

Scorecard - Canadian Niagara Power Inc.

Performance Outcomes	Performance Categories	Measures	2015	2016	2017	2018	2019	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b> Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	94.40%	91.10%	90.81%	90.40%	93.27%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%		
		Telephone Calls Answered On Time	76.10%	75.70%	77.33%	80.98%	79.73%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution	99.80%	99.20%	99.80%	99.84%	99.94%				
		Billing Accuracy	99.91%	99.81%	99.91%	99.90%	99.92%		98.00%		
		Customer Satisfaction Survey Results	94%	85%	91%	91%	91%				
<b>Operational Effectiveness</b> Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public Awareness	81.00%	81.00%	81.00%	81.00%	83.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	NI	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	1			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.963			0.137
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	2.36	3.47	3.11	2.45	3.01			2.26	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	2.78	2.29	2.04	2.14	2.00			2.21	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress	Completed	Complete	In Progress	Completed	Completed				
	<b>Cost Control</b>	Efficiency Assessment	4	4	4	4	4				
		Total Cost per Customer <sup>3</sup>	\$778	\$796	\$773	\$867	\$893				
		Total Cost per Km of Line <sup>3</sup>	\$21,726	\$22,371	\$21,875	\$24,425	\$16,421				
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	<b>Conservation &amp; Demand Management</b>	Net Cumulative Energy Savings <sup>4</sup>	12.30%	51.39%	84.23%	101.00%	120.00%			28.48 GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time			100.00%						
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%	100.00%			90.00%		
<b>Financial Performance</b> Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.35	0.33	0.36	0.44	0.28				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.72	1.64	2.11	3.03	2.92				
		Profitability: Regulatory Deemed (included in rates)	8.93%	8.93%	8.78%	8.78%	8.78%				
		Return on Equity Achieved	10.00%	8.97%	10.70%	6.58%	5.84%				

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

4. The CDM measure is based on the now discontinued 2015-2020 Conservation First Framework. 2019 results include savings reported to the IESO up until the end of February 2020.

**Legend:**

5-year trend up down flat

Current year target met target not met

# 2019 Scorecard Management Discussion and Analysis (“2019 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 2019 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

## Scorecard MD&A - General Overview

In 2019, CNPI continued to meet or exceed the majority of its performance targets.

In 2020, 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 2019, CNPI connected 93.2% of the 297 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.

- **Scheduled Appointments Met On Time**

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

- **Telephone Calls Answered On Time**

In 2019, customer service representatives answered 79.7% of CNPI’s 33,897 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 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 2019, only 0.06% of calls were escalated.

- **Billing Accuracy**

For 2019, CNPI issued approximately 357,358 invoices and 99.92% were accurate. This is above the industry standard 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. The 2019 satisfaction score of 91% is the near the Ontario benchmark of 92%.

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**

In 2019, UtilityPulse was also engaged to complete surveys in relation to “Public Awareness of Electrical Safety”. On completion of this survey, UtilityPulse generated a “Public Safety Awareness Index Score” for CNPI and other LDC's. Province-wide scores ranged from 80% to 85%, with both average and median Index Scores of 83%. CNPI's score of 83% 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 2021.

- **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). Based on results provided by ESA, CNPI's status 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 in 2019. This incident involved a mast of a sailboat coming into contact with a power line while being removed from a boat launch. There was damage caused to the mast of the sailboat, but no further injuries with this incident. The power line was permanently raised and additional safety protocols added to avoid another occurrence at the marina.

## **System Reliability**

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

CNPI's customers experienced a slight increase in the average duration of electrical service disruptions in 2019 compared to 2018. A few factors continue to contribute to the increasing long-term trend, such as increased storm activity within the Niagara Region.

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

- **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 2019 compared to 2018. The 2019 result represents the lowest outage frequency in the 2015-2019 period, and marks the third straight year where outage frequency is better than the OEB target.

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

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

## Asset Management

- **Distribution System Plan Implementation Progress**

CNPI completed the majority of planned 2019 capital projects in accordance with its Distribution System Plan, with emphasis on continuing voltage conversion and substation rebuild work to improve the safety and reliability of its distribution system. 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 2019.

## 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 2019, CNPI was placed in Group 4 indicating that actual costs are within 25% of the costs predicted by the statistical model. CNPI's total costs are reflective of its continued re-investment in its distribution system, as well as the costs of providing IT services to a number of other LDC's. While the PEG model captures the cost of the assets required to provide IT services to other LDC's, it does not account for the related revenue collected by CNPI. If CNPI's actual costs were adjusted to consider these revenue offsets, it would be placed in Group 3, indicating that actual costs are within +/- 10% of those predicted by the model.

- **Total Cost per Customer**

The statistical model developed by Pacific Economics Group produces total capital and operating costs for each distributor that can be used for the purpose of comparing distributors. This amount is then divided by the total number of customers that CNPI serves to determine Total Cost per Customer. The cost performance result for 2019 is \$893 per customer, which is a 3% increase over 2018.

Over the 2015 to 2019 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 2.6% 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 2019 result is \$16,421 per km of line, a 32% decrease over 2018. This decrease is due to changes in OEB reporting requirements used to calculate this parameter. In 2019, CNPI started reporting on the length of its low-voltage secondary lines, in addition to the length of higher-voltage primary lines reported in prior years. This increased the total line length used in the calculation from 1,038 km in 2018, to 1,602 km in 2019.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

As per the Ministerial Directives dated March 21<sup>st</sup>, 2019, “Discontinuation of the Conservation First Framework” and “Interim Framework for the delivery of Energy Efficiency Programs”, the IESO centrally delivers energy-efficiency programs as of April 1<sup>st</sup>, 2019. As part of these directives, LDCs are not to receive any status updates or reporting on their progress towards their Conservation First Framework savings targets – including the Final Verified Results Report that had been previously used for this scorecard.

On the basis of the OEB-provided CDM progress figures, CNPI achieved 120.00% of its Net Energy Savings target for the 2015 – 2020 timeframe. CNPI fully leveraged the suite of Independent Electricity System Operator (“IESO”) province-wide demand management programs and placed emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers. Much of this success can be attributed to strong participation by commercial customers in the Retrofit Program.

## Connection of Renewable Generation

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

CNPI did not receive any requests for renewable generation connections requiring Connection Impact Assessments in 2019.

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

In 2019, CNPI connected zero (0) new micro-embedded generation facilities (microFIT projects of less than 10 kW).

## Financial Ratios

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

The Scorecard reports the current ratio for CNPI’s segmented distribution business as 0.28 for 2019 (2018 0.44). CNPI however manages liquidity on a consolidated basis that includes both its transmission and distribution divisions. On this basis, the 2019 liquidity current ratio based on CNPI’s audited financial statements, adjusted to exclude due to related parties, is 1.41 (2018 1.55), which has not significantly

changed from prior year. Going forward, the liquidity ratio is expected to be maintained at a level greater than 1, 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 2.92 for 2019 (2018 3.03). CNPI however manages its capital structure on a consolidated basis that includes both its transmission and distribution divisions. On this basis, the 2019 leverage debt to equity ratio based on CNPI's audited financial statements, adjusted to include due to related parties, is 1.56 (2018 1.54), which has not significantly changed from prior year. Going forward, 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 2019 distribution rates were approved by the Ontario Energy Board as part of its 4th Generation Incentive Rate-Setting application. CNPI's last Cost of Service application was for rates effective January 1, 2017 and this included an expected (deemed) regulatory return on equity of 8.78%. The Ontario Energy Board allows a distributor to earn within +/- 3% of the expected return on equity.

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

CNPI's return achieved in 2019 is 5.84% (2018 6.58%), which is within the +/- 3% range allowed by the Ontario Energy Board. CNPI achieved returns are lower in 2019 as compared to 2018 due to a \$0.2 million (7.1%) decrease in adjusted regulated net income and a \$4.5 million (4.7%) increase in rate base.



## Note to Readers of 2019 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.