

Scorecard - Newmarket-Tay Power Distribution Ltd.

Performance Outcomes	Performance Categories	Measures	2013	2014	2015	2016	2017	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	100.00%	100.00%	100.00%	100.00%	99.77%		90.00%		
		Scheduled Appointments Met On Time	94.90%	96.50%	98.00%	99.80%	99.91%		90.00%		
		Telephone Calls Answered On Time	83.60%	84.90%	84.00%	81.80%	76.64%		65.00%		
	Customer Satisfaction	First Contact Resolution			85%	92%	90%	90			
		Billing Accuracy			99.98%	99.98%	99.99%	99.95%		98.00%	
		Customer Satisfaction Survey Results			92%	94%	91%	91			
<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			82.00%	82.00%	81.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	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 <sup>2</sup>	0.51	0.68	0.58	0.42	0.42			0.59	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.43	0.79	0.67	0.57	0.54			0.51	
	Asset Management	Distribution System Plan Implementation Progress		80%	99%	100%	120				
	Cost Control	Efficiency Assessment	2	2	2	2	2				
		Total Cost per Customer <sup>3</sup>	\$543	\$566	\$579	\$600	\$621				
Total Cost per Km of Line <sup>3</sup>		\$22,272	\$23,340	\$23,801	\$24,893	\$25,943					
<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>			22.68%	38.69%	64.35%			36.24 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%	100.00%	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)	2.69	2.66	2.70	2.74	2.35				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.61	0.61	0.74	0.67	0.66				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.66%	9.66%	9.66%	9.66%	9.66%			
			Achieved	11.10%	8.88%	8.51%	8.01%	2.41%			

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_Performance_Measure_Descriptions.pdf)

### Scorecard MD&A - General Overview

Newmarket-Tay Power Distribution Ltd. (“NTPDL”) continues to succeed in Customer Focus, Operational Effectiveness, Public Policy Responsiveness, as well as Financial Performance. In 2017, NTPDL assisted customers to collectively reduce their energy usage by 8.12 Gwh through participation in conservation programs. In 2018, NTPDL plans to continuously meet or exceed industry targets within the scorecard performance outcomes.

NTPDL’s management team is engaging customers and experts to develop NTPDL’s long-term strategic framework (vision, mission, core values). These efforts are informing the strategic plan development process to better support the changing needs of customers, while safely and reliably meeting their electricity needs.

NTPDL exceeded all industry and distributor targets, except for one of the system reliability measures. NTPDL’s 2017 result for the average frequency that a customer is interrupted is 0.54. The industry’s average for the frequency that a customer is interrupted is 1.12. NTPDL’s average frequency of interruptions to a customer is significantly better than the industry average. This NTPDL reliability result was primarily due to planned outages to facilitate the VIVAnext Bus Rapid Transit (“BRT”) project. As the BRT project completes in 2018, NTPDL expects that statistics related to outage frequency will be within historical norms going forward.

### Service Quality

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

In 2017, NTPDL connected all of its new service customers within the five-day timeframe set by the Ontario Energy Board (“OEB”). This marks the 7th year consecutively that NTPDL has achieved over 99%; exceeding the OEB standard of 90%. Meeting customers’ expectations is a priority for NTPDL. Maintaining adequate resources enables NTPDL to be responsive to customers’ needs.

- **Scheduled Appointments Met On Time**

NTPDL had 1,067 scheduled appointments with 99.91% being met within the prescribed OEB timeframe. NTPDL exceeded the OEB standard by 9.9%, representing a 0.1% improvement over the previous year. ~~attained.~~

- **Telephone Calls Answered On Time**

NTPDL received 39,168 qualified incoming telephone calls with 77% being answered in person within 30 seconds. NTPDL exceeded the OEB approved standard by 12%. The combined increase in call volumes (2,000 more telephone calls) and phone system challenges attributed to a 5% reduction in telephone accessibility annually. To improve it's performance NTPDL is upgrading its aged phone system to eliminate the challenges being experienced and has proactively implemented internal process changes to improve the timeliness of calls being answered in the interim.

## Customer Satisfaction

- **First Contact Resolution**

NTPDL strives to ensure customers' needs are promptly addressed and resolved within the first contact. In 2017, NTPDL demonstrated a first contact resolution of 90%. There is a continued effort to be customer focused and drive this result for further improvement in the future.

- **Billing Accuracy**

In 2017, there were 432,802 bills issued with 99.95% accuracy, exceeding the OEB's prescribed target of 98%. NTPDL has implemented a bill audit process to continue to monitor billing accuracy results and continually identify enhancement opportunities within the billing processes.

- **Customer Satisfaction Survey Results**

NTPDL engaged a third party to conduct the Customer Satisfaction Survey and gather feedback. The annual results enabled management to make informed decisions and enhancements to improve customer satisfaction and better inform management's decision making. NTPDL attained a result of 91% in 2017.

The survey provides customers an opportunity to respond to a range of topics including: overall satisfaction with NTPDL, reliability, customer service, outages and billing. The customer feedback collected is incorporated into NTPDL's planning process and forms the basis of plans to improve customer satisfaction and meet the changing needs of customers.

## Safety

- **Public Safety**

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

NTPDL executes a survey to measure the level of awareness of key electrical safety precautions among the public within its service territory. The key electrical safety precaution questions identified by the OEB are:

- Likelihood to “call before you dig”
- Impact of touching a power line
- Proximity of an overhead power line
- Danger of tampering with electrical equipment
- Proximity to downed power line
- Actions taken in vehicle in contact with wires

NTPDL engaged a third-party agent to survey the level of public awareness the safety precautions. Survey results were based on a random telephone survey of 400 respondents of the general public located in Newmarket and Tay service areas. The data is statistically weighted based on the Canadian census figures (2016) for age, gender and region. NTPDL scored 81% on the OEB’s Public Safety Awareness Index Score with results indicating that a majority of the public have a good awareness of key public electrical safety issues.

NTPDL continues to promote continued education, awareness and application of safety around powerlines and as such, safety continues to play a key role in ongoing activities. NTPDL is required to annually report the performance results for Public Awareness of Electrical Safety Measure.

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

In 2017, NTPDL achieved full compliance with Ontario Regulation 22/04 (“O.Reg.22/04”). 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. An audit is performed to determine the status of compliance (Non-Compliant (N/C), Needs Improvement (N/I), or Compliant (C)).

NTPDL’s Audit Report shows that there were zero (0) “Non-compliances” and zero (0) “Needs improvements” issues identified. This was the fifth consecutive audit without any findings. The ESA O.Reg. 22/04 – Compliance Assessment for 2016 stated that ESA is satisfied with NTPDL’s compliance with O.Reg. 22/04.

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

No public serious electricity incidents occurred during the year.

## System Reliability

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

In 2017, NTPDL achieved 0.42. This is consistent with the 2016 results and exceeds the distributor target of 0.59. The OEB established the distributor target based on NTPDL's 2010 to 2014 five-year average. NTPDL continues to achieve an exceptionally high level of service availability and mitigate the average number of hours that power is interrupted to a customer.

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

In 2017, the average number of times power was interrupted was 0.54, resulting in an improvement of 0.03. This is the 3<sup>rd</sup> consecutive year that NTPDL has improved on this metric and reduced the average number of times that power to a customer was interrupted. This continuous improvement moves NTPDL closer to achieving the OEB established distributor-specific target of 0.51 based on NTPDL's fixed 5-year (2010 to 2014) average for this metric. The average frequency that an NTPDL customer was interrupted, was half that of the industry.

Planned short-duration outages to facilitate construction of the BRT project continued to contribute to the slightly higher than target outage frequency result. When the BRT project completes in 2018, NTPDL expects that outage frequency will return to the historical norms.

## Asset Management

- **Distribution System Plan Implementation Progress**

The metric that NTPDL has chosen to most effectively reflect their performance in Distribution System Plan ("DSP") Implementation Progress, is the ratio of actual total capital expenditures made in a calendar year, over the total amount of DSP planned capital expenditures for that calendar year. NTPDL completed 120% of the DSP due to a change in the VIVA 3.2 project schedule that concentrated the majority of NTPDL's construction in 2017 instead of spread over 2016, 2017 & 2018 as originally anticipated.

## Cost Control

- **Efficiency Assessment**

The total costs for 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 2017, NTPDL maintained its Group 2 position, meaning that actual costs were 10 to 25% below its predicted costs. Group 2 is considered “better than average efficiency” – in other words, NTPDL’s costs are lower than the average cost range for distributors in the Province of Ontario. Group 2 comprises 25% of LDC’s. In 2017, 44% of LDC’s were within 10% of the predicted cost, while 17% experienced excess costs in the 10% to 25% range; and 5% of LDCs had costs that exceeded 25%. NTPDL will continue to manage the OM&A and capital costs driving the efficiency ranking of the LDC.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of the company’s capital and operating costs and dividing this cost figure by the total number of customers that NTPDL serves. The cost performance result for 2017 is \$621/customer which is a 3.5% increase over 2016.

In 2017, NTPDL experienced increases in its total costs required to deliver quality and reliable services to customers. NTPDL continued to incur considerable plant relocation cost related to the BRT project along Yonge Street. This BRT project entails innovative specialized construction to address constraints unique to the project. The increase in expenses is related to the one-time purchase cost of Midland Power Utility Corporation, impacting the OM&A expenses.

NTPDL will continue to replace distribution assets proactively along a carefully managed timeframe and in a manner that balances system risks and customer rate impacts as demonstrated in the DSP. NTPDL strives to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue to ensure customers have an opportunity to share their viewpoint on NTPDL’s spending plans.

- **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 circuit-kilometers of powerlines that NTPDL operates to serve its customers. NTPDL's 2017 rate is \$25,943 per km of line. This translates to a 4.2% increase from prior year.

NTPDL continues to experience a significant amount of powerline relocations due to regional and municipal road projects especially the BRT project along Yonge Street. Plant relocations consume funds yet, in most cases, add no new km of powerlines. As a result, cost per km of line has increased year over year with the increase in capital and operating costs. NTPDL 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**

The conservation programs are designed to be delivered by utilities to their customers to reduce the Provincial energy usage by 7 TWh by 2020. NTPDL was allocated 36.24 GWh of this target, which is to be achieved between the 2015-2020 target period.

NTPDL with the support of customers successfully achieved 64% of the energy usage reduction target. In 2017, NTPDL customers collectively reduced their energy usage by 8.12 GWh through participation in conservation programs. These combined savings were 60% from the business sector and 40% from the residential sector. This achievement is attributable to NTPDL's active engagement in the community to promote the conservation programs and provide high quality customer service. NTPDL is a Customer First member – a collaborative that shares best practices and fosters synergies to create cost-effective and customer-focused delivery of conservation programs for partnered LDC's. All sectors and customer types are covered in the joint plan and customers will continue to have access to multiple province-wide, local and pilot programs through the 2015 – 2020 CDM target period.

## Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within timelines in accordance with Ontario Regulation 326/09. In 2017, NTPDL completed all CIAs related to renewable generation within the prescribed timelines. NTPDL has a total of 250 (>10 kW) renewable facilities. Non-renewable “behind-the-meter” type generation and battery energy storage connections will pose new challenges for connection to the existing distribution system and NTPDL's operations in the future.

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

In 2017, NTPDL had 39 offers to connect to new micro-embedded generation facilities (microFIT projects of less than or equal to 10 kW). All CIA's were completed within the prescribed time frame of five business days (100%). The minimum acceptable performance level for this measure is 90%. NTPDL works closely with customers and contractors to manage connection issues to ensure the projects are connected on schedule.

## Financial Ratios

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

The current ratio is an indicator of financial health with a ratio greater than one indicating that the company is in a good position to pay its short-term debts and financial obligations. The higher the value, the more “liquid” and the larger the margin of safety to cover the company’s short-term debts and financial obligations.

NTPDL’s 2017 current ratio is 2.35 (five year average is 2.63) indicating a strong liquidity position. NTPDL’s ratio has trended down in recent years due to the accumulation of the MIFRS liability variances. The regulatory liability is being refunded to customers during the 2017 - 2018 time period.

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

Debt-to-Equity Ratio is an indicator of a company's financial leverage. 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 high debt to equity ratio may indicate that a company may have difficulty generating sufficient cash flows to make its debt payments.

NTPDL’s 2017 debt to equity ratio is .66 and is lower than the OEB’s ratio of 1.5 as stated above. This enables NTPDL to manage financing requirements for infrastructure investment due to growth and development of the distribution asset system.

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

Regulatory rate of return on equity (ROE) calculation is based on the revenue and cost structure approved in the Cost of Service application within an allowable range of +/- 3%. If a distributor is outside that +/- 3% range, it could trigger a regulatory review of the distributor’s revenues and costs structure. NTPDL’s current OEB approved expected (deemed) regulatory return on equity is 9.66%.

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

NTPDL’s regulatory return on equity for 2017 was 2.41%; which was attributed to the purchase costs of Midland Power Utility Corporation impacting OM&A expenses and the one time weighted average cost of capital entry related to the change in useful life. When adjusted for these exceptions the return on equity was over 7%. The average return over the past five years was 7.78%, which is within the OEB’s +/- 3% range of deemed return on equity of 9.66%.

## 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.