does not have an automated system and promotes a one-on-one friendly service.

## Customer Satisfaction

- **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.

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. NOW Inc. resolved issues with 100% accuracy. In most cases, balance inquiries or notifications of moving are the primary reason for calls.

- **Billing Accuracy**

For the period from January 1, 2015 – December 31, 2015 Northern Ontario Wires Inc. issued more than 73,000 bills and achieved a billing accuracy of 99.92%. 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. NOW Inc. received a score of 80.14% for its level of public awareness, which was a result of an Electrical Safety Authority survey, done in collaboration with neighbouring utilities.

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

In January 2015 Northern Ontario Wires Inc. was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This is the same result as in 2014. Prior to that, 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 2015. A result of 1.10 was achieved and is well below the target of 3.75 . 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 0.61 is well below the target range of 1.70. 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 2015, for the fourth 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 2015 is \$608 /customer which is a 5.3% decrease over 2014.

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 2015 rate is \$9,975 per Km of line, a 5.25% decrease over 2014. 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 Cumulative Energy Savings**

NOW Inc. 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, NOW Inc. has conservation target of 4.31 Gigawatt hours over the next six years. The results for 2015 show a progression of 11.83% towards that target. As this is a six year plan, NOW Inc. expects a minimum of 17% of the target to be reached each year to be successful by 2020. NOW Inc. is expecting further participation by local commercial customers in the retrofit and energy efficient lighting programs in subsequent years. 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.

NOW Inc. also believes that partnerships are a key component to its overall success. To help meet NOW Inc.'s conservation goals under the Conservation First Framework that was introduced in 2015 by the Independent Electricity System Operator (IESO), NOW Inc. is working with other Utilities in the province through a collaborative group called CustomerFirst to design and deliver cost effective conservation programs for 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, NOW Inc. 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.

NOW Inc. is committed to providing its 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 customers. In 2015, CustomerFirst received approval from the IESO to deliver a pilot residential program designed to assist residential customers with electrical heating. The program will be available to customers in NOW Inc.'s service area beginning the fall of 2016.

Through the CustomerFirst joint CDM Plan, NOW Inc. 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.

## 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. NOW Inc. had no Connection Impact Assessments for projects >10kW in 2015. Northern Ontario Wires Inc. outsources the CIA work to an engineering consultant.

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

In 2015, 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 increased from 1.22 in 2014 to 1.31 in 2015. This represents more current assets over current liabilities. NOW Inc. expects this trend to continue as it approaches rebasing.

- **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 2015 debt to equity ratio of 1.52.

- **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 2015 was 6.20%, which is within the +/-3% range allowed by the OEB. NOW Inc. has submitted a Cost of Service Application for May 1, 2017 rates, which would adjust rate to realize profitability and target. Although within the 3% deadband, NOW Inc. is in need of rebasing.



## 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.