

Scorecard - Canadian Niagara Power Inc.

| Performance Outcomes | Performance Categories | Measures | 2013 | 2014 | 2015 | 2016 | 2017 | 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 | 93.10% | 96.00% | 94.40% | 91.10% | 90.81% | | 90.00% | | |
| | | Scheduled Appointments Met On Time | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | | 90.00% | | |
| | | Telephone Calls Answered On Time | 82.60% | 78.20% | 76.10% | 75.70% | 77.33% | | 65.00% | | |
| | Customer Satisfaction | First Contact Resolution | | | 99.9% | 99.80% | 99.20% | 99.80% | | | |
| | | Billing Accuracy | | | 99.92% | 99.91% | 99.81% | 99.91% | | 98.00% | |
| | | Customer Satisfaction Survey Results | 80.84% | 79.59% | 94% | 85% | 91% | | | | |
| 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% | 81.00% | 81.00% | | | | |
| | | Level of Compliance with Ontario Regulation 22/04 ¹ | C | C | NI | C | C | | | C | |
| | | Serious Electrical Incident Index | Number of General Public Incidents | 0 | 1 | 0 | 0 | 0 | | | 0 |
| | Rate per 10, 100, 1000 km of line | | 0.000 | 0.978 | 0.000 | 0.000 | 0.000 | | | 0.000 | |
| | System Reliability | Average Number of Hours that Power to a Customer is Interrupted ² | 2.00 | 1.95 | 2.36 | 3.47 | 3.11 | | | 2.26 | |
| | | Average Number of Times that Power to a Customer is Interrupted ² | 1.98 | 2.07 | 2.78 | 2.29 | 2.04 | | | 2.21 | |
| | Asset Management | Distribution System Plan Implementation Progress | | Completed | Completed | Complete | In Progress | | | | |
| | Cost Control | Efficiency Assessment | 4 | 4 | 4 | 4 | 4 | | | | |
| Total Cost per Customer ³ | | \$726 | \$749 | \$778 | \$796 | \$773 | | | | | |
| Total Cost per Km of Line ³ | | \$20,275 | \$21,202 | \$21,726 | \$22,371 | \$21,875 | | | | | |
| 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 | | | 12.30% | 51.39% | 84.23% | | | 28.48 GWh | |
| | Connection of Renewable Generation | Renewable Generation Connection Impact Assessments Completed On Time | 0.00% | | | | 100.00% | | | | |
| | | New Micro-embedded Generation Facilities Connected On Time | 97.78% | 95.65% | 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) | 0.34 | 0.33 | 0.35 | 0.33 | 0.36 | | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 2.30 | 2.02 | 1.72 | 1.64 | 2.11 | | | | |
| | | Profitability: Regulatory Return on Equity | Deemed (included in rates) | 8.93% | 8.93% | 8.93% | 8.93% | 8.78% | | | |
| | | | Achieved | 6.71% | 8.31% | 10.00% | 8.97% | 10.70% | | | |

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 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.

Legend:

5-year trend up down flat

Current year target met target not met

2017 Scorecard Management Discussion and Analysis (“2017 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 2017 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 2017, CNPI continued to meet or exceed the majority of its performance targets.

In 2018, CNPI expects to continue to improve its overall scorecard performance results as compared to previous years. These performance improvements are expected as a result of enhanced system reliability due to CNPI’s investment in its distribution system and continued responsiveness to customer feedback.

Service Quality

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

In 2017, CNPI connected 90.8% of the 359 new eligible low-voltage residential and small business customers within the Ontario Energy Board’s prescribed five day timeline. The 2017 total represents an increase of 20.3% over the 2016 volume of residential and small business connections. Since 2011, CNPI has consistently met the Ontario Energy Board’s performance standard.

- **Scheduled Appointments Met On Time**

CNPI continues to exceed the Ontario Energy Board standard of meeting customers as requested within the prescribed timelines set out by the Ontario Energy Board.

- **Telephone Calls Answered On Time**

In 2017, customer service representatives answered 77.3% of its 46,729 calls within 30 seconds. This exceeds the Ontario Energy Board's mandated 65% target. 2017 results are increasing from the previous years results. CNPI continues to offer and promote self-serve options and utilizes social media to engage and inform customers in an effort to offer customers additional channels to interact with the Company.

Customer Satisfaction

- **First Contact Resolution**

CNPI measured First Contact Resolution by tracking the number of escalated calls as a percentage of total calls taken by the customer contact center. For this period, less than one percent of calls were escalated. Also, longer processing times directly align with high results in First Call Resolution. While calls may take longer to answer, the customer is able to resolve their issue or concern in one call over 99% of the time.

- **Billing Accuracy**

For 2017, CNPI issued approximately 352,226 invoices and 99.91% were accurate. This is above the industry standard of 98%.

- **Customer Satisfaction Survey Results**

In 2015, CNPI moved to a new third party survey provider, UtilityPULSE, to be more consistent with other LDCs in the province. The survey size was expanded and general service customers were included in the telephone survey. The phone numbers were randomly selected and were stratified so that 85 per cent of the interview were conducted with residential customers and 15 per cent with general service customers. The 2017 satisfaction score of 91% is higher than the Ontario benchmark of 81%.

The survey provides useful information to better meet the needs of CNPI's customers and is incorporated into the distribution system plan, capital planning and overall company objectives.

Safety

- **Public Safety**

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

In 2017, UtilityPulse was also engaged to complete surveys in relation to “Public Awareness of Electrical Safety”. On completion of this survey, UtilityPulse generated a “Public Safety Awareness Index Score” for CNPI and other LDC’s. Province-wide scores ranged from 78% to 86%, with both average and median Index Scores of 83%. CNPI’s score of 81% suggests that members of the public are generally well-informed about the safety hazards associated with electrical distribution systems, but also that further education and engagement would be beneficial. This survey on “Public Awareness of Electrical Safety” is completed on a two-year cycle and will be completed again by CNPI in 2019.

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

This component includes the results of an Annual Audit, Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations. All the elements are evaluated as a whole and determine the status of compliance (Non-Compliant, Needs Improvement, or Compliant).

Results provided by ESA, CNPI’s status for 2017 is Compliant.

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

“Serious electrical incidents”, as defined by Regulation 22/04, make up Component C. The metric details the number of and rate of “serious electrical incidents” occurring on a distributor’s assets and is normalized per 10, 100 or 1,000 km of line (10km for total lines under 100km, 1000km for total lines over 1000km, and 100km for all the others).

Results provided by ESA, CNPI had zero incidents in 2017.

System Reliability

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

CNPI's customers experienced a decrease in the average duration of electrical service disruptions in 2017 compared to 2016. A few significant events contributed to the 2017 result. The first event was due to an high winds along the shore of Lake Erie in Fort Erie and Port Colborne on January 11th, causing four separate outages affecting over 2000 customers. For approximately 2000 customers, restoration times were in the range of 1.5 to 4.5 hours due to the nature of the damage. The second event was due to an equipment failure outage on October 30th, affecting over 4000 customers in Port Colborne. No cause for this outage was found; however, high winds were reported in the area. The nature of these outages prevented successful restoration from an alternate supply.

CNPI continues to invest in grid modernization in order to gain visibility on the state of the distribution system and improve overall response and restoration times. Grid modernization initiatives include the deployment of automated devices and implementation of an outage management system. CNPI understands that reliability of electrical service is a high priority for its customers and continues to invest in replacement of end-of-life assets as well as vegetation management.

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

CNPI's customers experienced a decrease in the average number of electrical service disruptions in 2017 compared to 2014, 2015 and 2016.

CNPI has deployed several initiatives aimed at reducing the number of electrical service interruptions such as the vegetation management program and cyclical asset preventative maintenance programs.

CNPI reviews outage statistics on a monthly basis to identify areas of poor distribution system performance. This process indicates any trends in poor performance and identifies opportunities to improve reliability. CNPI also completes asset condition assessments to identify assets that present a risk of impacting system reliability. CNPI uses reliability indicators and asset condition assessment data as key drivers into the system planning process.

Asset Management

- **Distribution System Plan Implementation Progress**

CNPI completed the majority of planned 2017 capital projects in accordance with its Distribution System Plan. A portion of the north end voltage conversion program was delayed as a result of a substantial increase in new customer load connections. The delayed voltage conversion work is expected to be completed in 2018. All maintenance activity as defined in the Distribution Asset Management Plan was completed in 2017.

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 Ontario Energy Board 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. The statistical model developed by Pacific Economics Group to predict a distributor's costs relies on a data set that includes all distributors in Ontario.

For 2017, CNPI was placed in Group 4 indicating that actual costs are within 25% of the costs predicted by the statistical model. CNPI's total costs are reflective of its continued re-investment in its distribution system.

- **Total Cost per Customer**

The statistical model developed by Pacific Economics Group produces total capital and operating costs for each distributor that can be used for the purpose of comparing distributors. This amount is then divided by the total number of customers that CNPI serves to determine Total Cost per Customer. The cost performance result for 2017 is \$773 per customer, which is a 2.9% decrease over 2016.

Over the 2013 to 2017 period covered by the scorecard, CNPI faced both inflationary cost increases, as well as cost increases associated with investments in programs for asset replacement, system improvement, and vegetation management that are sustainable in the long term. In contrast, CNPI's customer count increased by less than 1.7% over the entire five year period, with a result that cost increases are not offset by customer growth.

- **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 total kilometers of line that CNPI operates to serve its customers. CNPI's 2017 result is \$21,875 per km of line, a 2.2% decrease over 2016.

Over the 2013 to 2017 period covered by the scorecard, CNPI's total km of line has increased by only 3km, or less than 0.3%. As a result, annual changes in the cost per km result are simply reflective of changes in CNPI's overall costs.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

On the basis of the IESO's "Final 2017 Annual Verified Results Report" issued on June 29, 2018, CNPI achieved 84.23% of its Net Energy Savings target for the 2015 – 2020 timeframe. CNPI fully leveraged the suite of Independent Electricity System Operator ("IESO") province-wide demand management programs and placed emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers.

Much of this success can be attributed to the successful promotion of energy efficiency programs and strong participation by commercial customers in the Retrofit and Small Business Lighting Programs.

Connection of Renewable Generation

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

CNPI did not receive any requests for renewable generation connections requiring Connection Impact Assessments in 2017.

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

In 2017, CNPI connected ten (10) new micro-embedded generation facilities (microFIT projects of less than 10 kW). All ten facilities were connected within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. CNPI works closely with its customers and their contractors to make the connection process as streamlined and transparent as possible.

Financial Ratios

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

The Scorecard reports the current ratio for CNPI's segmented distribution business as 0.36 for 2017 (2016 0.33). CNPI however manages liquidity on a consolidated basis that includes both its transmission and distribution divisions. On this basis, the 2017 liquidity current ratio based on CNPI's audited financial statements is 0.36 (2016 1.04). The liquidity ratio has decreased over prior year primarily due to the long-term debt of \$30.0 million due for repayment in 2018. In August 2018, CNPI entered into a new long-term financing agreement. Removing the current portion of long-term debt for 2017, CNPI's recalculated liquidity ratio is 1.12, which is an indication that CNPI is appropriately leveraged. Going forward, the liquidity ratio is expected to move back towards the 5 year average of 1.14.

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

The Ontario Energy Board 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. The Scorecard reports the total debt to equity ratio for CNPI's segmented distribution business as 2.11 for 2017 (2016 1.64). CNPI however manages its capital structure on a consolidated basis that includes both its transmission and distribution divisions. On this basis, the 2017 leverage debt to equity ratio based on CNPI's audited financial statements is 1.35 (2016 1.16). CNPI's consolidated leverage ratio has increased over the past year, however is in line with the 5 year average of 1.27. Going forward, the leverage ratio is expected to be held relatively consistent with the 5 year average.

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

CNPI's 2017 distribution rates were approved by the Ontario Energy Board as part of its previous Cost of Service application for rates effective January 1, 2017 and this included an expected (deemed) regulatory return on equity of 8.78%. The Ontario Energy Board allows a distributor to earn within +/- 3% of the expected return on equity.

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

CNPI's return achieved in 2017 was 10.70% (2016 8.97%), which is within the +/- 3% range allowed by the Ontario Energy Board. CNPI achieved returns are higher in 2017 as compared to 2016 due to a \$0.8 million (26.5%) increase in adjusted regulated net income offset by a \$5.0 million (6.0%) increase in rate base.

Note to Readers of 2017 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.