Scorecard - Niagara-on-the-Lake Hydro Inc.

9/24/2014

Performance Outcomes	Performance Categories	Measures	2009	2010	2011	2012	2013	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	**Service Quality**	New Residential/Small Business Services Connected on Time	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
		Telephone Calls Answered On Time	89.10%	88.60%	87.70%	91.50%	91.70%		65.00%	
	Customer Satisfaction	First Contact Resolution					1			
		Billing Accuracy								
		Customer Satisfaction Survey Results					97%			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	**Safety**	Public Safety [measure to be determined]								
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.21	0.06	15.39	0.94	3.55			at least within 0.06 - 15.39
		Average Number of Times that Power to a Customer is Interrupted	0.13	0.03	4.36	0.95	0.42			at least within 0.03 - 4.36
	Asset Management	Distribution System Plan Implementation Progress								
	Cost Control	Efficiency Assessment				3	3			
		Total Cost per Customer [1]	$706	$728	$736	$719	$699			
		Total Cost per Km of Line [1]	$16,280	$16,779	$16,929	$18,051	$18,516			
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 Annual Peak Demand Savings (Percent of target achieved) [2]			12.00%	8.00%	15.70%			2.42MW
		Net Cumulative Energy Savings (Percent of target achieved)			47.00%	79.00%	103.70%			8.27GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			100.00%		100.00%			
		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)	0.67	0.71	0.60	0.64	0.68			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.88	0.89	0.81	0.68	0.57			
		Profitability: Regulatory Return on Equity — Deemed (included in rates)			8.01%	8.01%	8.01%			
		Profitability: Regulatory Return on Equity — Achieved			11.00%	7.46%	3.84%			

Legend:
- up
- down
- flat
- target met
- target not met

Notes:
1. These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
2. The Conservation & Demand Management net annual peak demand savings do not include any persisting peak demand savings from the previous years.

Management Discussion and Analysis for Year 2013

Service Quality

NOTL Hydro is committed to maintaining its current and historically high level of service quality, well above the targets set by the Board. Efforts will continue to improve service quality where feasible.

Customer Satisfaction

At this time, NOTL Hydro measures "first contact resolution" as the number of complaints that are escalated beyond internal departments to the CEO, Board of Directors or the OEB for resolution. In 2013, there was one such complaint. NOTL Hydro intends to monitor distributors' "best practices" as they emerge with a view to introducing additional measures that are appropriate.

NOTL designed and conducted a Customer Satisfaction survey in 2013, reported in detail in NOTL's 2014 COS appplication, prior to the OEB's Scorecard report issued in March 2014. 32% of respondents were very satisfied with NOTL's performance on a list of services, 53% were satisfied and 13% were neutral, for a total of 97% satisfied or neutral. NOTL intends to review the approach taken in 2013 in relation to the OEB principles set out in the Scorecard Report and to modify the approach as required. Results will be reported at least biennially going forward, with the next survey targetted for 2015..

Safety

NOTL Hydro's first priority is safety of its employees and the public. In 2012, NOTL Hydro was the first local distribution company to receive the Infrastructure Health and Safety Association's "Zero Quest - Sustainability" award.

System Reliability

The 2011 and 2013 interruptions measures were relatively higher than other years due to a severe windstorm in 2011 and a severe lightning storm in 2013. "Z-Factor" cost recovery was approved by the OEB for extra-ordinary costs incurred for each of these storms.

Asset Management

NOTL Hydro's first Distribution System Plan was included in the 2014 rebasing application and covers the period 2014 to 2018. As such, progress measurement for 2013 is not applicable. NOTL Hydro will develop a suitable measure for reporting performance in system plan implemention in next year's RRR submission.

Cost Control

In NOTL Hydro's 2014 cost of service rebasing, the parties to the Settlement agreed that NOTL Hydro has adequately demonstrated it is pursuing operational effectiveness initiatives, in keeping with the Board's expected performance outcome under the "Renewed Regulatory Framework for Electricity". This pursuit is reflected in the decline in total cost per customer by 1% from 2009 to 2013.

With regard to total cost per Km of line, NOTL Hydro more accurately measured the length of its distribution system in 2012, using its GIS system, as 326 Km. The length of line had previously been estimated as 348 Km, so the updated measurement had the effect of increasing the total cost per Km by 7%. When the cost per Km from 2009 to 2011 is adjusted to 326 Km of line, the total cost per Km has increased from an adjusted amount of $17,209 in 2009 to $18,516 in 2013, which reflects an average annual inflationary increase of 2.1%. NOTL Hydro provides service to all borders of its service territory so the length of its distribution system is not expected to increase materially over time.

Conservation & Demand Management

Our performance in annual peak demand savings was consistent with most local electricity distributors and reflected the challenges of achieving demand savings without large industrial customers.

Our successful achievements in cumulative energy savings was assisted by the strong early participation by local commercial operations in our retrofit and energy efficient lighting programs.

Connection of Renewable Generation

NOTL Hydro had 1 Renewable Generation Connection Impact Assessment in 2013, which was completed on time. For years in which the measure was 0.00%, there were no impact assessments.

NOTL Hydro had 48 new micro-embedded generation facilities in 2013, all of which were connected on time.

Financial Ratios

With regard to Current Ratio, NOTL Hydro has 2 demand long-term (15 year) loans, one for the construction of a new transformer station in 2003 and the other for the purchase of a transformer station from Hydro One in 2005. As demand loans, the entire principal balance of these loans is included in USoA Account 2260 - Current Portion of Long Term Debt. Thus, the loans are included in Current Liabilities in the Current Ratio calculation for all the years shown in the Scorecard. The balance of these loans at December 31, 2013 was $2,666,267. Excluding these loans from USoA Account 2260. the 2013 Current Ratio would be 1.14.

NOTL Hydro's fiscal strategy regarding the Debt to Equity ratio has been to remain with a low risk debt/equity load. This was done to ensure that we had the borrowing capacity at favourable terms to meet the needs of the utility for planned capital programs, unexpected capital programs and possible good yield investments. Basically, keeping the company fiscally sound served the best interest of customers and shareholders. Our debt/equity ratio today is excellent and provides us with latitude to meet all of the needs planned for the near/medium term.

The average achieved Return on Equity (ROE) over the period in the Scorecard is 7.43%. NOTL's lower achieved ROE calculation for 2013 is impacted by the re-allocation of $131,440 in expenses from the smart grid deferral and variance account 1535 to 2013 operating accounts, and the timing of current tax expense. The smart grid expenses were not incurred in 2013, but rather over the period 2009 to 2012. This re-allocation is as a result of the Settlement in establishing the 2014 rebased rates. Tax expense for the purpose of this calculation was $109,501 higher than if the Board approved tax rate of 31.53% had been incurrred. The higher expense was incurred due to timing differences. If these two expenses were to be removed from the 2013 financials, the adjusted ROE is estimated to be 6.27%. NOTL has rebased for rates effective May 1, 2014 with a deemed ROE of 9.36%.