

Scorecard - Niagara Peninsula Energy Inc.

10/21/2020

Performance Outcomes	Performance Categories	Measures	2015	2016	2017	2018	2019	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	91.40%	92.70%	91.48%	93.33%	93.57%	↑	90.00%	
		Scheduled Appointments Met On Time	95.70%	99.80%	98.34%	98.89%	99.50%	↑	90.00%	
		Telephone Calls Answered On Time	82.70%	83.00%	87.99%	85.87%	84.67%	↑	65.00%	
	Customer Satisfaction	First Contact Resolution	94%	94%	92%	91%	97%			
		Billing Accuracy	99.28%	99.74%	99.46%	99.06%	98.79%	↓	98.00%	
		Customer Satisfaction Survey Results	87%	86%	86%	95%	95%			
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	84.00%	84.00%	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	0	0	0	2	↑	
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.988	↓		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	2.05	1.52	1.37	1.98	2.03	↓		2.58
		Average Number of Times that Power to a Customer is Interrupted ²	1.42	1.38	1.55	1.65	1.63	↑		1.30
	Asset Management	Distribution System Plan Implementation Progress	94.55%	95.97%	100.69%	99.27%	88.79%			
	Cost Control	Efficiency Assessment	3	3	3	3	3			
		Total Cost per Customer ³	\$744	\$747	\$741	\$755	\$786			
		Total Cost per Km of Line ³	\$19,871	\$19,980	\$20,285	\$20,745	\$13,712			
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).	Conservation & Demand Management	Net Cumulative Energy Savings ⁴	17.12%	34.03%	58.78%	72.00%	86.00%			74.44 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	66.67%	100.00%	100.00%	83.33%			
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%	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)	1.90	1.84	1.59	1.44	2.26			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.82	1.01	0.97	0.92	0.99			
		Profitability: Regulatory Deemed (included in rates)	9.30%	9.30%	9.30%	9.30%	9.30%			
		Return on Equity Achieved	8.96%	6.86%	3.57%	5.03%	4.73%			

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

Scorecard MD&A - General Overview

In 2019, Niagara Peninsula Energy Inc. (“NPEI”) met or exceeded all scorecard performance targets with the exception of the following:

- The *Serious Electrical Incident Index – Number of General Public Incidents* and the *Serious Electrical Incident Index – Rate per 1,000 km of Line*.
- The *Average Number of Times that Power to a Customer is Interrupted*.

Serious Electrical Incident Index

During the period covered by the Electrical Safety Authority (“ESA”) safety audit for the 2019 Scorecard, NPEI recorded two Serious Electrical Incidents. Both of these incidents were voluntary reports by NPEI based on evidence that someone had broken in to one padmount transformer and one kiosk for the purpose of stealing copper. There were no injuries reported for either incident. However, due to the potential for injury from exposed primary voltage, NPEI self-reported these incidents to the ESA. These two incidents result in an incident index for 2019 of 0.988 per 1,000 km of line.

Average Number of Times that Power to a Customer is Interrupted

Beginning with the 2016 Scorecard, the Ontario Energy Board (“OEB”) revised the methodology used to calculate the System Reliability reporting to exclude the impact of Major Events. This revision also involves a restatement of the distributor-specific 5-year System Reliability targets to remove the impact of prior years’ Major Events.

During 2013, NPEI experienced outages relating to two severe weather events that qualify as Major Events under the OEB’s definition for System Reliability reporting purposes: a wind storm in July 2013 affecting 15,225 customers and an ice storm in December 2013 affecting 10,180 customers. The impact of excluding these two Major Events from the calculation of NPEI’s System Reliability targets is that NPEI’s 5-year average target for the *Average Number of Hours that Power to a Customer is Interrupted* changes from 3.13 to 2.58 and NPEI’s 5-year average target for the *Average Number of Times that Power to a Customer is Interrupted* changes from 1.45 to 1.30.

NPEI's *Average Number of Hours that Power to a Customer is Interrupted* result for 2019 is 2.03, which is well within the revised target of 2.58. NPEI's *Average Number of Times that Power to a Customer is Interrupted* result for 2019 is 1.63, which is very similar to 2018 (2018 = 1.65) and is outside the target of 1.30. Significant factors contributing to the average number of interruptions in 2019 are outages due to two separate weather events that impacted the Niagara region during 2019: a wind storm during February 24-25, 2019 (affecting 10,454 of NPEI's customers) and freezing rain during December 1-2, 2019 (affecting 12,885 of NPEI's customers). Excluding the impact of the outages due to these two significant weather events would result in an *Average Number of Times that Power to a Customer is Interrupted* for 2019 of 1.21.

2020 Scorecard Performance

In March 2020, the Government of Ontario declared a provincial state of emergency due to the COVID-19 pandemic. NPEI closed its doors to the public on March 12, 2020 but continued to deliver distribution service through a combination of remote working and modified work in the office and field.

On March 27, 2020, the OEB issued a letter to All Licensed Distributors, *Re: Guidance to Electricity and Natural Gas Distributors on Providing Relief to Customers During the COVID-19 Emergency*. The OEB's letter includes the following:

“Service Quality Requirements

The OEB recognizes that the COVID-19 emergency presents challenges not only for customers but also for utilities, and that it may not be possible to comply fully with the service quality requirements set out in the DSC (Distribution System Code) and the GDAR (Gas Distribution Access Rule) at this time. Nevertheless, utilities are expected to make best efforts to respond to customer requests; they also continue to be expected to deal appropriately with any emergencies, as well as any safety or reliability concerns.”

NPEI is not yet able to determine what impact, if any, the COVID-19 pandemic will have on its 2020 Scorecard performance. In accordance with the OEB's letter, NPEI continues to make best efforts to respond to customer requests, emergencies and any safety or reliability concerns.

Service Quality

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

In 2019, NPEI connected 93.57% of 840 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the OEB. This is consistent with the previous year (2018 = 93.33%) and above the OEB-mandated threshold of 90%.

- **Scheduled Appointments Met On Time**

- For appointments during a utility's regular business hours, the utility must offer a window of time that is not more than four hours long, and must arrive within that window, 90% of the time.
- NPEI scheduled 595 appointments with its customers in 2019 to complete work requested by customers, read meters, reconnect, discuss Conservation and Demand Management (CDM) programs, or as otherwise necessary to perform scheduled work. NPEI met 99.50% of these appointments on time in 2019, which is comparable to 2018 (98.89%) and exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2019, NPEI's Customer Service Representatives received over 44,900 calls from its customers, which equals an average of 181 calls per working day. A Customer Service representative answered a call in 30 seconds or less in 84.67% of these calls, which is comparable to 2018 (85.87%) and exceeds the OEB-mandated 65% target for timely call response.

Customer Satisfaction

- **First Contact Resolution**

- Specific First Contact Resolution measurements have not been previously defined across the industry. The Ontario Energy Board instructed all electricity distributors to review and develop measurements in these areas and begin tracking by July 1, 2014. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

- For NPEI, First Contact Resolution was measured based on NPEI representatives reviewing the previous call received from the customer. At the time of acknowledging the basis for the call, the representative gathers the information to determine if the current call is linked to an existing/previously recorded issue; if so, the calls are linked, and the call is treated as a non-first call resolution. This statistic is calculated from the number of requests completed by a representative which are not linked to a previous or current issue and dividing by the total incoming and outgoing requests being handled by a representative.
- NPEI had a First Contact Resolution of 97% in 2019, which is an increase over 2018 (2018 = 91%). NPEI will continue to implement and track First Contact Resolution.

- **Billing Accuracy**

- Until July 2014 a specific measurement of billing accuracy had not been previously defined across the industry. After consultation with some electricity distributors, the Ontario Energy Board has prescribed a measurement of billing accuracy which was implemented by all electricity distributors effective October 1, 2014. The measurement is defined as accurate bills issued expressed as a percentage of total bills issued.
- A bill is considered inaccurate if: it is an estimated bill, or if the bill has been issued to the customer and subsequently cancelled due to a billing error, or if there has been a billing adjustment in a subsequent billing as a result of a previous billing error.
- During 2019, NPEI issued more than 721,000 bills and achieved a billing accuracy of 98.79%. This is consistent with the prior year (2018 = 99.06%) and compares favourably to the prescribed OEB target of 98%.
- NPEI continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

- The Ontario Energy Board (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.

- In 2014, NPEI engaged a third party UtilityPULSE to conduct its first customer satisfaction survey. The purpose of the survey was to profile the connection between NPEI and its customers. The customer satisfaction survey provided information that supports discussions surrounding improving customer service at all levels and departments within NPEI. The survey asked customers questions on a wide range of topics, including: overall satisfaction with NPEI, reliability, customer service, outages, billing and corporate image. In addition, NPEI provides input to this third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data was then incorporated into NPEI's planning process and formed the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on this customer satisfaction survey evaluated the level of customer satisfaction and identified areas of improvement. It also helped identify the most effective means of communication. NPEI's 2014 Customer Satisfaction Results contain a number of measures of customer satisfaction. In its 2014 and 2015 Scorecards, NPEI reported the number of customers that were very or fairly satisfied with NPEI, based on the results of the 2014 survey. NPEI received an overall score of 87% of customers who are "very or fairly" satisfied with NPEI on this measure. NPEI scored 4% higher than the provincial overall score of customers who are "very or fairly" satisfied with their Local Utility.
- In the first quarter of 2017, for the 2016 scorecard, NPEI again engaged UtilityPULSE to conduct its next customer satisfaction survey. NPEI received an overall score of 86% of customers who are "very or fairly" satisfied with NPEI, which is consistent with the previous survey (87%), and compares favourably with the updated Ontario average of customers who are "very or fairly" satisfied with their Local Utility (76%).
- In 2019, for the 2018 and 2019 scorecards, NPEI again engaged UtilityPULSE to conduct its customer satisfaction survey. NPEI received an overall score of 95% of customers who are "very or fairly" satisfied with NPEI, which is an improvement over the previous survey (86%), and compares favourably with the updated Ontario average of customers who are "very or fairly" satisfied with their Local Utility (89%).

Safety

- **Public Safety**

The Ontario Energy Board (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.

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

Starting in 2015, each electricity distributor must carry out a survey every two years that measures the effort made to raise public's awareness about electrical safety. The survey was developed by the Electrical Safety Authority. NPEI engaged a third party, UtilityPULSE, to conduct its first electrical safety survey. NPEI received a Public Safety Awareness Index Score of 84%, which was above the industry average of 82%. NPEI reported the result of 84% for the 2015 and 2016 scorecards.

During the first quarter of 2018, NPEI again engaged UtilityPULSE to conduct its next electrical safety survey for the 2017 and 2018 scorecards. NPEI received a Public Safety Awareness Index Score of 83%, which was again above the industry average of 82%.

During the first quarter of 2020, NPEI again engaged UtilityPULSE to conduct its next electrical safety survey for the 2019 and 2020 scorecards. NPEI received a Public Safety Awareness Index Score of 82%, which is consistent with the previous survey result (2018 survey = 83%).

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

In each of the past five years, NPEI was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - *Electrical Distribution Safety* establishes objective based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. 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**

During the period covered by the ESA safety audit for the 2019 Scorecard, NPEI recorded two Serious Electrical Incidents. Both of these incidents were voluntary reports by NPEI based on evidence that someone had broken in to one padmount transformer and one kiosk for the purpose of stealing copper. There were no injuries reported for either incident. However, due to the potential for injury due to exposed primary voltage, NPEI self-reported these incidents to the ESA. These two incidents result in an incident index for 2019 of 0.988 per 1,000 km of line.

System Reliability

• Average Number of Hours that Power to a Customer is Interrupted

- SAIDI – System Average Interruption Duration Index is an important feature of a reliable distribution system is recovering from power outages as quickly as possible. The utility must track the average length of time, in hours, that its customers have experienced a power outage over the past year.
- SAIDI = Sum of all interruptions durations / Average number of customers served.
- Beginning with the 2016 Scorecard, the OEB has revised the methodology used to calculate the System Reliability reporting to exclude the impact of Major Events. This revision also involves a restatement of the distributor-specific 5-year System Reliability targets to remove the impact of prior years' Major Events.
- NPEI's 2019 average number of hours that power to a customer was interrupted is 2.03 (2018 = 1.98). NPEI's target for 2019 is an average duration index of less than 2.58, which is NPEI's 5-year average SAIDI for 2010 – 2014 (i.e. the 5 years prior to NPEI's last OEB-approved Cost-of-Service Rate Application), excluding the impact of Major Events.
- NPEI reviews the indices regularly to identify negative trends in feeder performance related to a re-occurring outage cause. In order to protect the system from foreign interference, NPEI has implemented a number of preventative measures. These include installation of wild life protection on equipment as well as increased spacing between exposed contact points to lower the likelihood of animal contact. For example, in 2019 the Murray TS 3M27 feeder was retrofitted with such wild life protection. To counter the effects of lightning, NPEI has installed additional lightning protection in areas that are prone to lightning strikes. For example, in 2018 lightning protection was increased on the Vineland DS 4501F1 feeder. To mitigate the negative effect of tree contacts on the system, NPEI has implemented tree trimming program along with the use of insulated tree wire in areas of high tree density. In addition, NPEI has completed a number of capital projects in recent years that provide a second source of supply to areas impacted by frequent outages.
- NPEI will continue to trend feeder performance and evaluate technical alternatives to correct deficiencies. NPEI also has recurring programs directed at reliability improvements. For example, there is a multi-year project that targets air insulated switchgear in areas susceptible to contamination. These units contribute to SAIDI, SAIFI and momentary outages and are prioritized for replacement based on risk analysis. NPEI has a recurring annual capital expenditure to replace these suspect units.

- NPEI continues to view reliability of electricity service as a high priority for its customers. NPEI's senior management team's commitment to review the worst performing feeders on a regular basis for the opportunity to improve reliability will ensure customers continue to receive high value from their electricity service.

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

- SAIFI - System Average Interruption Frequency Index is another important feature of a reliable distribution system whereby the utility strives to reduce the frequency of power outages. The utility must track the number of times its customers have experienced a power outage over the past year.
- $SAIFI = \text{Number of customer interruptions} / \text{Average number of customers served}$
- Beginning with the 2016 Scorecard, the OEB has revised the methodology used to calculate the System Reliability reporting to exclude the impact of Major Events. This revision also involves a restatement of the distributor-specific 5-year System Reliability targets to remove the impact of prior years' Major Events.
- NPEI's target for 2019 is an average frequency index of less than 1.30, which is NPEI's 5-year average SAIFI for 2010 – 2014 (i.e. the 5 years prior to NPEI's last OEB-approved Cost-of-Service Rate Application), excluding the impact of Major Events. NPEI's SAIFI result for 2019 is 1.63, which is comparable to 2018 (2018 = 1.65).
- Significant factors contributing to the average number of interruptions in 2019 are outages due to two separate weather events that impacted the Niagara region during 2019: a wind storm during February 24-25, 2019 (affecting 10,454 of NPEI's customers) and freezing rain during December 1-2, 2019 (affecting 12,885 of NPEI's customers). Excluding the impact of the outages due to these two significant weather events would result in an *Average Number of Times that Power to a Customer is Interrupted* for 2019 of 1.21.

NPEI is taking action to maintain its system reliability. For its 2015 Cost of Service Rate Application, NPEI conducted a detailed review of its distribution assets and prepared a comprehensive Distribution System Plan ("DSP"), which provides for the renewal of its distribution system over the period 2015 - 2019. NPEI has prepared its next DSP, for the period 2021-2025, which was included as part of NPEI's 2021 Cost of Service Rate Application filed with the OEB in August 2020. NPEI has adopted a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance ratepayer and utility affordability.

Asset Management

- **Distribution System Plan Implementation Progress**

Distribution system plan implementation progress is a performance measure implemented by the OEB starting in 2013. Consistent with other new measures, utilities were given an opportunity to define it in the manner that best fits their organization. The Distribution System Plan (“DSP”) outlines NPEI’s forecasted capital expenditures, over the 5-year period 2015-2019, required to maintain and expand the distributor’s electricity system to serve its current and future customers. The “Distribution System Plan Implementation Progress” measure is intended to assess NPEI’s effectiveness at planning and implementing the DSP. NPEI measures the progress of its DSP implementation as a ratio of actual total capital expenditures made in a calendar year over the total amount of planned capital expenditures for that calendar year. NPEI achieved 88.79% (2018 = 99.27%) completion at December 31, 2019 of its 2019 capital budget. NPEI filed its last approved DSP with its Cost of Service rate application for 2015. NPEI has prepared its next DSP, for the period 2021-2025, which was included as part of NPEI’s 2021 Cost of Service Rate Application filed with the OEB in August 2020.

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 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 2019, NPEI was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered “average efficiency” – in other words, NPEI’s costs are within the average cost range for distributors in the Province of Ontario. In 2019, 49.2% (29 distributors) of the Ontario distributors were ranked as “average efficiency”; 40.7% (24 distributors) were ranked as “more efficient”; 10.2% (6 distributors) were ranked as “less efficient”. Although NPEI’s forward looking goal is to advance to the “more efficient” group, management’s expectation is that efficiency performance will not decline.

- **Total Cost per Customer**

- Total cost per customer is calculated as the sum of NPEI’s capital and operating costs and dividing this cost figure by the total number of customers that NPEI serves. The cost performance result for 2019 is \$786 /customer which is a 4.1% increase over 2018 (2018=\$755 /customer).

- Similar to most distributors in the province, NPEI has experienced increases in its total costs required to deliver quality and reliable services to customers. Increased regulatory requirements, succession planning due to an aging workforce, as well as investments in new information systems technology, cyber security and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. For 2019, the main drivers of capital costs were system access projects. NPEI 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 our 2015 rate application. NPEI will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement activities were conducted in 2019 in preparation for NPEI's 2021 Cost of Service Rate Application, and will continue in order to ensure customers have an opportunity to share their viewpoint on NPEI's capital spending plans.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The Total cost is divided by the kilometers of line that NPEI operates to serve its customers.

Prior to 2019, NPEI included the circuit km of primary line only in its annual Reporting and Record Keeping Requirements ("RRR") filing with the OEB, which is utilized in the calculation of Total Cost per km of Line scorecard measure. Beginning in 2019, the OEB introduced the reporting of circuit km of secondary line in the RRR filing on an optional basis. For 2019, NPEI had the circuit km of secondary line data available, since this data was compiled for NPEI's 2021 COS Rate Application. In order to provide the most complete and accurate data possible, NPEI reported both primary and secondary circuit km of line for 2019. NPEI's total cost per km of line for 2019, based on both primary and secondary circuit km, is \$13,712 per km.

NPEI's 2018 rate, based on primary circuit km only, is \$20,745 per km of line. Calculating the 2019 total cost per km based on primary circuit km only would result in a cost of \$21,580 per primary circuit km, a 4.0% increase over 2018. System access capital projects during 2019 are the primary driver of the increase.

Going forward, NPEI will continue to report both primary and secondary circuit km in its annual RRR filing, as this more accurately reflects NPEI's actual distribution system.

NPEI continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

NPEI's target for the 2015-2020 Conservation First Framework was energy savings of 74.44 GWh to be achieved over the six-year period. On March 20, 2019, the Minister of Energy, Northern Development and Mines issued a directive to the IESO that concluded the Conservation First Framework.

Based on the final Participation and Cost Report issued by the IESO in April 2019, NPEI achieved 86% of its original six-year target.

Connection of Renewable Generation

- **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. In 2019, NPEI completed 6 CIAs for renewable generation facilities, with 5 CIAs completed within the prescribed 60-day timeframe.

The timing of one CIA request for a 1.0 MW project (December 2018) coincided with a staffing resource change in NPEI's engineering department. Therefore, NPEI engaged an outside engineering firm to complete the CIA. At the same time there was a staffing change at the outside engineering firm completing the CIA. These delays ultimately led to the CIA being issued in February 2019 approximately two weeks later than the prescribed 60-day timeframe. Following this, all other CIA were completed within the allotted timeframe.

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

In 2019, NPEI connected 11 new micro-embedded generation facilities (net metered projects of less than 10 kW), all within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. Our workflow to connect these projects is very streamlined and transparent with our customers. NPEI works closely with its customers and their contractors to address any connection issues to ensure the project is connected on time.

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.

- NPEI’s current ratio for 2019 is 2.26 (2018 = 1.44).

- **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. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring. NPEI’s debt to equity ratio for 2019 is 0.99 (2018 = 0.92). NPEI continues to monitor its debt to equity ratio on an annual basis.

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

NPEI’s 2015 distribution rates were approved by the OEB on an interim basis on May 14, 2015, and on a final basis on May 12, 2016, which includes a deemed regulatory return on equity of 9.30%. 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**

- NPEI's regulated rate of return achieved in 2019 is 4.73% (2018 = 5.03%). The rate of return achieved in 2019 is outside the +/- 300 basis points of the deemed regulatory return on equity of 9.30%. Drivers of NPEI's regulated rate of return include:
 - Higher depreciation expense, due to an increase in average net fixed assets.
 - Increased labour and benefits, due to succession planning and new positions, partially offset by the elimination of redundant positions.
 - Increased expenses in the following areas: software maintenance, meter reading, postage, bad debt, overhead maintenance, locates and tree trimming.
- NPEI filed a Cost-of-Service rate application with the OEB in August 2020, requesting that its rebased rates become effective January 1, 2021.

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 judgment on the reporting date of the performance scorecard, and could be markedly different in the future.