

Scorecard - Canadian Niagara Power Inc.

Performance Outcomes	Performance Categories	Measures	2018	2019	2020	2021	2022	Trend	Target		
									Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	90.40%	93.27%	94.91%	91.76%	96.03%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	98.61%		90.00%		
		Telephone Calls Answered On Time	80.98%	79.73%	79.79%	81.11%	79.20%		65.00%		
	Customer Satisfaction	First Contact Resolution	99.84%	99.94%	99.92%	99.30%	99.77%				
		Billing Accuracy	99.90%	99.92%	99.95%	99.83%	99.93%		98.00%		
		Customer Satisfaction Survey Results	91%	91%	92%	95%	94%				
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%	83.00%	83.00%	83.00%	82.00%				
		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	1	0	0	1			0
	Rate per 10, 100, 1000 km of line		0.000	0.963	0.000	0.000	0.655			0.135	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	2.45	3.01	2.73	2.50	1.95			2.76	
		Average Number of Times that Power to a Customer is Interrupted ²	2.14	2.00	2.19	1.78	1.67			2.03	
	Asset Management	Distribution System Plan Implementation Progress	Completed	Completed	Completed	Completed	Completed				
	Cost Control	Efficiency Assessment	4	4	4	4	4				
		Total Cost per Customer ³	\$867	\$893	\$868	\$905	\$968				
		Total Cost per Km of Line ³	\$24,425	\$16,421	\$16,581	\$17,810	\$19,189				
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									
		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)	0.44	0.28	0.34	0.24	0.23				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	3.03	2.92	2.80	2.69	2.55				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.78%	8.78%	8.78%	8.78%	8.66%			
			Achieved	6.58%	5.84%	5.00%	3.47%	8.47%			

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:

[Scorecard - Performance Measure Descriptions \(oeb.ca\)](https://www.oeb.ca/scorecard-performance-measure-descriptions)

Scorecard MD&A - General Overview

In 2022, CNPI continued to meet or exceed the majority of its performance targets.

In 2023, CNPI expects to continue to improve its overall scorecard performance results as compared to previous years. These performance improvements are expected as a result of enhanced system reliability due to CNPI’s investment in its distribution system and continued responsiveness to customer feedback.

Service Quality

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

In 2022, CNPI connected 96% of the 453 new eligible low-voltage residential and small business customers within the Ontario Energy Board’s prescribed five-day timeline. Since 2011, CNPI has consistently exceeded the Ontario Energy Board’s performance standard of 90%.

- **Scheduled Appointments Met On Time**

CNPI continues to exceed the Ontario Energy Board standard of meeting customers as requested within the prescribed timelines set out by the Ontario Energy Board. In 2022, performance in this measure was just under 99%.

- **Telephone Calls Answered On Time**

In 2022, customer service representatives answered 79% of CNPI’s 25,232 calls within 30 seconds. This exceeds the Ontario Energy Board’s mandated 65% target. CNPI continues to offer and promote self-serve options and utilizes social media to engage and inform customers in an effort to offer customers additional communication channels to interact with the Company.

Customer Satisfaction

- **First Contact Resolution**

CNPI measured First Contact Resolution by tracking the number of escalated calls as a percentage of total calls taken by the customer contact center. In 2022, 0.23% of calls were escalated.

- **Billing Accuracy**

For 2022, CNPI issued 368,438 invoices and 99.93% were accurate. This is above the industry target of 98%.

- **Customer Satisfaction Survey Results**

CNPI conducts its customer satisfaction surveys through a third-party survey provider, UtilityPULSE, consistent with many other LDCs in the province. Phone numbers were randomly selected so that 85 per cent of the interviews were conducted with residential customers and 15 per cent with general service customers. CNPI's 2022 satisfaction score is 94%. The Ontario benchmark assessed by UtilityPULSE is 90%.

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

Safety

- **Public Safety**

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

The Electrical Safety Authority has developed a survey on public awareness of electrical safety. The Electrical Safety Authority is responsible for developing the survey methodology and questions. The design and scoring are standardized across the province and set by the Electrical Safety Authority. In 2022, CNPI engaged UtilityPulse to complete the survey in relation to "Public Awareness of Electrical Safety". On completion of this survey, UtilityPulse generated a "Public Safety Awareness Index Score" for CNPI. CNPI's score of 82% suggests that members of the public are generally well-informed about the safety hazards associated with electrical distribution systems, but also that further education and engagement would be beneficial. This survey on "Public Awareness of Electrical Safety" is completed on a two-year cycle and will be completed again by CNPI in 2024.

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

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

CNPI's status, as assessed by the ESA is Compliant.

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

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

Based on results provided by ESA, CNPI had one incident from August 2021 that was reported in 2022.

In August 2021, Canadian Niagara Power (CNP) received a call from a member of the public that had observed a homeowner was cutting a tree. The tree landed on a distribution line, breaking a pole and causing the line to reclose and lock out. CNP crews arrived at the scene promptly to secure the scene and complete the repairs required.

CNPI strongly emphasizes that cutting branches or trees that are near power lines can be extremely dangerous, and strongly recommends the use of a qualified arborist to complete this sort of work.

CNP has the following measures in place to mitigate the occurrence of future incidents: CNPI has public electrical safety awareness on its website including a link to the ESA’s Safety Handbook; CNPI has an internal process in place that defines the requirements where unauthorized or authorized personnel or equipment are working in proximity to energized power lines; and incidents are reported to ESA.

System Reliability

- Note: Starting on December 23rd, 2022, a prolonged blizzard with extreme winds affected much of the province. Niagara region was particularly affected by the weather, resulting in treacherous conditions and significant outages. CNPI recorded over 32,000 customer outages, indicating that most customers experienced at least one outage, and some experienced more during the blizzard. The extent of the outages and damage required CNPI to request aid from other distributors and its external contractors. Through the tireless efforts of the crews and our partners, CNPI was able to restore power to the majority of customers by December 27th. The event exceeded the OEB’s criteria for declaring a Major Event. As such, and consistent with OEB policy, the reliability impacts of this Major Event are **not** reflected in the scorecard reliability metrics.

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

The average number of hours that power to a customer is interrupted, which are adjusted for Loss of Supply and Major Event Days, shows a decreasing trend. The result of 1.95 compares favourably to CNPI's target of 2.76.

CNPI continues to implement measures to help reduce the number and duration of outages. CNPI has installed smart devices (fault indicators and remote control reclosers) to help identify the location of the damage faster and reduce patrol time. Additionally, CNPI installed isolation devices, switching devices, fault location and isolation and service restoration (FLISR) to restore a portion of the customers to other feeders. These measures reduce the impact of weather events and other outages to levels that are lower than they otherwise would have been.

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

CNPI's customers experienced a slight decrease in the average number of electrical service disruptions in 2022 compared to 2021. The 2022 results compare favourably to CNPI's target.

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

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

CNPI has undertaken multiple ongoing programs expected to mitigate system reliability risks:

- an annual cycle program for tree trimming which is done by third party and in house. In some years the tree trimming program expands beyond the basic standard in order to protect reliability.
- CNPI has made progress on its Delta Conversion project;
- CNPI has continued its deficiency program for the replacement of aging and defective distribution assets;
- CNPI has built and/or rebuilt 2 substations in the past 3 years and in the process of building another this year, which enhances reliability.
- CNPI is in the process of purchasing and installing smart switches for its distribution system that will improve reliability.
- CNPI will continue to rebuild the 27.6 kV feeders which impacts the system improvement for outages etc.
- CNPI plans to bring a second power transformer into operation at Gananoque Main Substation that will improve reliability.

Asset Management

- **Distribution System Plan Implementation Progress**

CNPI completed all planned 2022 capital projects in accordance with its Distribution System Plan, with emphasis on continuing voltage conversion in Fort Erie and Gananoque systems, and substation rebuild work in Port Colborne, Fort Eire, and Gananoque to improve the safety and reliability of distribution systems. CNPI has also continued to invest in system expansions to accommodate requests for new services, due to new subdivision development above historical levels. All maintenance activity as defined in the Distribution Asset Management Plan was completed in 2022.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the Ontario Energy Board to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. The statistical model developed by Pacific Economics Group to predict a distributor's costs relies on a data set that includes all distributors in Ontario.

For 2022, CNPI's efficiency assessment of 10.8% placed CNPI in Group 4 indicating that actual costs are within 10%- 25% of the costs predicted by the statistical model. CNPI's total costs are reflective of its continued re-investment in its distribution system and improving efficiency in recent years.

- **Total Cost per Customer**

The statistical model developed by Pacific Economics Group (PEG) produces total capital and operating costs for each distributor that can be used for the purpose of comparing distributors. This amount is then divided by the total number of customers that CNPI serves to determine Total Cost per Customer. The cost performance result for 2022 is \$968 per customer, which is a 7% increase over 2021.

The 7% year-over-year change in total cost per customer is driven by an 8% increase in the total cost assessed by PEG, offset by modest customer growth of 1%.

CNPI's operating expense component of total cost decreased by -\$170,000, or -2%, compared to the prior year. A capital cost increase of 14% drove the total cost increase compared to 2021, though the Gross Capital Additions for the year *decreased* by -13%. The Capital

Quantity for CNPI assessed by PEG stayed relatively stable, increasing by less than 4%. The main driver of the increase in Capital Cost (and Total Cost) was the sector-wide Capital Price, which increased by 10%, driven by industry-wide inflation and cost of capital increases.

Over the 2018 to 2022 period covered by the scorecard, CNPI faced both inflationary cost increases, as well as cost increases associated with investments in programs for asset replacement, system improvement, and vegetation management that are sustainable in the long term. In contrast, CNPI's customer count increased by only 4.0% over the entire five year period, with a result that cost increases are not offset by customer growth.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the total kilometers of line that CNPI operates to serve its customers. CNPI's 2022 result is \$19,189 per km of line, a 7.7% increase over 2021. In 2022, CNPI's km of line increased modestly by 0.6% compared to 2021.

Financial Ratios

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

The Scorecard reports the current ratio for CNPI's segmented distribution business as 0.23 for 2022 (2021 - 0.24). CNPI however manages liquidity on a consolidated basis that includes both its transmission and distribution divisions. On this basis, the 2022 current ratio based on CNPI's audited financial statements, adjusted to exclude due to related parties, is 0.76 (2021 - 0.74), which has not significantly changed from prior year. Going forward, the liquidity ratio is expected to be maintained at a level greater than 1.00, indicating that CNPI can pay its short term debts and financial obligations.

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

The Ontario Energy Board uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5. The Scorecard reports the total debt to equity ratio for CNPI's segmented distribution business as 2.55 for 2022 (2021 - 2.69). CNPI however manages its capital structure on a consolidated basis that includes both its transmission and distribution divisions. On this basis, the 2022 debt to equity ratio based on CNPI's audited financial statements, adjusted to include due to related parties, is 1.62 (2021 - 1.58), The leverage ratio is expected to be maintained at a level near the 1.5 deemed capital mix noted above.

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

CNPI's 2022 distribution rates were approved by the Ontario Energy Board as part of its Cost of Service application effective January 1, 2022 and this included an expected (deemed) regulatory return on equity of 8.66%. The Ontario Energy Board allows a distributor to earn within +/- 3% of the expected return on equity. Outside of this range, the OEB may require a review of the distributor's over-/under- earning.

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

CNPI's return achieved in 2022 is 8.47% (2021 - 3.47%), which is within the +/- 3% range allowed by the Ontario Energy Board. CNPI's achieved returns are higher in 2022 as compared to 2021 due to a \$2.6 million increase in adjusted regulated net income and a \$7.6 million increase in rate base. The increase in regulated net income is the primarily the result of CNPI's recent Cost of Service application which recognized CNPI's capital investments in its distribution system in the most recent 5-year planning and application cycle, and allowed for a return on these investments, following a prudency review from the OEB.

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.