Scorecard - North Bay Hydro Distribution Limited

8/30/2023

Performance Outcomes	Performance Categories	Measures		2018	2019	2020	2021	2022	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%	flat	90.00%	
		Scheduled Appointments Met On Time		100.00%	99.83%	99.56%	100.00%	100.00%	up	90.00%	
		Telephone Calls Answered On Time		88.32%	90.50%	80.03%	79.76%	74.93%	down	65.00%	
	Customer Satisfaction	First Contact Resolution		13	24	13	6	6			
		Billing Accuracy		99.74%	99.88%	98.86%	99.82%	99.81%	up	98.00%	
		Customer Satisfaction Survey Results		89%	89%	86%	86%	88%			
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%	85.00%	85.00%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C	flat		C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	1	down		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.148	down		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		1.74	1.06	0.97	0.69	1.53	down		1.37
		Average Number of Times that Power to a Customer is Interrupted [2]		1.24	1.21	0.70	0.69	1.01	down		1.17
	Asset Management	Distribution System Plan Implementation Progress		112%	109%	102%	23%	42%			
	Cost Control	Efficiency Assessment		3	3	3	3	3			
		Total Cost per Customer [3]		$693	$735	$715	$727	$777			
		Total Cost per Km of Line [3]		$26,608	$28,333	$29,272	$29,777	$32,071			
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%						90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.74	1.55	1.49	1.58	1.40			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.01	1.31	1.51	1.34	1.05			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.29%	9.29%	9.29%	8.34%	8.34%			
			Achieved	9.78%	5.12%	3.92%	7.55%	9.09%			

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

2022 Scorecard Management Discussion and Analysis ("2022 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 2022 Scorecard MD&A:

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

Scorecard MD&A - General Overview

In 2022, North Bay Hydro Distribution Ltd. ("NBHDL") met or exceeded a number of performance targets, but experienced it's first public safety issue in over five years due to a vehicular accident and also narrowly missed meeting a reliability target due to a higher impact from storm activity. The business continues to perform strongly and considers 2022 to be a year of success.

2022 saw the successful amalgamation of NBHDL and Espanola Regional Hydro (ERH); a transformative step towards greater efficiency, sustainability, and overall progress in the energy sector. A significant portion of the first half of 2022 included assessing and integrating ERH's accounting, billing, and operations practices and developing support systems into NBHDL's day-to-day business.

- ✓ NBHDL owns, operates and manages the assets associated with the distribution of electricity to approximately 24,300 residential customers and 3,000 business customers operating in the City of North Bay, Town of Espanola, and Township of Sables-Spanish Rivers after the successful amalgamation ERH and NBHDL.
- ✓ NBHDL continued its stable financial performance in 2022. 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 range approved in the 2021 Cost of Service applications for both ERH and NBHDL.
- ✓ NBHDL continues its commitment to infrastructure renewal leading to safe, reliable delivery of electricity to customers with steady progress on DSP spending, with 6.7M invested in its service territories in 2022.
- ✓ NBHDL conducted its bi-annual customer safety survey in 2022 and continues to score well relative to provincial and national averages. NBHDL takes pride in this score as part of an overall safe work philosophy. NBHDL has also published additional education safety videos on its social media platforms and website to further educate our community on safety related to the industry.
- ✓ 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.
- ✓ In direct response to the COVID-19 pandemic and the impact on customers, NBHDL continued to waive late fees through the majority of 2022 and worked with customers on individualized payment plans in an effort to assist customers.
- ✓ 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 the MDA below on service quality, customer satisfaction, safety, system reliability, asset management, cost control, and financial ratios confirm NBHDL's continuing strong performance. This scorecard also reflects the combined historical performance of both utilities; each section provides a reference on how the data was combined for reporting purposes.

Service Quality

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

In 2022, NBHDL connected 100% of 152 eligible low voltage residential and small business customers 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.

For historical reporting, the total number of new services for both NBHDL and ERH were combined.

- **Scheduled Appointments Met On Time**

Approximately 3,500 appointments were scheduled with customers in 2022 for various activities including, but not limited to, work requested by customers, providing underground locate services, and 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 (784), all 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 always meet appointments on time. 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.

For historical reporting, the total number of appointments for both NBHDL and ERH were combined.

- **Telephone Calls Answered On Time**

In 2022, Customer Accounts and Billing Specialists ("CABS") handled approximately 21,700 in-coming calls from customers; 75% 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 continued 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 increased 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 took over all customer-related calls for the Espanola service territory in the first quarter of 2022, with no change in staffing levels. In addition to the added volume, staff spent more time with customers who called in to assist in their questions and understanding surrounding the changes that evolved from the amalgamation.

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 10,255 outbound calls in 2022, which includes 376 automated "Call-backs".

For historical reporting, the total number of phone calls for both NBHDL and ERH were combined.

Customer Satisfaction

Except for 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 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 2022 five (5) concerns were escalated to the OEB. This represents less than .01% of NBHDL's 27,300 customers in North Bay and the Espanola region.

For historical reporting, the total number of escalated complaints for both NBHDL and ERH were combined. It is important to note however that ERH had a different methodology for reporting this statistic and tracked all calls that were escalated to a Senior Customer Care Representative, Supervisor, or Manager (2021 – 2, 2020 – 11, 2019 – 21, 2018 – 9).

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. 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. 2022 saw NBHDL put customer needs even further to the forefront in an effort to continue to alleviate the strain of the ongoing pandemic.

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 2022, over 332,000 bills were issued to customers and NBHDL achieved a billing accuracy of 99.81% (99.82% in 2021), exceeding the prescribed OEB target of 98%. Over the last five years, NBHDL has averaged 99.62% 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.

For historical reporting, the total number of bills for both NBHDL and ERH were combined.

- **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.

In January of 2023, NBHDL engaged a qualified market research organization for the bi-annual formal customer satisfaction survey for the reporting of 2022 statistics. 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 88%. This figure compares consistently to prior scorecards, but also shows an improvement from our 2021 index score of 86%.

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.

For historical reporting, NBHDL has utilized the results of NBHDL's customer surveys only. For reference, ERH results (significantly smaller sample size) were 2021 – 96%, 2020 – 91%, 2019 – 91%, and 2018 – 87%.

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 2022, NBHDL did not encounter a lost time incident and has not had a lost time incident for over 5 years. 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 established long-standing safety culture 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%).

For historical reporting, NBHDL has utilized the results of NBHDL's public safety surveys only. For reference, ERH results (significantly smaller sample size) were 2021 – 85%, 2020 – 85%, 2019 – 85%, and 2018 – 84%.

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.

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

NBHDL follows the ESA guidelines for reporting of serious electrical incidents and has reported 1 incident in compliance with section 2.3.6 (ii) of the guideline. The incident occurred in 2021 (reported in 2022 by ESA) and involved a vehicle striking a pole, breaking it, and causing live conductors energized at 7.2kV to fall to the ground. This created a hazard for the surrounding public due to the potential human exposure to the live high voltage conductors. Fortunately, no injuries were caused because of this incident. NBHDL has not had any serious incidents due to contact with its infrastructure by the public over the last five years prior to this incident.

For historical reporting, the ESA has combined the results.

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: Tree Contacts, Defective Equipment, and Foreign Interference. The three outage categories combined account for approximately 80% of all outages. Since the NBHDL system is predominantly overhead with a substantial portion running through rural areas, outage statistics will always correlate with the number and severity of storms that roll through the service territory each year. NBHDL is supplied from Hydro One's Transmission System and as such, will sometimes experience loss of supply due to upstream issues on transmission equipment. The Espanola service territory is embedded in Hydro One's regional Distribution System and as a result, is more likely to experience Loss of Supply outages as the regional distribution system is inherently more susceptible to outages, particularly from trees and weather-related events compared to the transmission system. Loss of Supply is not a variable that NBHDL can alter 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. NBHDL plants approximately 100 trees each year throughout the City as part of its own tree planting program (Right Tree, Right Place) and another 10-20 trees working with community partners to plant trees at schools, hospitals, and other community spaces.

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.

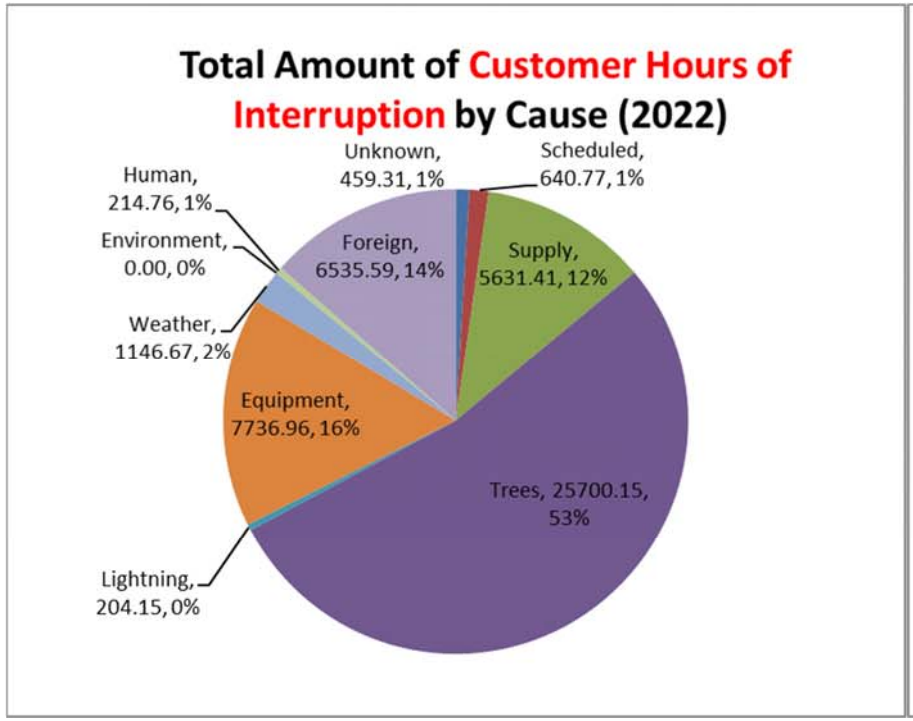
In 2022, NBHDL's average number of hours in which power to a customer was interrupted (outage hours not including supply disruptions)) was 1.53 (up from 0.74 in 2021) and above the distributor target of 1.37. NBHDL's goal is to have its system reliability trend in an improved manner over a five-year period; however, it is important to note that in any given year, outage hours will correlate with storm occurrences and severity. For example, in 2022 there were two large outages that contributed approximately 14,300 customer hours of outages just by themselves, or in terms of the system average interruption duration index, 0.53 to the score due to trees coming down in storms. In 2022, Tree Contact and Foreign Interference related outages accounted for a combined 67% (66% in 2021) of the hours in which power to a customer was interrupted, while Defective Equipment was responsible for 16% (29% in 2021).

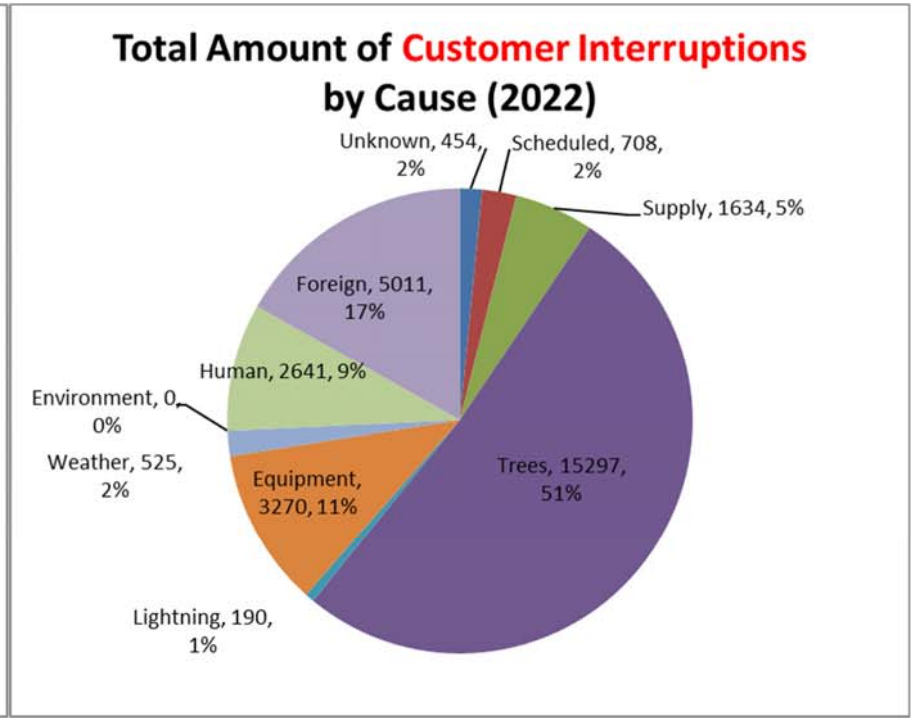
For historical reporting, interruption data sets for both NBHDL and ERH were combined.

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

In 2022, NBHDL's average number of customer interruptions (i.e., frequency) was 1.01 and below the distributor target range of 1.17. As stated above, the occurrence of storms is a significant factor in annual reliability statistics. Foreign Interference and Tree Contact related outages accounted for 68% of the number of times in which power to a customer was interrupted; however, Defective Equipment was responsible for only 11% of the interruptions, a significant improvement compared to 2021 value of 49%.

For historical reporting, interruption data sets for both NBHDL and ERH were combined.





The target that has been established for NBHDL's reliability statistics are those of NBHDL's target period of 2016-2020, as NBHDL is the larger of the two predecessor distributors. In addition, ERH's most recent Distribution System Plan specified reliability targets for 2021 only. These targets will be reset in the next DSP that is put forward to the regulator.

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 20 municipal sub-stations, 4 in the Espanola service territory and 16 in North Bay with a total of 66 distribution and 8 sub-transmission feeders consisting of 675 km of overhead and underground lines with approximately 4,600 distribution transformers. The entire system which supplies almost 28,000 residential, commercial, and industrial customers is maintained and operated by a staff of approximately 54 people.

For the purposes of reporting on the historical DSP progress, and 2022 results, NBHDL has taken ERH's annual approved budget for 2021 and applied inflationary rates to the DSP forecast period. ERH's most recent Distribution System Plan was tied to 2021 only and will be incorporated formally into the next DSP NBHDL provides the regulator. In the interim period, NBHDL applies the same asset management principles to ERH's infrastructure renewal and planning.

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 2022 NBHDL achieved 42% of the forecasted DSP of $33.9M. In 2022, NBHDL was in the second year of the five-year Cost of Service Cycle and is slightly ahead of the 5-year 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 $6.7M within its service territories in 2022. In the North Bay Service Territory, NBHDL completed a major line rebuild located on Greenhill Ave. that serves as the backbone of supply to the Wallace Heights area, a major line rebuild on Highway 11N which serves the north area of the city, and a back lot line elimination / underground conversion in the Rancier St. area. All of these critical projects are part of NBHDL's system renewal plan to replace end of life and high-risk equipment to ensure safe and reliable delivery of electricity to the communities of North Bay. In the Espanola Service Territory, NBHDL completed a three-phase line extension in Massey along Bell St. and Highway 17. This project will increase the reliability of the area and improve the operational flexibility of the system to re-route power. It also opens opportunities for new connections of potential future commercial and industrial customers who may require three phase power.

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 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 2022, NBHDL was once again 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 2022, 35% (19 distributors) of the Ontario distributors were ranked as "average efficiency"; 56% were ranked as "more efficient"; 9% were ranked as "least efficient". A core objective of NBHDL is to remain in Group 3. Historical ranking was determined through the PEG model.

- **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 2022 is $777/customer which is a $50 (6.9%) increase per customer over 2021; with an average increase of 3% 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.

It is important to note that this increase in cost per customer (and km below) is largely driven by the change in capital costs year over year (approximately 83%) that are determined by the PEG model; operating costs increased 2.9% year over year. In addition, while total costs – as determined by the PEG model are higher than 2021, these costs are 3.5% lower than the total costs that the model predicted for NBHDL in 2022.

- **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 2022 rate is $32,071 per km of line, a $2,294 (7.7%) increase over 2021; with an average increase of 4.8% 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 and the regions of Espanola and Sables-Spanish Rivers 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. Historical ranking of historical costs per customer and kilometre were determined by combining North Bay and Espanola data from the PEG model.

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 five (5) FIT installations with generating capacity of 2.63 MW, including the Merrick Landfill. NBHDL currently has 10 Net-Metering connections. This continues to be a positive option for customers looking to connect with smaller electrical generation installations. There was one CIA in 2022.

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

In 2017, the microFIT program ceased accepting new applications. NBHDL currently has 58 microFIT generators with a capacity of 523 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 decreased from 1.58 in 2021 to 1.4 in 2022 primarily due to a decrease in cash utilized to fund operating and capital activities. NBHDL's current ratio in subsequent years is expected to remain stable and within healthy financial parameters as the company continues to actively manage accounts receivable and liabilities in parallel with optimized borrowing.

- **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.

Reduced borrowing in 2022, the continued repayment of debt, and the cancellation of debt between NBHDL and ERH resulted in an overall reduction in total debt as compared to 2021. Combining this with a higher net income resulted in a continued reduction of the debt to equity ratio to 1.05 in 2022 as compared the combined debt to equity ratio in 2021 of 1.34. The ratio of 1.05 represents an actual debt to equity of 51.3% to 48.7% respectively (54.5%/40.6% in 2021).

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 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 2022 was 9.09%, which is inside the +/-3% range allowed. 2022 is the second 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.

For historical reporting of financial ratios, values for both NBHDL and ERH were combined.

Note to Readers of 2022 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.