Scorecard - North Bay Hydro Distribution Limited

8/31/2022

Performance Outcomes	Performance Categories	Measures		2017	2018	2019	2020	2021	Trend	Target: Industry	Target: 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		86.56%	91.13%	95.65%	82.23%	81.51%	⇩	65.00%	
	Customer Satisfaction	First Contact Resolution		6	4	3	2	4			
		Billing Accuracy		99.74%	99.72%	99.87%	98.71%	99.81%	⇩	98.00%	
		Customer Satisfaction Survey Results		85%	89%	89%	86%	86%			
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%	81.00%	85.00%			
		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]		1.11	1.95	1.16	1.08	0.74	⇩		1.52
		Average Number of Times that Power to a Customer is Interrupted [2]		0.94	1.40	1.35	0.78	0.77	⇩		1.29
	Asset Management	Distribution System Plan Implementation Progress		118%	112%	119%	102%	23%			
	Cost Control	Efficiency Assessment		3	3	3	3	3			
		Total Cost per Customer [3]		$672	$695	$732	$715	$729			
		Total Cost per Km of Line [3]		$28,233	$29,208	$30,928	$30,270	$30,857			
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).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time [4]				50.00%					
		New Micro-embedded Generation Facilities Connected On Time		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)		1.92	1.84	1.69	1.58	1.67			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.01	1.00	1.03	1.14	1.05			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.30%	9.30%	9.30%	9.30%	8.34%			
			Achieved	8.56%	10.17%	6.14%	4.64%	7.86%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. 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. Value displayed for 2021 reflects data from the first quarter, as the filing requirement was subsequently removed from the Reporting and Record-keeping Requirements (RRR).

Legend:

5-year trend: ⇧ up ⇩ down ⇨ flat

Current year: target met; target not met

2021 Scorecard Management Discussion and Analysis ("2021 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 2021 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

In 2021 North Bay Hydro Distribution Ltd. ("NBHDL") met or exceeded all performance targets, continuing the 5-year trend that consistently shows an efficient, stable business meeting industry objectives.

- ✓ NBHDL owns, operates and manages the assets associated with the distribution of electricity to approximately 21,000 residential customers and 3,000 business customers operating in the city of North Bay.
- ✓ NBHDL continued its stable financial performance in 2021. Liquidity and leverage ratios were well within the target for a healthy, stable, financially viable company. While also achieving as a modest Return-on-Equity within the approved range.
- ✓ NBHDL conducted its bi-annual customer safety survey and continues to score well relative to provincial and national averages. This is something NBHDL takes pride in as part of an overall safe work philosophy.
- ✓ The tree replacement initiative continues to be an encouragingly well-received program that results in an annual waiting list. In an effort to promote a Green Canopy and to give back to the community, NBHDL works with customers that are affected by NBHDL's vegetation management work.
- ✓ NBHDL dedicated exhaustive resources into its updated Cost of Service Application that was approved in September 2021. This application sets the direction and scope for the next 5 years incorporating both the operational program and the capital delivery of NBHDL's investments in infrastructure renewal in the community.
- ✓ Our overall Scorecard performance is a result of NBHDL's continued investment in our infrastructure, our employees and in our response to customer needs.

The details provided in this report on service quality, customer satisfaction, safety, system reliability, asset management, cost control, CDM results, and financial ratios confirm NBHDL's continuing strong performance in 2021.

Service Quality

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

In 2021, NBHDL connected 100% of 105 eligible low in-voltage residential and small business customers (90 in 2020, 57 in 2019) to its system within the five-day timeline prescribed by the OEB.

NBHDL has achieved 100% every year since 2009 and has done so through a continued commitment to customers and through adherence to workflow processes in place to meet the five-day window and to satisfy customer needs and expectations.

- **Scheduled Appointments Met On Time**

Approximately 3,800 appointments were scheduled with customers in 2021 for various activities including, but not limited to, work requested by customers, providing underground locate services, meter access and investigation when requested by customers. NBHDL also meets with customers regarding the vegetation management program that includes not only discussing the program itself, but also addressing customer concerns and questions and obtaining the proper permissions for tree removal or trimming. Where NBHDL was required to meet with a customer or a customer's representative (754), all of these appointments were met on time, exceeding the industry target of 90%. NBHDL strives to maintain this high standard and has maintained a 99.9% average since 2009.

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. An automated system handles underground locate requests which 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 service providers in the field. Field staff then schedule the work within a 5-day window. This automation has created a very efficient process for customers. Like many utilities NBHDL completes this program using experienced external contractors. This creates an efficient and cost-effective process to respond to customer requests.

- **Telephone Calls Answered On Time**

In 2021 Customer Accounts and Billing Specialists ("CABS") handled approximately 18,000 in-coming calls from customers; over 81% of those calls were answered in 30 seconds or less. This result exceeds the OEB mandated 65% target for timely call response. While this statistic is lower compared to historical periods, NBHDL found that as a result of COVID protocols and the temporary closure of walk-in service, our staff spent more time on each call assisting customers during such a unique time. Staff provided necessary information on price changes, support programs, and worked with customers one on one to address their individual circumstances. Call duration naturally increases as a direct result of NBHDL's commitment to work with customers during the pandemic, but the result was a reduction in pick-up time on an initial call. Despite this, NBHDL is proud to still have performed well above the industry target.

NBHDL's Customer Service department is centralized to handle all inquiries; customers can call and speak with a representative that is able to handle all types of inquiries or concerns 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, CABs handled approximately 9,000 outbound calls in 2021.

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.

For NBHDL, First Contact Resolution is measured based on the number of customer concerns that are escalated formally to NBHDL's President or directly to the OEB. NBHDL's staff 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 staff and management are typically able to resolve customer issues, however, in 2021 four (4) concerns were escalated to the OEB. This represents less than .02% of NBHDL's 24,000 customers.

A large proportion of customer complaints are related to the overall cost of hydro, which is a real concern for everyday people and businesses across the Province. This focus on cost was further exacerbated by the national impacts of the COVID19 pandemic. NBHDL recognizes the impact costs have on customers and we strive to find on-going and sustainable efficiencies within the business, however, NBHDL is only responsible for approximately 26% of the total bill for residential customers; the remaining 74% of costs are collected or distributed by NBHDL on behalf of various provincial entities. NBHDL is the frontline for the broader electricity sector and with this position comes the responsibility for answering customers' questions and concerns that are the result of the actions of other sector participants and outside the scope of NBHDL's direct control. This can be both challenging and frustrating for customers. 2021 saw NBHDL put customer needs even further to the forefront in an effort to continue to alleviate the strain of the ongoing pandemic. Custom payment plans and waived late fees were done in an effort to assist customers in another very challenging year.

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 2021 just over 305,000 bills were issued to customers and NBHDL achieved a billing accuracy of 99.81% (98.71% in 2020), exceeding the prescribed OEB target of 98%. Over the last five years, NBHDL has averaged 99.56% in this metric and continuously monitors its billing accuracy and processes to identify opportunities for improvement and to ensure accurate bills are produced for customers. NBHDL considers it important to note that a single large billing error could potentially have an outsized effect on this statistic. Billing errors, when they do occur, are resolved quickly.

- **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.

Customer satisfaction is an important measure of customer loyalty and trust. In an environment where the electricity sector receives a high amount of attention in the media, maintaining customer satisfaction is a priority for NBHDL. NBHDL attempts to engage our customers throughout the year at community events, online through social media and through bill inserts and website messaging. NBHDL strives to maintain customer satisfaction through ongoing efforts to communicate relevant and timely customer information.

For the 2020 filing, NBHDL engaged a qualified market research organization for the bi-annual formal customer satisfaction survey. This survey type is widely utilized among LDCs in Ontario and the results of the survey contribute to benchmarking scores from electric utility customers across Canada. The results of the survey provided a snapshot of performance based on customer responses related to 4 categories: Electrical Service Reliability, Billing Accuracy and Options, Customer Service, and Communications. These measures combine for an "Overall Customer Satisfaction Index Score" of 86%. This figure compares consistently to prior scorecards, however, it should be noted that a new survey provider was engaged for the 2020 scorecard and, while comparable, the overall question and methodologies would differ.

Considering the delicate nature of the province's energy portfolio and the public perception thereof, NBHDL takes pride in knowing the vast majority of its customers are satisfied with our performance. NBHDL believes that this metric provides an overall picture of customer experience and satisfaction and will use this result for future comparisons until such time as the OEB determines a measure across the industry.

NBHDL will continue to use the bi-annual survey results to benchmark improvement and to identify additional opportunities to enhance customer satisfaction. Ongoing, daily interactions will be supported through enhanced engagement by way of a focus group of our highest consumption customers, ensuring communication channels are open, accessible and provide us with additional best practices moving forward. When deemed safe to do so, NBDHL will also be present at local trade shows, Chamber of commerce meetings, as well as gatherings with local contractors, and small to medium-sized businesses specifically. NBHDL continues to enhance and invest in our social media channels, according to feedback, to ensure messaging reaches customers quickly, and an easy channel for the community to request information, direction, or clarity on any subject.

Most importantly, NBHDL has begun working on an annual Sustainability Report, to update and inform the community on all aspects of the current business, our motivation and future intentions, as well as highlights from the previous year.

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.

In 2021 NBHDL did not encounter a lost time incident. As part of its on-going commitment to safety, NBHDL will undertake extensive investigations and evaluations of the current practices, make recommendations, and implement those recommendations by reviewing any incident with all staff and retrain qualified personnel on the safe use of all equipment. Lost time incidents are only one measure of safe work practices. Ensuring each employee demonstrates safety as a value is integral to safe work. This reinforces our safety culture established in 2017 as it instills awareness, involvement, accountability, and continuous improvements in order to ensure that incidents are avoided and every worker returns home safely 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.

o Component A – Public Awareness of Electrical Safety

The Public Awareness of Electrical Safety measure is determined by public survey. The purpose of the survey is to monitor the effort and impact LDCs are having on improving public electrical safety for the Distribution Network. This public safety survey is intended to be conducted every two (2) years. This survey differs from NBHDL's customer satisfaction survey in that it targets the general public regardless of whether they were an LDC customer. The questions on the survey are standardized across the province. NBHDL's Public Awareness of Electrical Safety survey result was 85% and was conducted in early 2022. This result is a small but meaningful improvement over the previous survey (81%).

o 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 objectives based on 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.

o 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

As a percentage of total sustained outages in the NBHDL system, the majority causes continue to be attributed to the following OEB categories: Foreign Interference, Tree Contacts, and Defective Equipment. Since the NBHDL system is predominantly overhead with a substantial portion running through rural areas, trend data will always correlate with the number and severity of storms that roll through the City each year. NBHDL is also an embedded distributor to Hydro One and as such, will experience loss of supply. Loss of Supply is not a variable that NBHDL can alter in an effort to improve reliability.

Outages that are caused by tree contacts are mitigated with a cyclical Vegetation Management Program. NBHDL's goal is to achieve a new standard of a 6-year cycle, by changing from primarily trimming/topping to performing full removals in order to address the high number of large trees located in close proximity to live conductors. Once all areas within NBHDL's service territory are completed to the new standard, it is expected that the overall number of tree related outages will be reduced and in turn, since trees will be at a much greater separation from poles and high voltage lines, there will be a reduction in the potential of animal contact situations (reducing foreign interference outages). In addition, the new standards will help reduce tree related damage in storm situations and make the system safer for the general public and Power Line Maintainers.

As a proud and active member of the North Bay community, NBHDL has committed to doing its part in restoring the tree canopy in the urban part of the City. As such, NBHDL has continued to maintain efforts to re-green the City while addressing the need for safe tree clearance with respect to power lines. After putting this program on hold for 2020 in an effort to limit discretionary interactions with customer due to COVID19, NBHDL re-commenced in 2021 and planted over 100 new trees as part of the re-greening campaign.

Outages involving defective equipment are mitigated through periodic inspections of the distribution system, regular maintenance activities, and system renewal and rejuvenation projects. NBHDL is committed to reducing outages caused by equipment failure and continues to invest in upgrading its system and rebuilding its aging infrastructure.

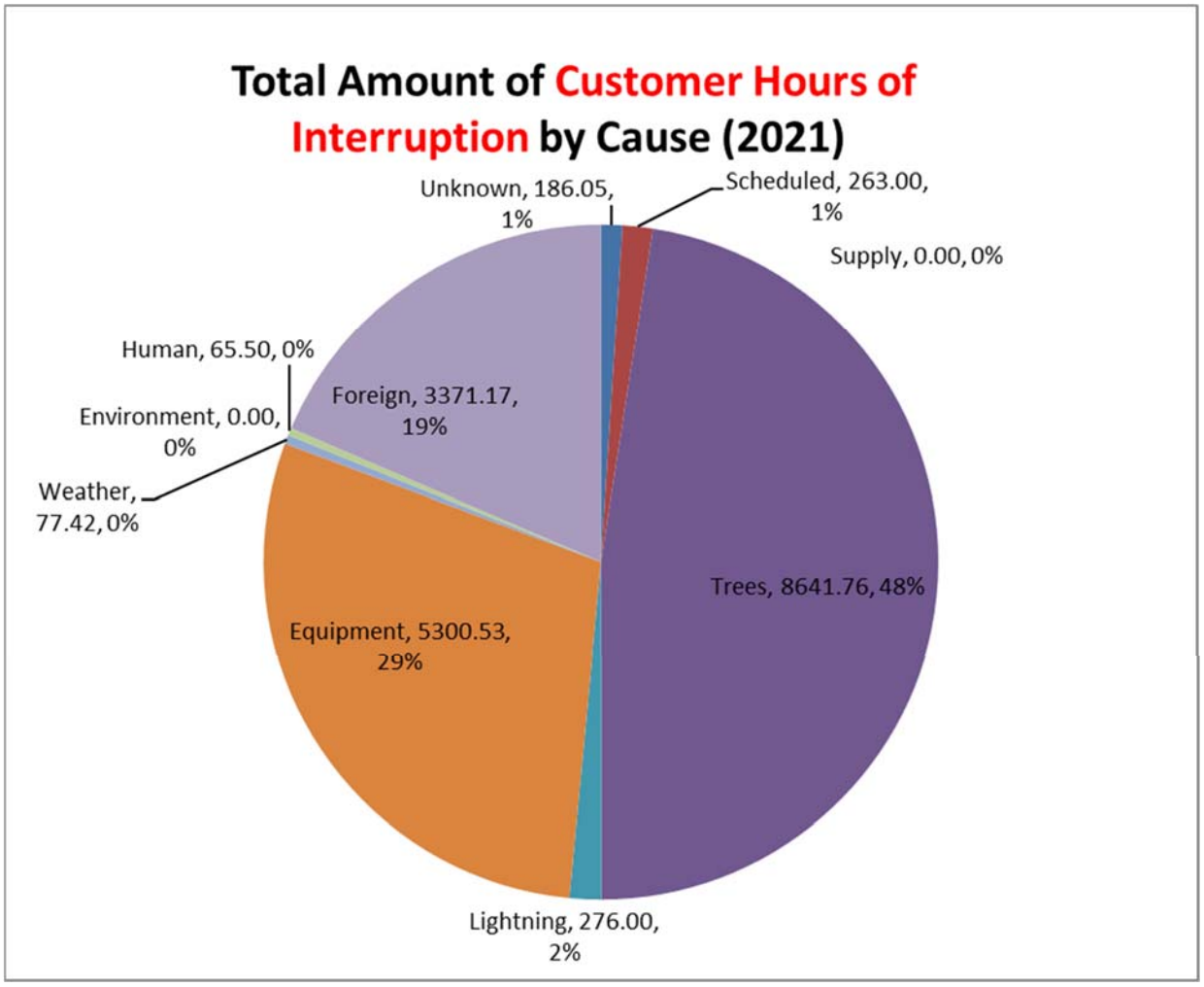
- **Average Number of Hours that Power to a Customer is Interrupted**

During normal hours of operations, NBHDL's control room can remotely manage the local grid rerouting power and dispatching crews to respond to outages quickly and efficiently. Outside hours of operations, NBHDL maintains an emergency response crew on call to restore power as quickly as possible at all times.

In 2021, NBHDL's average number of hours in which power to a customer was interrupted (outage hours not including supply disruptions) was 0.74 (1.08 in 2020) and below the distributor target of 1.52. NBHDL's goal is to have its system reliability trend in an improved manner over a five-year period; however, it is important to note that in any given year, outage hours will correlate with storm occurrences and severity. In 2021, Tree Contact and Foreign Interference related outages accounted for a combined 66% (32% in 2020) of the hours in which power to a customer was interrupted, while Defective Equipment was responsible for 29%. While the decrease in Defective Equipment is significant compared to 2020 (59%), it is due to a similar number of incidents in 2021 that affected a comparatively lower number of customers for a shorter period of time.

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

In 2021, NBHDL's average number of customer interruptions (i.e., frequency) was 0.77 and well below the distributor target range of 1.29. As stated above, occurrence of storms is a significant factor in annual reliability statistics. Foreign Interference and Tree Contact related outages accounted for 43% of the number of times in which power to a customer was interrupted while Defective Equipment was responsible for 49%. While the decrease in Defective Equipment is significant compared to 2020 (60%), the circumstances explained in the bullet above detail the difference.



Asset Management

- **Distribution System Plan Implementation Progress**

Distribution System Plan (DSP) implementation progress is a performance measure instituted by the OEB 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 575,000 meters of overhead lines and underground cable circuits and there are fifty-three (53) distribution feeders, eight (8) sub-transmission feeders, and 4,020 distribution transformers.

NBHDL has based the DSP implementation progress as a percentage (%) of budgeted gross capital spending that is scheduled to be completed over the current 5-year rate cycle. Through 2021 NBHDL achieved 23% of the forecasted DSP of $31.3M. In 2021, NBHDL was in the first year of the five-year Cost of Service Cycle and as such, 23% paces it slightly, but not significantly so, ahead of the spending schedule. This methodology differs from prior years. Previously NBHDL measured progress by year in question as opposed to over the life of the plan. This new method provides better context with respect to NBHDL's DSP progress.

NBHDL completed significant construction work totaling $4.4M in the City in 2021. A major project on Ski Club Road continued as part of an ongoing effort to revitalize two major 44kV sub-transmission circuits. Other major projects include a backlot elimination was completed on Macbeth and a major overhead line rebuild took place on Wallace Road. Customer demand work, and general operational requirements such as building upgrades, substation upgrades, IT requirements and planned updates to the fleet also occurred in 2021.

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 2021 - 2025 planning horizon. In 2021 NBHDL completed a new DSP as part of the Cost of Service application that covers the next 5-year period (2021-2025). The DSP is a guide to maintaining a safe and reliable distribution system that incorporates appropriate planning, pacing and cost effectiveness.

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 2021 for the tenth year in a row NBHDL was placed in Group 3, which is defined as having actual costs within +/- 10% 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. In 2021, 40% (23 distributors) of the Ontario distributors were ranked as "average efficiency"; 49% were ranked as "more efficient"; 11% 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 2021 is $729/customer which is a $14 (2.0%) increase per customer over 2020; with an average increase of 2.1% per year over the last 5 years. Similar to all distributors in the province, NBHDL has experienced increases in its total costs required to deliver quality and reliable services to customers.

Province wide programs pricing and billing programs, growth in wage and benefits costs for employees, planned investments in vegetation management, new information systems technology, cyber-security and the renewal of the distribution system, have all contributed to increased operating and capital costs. NBHDL will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts as demonstrated in NBHDL's 2021 rate application.

- **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 2021 rate is $30,857 per Km of line, a $587 (1.9%) increase over 2020; with an average increase of 2.2% per year over the last 5 years. NBHDL's capital focus is asset renewal which is simply replacing (and in some cases reducing) the same Km of line, not increasing total Km; this results in increasing renewal costs each year, but with the same (or lower) 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.

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.

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 encouraged customers to participate in the FIT and microFIT programs, and has been able to meet all timelines for assessments and connections. The microFIT program stopped accepting applicants at the end of 2017.

- **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. NBHDL has three (3) FIT installations with generating capacity of 1.88 MW, including the Merrick Landfill. NBHDL currently has 6 Net-Metering connections. This continues to be a positive option for customers looking to connect with smaller electrical generation installations.

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

In 2017, the microFIT program ceased accepting new applications. NBHDL currently has 48 microFIT generators with a capacity of 429.74 kW.

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 1.58 in 2020 to 1.67 in 2021 primarily due to a net increase in accounts receivable and cash, which is offset partially by increases in accounts payable and a decrease in notes and loans payable. 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 exchange of new debt combined with a higher net income which is reflected in a slight decrease in the ratio to 1.05 in 2021 as compared to 1.14 in 2020. This ratio of 1.05 represents an actual debt to equity of 51.2% to 48.8% respectively.

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 completed a Cost of Service application in September 2021 with an expected (deemed) regulatory return on equity of 8.34%. 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**

NBHDL’s achieved return in 2021 was 7.86%, which is inside the +/-3% range allowed. 2021 was the first year of a 5-year Cost of Service cycle. This new framework allowed for an update to productivity improvements and operational efficiencies that continue to be a priority for the business. 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 2021 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.