EXHIBIT 1:

ADMINISTRATION

Table of Contents

Page

2.1. EXHIBIT 1: ADMINISTRATION

2.1.1 TABLE OF CONTENTS

Please see Appendix 1-A for a Table of Contents that lists the major sections and subsections of the whole application.

2.1.2 EXECUTIVE SUMMARY AND BUSINESS PLAN

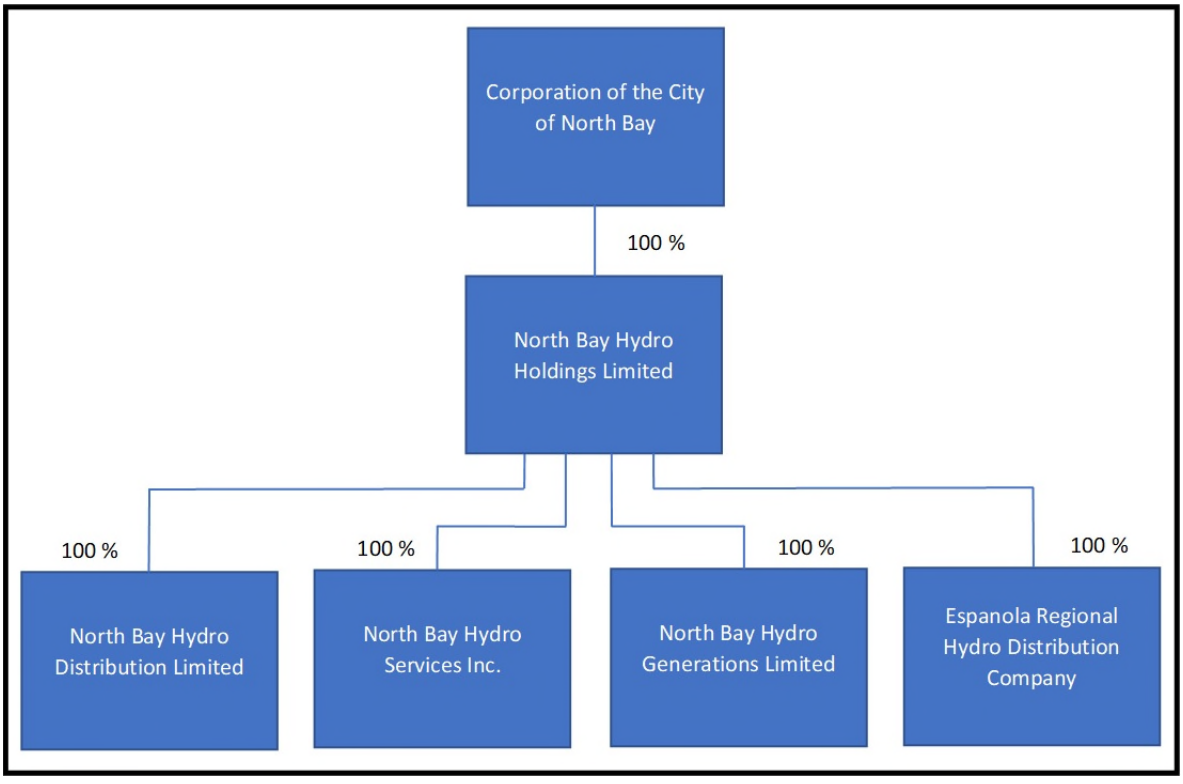
2.1.2.1 CORPORATE OVERVIEW

2.1.2.1.1 Introduction

North Bay Hydro Distribution ("NBHDL") is an electricity distributor licensed by the Ontario Energy Board ("OEB"). In accordance with its Distribution License ED-2003-0024, NBHDL provides electricity distribution services in the City of North Bay ("the City"), serving over 24,199 customers.

NBHDL is incorporated under the *Business Corporations Act* (Ontario) as a for profit corporation. NBHDL is 100% owned by North Bay Hydro Holdings Limited., a holding company owned 100% by the City of North Bay. The ownership is illustrated in Figure 1-1 below.

Figure 1 - 1: Ownership Structure



NBHDL receives power from Hydro One Networks Inc. ("HONI") through IESO metered points distributing electricity and supplying electrical energy to all customers, not contracted with a retailer, within the city limits of North Bay. NBHDL is responsible for maintaining distribution and infrastructure assets deployed over 270 square kilometres of rural area and 49 square kilometres of urban area within the North Bay service area, as shown below.

Map of Distribution Service Territory

NBHDL operates its business in compliance with all applicable laws, including the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *Business Corporations Act* (Ontario), and the rules, policies and requirements of the OEB including the Distribution System Code, the Affiliate Relationships Code, the Retail Settlement Code, the Standard Supply Service Code, the Accounting Procedures Handbook and the Uniform System of Accounts as well as the applicable Rate Handbook and Filing Requirements.

NBHDL is required to pay Payments in Lieu of Taxes (PILS) to the province. The amount payable is generally aligned with amounts calculated based on Federal and Provincial tax rules for corporations.

2.1.2.1.2 NBHDL Distribution System

Electric energy in North Bay dates back to the late 1800's with the majority of NBHDL's original distribution system built between 1940 and 1970. The service territory can be considered predominately suburban and largely overhead. NBHDL does not own any transmission assets; power is received from two HONI transformer stations, Trout Lake T.S. (TLTS) and North Bay T.S. (NBTS). NBHDL owns and operates eight sub-transmission feeders from the HONI T.S.'s, six from TLTS, and two from NBTS which in turn supply 17 NBHDL owned and operated substations. 15 of the stations operate at 44kV stepping voltage down to 12.47kV, and two currently operate at 44kV stepping voltage down to 4.16kV. As part of the last steps in the overall voltage conversion plan, one of the two stations stepping down to 4.16kV will be decommissioned and one will be converted to step down to 12.47kV (dual windings on the low voltage side exist).

Table 1-1 below shows the length of overhead lines and underground cable phases employed on each distribution voltage system. There are 57 distribution feeders, of which seven are operating at 4.16kV and the remaining 50 operating at 12.47kV. There are eight sub-transmission feeders all operating at 44kV.

Table 1 - 1: Lengths of Overhead Lines and Underground Cables

	Overhead Line Lengths (km)		Underground Cable Lengths (km)
Voltage	*Distribution*	*Sub-Transmission*	*Distribution*
	4.16kV / 12.47kV	*44kV*	*4.16kV / 12.47kV*
1 Phase	154	0	34
2 Phase	0	0	5
3 Phase	247	93	40
Total	401	93	80

In addition, the NBHDL grid is also comprised of 11,714 poles, and 3,117 distribution transformers.

NBHDL is bounded by HONI on all service territory boundaries. NBHDL is embedded in HONI's 44kV sub-transmission system at the City's water treatment plant located at 248 Lakeside Drive and at

Substation #17, which is in North Bay's rural area at 20 Peninsula Road. HONI (distribution) is embedded in NBHDL's 44kV sub-transmission system at Bond Street, also known as Wood's Junction and is also embedded in NBHDL's 12.47kV distribution system at the northern city limits of North Bay on Highway 11 North.

Due to the fact that there has been little to no growth over the past three decades in North Bay, the NBHDL grid in turn has experienced very minimal growth and expansion. The main focus of expenditures to the system over the past ten years has been on the conversion of the 4.16kV distribution system to 12.47kV and the renewal of assets determined to be at the end of their life cycle.

2.1.2.1.3 Corporate Mission, Vision, and Core Values

Mission

NBHDL is committed to distributing 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.

Vision

To be recognized as a community leader creating exceptional value for customers and stakeholders, and committed to innovation, efficiency, and prosperity.

Core Values

(a) ***CV1 - Providing Exceptional Value to Customers*** – First and foremost, we ensure the safe, reliable, and cost-effective distribution and delivery of electricity to the end user. Second, we strive to provide an environment rich in timely, up-to-date information to aid the customer in the management of their electrical needs, through our website, social media platforms, over the telephone, and/or in person. Third, we engage with the customer to learn and identify their needs, preferences, and expectations and then use that information to help shape the customer service experience, in a process founded in continuous improvement, responsiveness and transparency.

(b) ***CV2 - Ensuring Safety of the Worker and Members of the Community*** - Safety is of utmost importance at NBHDL, of both the worker and the community. NBHDL continues to achieve an excellent workplace safety record, but safety is much more than a record. Safety is a culture, an aspect of business that must be worked on every day in order for it to be effective. Our commitment lies in ensuring every worker is able to return home at the end of each work day, and every member

of the community is able to enjoy the beauty of North Bay without risk from the operation of our distribution system. This is achieved by a strong commitment to inspection, accountability, transparency, compliance, reporting, continuous improvement and most importantly the philosophy that safety comes before everything else.

(c) ***CV3 - Maintaining Distribution System Reliability and Quality*** – Through sound asset management principles and the execution of preventative and planned maintenance programs NBHDL is committed to maintaining distribution system reliability and quality to meet or outperform established targets. The pride of the organization is rooted in this value, and therefore it is second nature in everything we do. It is extremely important that we deliver a positive experience to the customer and the community, and system reliability and quality is the backbone in doing so.

(d) ***CV4 - Continuously Improving Efficiency and Productivity Performance to Provide Better Value-for-Money*** – Progress is created from the desire and commitment to continuously improve while pursuing the most effective and productive methods to achieve goals. NBHDL strives for this in every aspect of the business, and as a community steward and leader owes it to our customers and shareholder to do so in turn providing rate stability, affordability, and business prosperity.

(e) ***CV5 - Actively Supporting Provincial and Local Public Policies and Objectives*** – The best path forward involves interaction, involvement and participation with the regulator and respective governing bodies, provincial and municipal. When the goals of all parties are aligned the greatest outcomes are achieved for the end user and therefore NBHDL takes great pride in implementing, supporting and offering provincial and local public policies. To complement this NBHDL seeks out participation on local committees and OEB working groups, and liaises with provincial agencies to help shape policies and objective as they are being created to maximize the benefits and aid in the delivery to the end user.

(f) ***CV6 – Instilling Adaptability, Flexibility, and Responsiveness to Ensure Longstanding Prosperity*** – NBHDL has officially served the City of North Bay for over 80 years, and in order to continue for another 80 years the business must be flexible, nimble, open to new ways, and enable technology and innovation while adapting to the evolving needs and preferences of the customer, community and broader sector. Important to this value is the continued investment in a talented and engaged workforce, as the people make, move and steer the ship.

2.1.2.1.4 Alignment of Core Values to Renewed Regulatory Framework (RRFE)

In 2012 the OEB established a new framework or electricity distribution rate regulation. The Renewed Regulatory Framework for Electricity articulates the OEB's goal or an outcome-based approach to regulation which aligns the interests of customers and utilities. The OEB believes that emphasizing results rather than activities, will better respond to the customer preferences, enhance distributor productivity and promote innovation. There are four categories of outcomes under the RRFE: customer focus, operational effectiveness, financial performance, and public policy responsiveness.

The table below (Table 1-2) illustrates the alignment of NBHDL's core values with the four categories of outcomes under the RRFE:

Table 1 - 2: Core Values

NBHDL Core Value	RRFE Outcome Category
Providing Exceptional Value to Customers	Customer Focus
Ensuring Safety of the Worker and Community	Customer Focus, Operational Effectiveness
Maintaining Distribution System Reliability and Quality	Customer Focus, Operational Effectiveness
Continuously Improving Efficiency and Productivity Performance to Provide Better Value-for-Money	Customer Focus, Operational Effectiveness, Financial Performance
Actively Supporting Provincial and Local Public Policy Objectives	Public Policy Responsiveness
Instilling Adaptability, Flexibility, and Responsiveness to Ensure Longstanding Prosperity	Customer Focus, Operational Effectiveness, Public Policy Responsiveness, Financial Performance

2.1.2.2 BUSINESS AND INDUSTRY REVIEW

2.1.2.2.1 Circumstances and Challenges: The Last Two Decades at NBHDL

NBHDL has served the community of North Bay for over 80 years and has been a trusted distributor of electricity since the beginning. The business experienced significant change in early 2000 with a union

work stoppage, the sale of the main building, and turnover of the majority of management. Although business continued, the company took a number of years to recover. With new leadership in 2009, the business refocused, rejuvenating spirits and drive, making the shift to align with the RRFE in 2012 an easy one. In the first three years the new team implemented sound practices in asset management, risk assessment, customer service, and customer engagement, with goals to drive efficiency and increase productivity to ensure the delivery of its core values.

Over the past two decades the business has operated extremely lean, too lean in some areas, in efforts to maintain affordable rates in a climate that experiences a very flat growth profile. With a lean organization structure the business is nimble, adaptive and aligned, but not well positioned in the event of sudden employee loss (short-term, long-term or permanent) and can experience significant day-to-day operational disruption when additional responsibilities are required to be undertaken (i.e. rate application, response to COVID-19, new provincial directives, etc.) and more importantly, there are significant resource constraints when it comes to addressing gaps/risks within the business and moving the utility forward. The business needs to focus on strategy, improvements, efficiencies, and forward-looking opportunities in order to continue to drive value for both the customer and shareholder, a delicate balance between equally important stakeholders with, at times, differing requirements and needs. With that said, the company has embraced a more with less attitude and accomplished tremendous things over the past decade, as evidenced within this Application. NBHDL has continuously balanced the need for new processes and programs against the control of costs while managing risk, a practice that has resulted in customer and shareholder satisfaction and overall business success. Over the last ten years, NBHDL has created a strong balance sheet, methodically invested in the system, ensuring proper pacing of asset replacements coupled with sound maintenance practices to maintain and improve system performance; reliability, quality, and safety while implementing an overall strategy that address customer needs, preferences and expectations.

The business experienced another major transition in late 2017 through to 2019, with the changing of the guard. 82% of management positions turned over, facilitated by both the existing President and Manager, Finance (now branded VP, Finance) retiring within one month of each other. After thorough third-party recruitment processes for both positions, internal candidates were selected to fill the two vacancies, signaling a strong development culture and successful succession planning within the organization. The internal promotions then created a chain-effect of backfilling for management and union positions. The table below (Table 1-3) illustrates the turn-over of the management team as well as the effect it had on union positions over a twelve-month period.

Table 1 - 3: Management/Union Turnover

Position	Number of Years in Position (as of time of filing)	Reason for change	Internal/External
President and CEO	3 years	Retirement of existing President and CEO	Internal
VP, Finance	3 years	Retirement of existing Manager, Finance	Internal
VP, Engineering	2 years	Progression of existing Manager, Engineering to President	External
Regulatory Manager	2 years	Progression of existing Regulatory Manager to VP, Finance	Internal
Senior IT Manager	4 years	New position created	External
IT Supervisor	0	Position eliminated	N/A
Manager, HR and Administration	12 years	No change	N/A
Manager, Operations	11 years	No change	N/A
Supervisor, Operations	2.5 years	Retirement of existing Supervisor, Operations	Internal
Distribution Engineer	6 months	Vacancy	Internal
Distribution Coordinator	0 months	Promotion of existing Distribution, Coordinator to Distribution Engineer	Recruitment in progress
Communications Officer	1 year	New position created to address PR and customer engagement	External

Accountant	2 years	Progression of existing Accountant to Regulatory Manager	External
Chargehand	2 years	Progression of existing Chargehand to Supervisor, Operations	Internal
Powerline Maintainer Apprentice	2 year	Progression of existing Powerline Maintainer to Chargehand created a Powerline Maintainer position. It was decided to fill the vacancy with an apprentice	External

*union positions in grey

It is evident that the company has experienced significant leadership change, a change that consumed the majority of 2018 and a portion of 2019, but it also indicates that the company has successfully transitioned through the problem faced by many corporations of an aged workforce set to retire. The leadership team has been cemented, and the average age of the company is now 41. The new team is energetic, driven, fresh, and well positioned to carry NBHDL through the next five years of its journey.

Almost immediately after the leadership change, NBHDL participated in a competitive process for the acquisition of Espanola Regional Hydro (ERH), a process that NBHDL was successful in, leading to MAADs application EB-2019-0118. The successful outcome of the MAADs application resulted in NBHHL acquiring Espanola Regional Hydro Distribution Corporation (ERHDC). The costs of the acquisition are included and allocated to Account 4380 – Expenses for Non-Utility Operations and details can be found in Exhibit 3 - Other Revenue under Section 2.3.5.1 Variance Analysis of Other Revenue. Although there is common ownership, ERHDC and NBHDL operate independently as separate and distinct legal entities. ERHDC continues to be bound by exclusive service agreement with PUC Services Inc.

With the onset of social media integration into LDC operations, and increased importance placed on customer engagement, in late 2019 NBHDL created the role of Communications Officer. The position was created to provide direct ownership over public relations, customer engagement and the management of NBHDL's social media platforms. In the first year, several opportunities were planned to enhance engagement with customers, however COVID-19 halted a number of the initiatives due to the inability to interact. The participation and statistics associated with social media uptake by our customers has increased tremendously in the past year, as ample and timely information is broadcasted over these platforms consistently and with back and forth interaction. The investment in this position is critical to NBHDL's future success with meeting customer expectations and addressing their needs and preferences.

Another area of focus for the business since the leadership change has been in Information Technology (IT). For years NBHDL operated the IT department with only one internal employee and one external contracted employee. The majority of resource time was spent on CIS activities and day-to-day support of existing systems with very little time given to emerging issues such as cybersecurity, and the enablement of new technology. In addition, the department lacked asset replacement planning, was not able to identify business vulnerabilities and was not keeping up with software updates. Overall, the IT section of the business lacked leadership, direction, and had lost the trust of all other departments. A senior leadership IT position was created and the successful candidate quickly made changes, restructuring the department, eliminating the contractor position and bringing the complement of staff within the IT department to 4 FTE's. The latest addition is a shared resource who will help improve the meter to cash functions, liaising between IT, Metering and Billing, with 0.4 FTE allocated out of the IT department. The department has implemented an internal strategy document to guide its vision and set goals over the next 5 years with an overarching mandate to continue on its modernization plan, ensuring that cyber security, asset renewal, privacy, communications, planning, value-add services, and customer-focus continues to be the priority driving the capital and operating expense IT plans.

It's been a busy three years leading into the filing of this rate application for the new team which can be summarized by major recruitment, continued alignment and success under the RRFE framework, commitment and execution of the NBHDL DSP ensuring paced investment in an aging system, investment in bettering customer engagement and a push to strengthen the IT backbone of the company to provide internal support, enable technology, maintain and increase functionality, protect privacy and guard against increased cyber threats.

2.1.2.2.2 Circumstances and Challenges: The Industry Now and Tomorrow

The regulated regime LDCs operate in is a landscape that is constantly evolving, with tremendous change experienced over the past 15 years. This has included the implementation of Smart Meters, the creation of Ontario Regulation 22/04, the introduction and subsequent repeal of the Green Energy Act, numerous adjustments to the bill in the form of credits, removal of provincial tax, rebates and adjustments, the RRFE, the Conservation First Framework (later cancelled), and a strong push by the OEB to better engage with customers. All of which falls to the hands of LDC's to implement and deliver.

The idea of involuntary consolidation has been a topic of interest, with the current position supporting voluntary consolidation to create efficiencies and better prepare utilities for the increased regulatory burden and need for technology advancement. An alternative to consolidation, and one that protects the values of the Power of Local Hydro, is collaboration and cooperation amongst LDCs. Utilities have for years found ways to create efficiencies by working together, but over the last 15 years, many new groups have been formed by LDCs to address specific needs created from the changes within in the industry such as the

Utilities Standard Forum (USF), GridSmartCities (GSC), and Ecobility (formerly CustomerFirst). Collaboration and cooperation must be a cornerstone of utility operation as the industry continues to evolve, bringing on new challenges regulatory requirements and rising cost pressures.

A push by provincial leaders to find reductions on the electricity bill have been front and centre over the last five years but has proven to be a very difficult task. Over the last year, and in part due to COVID-19, the changes to the bill have been frequent and coupled with short implementation windows, forcing utilities to be adaptive and responsive. Customer choice is the latest policy initiative attempting to create savings for the customer, and one that involved significant work for utilities. Utilities must be prepared for continued efforts to find the customer savings and in turn the implementation of new pricing programs and changes to the bill.

Technology and innovation advancements are occurring at an exponential rate within the industry, stimulating changes to the operation of utility grids, enabling new players to enter the market in the form of microgrids, battery storage, and other distributed energy resources (DERs), and providing the customer with more options behind the meter and a desire for real-time information to aid in decision making. Utilities must find ways to embrace new technology to remain current, address and meet customer needs and interact and find mutual benefit with the new players entering the market.

Advancements in technology have also introduced the need for heightened vigilance in cybersecurity. Elaborate schemes exist to hack utility systems, expose private information, and hold businesses hostage. LDCs must work tirelessly, constantly evolving safety protocols and adapting to the endless attacks focused their way, in order to maintain privacy, security, and integrity without compromising reliability, usability, and accessibility for end users. Similar to other trends in the industry cybersecurity must become an important part of everyday operations and collaboration amongst industry peers will be necessary to successfully guard against the endless threats that exist.

In efforts to provide savings for customers and take pressure off the Ontario electrical system, in 2015, the government put in place the Conservation First Framework (CFF). The CFF was to be delivered to customers by LDCs, which aligned with the RRFE requirement for Customer Focus. The program was successfully implemented by utilities across the province with most utilities meeting or exceeding targets and providing great value to customers. The program was cancelled in 2019 and will most likely have a negative effect on LDCs, as a touch point with the customer has been removed. A new framework has been announced for the 2021-2024 plan horizon, but it will be centrally administered by the IESO and will have limited involvement from LDCs. This is unfortunate, but LDCs must still work with customers on promoting and finding conservation savings, regardless of provincial policy.

As the industry continues to evolve, the regulator is also going through a major overhaul, with a significant change to its organizational structure and new leadership cemented in 2020. Both of these things will mean more change is forthcoming, and utilities remain hopeful that it will bring about OEB modernization, and regulatory streamlining.

The role of the future LDC is still unclear, with the market renewal project on the doorstep, the continued penetration of DER's and LDC remuneration models being contemplated, the fact the customer is not just a user of electricity anymore, but a supplier of electricity, or an independent producer of electricity who may not require grid connection. All of these changes send a strong signal to LDCs that they must be ready to pivot, adapting and changing to the needs of the customer and regulator to remain prevalent within the industry. The regulator has a role in protecting the interests and assets of the industry and customers and therefore it is of utmost importance that the LDC and regulator work in harmony to protect the benefits that the LDC brings to the province, municipalities, and end customer.

2.1.2.2.3 Customer Needs, Preferences and Expectations

Similar to the industry, customer expectations have evolved and with the advancement in technology the role of and interaction with the customer has been totally redefined.

The days of one-way electricity flow are a thing of the past. The customer is now an active participant in the grid, consuming and supplying electricity while demanding real-time information to aid in their decision making.

Customers also continue to want the elements that LDCs have always strived to provide: affordability, reliability and safety.

Customer engagement and interaction has been ingrained in the makeup of LDCs for years, but similar to everything else, it is important to continuously improve that interaction. Add in the changing landscape and customer engagement and interaction become critical to understanding the needs, preferences and expectations of today's customer. NBHDL also believes that although customer engagement is important to understanding the customer in preparation for rate applications, it is also a very important element of everyday business, and for that reason has made a commitment to ensure it is maintained throughout the planning horizon.

In Section 2.1.7 of this Application NBHDL's customer engagement activities aimed at determining customer needs, preferences and expectations are fully detailed and contain the decisions and plans that have been made as of a result of the engagement.

2.1.2.2.4 Business Plan

A copy of NBHDL's 5 Year Business Plan (2020-2024) is filed with this application at Appendix 1-B.

This Business Plan was submitted to the NBHHL Board for information only and was not provided for approval purposes. This Business Plan was completed in Q1 of 2020, which was prior to the final budget approval by NBHDL Board and prior to the completion of the DSP. In preparation of the Business Plan, the numbers in 2019 were rolled forward. As such, the numbers and information in this Business Plan are not completely consistent and comparable with that provided in this Application, which reflects the correct and updated approval by the NBHDL Board. No approval is required by the NBHHL Board. The information in the Business Plan will be updated in or around Q2 of 2021.

For the purpose of this Application, Section 2.1.2 in its entirety comprises NBHDL's current business plan.

2.1.2.3 PLAN OBJECTIVES, ASSUMPTIONS, MEASUREMENT, AND ACHIEVEMENT

2.1.2.3.1 Plan Objectives

The following objectives form the foundation of the plan from 2021 to 2025

1) Maintain current capital investment levels, pacing investment in infrastructure and assets in-line with the DSP to ensure the safe, reliable, distribution of electricity while maintaining stable and affordable rates. (NBHDL Core Values: CV-1, CV-2, CV-3; RRFE Outcomes: Customer Focus, Operational Effectiveness)

2) Continue with operating expenses necessary to maintain and operate the distribution system safely and reliably, meet customer service requirements, and ensure regulatory compliance. (NBHDL Core Values: CV-1, CV-2, CV-3, RRFE Outcomes: Customer Focus, Operational Effectiveness).

3) Increase current staffing requirements to mitigate risks, fill gaps, create missing redundancies to ensure business continuity, and provide enough horsepower to accomplish the objectives within the plan while providing adequate training and proper succession planning. (NBHDL Core Values: CV-2, CV-3, CV-4, CV-6; RRFE Outcomes: Operational Effectiveness)

4) Increase customer interactions and engagement on an annual basis with all customer groups through continued surveys, the introduction of face-to-face meetings, the creation of new working groups and annual contractor and general service breakfast meetings/town halls. (NBHDL Core Values: CV-1; RRFE Outcomes: Customer Focus)

5) Develop and implement new tools and interaction platforms for customers to increase access to real-time information and provide a better overall experience. (NBHDL Core Values: CV-1; RRFE Outcomes: Customer Focus)

6) Invest in the on-going renewal and enhancement of corporate policies and processes, with focus on human resources, governance/administration, customer service and safety to ensure relevance, completeness, alignment with current strategies and employee use and buy-in. (NBHDL Core Values: CV-1, CV-2, CV-3, CV-6; RRFE Outcomes: Customer Focus, Operational Effectiveness)

7) Pursue efficiencies in existing work practices, improve processes, find productivity gains and execute on planning initiatives to work towards effectively implementing the overall plan while finding cost savings. (NBHDL Core Values: CV-2, CV-4, CV-6; RRFE Outcomes: Operational Effectiveness, Financial Performance)

8) Ensure the implementation of new public policies, both provincially and locally, in a timely manner to create customer benefit, satisfaction and savings. (NBHDL Core Value; CV-1, CV-5, CV-6; RRFE Outcome: Customer Focus, Public Policy Responsiveness)

9) Protect privacy and guard against cyber threats with a sound IT strategy that includes an asset renewal plan, compliance with the OEB Cyber Security Framework, compliance with an internal cybersecurity framework while providing platforms for growth and support for services that allow accomplishment of company objectives. (NBHDL Core Values: CV-1, CV-4, CV-5, CV-6; RRFE Outcomes: Customer Focus, Operational Effectiveness, Public Policy Responsiveness)

10) Provide a reasonable rate of return to the Shareholder (NBHDL Core Value CV-4; RRFE Outcomes: Financial Performance)

2.1.2.3.2 Financial Assumptions

The following summarizes the financial assumptions that have been used to create the budget for 2021 Test Year, and 2022-2025 projections.

1) Distribution Revenue increase in 2021 of approximately $1,770,175.

2) An annual distribution revenue increase in 2022 to 2025 of 1.7% based on the estimated Incentive Rate Mechanism (IRM) annual increase leading up the next Cost of Service Application for rates effective 2026 (based on NBHDL's 2020 Price Cap IR adjustment formula).

3) The revenue projections are based on a flat consumption level and minimal growth in customer counts and connections.

4) General expenses from 2021 forward are being increased at 1.9%, while labour is being inflated at 2% per the negotiated collective bargaining agreement (CBA). The current CBA expires March 31, 2023, but 2% has been used throughout the planning horizon.

5) Working capital estimated at 7.5%.

6) Deemed Debt to Equity aligned with the cost of capital structure levels proposed in this Application.

7) Returns to the shareholder based on deemed ROE of 8.34%.

8) Annual capital expenditures aligned with the DSP spending proposed in this Application.

2.1.2.3.3 Performance Measurement & Achievement of Results

The most vital element to achieving results is ensuring the right team is in place. NBHDL has restructured the team over the past 3 years, eliminating positions, re-tasking positions and adding others all within the number of FTEs proposed in the 2015 COS Application. These moves have been implemented to better align the resources with the company's vision, core values and the RRFE in the pursuit of results. Two additional FTE's are being requested as part of this application to round out the team and to further ensure the achievement of results.

Without measurement, one cannot acknowledge achievement, and therefore NBHDL utilizes a number of metrics, indicators and goals to measure performance. The tools for measurement are categorized into the following three groups:

- The OEB Scorecard
- Internal Goals and Objectives (over and above the OEB Scorecard)
- PEG Efficiency Assessment

The specific targets contained within each category are explained in detail later in Exhibit 1 under Section 2.1.8.

The success of the business relies on measurement of performance, it provides goals to focus on and push for, it ensures monitoring of key aspects of the business that tie back to core values and RRFE outcome commitments, and it identifies areas requiring improvement.

2.1.2.4 RISKS AND MITIGATION

2.1.2.4.1 General Areas of Risk

The management of risk is critical in delivering on our mission to ***distribute electricity to our 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.*** NBHDL has identified the following general areas of risk that need to be constantly monitored, identified, and prioritized.

- Regulatory Risk
- Environmental Risk
- Operational Risk
- Technology Risk
- Safety Risk
- Customer Risk
- Human Resource Risk
- Corporate Risk

2.1.2.4.2 Specific Risks

Further to the general areas of risks, NBHDL has identified the following specific risks that, should they materialize, could challenge NBHDL's ability to execute its Business Plan and put pressure on operations and earnings over the planning horizon (Tables 1-4 to 1-11 below).

Table 1 - 4: Regulatory Risk

	Potential Risk	Mitigation
Changes by the Regulator or Province	• Conditions imposed that significantly reduce the regulated rate of return	• Collaborate, and participate in working groups of the regulator and province in the formation of new policies
	• Conditions imposed that prevent the full recovery of operating, maintenance and capital costs required in the future	• Stay informed of upcoming changes, through agencies like the EDA, and participate in conferences and other industry forums

	• Processes implemented that NBHDL are unable to comply with, in the time required, or at all • The mandate of involuntary consolidation	• Rely on trusted 3rd parties, and industry experts when required • Collaborate with other utilities to show efficiencies can be achieved without consolidation
Approval of Rate Application as Presented	• Reduction in requested rate increase	• Accept and work with higher risk profile

Table 1 - 5: Environmental Risk

	Potential Risk	Mitigation
Weather	• Negative impact on distribution revenue projections and reduce revenues • Severe weather, such as ice storms, that can create substantial damage and increase costs • Severe weather can cause deterioration of reliability statistics and customer dissatisfaction	• Load Forecast derived from a multi-factor, single-equation econometric model • Monitor for severe weather and proactively prepare for it to minimize outages • Build robustness and resilience into new distribution assets • Utilize Z-factor adjustment application with OEB if costs warrant it • Continue to communicate well on social media platforms, utilize outage map page, and provide

		customers with improved interactions as per their preferences
Vegetation	• Damage to system, increased outages • Electrocution of the public • Fire	• Ensure tree clearances are maintained through proper vegetation maintenance practices. This is only attainable through the adherence to a 4- year cycle • Utilize Z-factor adjustment application with OEB if costs warrant it
Animals	• Destruction of NBHDL infrastructure by animals that create outages and increase costs • Significant and/or increased outages	• Employ new products that are resistant to animals (i.e. composite poles) • Design the system with separations and protection that limit animal intrusions • Employ maintenance practices that aid in keeping animals away from distribution assets (i.e vegetation management, guarding, etc.)
Footprint on the Environment	• Destruction of habitat • Fire • Spills	• Consider environmental factors at project planning stage • Follow provincial guidelines and regulations for new development • Remove assets from service or meet regulated requirements for any assets that are detrimental to the environment (i.e. PCB filled transformers)

		• Ensure renewal of assets, routine inspections, and maintenance practices that prevent fire and spills • Ensure procedures to quickly respond to fire and spills are up to date, in place and well communicated • Carry appropriate insurance to limit exposure

1

2 **Table 1 - 6: Operational Risk**

	Potential Risk	Mitigation
Equipment	• Failure or damage	• DSP – systematic plan in place to ensure asset renewal • The use of maintenance programs such as vegetation management, inspections, infrared scans, oil sampling of power transformers, non-destructive pole inspections, non-destructive cable testing • Maintain adequate inventory levels to allow timely replacement and/or repair
Non-24/7 Control Room	• Slower response to after-hours emergencies and outages	• Well established processes in place to handle after-hour calls (call service, on-duty call list, after-hour protocols)

	• Limited or lack of availability of trained control room staff in after-hours situations requiring them	• Communication of union and management after-hours availability on a weekly basis to staff involved with after-hours work • Consideration to be given to the introduction of on-call rotation for control room staff similar to on-call rotation for line staff
Lean Workforce	• Inability for workforce to perform all required work; timelines missed, quality of work diminished, or work not done at all • Staff redundancies are limited or non-existent leading to lack of coverage and business continuity issues in the situations of sudden employee loss	• Extend timelines, accept lower quality of work or work not completed. All of the above result in accepting more than desirable risk • Hire additional staff to relive workload, create redundancies, and support current employee wellness, life balance and health • Ensure continuity plans are in place for critical areas of the business, especially in areas where redundancy does not exist
Legacy Enterprise System	• The current enterprise software NBHDL uses for CIS, work order management, inventory control, procurement and financial reporting is only used by 3 other LDCs in the province and could become obsolete or unsupported at any time	• NBHDL works closely with the other 2 provincial users to ensure synergies and alignment of new processes to minimize work for the vendor in supporting the software. • Close contact with vendor to understand future plans (at this time continuation of support for the platform is forecasted)

	• Business continuity problems should the system fail • Limited flexibility to implement new processes and meet regulated requirements due to the product's platform and design limitations	• Have processes in place to handle failures, with assistance possible from other 2 users • Work with other 2 users to minimize work and find solutions for new required processes • End of life of current platform is slated for 2029. Investigate replacement options of software (decision pushed to after 2025)

Building	• The building reaching maximum occupancy – no room to house additional staff, documents, and/or fleet
	  • COVID-19 – a number of workspaces do not meet 2m separation requirements
	
	• Employee and Customer Dissatisfaction – the building does not promote wellness or health (lack of natural light, poor building systems (heating, cooling, air circulation)), lacks amenities of modern buildings, is poorly designed from a layout perspective, is not accessibility friendly and is very unappealing visually (Butler building/garage turned into an office)
	
	• Tarnished reputation – portrayed as a leader in energy, yet the building
		• Minor renovations are underway to create more usable space within the given footprint of building to provide workable space to employees. There are not options for additional garage space, or document storage space with out external additions and major renovations
		  • Modifications to the building were not implemented for COVID-19, instead staff were enabled to work from home, but future designs will consider the need for separations to combat against virus transmission
		
		• Work is starting now on the evaluation of alternatives with respect to the future of the main office. No change; renovate with additions; tear down and reconstruct; or relocate. This will be

	does not employ any energy efficient systems aside from upgraded lighting	a 5-year process with consideration for implementation slated past 2025 • Health and wellness, accessibility, energy efficiency, and aesthetics will all be factored into the evaluation of alternatives

Table 1 - 7: Technology Risk

	Potential Risk	Mitigation
Cybersecurity	• Data breach compromising privacy of customer information, vendor, employee data and/or proprietary information • Ransomware infection • Other cyber threats; phishing, malware, spam, etc.	• Adopt a "security and privacy first" approach. • Implement cybersecurity plan and multi-year actions aligned with OEB Cybersecurity Framework and internal NBHDL Cybersecurity Framework • Train and test staff continuously on how to detect the many varieties of cyber threats • Monitor for abnormal network behaviours and take immediate and proactive actions (network monitoring, AI) • Instruct staff on privacy requirements and their responsibilities to ensure they work with privacy in mind, including

		working from the office or working remotely • Conduct frequent audits and reviews • Conduct scheduled and random tests of incident readiness and recovery procedures • Implement real-time communication of new threats to provide the end user with education of the ever-changing environment that exists • Carry appropriate insurance to limit exposure • Collaborate with other LDC's and agencies to ensure access to the most recent information on cyber threats in the industry and in general • Participation in the IESO led Project Lighthouse initiative
Business Continuity	• Reliance on technology that may interrupt business processes and practices when failed or down • Reliance on software or systems that become obsolete or discontinued (i.e. enterprise software, CIS)	• Similar to distribution assets, follow an asset lifecycle plan and maintenance schedules for IT infrastructure to minimize failures • Identify critical infrastructure and business processes; implement redundancies within given systems (i.e. backup cellular internet

		connection in place for main office in the event main internet connection is down) • Implementation of Disaster Recovery Site (planned in test year) and plan annual DR cut-over tests • Develop crisis management and communication strategies in the event failures do cause business interruption • Work closely with vendors to understand life cycles for support and longevity of software/programs. Ensure updating of software/systems is occurring at regular intervals to keep software and systems current
Innovation	• Unable to keep up with rapid pace of innovation within the industry • New technology does not perform as intended or in a reliable manner • Cost of new technology is prohibitive	• Ensure adequate staffing to allow for the implementation and proper use of technology for the business and to meet customer needs and preferences • Engage external expertise when required to support implementation of new technology • Technology implementation must align with core values, and balance cost with benefit.

		• Ensure business cases are completed and clearly justify technology investments. New and flashy isn't an acceptable justification.

1

2 **Table 1 - 8: Safety Risk**

	Potential Risk	Mitigation
Employees	• Death or injury due to hazardous work • Verbal abuse from customers	• Ensure strong participation and involvement from the Joint Health and Safety Committee • Work endlessly on instilling a strong safety culture based on accountability, trust, reporting and looking out for one another • Constant training of employees • Provide training to handle difficult and abusive customers • Ensure barriers between the customer and employees are in place where possible (i.e. glass in customer service area of building) • Ensure policies to protect employees are in place, well communicated and understood
Members of the Public	• Lack of awareness of the dangers of electricity	• Ensure customers are informed of dangers through the following:

		• Educational Tools • School Safety Program • Social Media posts • Safety Information on the website • Contractor/Business Breakfasts • Identify gaps in knowledge through the use of customer surveys and then close the gaps by updating content and programs

1

2 **Table 1 - 9: Customer Risk**

	Potential Risk	Mitigation
Local Economy	• Weakening of local economy • Population reduction	• Factor local conditions into load forecast using best available trend data • Interact with community leaders, local government to understand local situation
Residential and Small Business Customers	• Sudden inability to pay • The creation of new regulation that favors the customer making collections difficult	• Work with customers with flexible payment arrangements • Strong in-house collection processes • Utilization of 3rd party collection agency for all accounts that are closed and remain unpaid despite internal efforts to collect

		• Acceptance of the fact that some customers will take advantage of regulations, increasing credit risk to NBHDL
Large Customers	• Bankruptcy or loss of a large customer(s)	• Credit policies in place, aligned with OEB regulation, that limit exposure to credit risk • There are very few large customers in the NBHDL service territory, with the majority federally, provincially and/or municipally funded, lowering the credit risk • Work with large customers on conservation strategy to lower electricity costs
Conservation and Demand Management	• Reduced revenue from conservation work implemented by customers	• Utilize the Lost Revenue Adjustment Mechanism (LRAM)
Customer Expectations	• Lack of understanding of customer expectations	• Continue with all forms of customer engagement on an annual basis, not just in preparation for rate applications

Table 1 - 10: Human Resource Risk

	Potential Risk	Mitigation
Intellectual Property	• Loss of in-house knowledge through employee turnover	• Ensure proper succession planning is in place, and provide the required

		overlap when and where possible to promote knowledge transfer
Workforce	• Retention of employees • Compensation is not deemed market competitive • Expiration of current Collective Bargaining Agreement (CBA) • Potential applicants for job vacancies do not want to relocate to the north	• Motivate non-retiring employees to stay through culture, wellness initiatives, and provide mentoring and growth opportunities. • Ensure compensation is market competitive through the use of benchmarking surveys and expert consultants. Re-evaluate frequently. • Existing CBA expires March 31, 2023; work with union in advance on issues and maintain a healthy relationship over the existing term • Promote life balance, pace of life, and lifestyle of the north. Promote corporate culture. Stress the satisfaction created from working within a small utility, where everyone's contributions are felt and recognized. Incent with moving allowances, and/or signing bonuses. Allow work from home when possible
Lean Management Team	• Employee exhaustion, burnout, and/or loss	• Manage employee hours, extend timelines to prevent exhaustion or burnout • Hire additional staff to relieve workload, create redundancies, and

		support current employee wellness, life balance and health

1

2 **Table 1 - 11: Corporate Risk**

	Potential Risk	Mitigation
Efficiency and Effectiveness	• Lack of effective, and/or current policies and processes leads to non-compliance, or total abandonment of processes and policies	• Invest in updating policies and procedures to ensure they are current, relevant, useful, effective and in the end followed
	• Lack of data and information, or the existence of poor data erodes the validity and integrity of decision making	• Invest into proper data mining, data storage, data access and data reporting through new software and additional resources
	• Lack of accountability lessens productivity and demotivates staff	• Provide managers with the right tools (policies, data, software, mentoring) to hold employees accountable. Ensure managers are creating a positive environment through transparency, feedback, involvement and interaction that inspires motivation
Change Readiness	• Traditional LDC culture does not support the pursuit of strategic objectives and struggles with change	• Ensure proper leadership is in place to implement new culture founded in the execution of strategic objectives, the pursuit of efficiency and the importance of accountability

		• Utilize change management principles

The NBHDL plan and supporting budget provide for programs and initiatives to mitigate NBHDL's risks, with Technology, Human Resource and Operational risks given the greatest priority over the next 5 years. Reduction or elimination of the above risks relies substantially on the approval of this COS Application and supporting budget.

2.1.2.5 FINANCIAL RESULTS

The electric distribution system is capital-intensive, and prudent capital investments and maintenance plans are essential to ensure the sustainability of the distribution network. NBHDL's DSP outlines the practices, policies and processes that are in place to ensure that decisions on capital investments and maintenance plans support NBHDL's desired outcomes in a cost-effective manner and provide value to the customer.

2.1.2.5.1 Operating Program

NBHDL's operating program in 2021 will see an increase over previous years due to the following main drivers:

- Increase in staff complement to address the issues created by a lean workforce; specifically, worker exhaustion, the lack of critical resourcing redundancies, the inability to complete additional work that drives efficiencies and productivity gains, the under-utilization of resource skills and the increase of risk.
- Early succession planning for the critical roles of Operations Manager and Operations Supervisor. NBHDL has included an additional position that will cover the retirements of both positions through the 5-year horizon of this application. This will help ensure the transfer of knowledge and ensure competency in the positions when the current employees retire taking over 60 years of knowledge and experience with them.
- Increase in IT related costs to fulfill new IT mandate to maintain its systems with a determined effort: ensuring asset lifecycle is managed, availability is high, systems are secure from inside and outside threats, and services delivered on-time, on-budget, and on-quality
- Increase in cost associated with the development and implementation of new tools and interaction platforms to increase access to real-time information and provide a better overall experience for the customer.

- Increase in costs to update important policies and processes in HR, safety, and customer service that have fallen out of relevance or are extremely outdated. These are activities that require on-going attention.
- Increase to tree trimming costs to ensure the completion of a 5-year cycle in 5 years (Proposed modification of cycle length from 4 years to 5 years in 2021 to reduce annual increase).
- Increased costs related to enhancement of NBHDL's maintenance programs dedicated to safety and reliability of the distribution system, which includes a full evaluation of Arc Flash risk for the entire system.

In addition, NBHDL must pay negotiated union wage increases and follow management compensation framework that although competitive and standard within the industry, results in increased labour costs year over year that have the ability to be above the OEB inflation amount minus productivity. The change in OM&A expense from 2020 to 2021 is illustrated in Table 1-12 below.

Table 1 - 12: **OM&A – 2020 vs 2021**

OM&A	2020 Bridge Year	2021 Test Year
Operations & Maintenance	2,981,844	3,642,089
Billing and Collecting	1,413,651	1,328,174
Administrative and General	3,057,332	3,595,675
Total Recoverable OM&A Expenses	**7,452,827**	**8,565,938**

For the years 2022-2025, the operation program costs have been inflated at a rate of 1.9% for non-labour related costs, and 2% for labour. All other cost drivers are held constant. A forecasted summary of operating expenditures over that period is shown below in Table 1-13:

Table 1 - 13: OM&A Forecast 2022 - 2025

OM&A	2022	2023	2024	2025
Operations & Maintenance	3,713,097	3,785,490	3,859,295	3,934,540
Billing and Collecting	1,354,069	1,380,468	1,407,383	1,434,823
Administrative and General	3,665,778	3,737,248	3,810,113	3,884,399
Total Recoverable OM&A Expenses	**8,732,943**	**8,903,206**	**9,076,791**	**9,253,763**

2.1.2.5.2 Capital Program

The key objectives of the capital investment program proposed to be implemented during the next five years include:

- Meeting NBHDL's regulatory obligations, including the obligation to serve customers within the service territory and the obligations to relocate lines when requested by the regional and municipal governments, in conjunction with road widening programs.
- Ensuring supply system reliability is maintained at optimal levels by mitigating the risk of in-service equipment failures, through economically efficient investments, i.e. implementing reliability improvement projects when the value of risk is greater than the risk mitigation cost.
- Delivering good value service for money while providing a fair rate of return to the City.
- Mitigating public safety risks from distribution system operations.
- Improving worker safety, productivity and enhancing operating efficiency.

The Filing Requirements outline four categories of investments into which projects and programs must be grouped. The drivers for each investment category align with those listed in the Filing Requirements. For reporting purposes, a project or program involving two or more drivers associated with different categories is included in the category corresponding to the trigger driver. However, all drivers of a given project or activity were considered in the analysis of capital investment options and are further described in Section 4 of the DSP.

System Access

These investments are modifications to the distribution system NBHDL is obligated to perform to provide a customer (including generator customers) or group of customers with access to electricity services via NBHDL's distribution system. This investment group includes asset relocations requested from the City.

System Renewal

These investments involve replacing and/or refurbishing system assets to extend the original service life of the assets and thereby maintain the ability of NBHDL's distribution system to provide customers with electricity services.

System Service

These investments are modifications to NBHDL's distribution system to ensure the distribution system continues to meet NBHDL's operational objectives while addressing anticipated future customer electricity service requirements.

General Plant

These investments are modifications, replacements or additions to NBHDL's assets that are not part of the distribution system; including land and buildings; tools and equipment; rolling stock; and electronic devices and software used to support day to day business and operations activities.

NBHDL expects that the operational and service requirements driving its capital expenditures that comprise this DSP will generally remain consistent through the planning horizon. An increase in capital spending has not been requested in this rate application, instead NBHDL is pacing capital investment at a slightly lesser pace than it did in the previous 5 years. It is important to note that when looking at asset life cycle costs in isolation, there is justification to increase spending but when balancing asset life cycle with the work output abilities of the current staff complement, and rate affordability and stability, the proposed spending represents a very balanced, sustainable approach. The table below (Table 1-14) illustrates the historical and forecasted capital expenditures.

Table 1 - 14: Historical and forecast capital expenditures

Category	Historical ($ '000)						Forecast ($ '000)				
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
System Access	966	725	778	1,306	1,757	966	951	969	987	1,006	1,025
System Renewal	4,448	4,412	5,109	3,141	3,788	3,986	4,544	4,008	4,057	4,154	4,221
System Service	554	342	681	1,839	273	407	288	294	299	305	311
General Plant	714	824	607	330	771	1,030	909	587	666	1,041	649
Gross Capital Expenses	**6,682**	**6,302**	**7,175**	**6,615**	**6,589**	**6,388**	**6,692**	**5,858**	**6,010**	**6,505**	**6,206**

The projected capital expenditures for the forecast years reflect the following planning considerations:

- Typical spending needs of a distribution electric utility serving a low growth customer base.
- Focus on planned capital investments required to replace the ageing system assets found in NBHDL's distribution system, paced in at an affordable rate. The planning replacement of system assets is very stable year over year.
- Focus on planned capital investment in general assets that support the continued operations of the LDC. The planning replacement of general assets is variable, mostly driven in any year by the requirement to replace a large fleet vehicle (Bucket or RBD truck).
- Minimal incremental investments in grid modernization to make the distribution system more adept in monitoring, locating, and responding appropriately to power outages and providing customers with timely information to enable consumption-related decision making. NBHDL will strategically

invest in projects or initiatives that provide a positive cost-benefit for customers in order to modernize and improve the overall network while maintaining low electric bills.

2.1.2.6 CUSTOMER BENEFIT

Customer engagement and service excellence has been a long-standing value at NBHDL, one that is ingrained in all aspects of day to day activities and business operations. It is also something that is a main focus of preparing and submitting rate applications; it forms a very important input to the planning process that sets direction for the business over a 5-year horizon. Customer preferences and expectations are so important, that engagement and feedback has resulted in the elimination of certain items from the plan. To illustrate the benefit to customers NBHDL has categorized customer benefit into the following two categories:

- Benefits derived from NBHDL Core Values and alignment with RRFE outcomes
- Benefits derived from specific engagement for this application

2.1.2.6.1 Benefits derived from NBHDL Core Values and alignment with the RRFE Outcomes

Core Value	RRFE Alignment	Benefit to Customers
Providing Exceptional Value to Customers	Customer Focus	• Customer service fundamental to business operations and success. • Local customer service team, available by phone, email, and in person during all business hours, exceeding OEB established targets • Local team, engaging with customers on-site, to tackle issues, provide information about construction, connection, and maintenance • Daily engagement with customer through social media platforms • Interactive outage map provided through website to keep customers informed, allowing customer decision making

		• Sustained engagement plan to ensure constant interaction with customer (not just in preparation or rate applications)
Ensuring Safety of the Worker and Community	Customer Focus, Operational Effectiveness	• Safety of the worker ensures workers are ready, and available to provide all services, in all situations, that customers expect • Strong safety culture creates a healthy work environment and in turn the prevention of accidents that can be costly • Comfort and ease of customer when interacting in the community, knowing there are no electrical hazards present • Sharing of knowledge through public education to create a well-informed customer base
Maintaining Distribution System Reliability and Quality	Customer Focus, Operational Effectiveness	• Sustained investment in capital and operating programs, based on solid asset management methodologies, ensuring the renewal of assets to maintain reliability and quality but paced to also ensure affordability • Customers receive reliable, quality power, and can rely on NBHDL to meet their electrical needs • Where cost benefit exists, new technology will be pursued in

		efforts to improve system reliability and quality
Continuously Improving Efficiency and Productivity Performance to Provide Better Value-for-Money	Customer Focus, Operational Effectiveness, Financial Performance	• Creates an ability for the LDC to accomplish more, within the same cost envelope increasing benefit to customers • Increased efficiency and productivity drives costs savings, helping keep rates low • Fosters continuous improvement in and forward progress of the LDC, translating into continued strong service for the customer
Actively Supporting Provincial and Local Public Policy Objectives	Public Policy Responsiveness	• Implement new policies in compliance with regulation and in a timely matter to ensure benefit intended to customers is delivered • Deliver programs the best way possible to maximize benefit to customers in our service territory (i.e. CDM – 150% of target achieved) • Creates a strong relationship with the regulator, allowing the LDC to communicate customer preferences and expectations that can aid in the formation of new public policies • Community stewardship and support creates benefit for customers outside the distribution of electricity
Instilling Adaptability, Flexibility, and	Customer Focus, Operational Effectiveness, Public Policy	• Constantly exploring new technology and implementing it

Responsiveness to Ensure Longstanding Prosperity	Responsiveness, Financial Performance	where there is a cost benefit to the customer • Collaboration with other utilities, industry groups and other stakeholders to achieve efficiency, cost saving, or elements that NBHDL would be unable implement alone • Agility and adaptability to shift to meet evolving customer preferences and needs at any time • Support connection of new technology to the grid (DER, microgrids, batteries), providing customers optionality and the benefit of flexibility and possible cost savings • Exploration of new ways to conduct business to create cost savings or enhanced interaction for customers • Will ensure longevity and prosperity of the LDC, ensuring continued service to customers

2.1.2.6.2 Benefits Derived from Specific Engagement for this Application

The benefits derived from specific engagement for this Application have been grouped into three categories: Customer Experience, Reliability, and Affordability. Benefits in each area are listed below:

Customer Experience

- Improvements and/or creation of Self-Service options for the customer
    - Website improvement, format and content
    - Customer Portal improvement

- Creation of a NBHDL App
- Privacy and protection of customer information
- Enhanced customer focus geared towards GS<50, GS>50, large users, contractors and developers

Reliability

- Increased investment in vegetation management
- Continued investment in the renewal of system and general assets
- Implementation of technology driven projects that improve reliability where there is a direct cost-benefit to customers

Affordability

- Pacing of the renewal of system assets at a rate less than what Asset management practices deem appropriate
- Reduction in the number of resources required to fill business gaps; at least six new positions initially desired, final request is two (not including succession)
- Further automation of the control room will not be implemented
- New enterprise software deferred until after 2025
- New building deferred until after 2025

Section 2.1.7 – Customer Engagement of Exhibit 1 provides a detailed review of the customer engagement activities, analysis and specific projects incorporated, removed or deferred as an outcome of the engagement.

2.1.3 CUSTOMER SUMMARY

North Bay Hydro Distribution Limited (NBHDL) has applied to the Ontario Energy Board for a change in the distribution rates that is charges its customers. The distribution rates are based on the amount of capital investments made by NBHDL as well as the cost to operate and maintain the capital investments, along with a percentage for a return on equity. Table 1-15 shows the impact to residential and small business (GS<50) customers of the 2021 proposed rates compared to the existing rates.

Table 1 - 15: Bill Impacts for Typical Customer

Rate Class	kWh	Total Bill Impcat	
		$	%
Residential	750	2.32	1.97%
GS<50	2,000	4.41	1.47%

NBHDL has a service area of 319 square kilometers that provides electricity distribution to approximately 24,000 residential, commercial, and industrial customers. NBHDL is incorporated under the Ontario Business Corporations Act and is 100% municipally owned by the City of North Bay.

The full Application includes information on the amount and location of capital investments being made in the service territory along with the costs to operate and maintain the system, produce bills, and provide customer support. NBHDL employs approximately 50 local staff. The full Application can be found NBHDL's website (www.northbayhydro.com).

Since NBHDL last rebased, NBHDL has achieved the following:

- In 2017 was presented with the IHSA's President Award in recognition of the achievement of no-lost time injuries for 500,000 consecutive hours.
- In 2019 was recognized by Community Living North Bay as an Everyday Champion for our involvement in supporting their local membership.
- Continued operation of a safe, reliable distribution system focused on excellent customer service with fair, stable and affordable rates.
- Established a strong social media presence on Twitter, Facebook and LinkedIn to provide improved interaction, and create more communication and feedback channels for our customers.
- Improved the functionality of the public facing outage map on our website and added an email option for reporting an outage that is distributed immediately to all on-call staff.
- Completed the installation of our WIMAX communication system, enabling high bandwidth licensed communication across our service territory and preparing us for future needs.
- Completed the deployment of SCADA to all substations, automating the operation and control of all distribution breakers/reclosers in our system in turn minimizing restoration times.
- Continued to invest in public safety through the participation at community safety days and the education of youth at Elementary Schools on electrical safety.
- Implemented provincial initiatives to benefit customers such as the Fair Hydro Plan, Ontario Energy Rebate, COVID-19 assistance (Off-Peak Billing, CEAP, CEAP-SB) and customer optionality.
- Achieved an unverified 151% of Conservation First Framework conservation targets.
- Delivered and achieved great results for local customers through the Affordability Fund Trust.
- Invested $33.3M from 2015 to 2019, with another $6.4M forecasted in 2020, into local infrastructure through the timely connection of new customers and developments and through the affordably paced renewal of distribution system assets.
- Planted over 500 trees to give back to the community for trees removed as part of maintenance activities aimed at increasing reliability and safety.

- Successfully transitioned almost the entire management team through well planned succession, positioning the company for strong results well into the future.
- Continued to focus on ways to improve all aspects of the business.

In the coming years, NBHDL plans to:

- Continue to deliver on sound asset management principles that ensure the renewal of assets as defined in the current version of the Distribution System Plan, which will result in a continued reliable, safe, efficient distribution system with investment paced in a way that achieves affordability for customers.
- Continue to facilitate connection of new customers to the grid, in a fair, affordable and timely manner.
- Hire additional personnel and retain existing, to deliver on the commitments contained within the full Application. The right people, with the right skills, in the right seats.
- Paced and planned investment in systems, tools, and equipment that allows workers to execute on their tasks, while keeping them safe, effective, and productive.
- Continue to embrace and enable new technology that provides a cost benefit to customers, or allows customers to interact with or connect to the grid in a way that creates customer value, opportunity and satisfaction.
- Improve annual customer engagement with commitments to a number of planned initiatives, with an emphasis directed towards increased education on industry, safety, operational and conservation topics.
- Develop and implement a new interactive customer tool (app, web-interface) and upgrade the existing customer portal to provide better access to information, in real-time, create stronger customer interaction and deliver on customer needs.
- Continue to foster a safe work culture that promotes employee training, safety, health and wellness, while also operating the grid in a way that keeps the public safe from and educated about electrical hazards.
- Increase spending on vegetation management to return to a 5-year cycle, in efforts to improve reliability and reduce safety hazards created by trees in proximity of high voltage lines.
- Update and add policies and practices that drive efficiency and productivity gains across all departments, and ensure a fair and consistent approach to customer service.
- Protect employer operations and customer privacy by having sound information technology processes and systems in place with a focus on enhanced cyber security.
- Implement a disaster recovery site to protect operations in case of a catastrophic event or the failure of critical systems.

- Continue to deliver, on time, provincial directives and initiatives aimed at creating benefit for customers.
- Remain open and flexible to evolving customer needs, rapidly growing technology, and changes to the industry.
- Deliver strong financial performance to ensure prosperity of the business, balancing shareholder and customer expectations.

The application that accumulates to the rate impacts noted above include a capital and operating plan for 2021. The total capital budget for 2021 is $6.14 Million (gross less contributed) and the total operating budget for 2021 is $12.03 Million (including depreciation, property taxes, and LEAP).

The capital and operating expenditures will allow NBHDL to:

- Replace and refurbish poles, transformers, and wires
- Replace and refurbish trucks, equipment, tools, and software systems
- Connect new customers
- Accommodate municipal and regional plans
- Ensure a safe, reliable supply of electricity
- Strengthen IT infrastructure and enhance cybersecurity
- Maintain systems and assets
- Respond to outages and provide timely restoration
- Provide locate services
- Provide vegetation management services
- Ensure responsive customer service and consistent, accurate billing
- Engage with the customer to incorporate customer needs and preferences
- Provide adequate staffing levels, and invest in training to ensure effective and safe work delivery

In order to accomplish the items listed above, NBHDL requires annual revenues of $15,685,587.

NBHDL is proud of the service it has offered the community of North Bay over the past 80 years, and in order to continue to meet the needs and expectations of the customer while delivering a safe, reliable and efficient supply of electricity, an increase to rates, as defined in this Application, is required.

2.1.4 ADMINISTRATION

2.1.4.1 THE APPLICANT'S ADDRESS FOR SERVICE

The Applicant:

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2.1.4.2 THE APPLICANT'S LEGAL REPRESENTATION

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2.1.4.3 PUBLICATION INFORMATION

Residents, businesses, and institutions in the City of North Bay who receive electricity distribution services from NBHDL will be affected by the Application.

NBHDL proposes to publish the Notice of Application in the North Bay Nugget and in Community Voices. The Nugget offers the highest paid circulation in NBHDL's service territory while Community Voices offers a widely distributed unpaid circulation of North Bay and surrounding area.

The Application and related materials will be posted on the NBHDL website, and will be available for viewing at the following internet address: https://www.northbayhydro.com/new-rate-application-2021/

2.1.4.4 MATERIALITY THRESHOLD

In accordance with the Chapter 2 Filing Requirements, an applicant must provide justification for changes from year to year to its rate base, capital expenditures and OM&A above a materiality threshold. NBHDL's materiality threshold is computed as 0.5% of the proposed distribution revenue requirement for distributors with a distribution revenue requirement greater than $10 million and less than or equal to $200 million. The materiality threshold as per the Filing Requirements is $78,428 as provided in Table 1-16 below. NBHDL has a used a lower threshold of $75,000 for assessing materiality for the purposes of this Application.

Table 1 - 16: NBHDL's Materiality Threshold for 2021 Test Year

Description	2021 Test Year
Distribution Revenue Requirement	$15,685,587
Materiality Threshold	0.50%
Materiality Calculated	$78,428
Materiality Used	$75,000

2.1.4.5 MATERIAL IMPACT

Based on the bill impacts noted below in section 2.1.4.6 there are no proposed changes in the Application that will have an adverse material impact on any customer class. As noted in Exhibit 7 and Exhibit 8, the Street Lighting class will experience a material reduction in rates and total bill. This is due the current cost allocation model being reflective of an updated cost allocation policy issued by the Board on June 12, 2015 (*Issuance of New Cost Allocation Policy for Street Lighting Rate Class)*. Naturally, these previously allocated Street Lighting costs are now allocated to other classes. NBHDL maintains that no other classes are materially affected by this change.

2.1.4.6 BILL IMPACTS

Table 1-17 summarizes the customer bill impacts by customer rate class for typical consumers based upon the proposed distribution rates, load forecast, and disposition of deferral and variance accounts provided for in this Application.

Table 1 - 17: Bill Impacts

Rate Class	kWh	kW	2020 Dist Bill $	2021 Dist Bill $	$ Difference	Bill Impact %	2020 Total Bill $	2021 Total Bill $	Bill Impact $	Bill Impact %
Board Required										
Residential - TOU	750		$29.79	$33.79	$4.00	13.43%	$117.79	$120.11	$2.32	1.97%
Residential -10th %	92		$29.26	$33.26	$4.00	13.67%	$35.83	$38.96	$3.13	8.74%
GS<50	2000		$64.80	$75.69	$10.89	16.81%	$299.24	$303.65	$4.41	1.47%
Utility Specific										
Residential - 90th %	1,535		$30.42	$34.42	$4.00	13.15%	$215.57	$216.93	$1.36	0.63%
Residential - Retailer	750		$29.79	$33.79	$4.00	13.43%	$106.45	$108.86	$2.41	2.26%
GS<50 Retailer	2,000		$64.80	$75.69	$10.89	16.81%	$269.33	$273.97	$4.64	1.72%
GS<50 - 90th%	6,400		$152.36	$179.53	$27.17	17.83%	$911.43	$919.31	$7.88	0.86%
GS 50-2,999 kW - Median	33,000	75	$521.62	$631.43	$109.81	21.05%	$5,482.83	$5,552.84	$70.01	1.28%
GS 50-2,999 kW - 90%	117,000	244	$985.51	$1,217.85	$232.34	23.58%	$18,333.17	$18,409.59	$76.42	0.42%
GS 3,000-4,999 kW	1,280,000	2440	$10,522.04	$12,219.26	$1,697.22	16.13%	$200,092.00	$200,001.55	($90.45)	(0.05%)
Street Lighting	170,000	474	$40,316.67	$12,341.78	($27,974.89)	(69.39%)	$70,619.57	$38,519.96	($32,099.61)	(45.45%)
Sentinal Light	150	1	$22.89	$29.48	$6.59	28.79%	$38.83	$40.27	$1.44	3.71%
Unmetered Scattered Load	150		$7.44	$7.42	($0.02)	(0.27%)	$24.69	$24.36	($0.33)	(1.34%)

2.1.4.7 FORM OF HEARING

The Applicant requests that this application be disposed of by way of written hearing. A written hearing will be the most prudent and cost- effective means to process the application.

2.1.4.8 PROPOSED EFFECTIVE DATE OF RATE ORDER

1) The Applicant requests that the OEB make its Rate Order effective May 1, 2021 in accordance with the Filing Requirements.

2) In the event that the OEB is unable to provide a Decision and Order in this Application for implementation by the Applicant as of May 1, 2021, the Applicant requests that the OEB declare its current rates interim, effective May 1, 2021, pending the implementation of the OEB's Rate Order for the 2021 rate year.

2.1.4.9 STATEMENT OF DEVIATION OF FILING REQUIREMENTS

NBHDL has not deviated from the Chapter 2 of the OEB's Filing Requirements for Electricity Distribution Rate Applications last revised on May 14, 2020.

2.1.4.10 CHANGE IN METHODOLOGY

The methodologies used in this application are consistent with those applied in NBHDL's last Cost of Service Application (EB-2014-0099), with the exception of the calculation of the working capital allowance which in this application will be based on the deemed 7.5% allowance rather than actual working capital requirement. Historical amounts are the same as approved by the Board in EB-2014-0099. NBHDL has also made changes as required as the Filing Requirements have evolved since the 2015 COS Application.

2.1.4.11 IDENTIFICATION OF BOARD DIRECTIVES FROM PREVIOUS BOARD DECISIONS

NBHDL has two approved items in its 2015 COS Application that requires follow up in this Application which include:

1) Alignment of Pay Incentive Structure with metrics and outcomes described in the 2015 COS Application

Decision:

NBHDL further agrees to explore the possibility of better aligning its incentive pay structure with the metrics and outcomes described in this Application and mandated by the Board. NBHDL also agrees to explore the possibility of further improving the alignment between the Board's mandated outcomes and metrics with its distribution system planning process. NBHDL will present the results

of its efforts in this regard during its next cost of service or custom IR rate application. If NBHDL identifies opportunities to improve its incentive pay structure or its distribution system planning processes before then, it will not delay any potential implementation until its next cost of service or custom IR rate application.

Action:

NBHDL has improved its business planning and distribution system planning to better align with the OEB's mandated outcomes, including the RRFE. With significant changes in the management team at NBHDL between 2017 and 2019, a decision was made to wait until the new management team was in place prior to exploring changes to the incentive pay structure. A review of management compensation is scheduled to be completed in 2021.

2) Complete a Comprehensive Review of all of its Processes and Systems underlying its Working Capital Requirements

Decision:

The OEB accepts North Bay Hydro's commitment to complete a comprehensive review of all of its processes and systems underlying its working capital requirements prior to its next cost of service application. The OEB expects North Bay Hydro to identify opportunities to reduce its WCA requirements while continuing to minimize the impacts on its OM&A and capital budgets. The OEB orders North Bay Hydro to file evidence of this review in its next cost of service application. The OEB finds the WCA study and the submissions of parties provide insight into North Bay Hydro's current processes and potential future changes. North Bay Hydro indicated that prior to reviewing the results of the WCA study, it had not quantified or analyzed the cost of its billing and collection processes. However, with the evidence filed and submissions from parties regarding the practices of other Ontario distributors, North Bay Hydro has some benchmark information to assess its own processes and consider efficiency improvements. In addition, the WCA study provides a base on which future improvements can be measured.

Action:

In 2020, NBHDL hired Navigant to provide an updated Lead/Lag study and provide a review of best practices on areas of NBHDL's working capital that differed significantly from a benchmarking group. The primary driver of NBHDL's difference from other LDCs, as referenced in the Navigant report, is the average number of billing days. This specific area has ability to drive the most material reductions in working capital for NBHDL. Billing days is defined as the time between the meter read date and the billing date. NBHDL has an average billing lag of just under 24 days at 23.99, similar

to the results of the 2014 Lead/Lag study. At first glance, this compares poorly to an average of 15.02 days as evidenced in the benchmarking group utilized by Navigant. On average, in all other material respects, NBHDL is comparable to other LDCs.

What fundamentally drives this billing lag is NBHDL's decision to maintain a calendar month billing schedule, which has been in place since September 2010. Because of this decision, NBHDL must wait 13-16 days in order to have the IESO daily pricing for the last day of the meter read (ex; pricing for the 31st day of the service month is released by the IESO on the 15th day of the subsequent month). This process specifically was an area of much discussion in the submissions of Board Staff, intervenors, and NBHDL on the working capital allowance approved in the 2015 COS with suggestions that the significant lag was a result of NBHDL being offside with assumed best practices. In 2020, NBHDL staff reached out informally to five LDCs to review their billing practices, with the primary focus around the window of time between meter read, the release of IESO daily pricing, and the timing of bill issuance. All LDCs interviewed wait until the IESO releases its daily pricing before beginning the billing process, regardless of whether the customer is on RPP or hourly pricing. This delay is required in order to complete IESO settlement transactions with respect to commodity and global adjustment.

The only material difference in billing process and timing that NBHDL observed was that, with the exception of one LDC who has not done an independent lead/lag study, all others were on a daily meter read cycle not calendar month. While rationale was suggested in 2015 that RPP invoices could be issued within days of a meter read (as prices are set by the OEB), LDCs are required to complete complex true-ups between amounts billed and the actual cost of power (both commodity and global adjustment). This process itself requires actual data from the billing system that effectively calculates the hourly cost of power for RPP customers.

In theory, NBHDL could revamp its billing systems to allow for calendar month billing while releasing RPP customer invoices within days of the meter read, however, this would require extensive parallel programming/reporting in order to complete settlement processes for IESO submission. In addition, it's not an insignificant fact that NBHDL bills approximately 24,000 customers a month with a staff of two full-time employees. In the 2021 test year, as with the 2015 test year, NBHDL is maintaining that staffing level and the current processes support this staffing level; changes to the process would require additional resourcing and IT support, increasing overall costs. NBHDL would argue that calendar month billing by default experiences a higher billing lag unless all billing was completed in a window of a few days which is impractical at best.

NBHDL also believes that calendar month billing provides more relevance to a customer. There are other benefits that NBHDL realizes from this billing schedule, however, NBHDL made the decision to move, and stay, with calendar month billing independent of the Lead/Lag study.

The updated Navigant study quantifies NBHDL's WCA at 10.38%. The impact on revenue requirement between the OEB's allowance of 7.5% as compared to NBHDL's actual WCA of 10.38% is $103,222. NBHDL has chosen to utilize the OEB's WCA of 7.5%, foregoing the revenue requirement result. NBHDL has not engaged customers to determine if they would be willing to pay the incremental costs that are incurred by maintaining the calendar month billing schedule. This question, and the impacts, will be put forward to customers through the annual engagement process, however, at the time of this filing NBHDL is maintaining current practices. The management team will continue to review billing processes and schedules and will be naturally incented to make changes to further reduce the billing lag with the proposed 7.5% WCA rate.

2.1.4.12 RPP SETTLEMENT TRUE-UP: NEW ACCOUNTING GUIDANCE

On February 21, 2019, the OEB issued its letter entitled "Accounting Guidance related to Accounts 1588 Power, and 1589 RSVA Global Adjustment" as well as the related accounting guidance. NBHDL has yet to fully implement the OEB's February 21, 2019 guidance effective January 1, 2019. NBHDL continues to settle with the IESO based on the process previously filed with the OEB in EB-2016-0214 and subsequently expanded on in NBHDL's responses to the February 11, 2016 survey request titled *Review of Processes and Practices Related to Global Adjustment and Regulated Price Plan Settlements*. Details regarding NBHDL's status and proposed timing for adoption of the updated guidance as well as timing for future disposition is detailed in Exhibit 9.

2.1.4.13 STATEMENT REGARDING CONDITIONS OF SERVICE

The current version of NBHDL's Conditions of Service is publicly available for online viewing, printing and downloading from NBHDL's website:

https://www.northbayhydro.com/wp-content/uploads/2014/11/NBHDL_Conditions_of_Service1.pdf.

There have not been any changes to the current Conditions of Service since the last filing and no changes as a result of the current application.

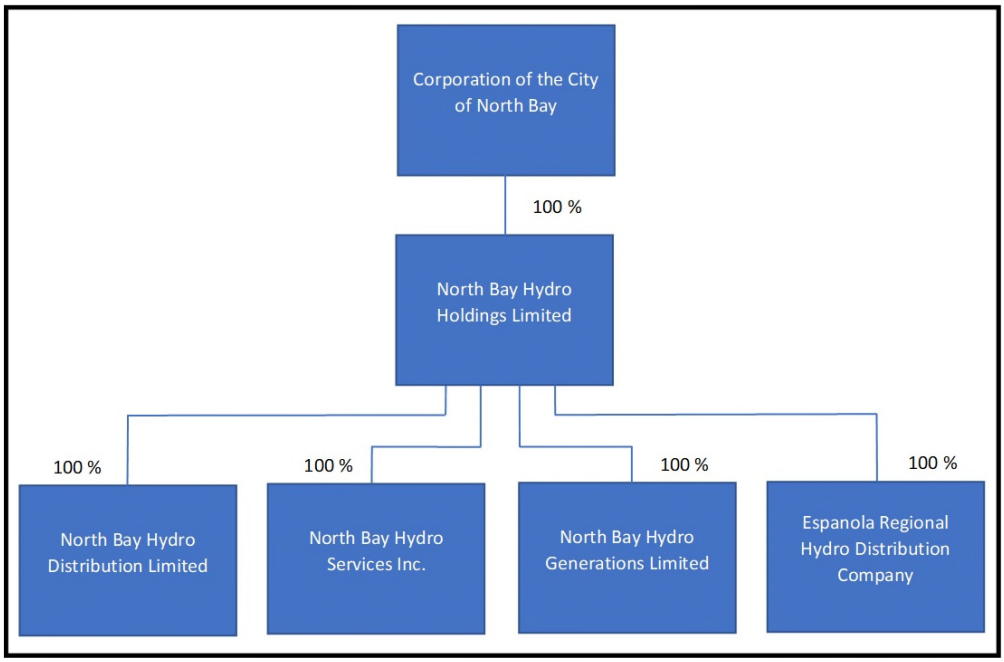
There are no rates or charges listed in the Conditions of Service that are not on NBHDL's Tariff of Rates and Charges.

Although the "Collection of account charge – no disconnection" fee of $30.00 is included in the Conditions of Service, it is no longer charged by NBHDL and the Conditions of Service will be updated to reflect this.

2.1.4.14 CORPORATE STRUCTURE

NBHDL is incorporated under the Ontario Business Corporations Act as a for profit corporation. NBHDL is 100% owned by North Bay Hydro Holdings Limited. ("NBHHL"), a holding company owned 100% by the City. The ownership is illustrated in the diagram below.

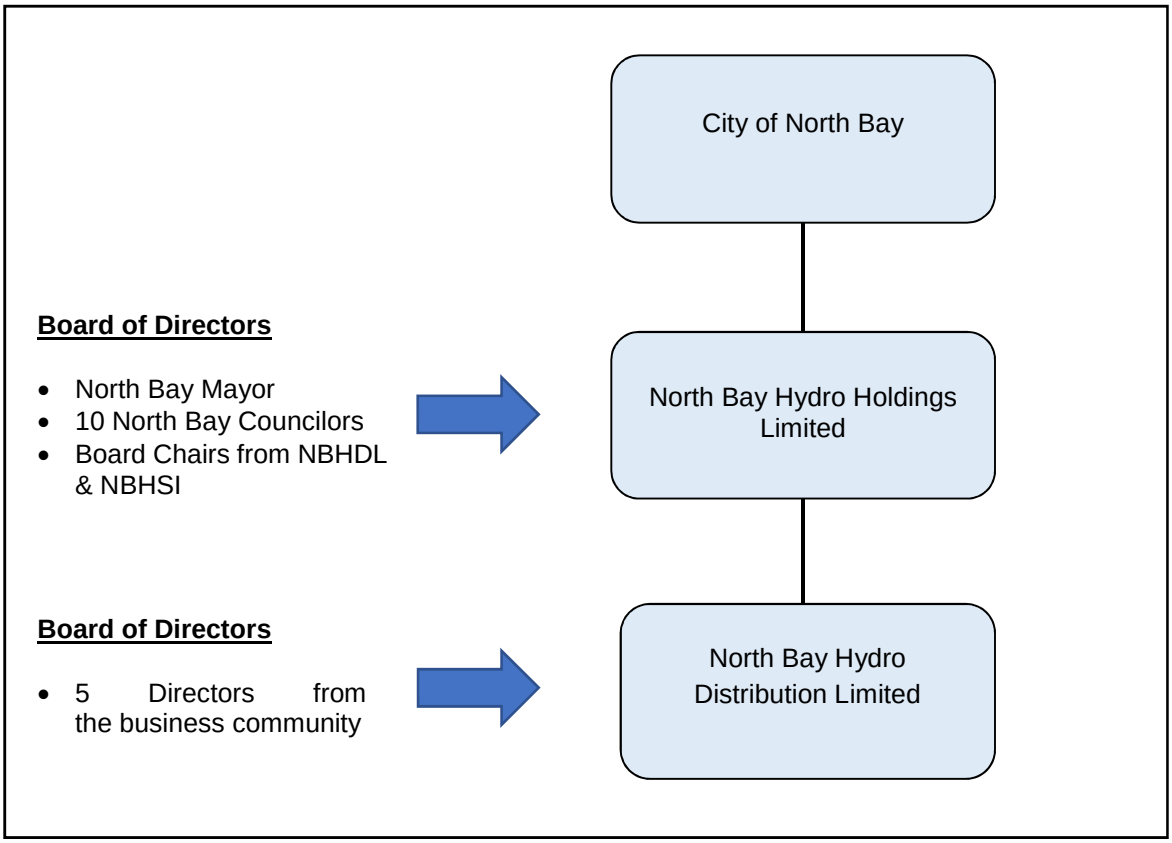
Figure 1 - 2: Ownership Structure



NBHHL also has 100% ownership in North Bay Hydro Services Inc. ("NBHSI"), an unregulated affiliate offering energy solutions; North Bay Hydro Generations Limited, a dormant company; and the recently acquired Espanola Regional Hydro Distribution Company, an LDC operating in the town of Espanola and the township of Sables-Spanish Rivers.

The municipal shareholders appoint directors to the Board of NBHHL. NBHHL appoints the directors to the NBHDL board, with the respective Board of Directors governing the affairs of each corporation. The NBHHL and NBHDL boards are fully independent, aside from the Board Chairs of NBHDL and NBHSI that sit on the NBHHL Board. The makeup of each Board is depicted in the following Figure 1-3:

Figure 1 - 3: Board Composition



The reporting relationship of the NBHDL Board and NBHDL management is depicted in Figure 1-4. A full organizational chart for NBHDL can be found in Appendix 1-C. NBHHL management includes a Chair (The Mayor), a CEO (CNB CAO), and a Secretary (CNB City Solicitor). There are no formal reporting relationships between NBHDL management and NBHHL management, however the President and CEO of NBHDL interacts with the NBHHL CEO and the NBHDL Board Chair interacts with the NBHHL Board Chair when required. The NBHDL Board reports to NBHHL as illustrated in Figure 1-2.

The Board of Directors of NBHDL consists of five members, two of which are independent of any related entities. Audited financial statements and the annual business plan are formally reported to NBHHL within 90 days following the end of each fiscal year. A semi-annual report is provided 45 days after the end of each half of the fiscal year. The CEO of NBHHL is invited to all board of director meetings throughout the year. NBHHL's reporting relationship to the City of North Bay is outside the scope of NBHDL's control or involvement. The Board Chair of NBHDL is provided with a Director position on the NBHHL Board and the President and CEO of NBHDL attends all NBHHL Board meetings.

2.1.4.15 PLANNED CHANGES IN CORPORATE STRUCTURE

Upon completion of this Cost of Service Application and ERHDC's Cost of Service Application, the expiry of the Services Agreement between PUC Services Inc. ("PUC") and ERHDC ("PUC Services Agreement"), which expires on February 28, 2022 and the transition of services from PUC to NBHDL, NBHDL will bring an application to the Board to seek approval for the amalgamation of NBHDL and ERHDC under section 86(1)(c) of the *Ontario Energy Board Act, 1998* ". The following Figures 1-4 and 1-5 illustrate the proposed corporate ownership and reporting structures upon the completion of the amalgamation:

Figure 1 - 3: New Corporate Structure Post-Amalgamation

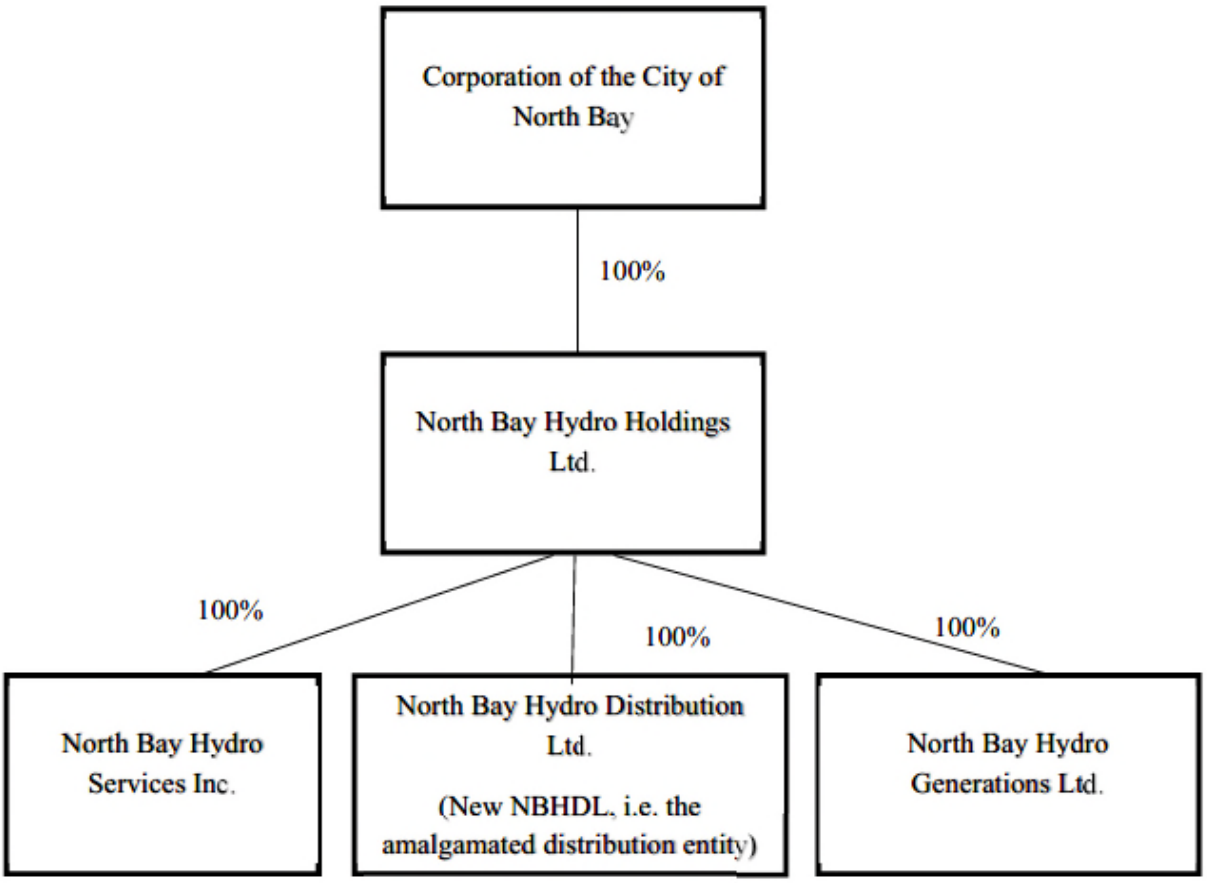
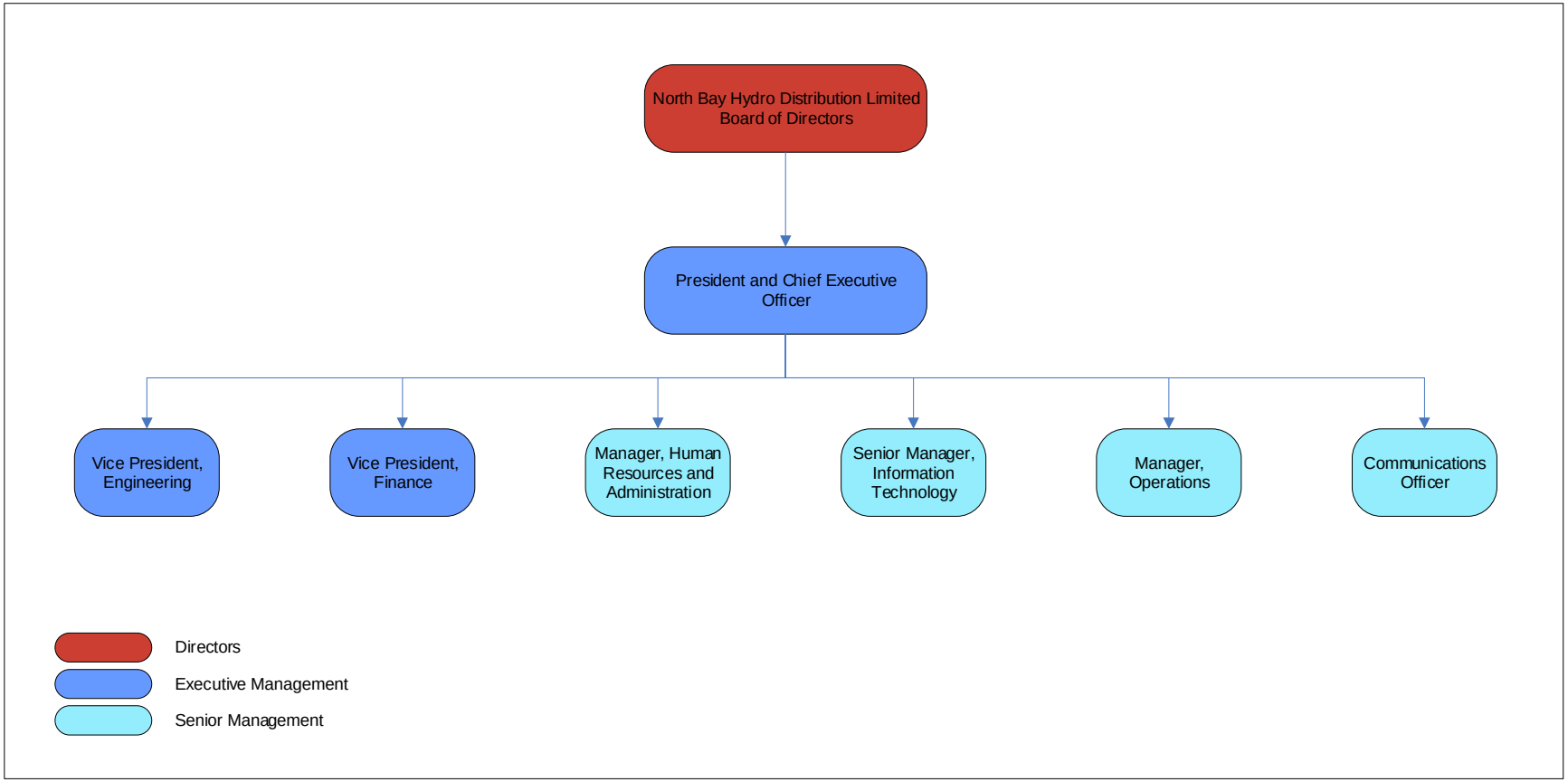


Figure 1 - 4: Reporting relationship of the NBHDL Board and NBHDL management



2.1.4.16 LIST OF SPECIFIC APPROVALS REQUESTED

In this application, NBHDL requests the following approvals. These are consistent with Chapter 2 Appendix 2-A (a PDF copy is included at Appendix 1-J to this Exhibit):

- Approval to charge distribution rates effective May 1, 2021 to recover a Service Revenue Requirement of $14,457,121 which includes a Revenue Deficiency of $1,770,175 as detailed in Exhibit 6. The schedule of Proposed Rates is set out in Exhibit 8.
- Approval of the Distribution System Plan as outlined in Exhibit 2.
- Approval of revised Low Voltage Rates as proposed and described in Exhibit 8.
- Approval to adjust the Retail Transmission Rates – Network and Connection as detailed in Exhibit 8.
- Approval to continue to charge Wholesale Market and Rural Rate Protection Charges approved in the Board Decision and Order in the matter of NBHDL's 2020 Distribution Rates (EB-2019-0057) and updated in the Board's Decision and Order (EB-2020-0276).
- Approval to continue the Specific Service Charges and Transformer Allowance approved in the Board Decision and Order in the matter of NBHDL's 2020 Distribution Rates (EB-2019-0057).
- Approval to charge the Board's updated Pole Attachment Charge, effective January 1, 2021.
- Approval of the Rate Riders for a one-year disposition of the Group 1, Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9.
- Approval to discontinue the use of Retail Cost Variance Accounts (RCVAs) 1518 and 1548.
- Approval of the Rate Riders for a one-year disposition of the Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") for lost revenue as presented in Exhibits 4 and 9 of this application.
- Approval for the continued use of 1592 – PILS and Tax Variance – CCA Changes sub account as described in Exhibit 9.
- Approval to create a 1509 – Impacts Arising from the COVID-19 Emergency sub account as described in Exhibit 9.
- Approval of the Proposed Loss Factors as detailed in Exhibit 8.
- Approval to amend the name and description of its current customer class of GS 3,000 to 4,999 kW to GS> 3,000 kW as described in Exhibit 7.
- Such other approvals as NBHDL may advise and the OEB may deem as just and reasonable.

2.1.4.17 CERTIFICATION

I, Matt Payne, President and Chief Executive Officer of North Bay Hydro Distribution Limited certify that the evidence filed is accurate, consistent, and complete to the best of my knowledge.

Matt Payne, P. Eng.
President and Chief Executive Officer

2.1.5 DISTRIBUTION SYSTEM OVERVIEW

2.1.5.1 DESCRIPTION OF APPLICANTS SERVICE AREA

Service Area	Description of Applicant
Community Served:	City of North Bay
Total Service Area:	319 sq. km
Rural Service Area:	270 sq. km (84.6%)
Distribution Type:	Electricity Distribution
Service Area Population:	51,553
Municipal Population:	51,553
Boundaries:	North: HONI East: HONI South: HONI West: HONI

A map of NBHDL's distribution system territory is provided in Appendix 1-D.

2.1.5.2 IDENTIFICATION OF EMBEDDED OR HOST UTILITIES

NBHDL is bounded by HONI on all service territory boundaries.

NBHDL is embedded in HONI's 44kV sub-transmission system at the City's water treatment plant located at 248 Lakeside Drive and at Substation #17, which is in North Bay's rural area at 20 Peninsula Road.

HONI (distribution) is embedded in NBHDL's 44kV sub-transmission system at Bond Street, also known as Wood's Junction and is also embedded in NBHDL's 12.47kV distribution system at the northern city limits of North Bay on Highway 11 North. In both instances the embedded distributor has been classified in the GS>50kW category. Further detail on this can be found in Exhibit 7.

2.1.5.3 DEEMED DISTRIBUTION ASSETS

NBHDL does not have any transmission or high voltage assets (>50kV) deemed previously by the Board as distribution assets and does not have any such assets for which NBHDL is seeking Board approval to be deemed as distribution assets in this application.

2.1.6 APPLICATION SUMMARY

This Application was prepared using financial actuals for 2015-2019, forecasted financials for 2020, and a budget for 2021. Table 1-18 below lists the main elements of this Application which are further discussed in this Application.

Table 1 - 18 – Application Summary

Application Summary	2021 Test Year
Revenue Requirement	
Base Revenue Requirement	14,457,121
Revenue Offsets	1,228,466
Service Revenue Requirement	15,685,587
Revenue Deficiency	1,770,175
Rate Base	76,227,486
Working Capital	5,605,013
OM&A (excluding Property Taxes)	8,584,761
Capital Expenditures	6,292,043

2.1.6.1 REVENUE REQUIREMENT

NBHDL's requested service revenue for the 2021 Test Year is $15,685,587 which is intended to cover the following:

- Operations, Maintenance and Administration Expenses
- Property Taxes
- Depreciation / Amortization
- Payments in Lieu of Taxes (PILs)
- Return on Rate Base

This revenue represents an increase of $2,718,509 or 21% over the 2015 Board Approved amount of $12,967,077.

Table 1-19 demonstrates a comparison of the revenue requirement calculations for the 2021 Test Year and the previous 2015 Board Approved.

Table 1 - 19: Revenue Requirement Computation

Description	2015 Board Approved	2021 Test Year
Actual Return on Rate Base		
Average Net Fixed Assets	53,415,660	70,622,473
Working Capital Allowance (WCA)	7,403,157	5,605,013
Rate Base		
WCA %	10.31%	7.50%
Regulated Return on Capital	3,759,511	3,655,772
OM&A, Other	6,446,429	8,584,761
Property Taxes	69,876	96,944
Amortization/Depreciation	2,489,076	3,348,110
PILs	202,184	-
Revenue Requirement	**12,967,077**	**15,685,587**
Less Revenue Offsets	1,173,934	1,228,466
Base Revenue Requirement	**11,793,143**	**14,457,121**

Based on the projected load forecast and customers for in the 2021 Test Year, NBHDL has estimated its revenue deficiency at $1,770,175 at current rates. See Table 1-20 below.

Table 1 - 20: Calculation of Revenue Deficiency

Service Revenue Requirement	2015 Board Approved (A)	2021 Revenue at Existing Rates Allocated in Proportion to 2015 Approved (B)	2021 Proposed (C)	Revenue Deficiency (D) = (C) - (B)
OM&A	$6,429,729	$6,899,961	$8,565,938	$1,665,977
Depreciation	$2,489,076	$2,671,113	$3,348,110	$676,998
Property Tax	$69,876	$74,987	$96,944	$21,957
PILs	$202,184	$216,971	($0)	($216,971)
Other Expenses	$16,700	$17,921	$18,823	$901
Deemed Interest Expense	$1,497,051	$1,606,537	$1,112,823	($493,714)
Return on Deemed Equity	$2,262,460	$2,427,923	$2,542,949	$115,026
Total	**$12,967,077**	**$13,915,412**	**$15,685,587**	**$1,770,175**

The revenue deficiency of $1,770,015 for the 2021 Test Year is principally a result of increases in the following components: (i) increased OM&A; (ii) increased depreciation; and (iii) higher return on deemed equity; partially offset by lower deemed interest expense and no taxes.

2021 Test Year OM&A expenses are projected to increase $1,665,977 as compared to 2015 Board Approved. The details are discussed thoroughly in Exhibit 4.

Depreciation has increased as result of an increase in the average net fixed assets of $17,206,813 for the 2021 Test Year as compared to the 2015 Board Approved year. Further details are discussed in Exhibit 2.

PILS expense for the 2021 Test Year is expected to be zero for the 2021 Test Year. This is the result of a taxable income loss carried froward from the 2020 Bridge Year. Further details are provided in Exhibit 4.

Deemed interest has decreased due to the decrease in commercial interest rates since 2015 as discussed in Exhibit 5.

The Working Capital Allowance has decreased due to an overall decrease in the WCA%. This is offset by increases in cost of power, OM&A and net fixed assets. This is discussed in Exhibit 2

2.1.6.2 BUDGETING AND ACCOUNTING ASSUMPTIONS

In its previous application (EB-2014-0099) NBHDL completed the transition from the previously used CGAAP approach to the current MIFRS. This change was made effective January 1, 2015 and is reflected in 2015 through 2019 actuals, the 2020 Bridge Year and the 2021 Test Year. In 2012, NBHDL implemented the change to depreciation rates and the componentization of PP&E. Useful lives were aligned with the Kinectrics report and an assessment was made of remaining service lives for the purposes of determining the computation of depreciation expense on a go-forward basis. There are no further impacts resulting from the transition to MIFRS.

All years covered in this Application are presented in MIFRS.

In a typical year NBHDL begins to prepare its annual budget plan in the second and third quarters for the following year and receives final approval from its Board of Directors in December. Developing the budget is a key process as it identifies past successes as well as future initiatives and projections for capital and operating costs. Care is taken to ensure that the capital and operating budgets support NBHDL's Core Values as well as being prudent and financially sustainable.

For the purpose of this Application, annual budgets were prepared by NBHDL's senior management team for the 2020 Bridge Year and the 2021 Test Year and have been compiled using the MIFRS method of presentation. The 2020 Bridge Year is based on forecasted balances.

2.1.6.3 ECONOMIC OVERVIEW

NBHDL provides detailed explanations in the applicable sections of the Application for the major components of the budget: Revenue, OM&A expenses, and capital expenditures. Each of those components are briefly summarized below.

2.1.6.3.1 Revenue

Based on the load forecast methodology described in Exhibit 3, the 2021 Test Year kWh forecast is 491,086,840 kWh or a 5.6% decrease from the 2015 Board approved of 520,454,528 kWh. 2015 Actuals were 516,728,999 kWh or 0.7% less than the 2015 Board approved.

The forecast of customers by rate class was determined using a geometric mean analysis and reflect current conditions in NBHDL's service territory. Based upon the analysis the number of Customer/Connections are forecasted to slightly increase.

Other revenues were viewed on an item-by-item basis and were either based on a historical indicator or on future strategic initiatives.

2.1.6.3.2 Operating, Maintenance, and Administration Expenses

The OM&A expenses for the 2020 Bridge Year and the 2021 Test Year have been developed based on departmental work plans. Departmental budgets are developed using an approach which requires each department to identify resource (internal and external), material, and other third-party costs that are necessary to meet departmental goals, corporate values, performance targets, and regulatory requirements.

- The 2021 Test Year employee complement is forecasted to increase from the 2020 Bridge Year due to an additional administrative resource, an additional operation resource and succession planning within the operations department.

- NBHDL's current Collective Bargaining Agreement with CUPE was executed in 2018 for a 5-year period (April 1, 2018 to March 31, 2023). Labour wages are the result of a negotiated process

and wage increases are based on factors such as other LDC settlements at that time, as well as local settlements. Non-union wage increase considered similarly to the union wage increases.

- Regulatory costs for this Application have been normalized over the five-year life of the Application.

- NBHDL used an inflation rate of 1.9% where the expense increase could not be specifically identified.

- Labour allocation percentages between capital and operating and maintenance activities for the Operations department have been adjusted to reflect more accurate division of time between these segments.

2.1.6.3.3 Capital Expenditures

NBHDL has developed a Consolidated Distribution System Plan (DSP) in accordance with Chapter 5 of the OEB's *Filing Requirements for Electricity Distribution Applications, Consolidated Distribution System Plan Filing Requirements* dated July 12, 2018 (Chapter 5). NBHDL's DSP presents NBHDL's fully integrated approach to capital expenditure planning, including comprehensive documentation of its asset management process, the incorporation of results from the Asset Condition Assessment, and identification, prioritization, and justification of detailed capital projects over the 2021 Test Year. This includes projects in General Plant, System Access, System Service, and System Renewal.

2.1.6.4 LOAD FORECAST SUMMARY

In summary, as a starting point NBHDL used the same regression analysis methodology approved by the Board in its 2015 Cost of Service ("COS") application (EB-2014-0099) and updated the analysis for actual power purchases to the end of the 2019. As compared to 2015, the submitted application has eliminated the binary variable of "North Bay Economy" as it was found to have decreased predicted output (a lower R-Square value) when incorporated into the regression.

Therefore, an equation to predict total system purchased energy was developed using a multivariate regression model with the following independent variables: weather (heating and cooling degree days), days in a month, and a spring/fall seasonal flag. The regression model uses monthly kWh and monthly values of independent variables from January 2015 to December 2019 to determine the monthly regression coefficients

The regression model submitted has an R-Square value of 95.7% and a MAPE of 2.3%.

Based on the supplied methodology in Exhibit 3, the 2021 Test Year kWh is 491,086,840. A 29,367,687 kWh or 5.6% decreased from the 2015 Board approved. NBHDL's decrease over this period can be attributable to economic and weather conditions, consumption patterns, and successfully delivered CDM programs. Table 1-21 provides a summary of 2015 BA vs 2021 Test year amounts. The forecasting method for the average number of customers and connection is based on the historic geomean.

Table 1 - 21: 2015 Board Approved vs 2021 Test Year Load Forecast

	Customer/Connections			kWh		kW		
Billing Determinants	2015 Board Approved	2021 Test	Difference	2015 Board Approved	2021 Test	2015 Board Approved	2021 Test	Volumeteric Difference
Residential	21,124	21,352	228	205,497,425	201,705,111			(3,792,314)
General Service < 50 kW	2,668	2,649	(19)	85,361,037	79,035,853			(6,325,184)
General Service 50 to 2999 kW	247	269	22			519,865	514,190	(5,674)
General Service 3000 to 4999 kW	1	1	0			33,801	27,098	(6,703)
Street Lighting	5,419	5,424	5			5,641	5,690	49
Sentinel Lighting	412	400	(12)			1,193	298	(895)
Unmetered Scattered Load	7	9	2	32,045	39,490			7,445
Total	29,878	30,104	226	39,490	280,780,454	560,501	547,277	

2.1.6.5 RATE BASE AND DSP

The Rate Base for the 2021 Test Year of $76,277,485 is an increase of $15,408,668 or 25.3% compared to the 2015 Board Approved Rate Base of $60,818,817.

Table 1-22 below, provides a Summary of Rate Base for the period 2015 through the 2021 Test Year.

Table 1 - 22: Rate Base Summary

Description	2015 OEB Approved	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Bridge Year	2021 Test Year
Reporting Basis	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**
Gross Fixed Assets, Opening Balance	106,852,867	106,852,867	112,354,333	117,032,985	121,322,449	127,363,833	133,293,031	138,380,869
Gross Fixed Assets, Closing Balance	113,541,517	112,354,333	117,032,985	121,322,449	127,363,833	133,293,031	138,380,869	143,676,696
Average Gross Fixed Assets	**110,197,192**	**109,603,600**	**114,693,659**	**119,177,717**	**124,343,141**	**130,328,432**	**135,836,950**	**141,028,783**
Accumulated Depreciation, Opening Balance	55,798,816	55,798,816	57,675,286	59,769,779	61,386,005	63,848,896	66,250,083	69,024,235
Accumulated Depreciation, Closing Balance	57,764,248	57,675,286	59,769,779	61,386,005	63,848,896	66,250,083	69,024,235	71,788,387
Average Accumulated Depreciation	**56,781,532**	**56,737,051**	**58,722,533**	**60,577,892**	**62,617,451**	**65,049,490**	**67,637,159**	**70,406,311**
Average Net Book Value	**53,415,660**	**52,866,549**	**55,971,127**	**58,599,825**	**61,725,691**	**65,278,943**	**68,199,791**	**70,622,472**
Working Capital	71,805,594	64,814,706	69,286,042	62,970,878	61,420,501	64,739,421	73,463,307	74,733,510
Working Capital Allowance (%)	10.31%	10.31%	10.31%	10.31%	10.31%	10.31%	10.31%	7.50%
Working Capital Allowance	**7,403,157**	**6,682,396**	**7,143,391**	**6,492,298**	**6,332,454**	**6,674,634**	**7,574,067**	**5,605,013**
Rate Base	**60,818,817**	**59,548,945**	**63,114,517**	**65,092,123**	**68,058,144**	**71,953,577**	**75,773,858**	**76,227,485**

The variance between the 2021 Test Year and the 2015 Board Approved is mainly attributed to:

- An increase in the average gross capital assets in service of $30,834,591 or 28.0% due to the net capital investments in distribution system, including general plant, over the six-year period.
- A decrease in working capital allowance due mostly to a reduction to the Board's prescribed 7.5% WCA% as compared to NBHDL's previously approved 10.31%. This is partially offset by increases to OM&A which is more thoroughly explained in Exhibit 4.

NBHDL's Board Approved capital expenditures in 2015 were $7,101,561. For 2021, the proposed capital expenditures are projected to decrease to $6,692,043. A detailed review of the 2021 Test Year capital expenditures can be found in the DSP.

The main drivers in the DSP are as follows:

System Access

These investments are modifications to the distribution system NBHDL is obligated to perform to provide a customer (including generator customers) or group of customers with access to electricity services via NBHDL's distribution system. This investment group includes asset relocations requested from the City.

System Renewal

These investments involve replacing and/or refurbishing system assets to extend the original service life of the assets and thereby maintain the ability of NBHDL's distribution system to provide customers with electricity services.

System Service

These investments are modifications to NBHDL's distribution system to ensure the distribution system continues to meet NBHDL's operational objectives while addressing anticipated future customer electricity service requirements.

General Plant

These investments are modifications, replacements or additions to NBHDL's assets that are not part of the distribution system; including land and buildings; tools and equipment; rolling stock; and electronic devices and software used to support day to day business and operations activities.

The DSP and NBHDL's Capital Expenditure Plan seeks to find the right balance between capital investments in new infrastructure, operating costs, and maintenance costs so that the combined total cost over the life of the asset is minimized.

Table 1-23 below demonstrates that the 2021 -2025 period has an average spend of $6.25M which is less than the average spend from 2015-2020 of $6.63M. This is reflective of NBHDL's belief that over the forecast period, investment drivers will remain characteristically similar to 2021, with System Renewal being the main factor in overall spending.

Table 1 - 23: Forecasted Capital Expenditures

Description	2021 Test Year	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2021-2025 Total	2021-2025 Average	2015-2020 Average
System Access	951	969	987	1,006	1,025	4,938	988	1,083
System Renewal	4,544	4,008	4,057	4,154	4,221	20,984	4,197	4,147
System Service	288	294	299	305	311	1,497	299	682
General Plant	909	587	666	1,041	649	3,852	770	713
Total Capital Expenditure	**6,692**	**5,858**	**6,010**	**6,505**	**6,206**	**31,271**	**6,254**	**6,625**

NBHDL has developed its DSP in accordance with Chapter 5 of the Ontario Energy Board's Filing Requirements for *Electricity Distribution Applications Consolidated Distribution System Plan Filing Requirements* dated May 14, 2020 (Chapter 5). The DSP incorporates matters pertaining to asset condition, asset management, renewable energy generation, and regional planning.

The DSP has been prepared by a consultant hired by NBHDL. NBHDL retained METSCO Energy Solutions Inc. (METSCO) to advise on and assist with the preparation of the DSP and the Asset Condition Assessment.

NBHDL is not requesting any recovery of costs for renewable energy connections or expansions, smart grid, regional planning initiatives nor any for Ontario Regulation 330/09.

2.1.6.6 OPERATIONS, MAINTENANCE, AND ADMINISTRATION EXPENSE

NBHDL is proposing the recovery through distribution rates of $8,565,938 for Operations, Maintenance, and Administration (OM&A) costs in the 2021 Test Year, which represent an overall increase of 33% or $2,136,209 from the 2015 Board approved and 15% or $1,113,111 from the 2020 Bridge Year. The following Table 1-24 summarizes the changes.

Table 1 - 24: OM&A Spending 2015 Board Approved to 2021 Test Year

OM&A	2015 Board Approved	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Bridge Year	2021 Test Year
Distribution Expenses - Operations	1,016,405	629,042	775,642	737,777	645,453	925,842	830,091	1,028,903
Distribution Expenses - Maintenance	1,486,331	1,739,889	1,724,297	1,632,098	1,652,475	1,829,166	2,151,753	2,613,186
Billing and Collecting	1,233,810	1,109,424	1,186,321	1,204,043	1,258,639	1,142,030	1,413,651	1,328,174
Community Relations	2,200	44,252	334	-	-	-	-	-
Administrative and General	2,690,983	2,690,602	2,720,350	2,857,176	2,683,244	2,791,843	3,057,332	3,595,675
Total Operating Expenses	**6,429,729**	**6,213,210**	**6,406,945**	**6,431,094**	**6,239,812**	**6,688,882**	**7,452,827**	**8,565,938**

The proposed OM&A expenditures for the 2021 Test Year have been derived through a detailed budgeting and business planning process, which is aligned with NBHDL's business plan and core values. The expenditures are required to allow NBHDL to maintain the distribution business service quality and reliability, to comply with regulations (DSC, Electricity Act, O.Reg. 22/04), meet the needs and preferences of customers and to remain responsive and implement public policies set forth by regulatory bodies (OEB, IESO, Ministry of Energy, ESA, etc.) Without the proposed resourcing and investments, NBHDL will struggle to meet the 2021 and future workloads.

NBHDL has used an inflation rate of 1.9% over the forecast period where the expense increase could not be specifically identified for non-wage related expenses.

The proposed OM&A budget includes several substantial incremental costs over the 2015 OM&A budget including OEB cost assessment, cyber security, enhanced annual customer engagement, improved customer interaction tools, an increase in the amount of vegetation management work, investment in the updating and creation of new policies, initiatives, and strategy, enhanced maintenance programs, an Arc Flash study, the addition of three new resources, and succession for critical management roles in the Operations department. NBHDL attempts to control costs within inflation however this is challenging to do with the many industry changes since 2015.

NBHDL's resource plan is discussed in more detail in Exhibit 4. Table 1-25 below replicates Appendix 2-K of Chapter 2 and summarizes employee complement, compensation, and benefits for 2015 Board approved, 2015-2019 Actual, 2020 Bridge Year and 2021 Test Year. All compensation is included whether expensed or capitalized and for the 2021 Test Year this represents a $1,103,704 or 20.6% over the six years since the 2015 Board approved. The number of employees is based on the computation of the number of FTEs.

Table 1 - 25: Employee Costs

	Last Rebasing Year - 2015-Board Approved	Last Rebasing Year - 2015-Actual	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Bridge Year	2021 Test Year
Number of Employees (FTEs including Part-Time)[1]								
Management (including executive)	10.0	9.0	9.6	10.2	9.9	10.0	11.0	13.0
Non-Management (union and non-union)	39.2	36.9	36.0	36.1	34.6	34.8	38.1	40.0
Total	49.2	45.9	45.5	46.3	44.5	44.8	49.1	53.0
Total Salary and Wages including ovetime and incentive pay								
Management (including executive)	$ 1,099,796	$ 979,953	$ 1,164,976	$ 1,311,168	$ 1,409,417	$ 1,255,530	$ 1,390,483	$ 1,678,677
Non-Management (union and non-union)	$ 3,224,921	$ 2,956,975	$ 3,007,910	$ 3,041,437	$ 2,930,546	$ 2,968,695	$ 3,335,071	$ 3,482,832
Total	$ 4,324,717	$ 3,936,928	$ 4,172,886	$ 4,352,605	$ 4,339,963	$ 4,224,225	$ 4,725,554	$ 5,161,508
Total Benefits (Current + Accrued)								
Management (including executive)	$ 262,792	$ 224,320	$ 267,451	$ 296,192	$ 318,365	$ 289,892	$ 326,695	$ 410,522
Non-Management (union and non-union)	$ 772,676	$ 726,635	$ 742,759	$ 746,253	$ 724,583	$ 726,492	$ 831,494	$ 891,859
Total	$ 1,035,468	$ 950,955	$ 1,010,210	$ 1,042,446	$ 1,042,948	$ 1,016,384	$ 1,158,188	$ 1,302,381
Total Compensation (Salary, Wages, & Benefits)								
Management (including executive)	$ 1,362,589	$ 1,204,273	$ 1,432,427	$ 1,607,361	$ 1,727,782	$ 1,545,422	$ 1,717,178	$ 2,089,199
Non-Management (union and non-union)	$ 3,997,597	$ 3,683,610	$ 3,750,669	$ 3,787,691	$ 3,655,129	$ 3,695,187	$ 4,166,565	$ 4,374,690
Total	$ 5,360,185	$ 4,887,883	$ 5,183,096	$ 5,395,051	$ 5,382,911	$ 5,240,609	$ 5,883,743	$ 6,463,889

2.1.6.7 COST OF CAPITAL

NBHDL has not deviated from the OEB's methodology for calculating the Cost of Capital. NBHDL is using the current OEB's cost of capital parameters as issued by the Board November 9, 2020. NBHDL will update its cost of capital parameter to reflect any future Board issued cost of capital parameters for rates with effective dates in 2021 prior to the issuance of the Board's decision for its Application. NBHDL confirms that there have been no changes to its deemed capital structure since it last rebased in 2015 (EB-2014-0099). NBHDL has borrowed additional funds from TD in each year since it last rebased in 2015. These borrowings have kept the capital structure consistent from year-to-year. Table 1-26 below shows the capital structure and cost of capital of NBHDL for 2021.

Table 1 - 26: Capital Structure and Cost of Capital

Appendix 2-OA
Capital Structure and Cost of Capital

This table must be completed for the last OEB-approved year and the test year.

Test Year: 2021

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56.00%	$42,687,392	2.48%	$1,059,464
2	Short-term Debt	4.00% (1)	$3,049,099	1.75%	$53,359
3	**Total Debt**	60.0%	$45,736,492	2.43%	$1,112,823
	Equity				
4	Common Equity	40.00%	$30,490,994	8.34%	$2,542,949
5	Preferred Shares		$ -		$ -
6	**Total Equity**	40.0%	$30,490,994	8.34%	$2,542,949
7	**Total**	100.0%	$76,227,486	4.80%	$3,655,772

Notes
(1) 4.0% unless an applicant has proposed or been approved for a different amount.

2.1.6.8 COST ALLOCATION AND RATE DESIGN

NBHDL has not deviated from the Board's Cost Allocation and Rate Design methodology. In addition, NBHDL is not proposing any deviations from the Board's prescribed revenue to cost ratio ranges. In order for this to be achieved, NBHDL made changes to the ratios for the Street Lighting and Unmetered Scattered Load ratios as calculated in the cost allocation model. Both were set to the upper limit of 120% with the remaining costs being spread among the other classes. There are no significant changes proposed to the NBHDL's Fixed/Variable splits. No rate mitigation plans are required as no rate class has an increase greater than 10%. In connection with preparing its rate application, NBHDL has consulted with and advised Hydro One Networks Incorporated (HONI) that it is NBHDL's intention to continue to bill HONI as a General Service 50-2999 kW customer which is consistent with the approved 2015 COS methodology. NBHDL has provided HONI with supporting evidence. HONI responded that*: "Based on the draft version of Appendix 2-Q we received on November 2, 2020, the difference in the current total charge being levied to HONI as a GS>50 customer as compared to the charge calculated in Appendix 2-Q is not significant. As such, HONI*

believes the classification of both HONI connections as a General Service 50 to 2,999 kW customer in NBHDL's 2021 cost of service rate application is reasonable."

In this Application, NBHDL has used the 2021 version of the cost allocation model released by the OEB on May 20, 2020 to conduct a 2021 Test Year cost allocation study consistent with the OEB's cost allocation policies. This current model is reflective of an updated cost allocation policy issued by the Board June 12, 2015 (*Issuance of New Cost Allocation Policy for Street Lighting Rate Class)*. As a result of the current model as compared to 2015, NBHDL's Street Lighting class will experience a major reduction allocated costs and therefore a reduction in rates. The model has been loaded with 2021 Test Year costs, customer numbers and demand values for NBHDL. The data used in the updated cost allocation study is consistent with NBHDL's cost data that supports the proposed 2021 revenue requirement outlined in this Application.

In the March 31, 2011, Cost Allocation Report, the OEB stated that "default weighting factors should now be utilized only in exceptional circumstances". Distributors are therefore now expected to develop their own weighting factors. NBHDL has developed weighting factors as outlined in Exhibit 7 based on discussions with staff experienced in the subject area.

Table 1-27 below provides the combined allocated Board Approved costs by rate class as compared to the 2021 results for NBHDL from the cost allocation study.

Table 1 - 27: Allocated Costs

Rate Class	2015 Board Approved Cost Allocation Study	%	Cost Allocated in the 2021 Study	%
Residential	$7,551,988	58.2%	$9,707,908	61.9%
General Service < 50 kW	$2,223,515	17.1%	$2,716,667	17.3%
General Service 50 to 2999 kW	$2,623,792	20.2%	$2,947,558	18.8%
General Service 3000 to 4999 kW	$108,091	0.8%	$121,265	0.8%
Street Lighting	$415,843	3.2%	$147,193	0.9%
Sentinel Lighting	$43,097	0.3%	$43,983	0.3%
Unmetered Scattered Load	$751	0.0%	$1,013	0.0%
Total	**$12,967,077**	**100.0%**	**$15,685,587**	**100.0%**

In the letter dated June 12, 2015, the OEB reminded distributors to be mindful of material changes to load profiles and proposed changes, as appropriate, in Cost of Service Applications. NBHDL proposes to use the same methodology as was used in the 2015 Cost of Service Application to determine the demand data for the 2021 cost allocation model. This methodology involves applying a scaling factor to the 2004 weather normalized volumes supporting the 2004 load profiles to determine an estimate of the 2021 weather

normalized load profiles. Once that is completed, the same methodology used by Hydro One on the 2004 load profiles to determine the demand data for the original cost allocation study is applied to the 2021 load profiles to determine the 2021 demand data. NBHDL has provided an Excel spreadsheet named "NBHDL_ 2021 Load Profile Data for Cost Allocation_20210105" to show how the 2021 demand data is determined.

Table 1-28 below, proposed Revenue to Cost Ratios, summarizes NBHDL's proposed revenue to cost ratios for the 2021 Test Year as well as the Board Approved ranges.

Table 1 - 28: Revenue to Cost Ratios

Rate Class	2015 Board Approved	2021 Updated Cost Allocation Study	2021 Proposed Ratios	2022 to 2026 Proposed Ratios	Board Targets Min to Max	
Residential	100.4%	95.7%	98.9%	98.9%	85.0%	115.0%
General Service < 50 kW	110.2%	103.9%	103.9%	103.9%	80.0%	120.0%
General Service 50 to 2999 kW	87.0%	96.1%	98.9%	98.9%	80.0%	120.0%
General Service 3000 to 4999 kW	98.1%	100.7%	100.7%	100.7%	80.0%	120.0%
Street Lighting	120.0%	394.1%	120.0%	120.0%	80.0%	120.0%
Sentinel Lighting	111.8%	88.9%	98.9%	98.9%	80.0%	120.0%
Unmetered Scattered Load	120.0%	135.5%	120.0%	120.0%	80.0%	120.0%

The 2021 Cost Allocation Model indicates that the Revenue to Cost Ratios for all but Street Lighting and Unmetered scattered Load are within the Board's approved range. These two classes have been set at the maximum of the board target and the difference has been allocated to other classes.

Table 1-29 puts forth NBHDL's Proposed 2021 Electricity Distribution Rates, while Table 1-30 sets out the proposed fixed and variable proportions by class.

Further details are discussed in Exhibit 8.

Table 1 - 29: 2021 Proposed Rates

Rate Class	Proposed Monthly Service Charge	Unit of Measure	Proposed Distribution Volumetric Charge incl Transformer Allowance Adjustment
Residential	$34.50	kWh	$0.0000
General Service < 50 kW	$28.49	kWh	$0.0219
General Service 50 to 2999 kW	$371.19	kW	$3.0673
General Service 3000 to 4999 kW	$7,673.78	kW	$1.3268
Street Lighting	$1.55	kW	$8.3008
Sentinel Lighting	$6.57	kW	$22.9051
Unmetered Scattered Load	$5.51	kWh	$0.0127
Transformer Discount			($0.60)

Table 1 - 30: Fixed vs Variable Proportions

Rate Class	Fixed Revenue Proportion	Variable Revenue Proportion
Residential	100.0%	0.0%
General Service < 50 kW	34.4%	65.6%
General Service 50 to 2999 kW	44.6%	55.4%
General Service 3000 to 4999 kW	82.4%	17.6%
Street Lighting	68.1%	31.9%
Sentinel Lighting	82.2%	17.8%
Unmetered Scattered Load	54.4%	45.6%

Based on the bill impacts provided in section 2.1.6.10 Table 1-33, NBHDL is not proposing bill mitigation.

2.1.6.9 DEFERRAL AND VARIANCE ACCOUNTS

NBHDL has included in this Application, a request for approval for the disposition of Group 1, Group 2 and Other Deferral and Variance Accounts (DVAs) balances as at December 31, 2019 and the forecasted interest through April 30, 2021. NBHDL has followed the Board's guidance in the Accounting Procedures Handbook and FAQ's (APH) for recording amounts in the deferral and variance accounts. Such guidance also includes the Report of the Board on Electricity Distributors' Deferral and Variance Account Review

Initiative ("EDDVAR Report"). A number of accounts require forecasts or adjustments to the 2019 balances to arrive at the requested amount for disposition. The details of which are discussed in Exhibit 9 and summarily showed in Table 1-31 below.

NBHDL is requesting a net disposition of $68,614 for Group 1 and $351,308 for Group 2 and Other Accounts to be paid to customers.

Table 1-31 summarizes:

- The principal account balances in each of the deferral and variance accounts, and sub-accounts at December 31, 2019;
- Any 2020 adjustments or forecasts to these balances; and
- Interest on the deferral and variance accounts up to April 30, 2021. Interest has been calculated to April 30, 2021 to align to the proposed effective date for disposition commencing May 1, 2021.

Table 1 - 31: DVAs Proposed for Disposition

Account Description	USoA #	Principal (Dec.31, 2019)	Interest (Dec.31, 2019)	Principal Adjustment - 2020	Interest Adjustment - 2020	Principal Disposition - 2020	Interest Disposition - 2020	Forecast Adjustment - 2020	50% Disposition Adjustment	Projected Interest (Jan.1, 2020 - Apr.30, 2021)	Total Claim - 2021 Disposition
Group 1 Accounts:											
LV Variance Account	1550	77,229	2,234	-	-	-	-	-	-	1,209	**80,672**
Smart Metering Entity Charge Variance Account	1551	(23,601)	(797)	-	-	-	-	-	-	(369)	**(24,768)**
RSVA - Wholesale Market Service Charge	1580	(689,655)	(30,379)	-	-	-	-	-	-	(10,793)	**(730,827)**
Variance WMS - Sub Account CBR Class B	1580	(69,180)	(638)	-	-	-	-	-	-	(1,083)	**(70,901)**
RSVA - Retail Transmission Network Charge	1584	218,857	517	-	-	-	-	-	-	3,425	**222,799**
RSVA - Retail Transmission Connection Charge	1586	390,551	11,429	-	-	-	-	-	-	6,112	**408,092**
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	40,078	(22,476)	-	-	-	-	-	-	(38)	**17,564**
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	(82,887)	75,916	-	-	-	-	-	-	(250)	**(7,222)**
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	35,760	24,709	-	-	-	-	-	-	560	**61,028**
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595	(6,258)	(18,697)	-	-	-	-	-	-	(98)	**(25,053)**
Subtotal - Group 1 Accounts		**(109,105)**	**41,817**			-	-	-	-	**(1,326)**	**(68,614)**
Group 2 Accounts:											
Other Regulatory Assets - Sub-Account - OEB Costs Assessments	1508	**134,463**	5,224	-	-	-	-	**31,524**	-	2,337	**173,547**
Other Regulatory Assets - Sub-Account - Pole Attachment Revenue Variance	1508	**(257,220)**	(2,870)	-	-	-	-	**(237,094)**	-	(5,511)	**(502,695)**
Retail Cost Variance Account - Retail	1518	(190,137)	(10,975)	-	-	-	-	(23,672)	-	(3,121)	**(227,905)**
Retail Cost Variance Account - STR	1548	39,007	2,119	-	-	-	-	4,770	-	627	**46,523**
Subtotal - Group 2 Accounts		**(273,887)**	**(6,503)**			-	-	**(224,472)**	-	**(5,668)**	**(510,530)**
Other Accounts:											
LRAM Variance Account	1568	178,129	7,857	81,830	6,681	(259,958)	(14,540)	242,994	-	3,426	**246,420**
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555	1,615	1,505	-	-	-	-	-	-	25	**3,145**
PILs and Tax Variance for 2006 and Subsequent Years	1592	(177,903)	-	-	-	-	-	-	88,952	(1,392)	**(90,344)**
Subtotal - Other Accounts		**1,841**	**9,362**	**81,830**	**6,681**	**(259,958)**	**(14,540)**	**242,994**	**88,952**	**2,060**	**159,221**
Total		**(381,151)**	**44,677**	**81,830**	**6,681**	**(259,958)**	**(14,540)**	**18,522**	**88,952**	**(4,935)**	**(419,923)**

NBHDL is proposing this disposition to take place over a 12-month period beginning May 1, 2021.

Table 1-32 summarizes the billing determinants and allocators used for the rate rider calculations.

Table 1 - 32: Billing Determinants

Rate Class	Total Metered kWh	Total Metered kW	# of Customers / Connections	Distribution Revenue	Metered kWh - Non-RPP	Metered kW - Non-RPP
Residential	201,705,111	-	21,352	$9,603,495	10,237,722	-
General Service less than kW	79,035,853	-	2,649	$2,822,727	10,863,195	-
General Service 50 to 2,999 kW	193,697,533	514,190	269	$2,915,855	177,978,054	472,461
General Service 3,000 to 4,999 kW	14,455,054	27,098	1	$ 122,152	14,455,054	27,098
Street Lighting	2,036,369	5,690	5,474	$ 176,631	2,036,369	5,690
Sentinel Lighting	117,429	298	400	$ 43,510	8,652	22
Unmetered Scattered Load	39,490	-	9	$ 1,216	-	-
	491,086,839	547,277	30,154	15,685,586	215,579,045	505,271

2.1.6.10 BILL IMPACTS

Table 1-33 below highlights the bill impacts for both the required OEB average customers as well as scenarios NBHDL deems relevant to its customer base. These proposed bill impacts are inclusive of the proposed distribution rates, load forecast, and disposition of deferral and variance accounts in this application.

Table 1 - 33: Bill Impacts

Rate Class	kWh	kW	2020 Dist Bill $	2021 Dist Bill $	$ Difference	Bill Impact %	2020 Total Bill $	2021 Total Bill $	Bill Impact $	Bill Impact %
Board Required										
Residential - TOU	750		$29.79	$33.79	$4.00	13.43%	$117.79	$120.11	$2.32	1.97%
Residential -10th %	92		$29.26	$33.26	$4.00	13.67%	$35.83	$38.96	$3.13	8.74%
GS<50	2000		$64.80	$75.69	$10.89	16.81%	$299.24	$303.65	$4.41	1.47%
Utility Specific										
Residential - 90th %	1,535		$30.42	$34.42	$4.00	13.15%	$215.57	$216.93	$1.36	0.63%
Residential - Retailer	750		$29.79	$33.79	$4.00	13.43%	$106.45	$108.86	$2.41	2.26%
GS<50 Retailer	2,000		$64.80	$75.69	$10.89	16.81%	$269.33	$273.97	$4.64	1.72%
GS<50 - 90th%	6,400		$152.36	$179.53	$27.17	17.83%	$911.43	$919.31	$7.88	0.86%
GS 50-2,999 kW - Median	33,000	75	$521.62	$631.43	$109.81	21.05%	$5,482.83	$5,552.84	$70.01	1.28%
GS 50-2,999 kW - 90%	117,000	244	$985.51	$1,217.85	$232.34	23.58%	$18,333.17	$18,409.59	$76.42	0.42%
GS 3,000-4,999 kW	1,280,000	2440	$10,522.04	$12,219.26	$1,697.22	16.13%	$200,092.00	$200,001.55	($90.45)	(0.05%)
Street Lighting	170,000	474	$40,316.67	$12,341.78	($27,974.89)	(69.39%)	$70,619.57	$38,519.96	($32,099.61)	(45.45%)
Sentinal Light	150	1	$22.89	$29.48	$6.59	28.79%	$38.83	$40.27	$1.44	3.71%
Unmetered Scattered Load	150		$7.44	$7.42	($0.02)	(0.27%)	$24.69	$24.36	($0.33)	(1.34%)

2.1.7 CUSTOMER ENGAGEMENT

2.1.7.1 OVERVIEW OF CUSTOMER ENGAGEMENT

Customer Engagement is paramount in shaping NBHDL's business and operations. Because of this, NBHDL has employed numerous methods of collecting data and customer feedback in the pursuit of knowledge that can help with future planning by understanding customer needs and priorities, as well as ensuring that the services offered are providing value.

The following sections will outline how NBHDL gathers and analyzes customer feedback, and how it incorporates that feedback to create value, focusing on customer needs, expectations and preferences.

2.1.7.2 ONGOING CUSTOMER ENGAGEMENT

Customer engagement is central to the success of the NBHDL, and because of this, every customer interaction, education, or sharing opportunity is optimized to ensure fruitful exchange of information and one that has value to both parties.

In practice, this includes the continual and ongoing efforts of NBHDL's customer engagement, as well as enhanced engagement; this is undertaken to ensure that future planning, formalized in NBHDL's Distribution System Plan (DSP), meets the needs and priorities of our customers. The DSP can be found in Exhibit 2 Appendix 2-A.

NBHDL consistently seeks opportunities to engage with customers and the community; it is a Core Value that drives the business, as referenced in the Corporate Mission, Vision, and Core Values *(2.1.2.1.3)*. Because of the importance that NBHDL places on this Core Value, NBHDL has, on average, thousands of interactions with customers both residential and commercial/industrial (C&I), on an annual basis.

2.1.7.2.1 Customer Service Engagement

Customer engagement opportunities often occur as a result of operations, and an average of 10,000 customers walk in to the NBHDL office on an annual basis for service, seeking to pay a bill, arrange a payment, or set up a new account or service and general inquiries. NBHDL saw the clear indication of a need for continued in-person service options, and as such, has maintained this service option combined with training all front office staff to deal with all manner of customer in-person issues.

NBHDL has also averaged 24,000 inbound calls per year between 2015 and 2019, and handled approximately 11,000 outbound calls in 2019. All front office staff are fully trained to handle all inquiries with

the customer service call centre operating as a 'one-stop shop' for customers. NBHDL holds regular training sessions and weekly meetings to discuss best practices, programs and staff inquiries to ensure all customer service staff are prepared and empowered to serve the community.

NBHDL receives and completes 2,000-3,000 locates per year through an efficient process with Ontario One Call ensuring the customer is provided with accurate, timely information to keep them safe.

Customer demand work is another facet of customer service that NBHDL handles in its daily operations. This type of work includes new services, service upgrades, increased transformation and servicing new developments such as subdivisions. To ensure fairness and completion of work within targeted timelines these requests are managed through a queue, with appropriate prioritization.

NBHDL also receives calls from customers related to the need for power restoration. For this reason, the call centre utilizes a 3rd party provider for customers to connect with outside of the normal business hours, and unplanned outages can also be reported through the NBHDL Website and social media.

Engagement activities showed NBDHL customers desire for assistance with their efforts to replace building systems and infrastructure in order to reduce electricity costs. Further to this, NBHDL began to offer cost-free site visits, and provided information and education to aid in problem solving. This need was also revealed within complex industrial conservation projects and as such, NBHDL obtained special approval from the OPA to engage two energy managers in 2014 to offer technical support to internal efforts, allowing for the expansion of visits to local businesses and investigations into their energy profile. Best practices were developed from those additions to shape how best to support local businesses with internal staff moving forward. These customer interactions also provide an opportunity to identify efficiencies and conservation programs that may assist NBHDL customers moving forward.

NBHDL's ongoing customer engagement, in this case working with customers on economic development activities, showed a need for coordinated, multi-utility infrastructure development according to customer schedules and budgets. NBHDL participates on the City of North Bay's Development Application Review Team, and in an annual utility coordination meeting to minimize adverse customer impact. Coordination with 3rd parties and NBHDL's efforts to be proactive in its planning are further discussed in the DSP in Exhibit 2.

2.1.7.2.2 Vegetation Management Engagement

Vegetation Management is a significant issue for NBHDL and its customers, with fallen branches and trees resulting in 35% of the total customer hours of interruptions from tree contacts over the historic period of 2015 to 2019 when outages caused by loss of supply are excluded. In addition to community engagement for the specific maintenance and clearing of trees, NBHDL participates in community endeavours, offering education surrounding tree-trimming initiatives and enhancing the local canopy through the annual donation of 100 trees to the local area. In 2015, this was kicked off with the "Right Tree Right Place," initiative, with the goal being a stronger and more involved community that partners with NBHDL. Part of this initiative included the education of youth, which was accomplished by partnering with Greening Nipissing to deliver an event at a local elementary school, where each student received a tree to plant in the "Right Place." The event was attended by the Mayor of North Bay, the local media and more than 100 guests.

In response to ongoing feedback from customers, NBHDL implemented an education program designed to offer communication to all customers, with a bill insert once a year to discuss the vegetation management program; With respect to specific vegetation management operations 300-400 customers per year have door hangers delivered when they are in the general area that NBHDL will be completing tree-clearing operations; and face-to-face meetings are scheduled with 100-200 customers per year to discuss the scope of tree trimming on or in front of their property that will have substantial impact to them.

NBHDL responds to all customer inquiries regarding vegetation management and additional discussions are held if the customer is impacted by the clearing program. In the case of customers who are directly affected, NBHDL works with the customer through site visits that include a sign-off accepting the proposed vegetation management work and will incorporate their feedback to find solutions that work for all.

2.1.7.2.3 Community Engagement Activities 2015 - 2020

(a) **Education and Conservation:**

There is an ever-present need for elementary school students to learn, understand and respect electrical system hazards. For the past five years, NBHDL offered an annual in-class Electrical Safety Awareness program for all children in Junior Kindergarten through Grade Eight, at schools in the City of North Bay. Due to COVID-19, this did not occur in 2020, but 2019 involved the participation of 1,720 students over seven schools. This program will resume as an annual initiative moving forward, as it becomes safe to do so.

An annual tradeshow held at Memorial Gardens, called the Home and Garden Expo, proves an opportunity for NBHDL to engage with more than a thousand attendees; not only to hear their needs or concerns, but to provide education regarding bill explanations, e-billing and the support thereof, as well as conservation program education and even coupon giveaways.

In order to encourage local contractors in their conservation efforts, NBHDL held a support and education presentation for local contractors in town. Seeking to answer questions revealed through ongoing customer engagement, as well as discover any new issues, contractors were asked how NBHDL can help them succeed, and were shown how they can participate in existing programs. By engaging contractors that are visiting local businesses and residents, NBHDL was able to maximize the participation in Save On Energy programs. More than twenty contractors attended. Events of this nature will be part of NBHDL's local business meeting and connection initiative which will look to work hand in hand with local contractors and business owners to determine best practices and assist in determining available programs and education.

NBHDL also offered local business owners and key stakeholders a presentation from Terry Young of the IESO. Centering on 'Fostering a Culture of Conservation,' the presentation was a part of the conservation and education programing from NBHDL, and was attended by more than thirty-five commercial customers and community members.

A presentation for twenty-five key stakeholders (representing large energy users) was offered, with instruction and ongoing support for their participation in a program that could provide significant savings, and a later Chamber of Commerce presentation offered the twenty attendees information on local conservation projects and initiatives, NBHDL's role, and how they could take part in the activities. As with any NBHDL educational programming, it was also an opportunity to confer one-to-one about any issues or concerns customers may have.

The NBHDL visit to the Living Fit Senior Group was a chance to show the twenty to thirty attendees the features and benefits of online billing, tips on reducing energy consumption in their homes (as well as how to sign up) and included conservation education.

The residential conservation program HEAR (Home Energy Assistance Retrofit) was implemented, wherein 118 customers were provided with an assessment of their home's energy blueprint, before being offered suggestions and conservation-type products that would assist them in lowering the blueprint.

NBHDL has also assisted in the connection of large projects to assist the community with conservation, as well as emergency power needs; one of which is their work with NBHDL Services and the North Bay Regional Health Centre on a Cogeneration plant (COGEN). The magnitude of this project is significant: this plant has the ability to generate enough electricity and heat to supply the energy needs of 1,350 homes per year. COGEN offers the community hospital a reliable and efficient source of power, supplying over 85% of the facility's needs in the event of an emergency, while also efficiently supplying its day to day electricity and heating needs.

By following the direction of customers and embracing technology, NBHDL is considered a company that is open and receptive to new and efficient methods. This philosophy has allowed NBHDL to be part of connecting the first microgrid in Canada, which increased resiliency, provided operational flexibility, created efficiency and provides potential for future cost savings for the customers connected. The connection of the microgrid involved the implementation of new protection philosophies which NBHDL presented at EDIST in 2018, and Distributech in 2019, and are in the midst of writing an article on the topic for IEEE.

(b) **Sponsorships and Events:**

In addition to sponsoring the annual North Bay Regional Science Fair, NBHDL views this event as a great opportunity to meet with local youth, as well as adults, and promote a fantastic local initiative. NBHDL provides staff to assist with project judging and the determination of local winners to send to provincial competitions. NBHDL has also created an award to present each year to the project that displays the most advanced depiction of electricity, or the conservation thereof. Between 200 and 300 people attend this event annually, enhancing community presence and demonstrating NBHDL's enthusiastic participation in programs that benefit local youth.

Earth Day also offers an opportunity for NBHDL to focus on education surrounding conservation, and engage with customers regarding any environmental concerns they may have. Each year, NBHDL has several employees at an educational booth providing information on conservation and environmental initiatives. Conservation support is also a focus, and attendees, of which there are more than 200, are offered conservations products (i.e. clotheslines) and education to aid their endeavours.

Similar to this was an educational booth and clothesline giveaway at North Bay's Northgate Mall. More than 75 people engaged with NBHDL and received conservation information, as well as an opportunity to discuss their needs, preferences, and priorities.

NBHDL is extremely proud to participate in the annual North Bay Christmas Walk, a chance to engage with the community on topics surrounding seasonal conservation tips. In 2018 and 2019, NBHDL used this forum as an opportunity to assist customers with Affordability Fund sign-ups through an educational booth that also provided conservation products. This event is an opportunity to support the Downtown Improvement Association and local merchants, as well as engage community support through bucket truck rides. It also provides great one-on-one interactions that allow dialogue regarding the value of NBHDL to the community and its customers.

The North Bay Home and Lifestyle Show offers a chance for NBHDL to interact with the community through children's games, as well as offering educational opportunities with the Save on Energy Truck, Affordability Fund sign-up support and conservation program education. More than 500 hundred people attend this event each year.

Affordability Fund support was also the focus of a City Hall forum that saw more than 100 people visit the NBHDL educational booth. They learned how to sign up for the Fund and received information on other support programs, billing, and conservation.

Not only is the NBHDL logo prominently featured in the ice of Memorial Gardens during the games of the OHL's North Bay Battalion, but NBHDL had the opportunity to sponsor and support the nationally televised World Curling Championships at this venue; an event of extraordinary pride in the community and attended by more than 69,000 people. This marketing opportunity, which included a digital banner during the entire event, also allowed NBHDL to provide several educational opportunities with displays and interactions, as well as conservation discussion throughout the event.

Annually on Canadian Armed Forces Day, NBHDL supports, and encourages support, for the local Canadian Forces Base North Bay (CFB North Bay) through participation in a parade, and engagement with the more than two thousand attendees. The 'Our Hospital Walk/Run,' is another annual event that NBHDL is proud to sponsor, as well as participate in. Attracting more than 250 people and raising funds for the North Bay Regional Health Centre, the event allows employees of NBHDL to participate, as well as interact with and support the community.

(c) **Public Awareness of Electrical Safety Survey:**

This biannual survey is completed by UtilityPULSE as required and standardized by the OEB. The survey is completed by telephone and is based on random digit dialing among 400 members of the general public who are 18 years of age or older, and who reside in the NBHDL geographic

service territory. UtilityPULSE then statistically weights the data according to the Canadian census figures for age, gender and region, in order to provide a score for the Ontario Energy Board scorecard.

Further information on the data and analysis of that feedback by NBHDL will be discussed in Key Themes and Analysis. As rated by UtilityPULSE, NBHDL's Public Safety Awareness Index Score after the March 2020 survey is 81%.

(d) **UtilityPULSE Telephone Survey**

Conducted between March 25 and April 3, 2019, the telephone survey contacted 2,173 households and businesses from a list provided by NBHDL. Of those households and businesses, 400 completed the survey, and that number was stratified so that 85% of the interviews were with residential customers, and 15% represented commercial customers. The survey also included a comparison of NBHDL's results as compared to the national and provincial average.

The objective of the telephone report was to "provide information to support discussions about improving care at every level," and hoped to capture the needs, wants and preferences of customers.

The customers contacted during this survey were initially asked demographic questions in order to further understand their point of view. These questions helped to determine gender, age, and household size, and usage, as well as economic questions regarding their income status (given a range) and their 'difficulty', i.e. is paying your electricity bill a worry for you.

The overall results of this survey are combined into a scorecard (Table 1-34) that provides a useful snapshot to assess customer responses.

Table 1 - 34: North Bay Hydro's UtilityPULSE Report Card

North Bay Hydro's UtilityPULSE Report Card®				
Performance				
	CATEGORY	North Bay Hydro	National	Ontario
1	**Customer Care**	**A**	**B+**	**B+**
	Price and Value	B+	B	B
	Customer Service	A	A	B+
2	**Company Image**	**A**	**B+**	**B+**
	Company Leadership	A	B+	B+
	Corporate Stewardship	A	A	B+
3	**Management Operations**	**A+**	**A**	**A**
	Operational Effectiveness	A+	A	A
	Power Quality and Reliability	A+	A	A
	OVERALL	**A**	**A**	**B+**

Base: total respondents

2.1.7.3 ENHANCED CUSTOMER ENGAGEMENT

In order to obtain the specific requirements and preferences of NBHDL customers in order to improve the operations of NBHDL, plan priorities, and effectively complete the 2021 rate application, NBHDL undertook a comprehensive telephone survey, and a two-phase online survey. The second phase of the two-phase survey was designed around the answers to phase one, and participation was encouraged with the offer to win a television, allowing for a diversity of responses and a complete understanding of any comments or answers, as well as the chance to pose specific project questions based on earlier responses.

Online Survey

Two online surveys were undertaken in 2019 to understand customer needs and preferences when it comes to NBHDL.

The endeavour required not only the ability to frame the questions so as to obtain the best qualitative and quantitative data, but to 'market' the enhancement process to customers to ensure that engagement is with

a wide-reaching and diverse data set. In order to meet this objective, NBHDL enlisted marketing firm Clark Marketing Communications, a local and highly-regarded company.

The two surveys created by Clark Marketing Communications and NBHDL were offered in consecutive phases to allow phase two to form a deeper understanding of the results from phase one of the survey process.

The surveys were a combination of demographic, open-ended and multiple-choice questions; Phase one had approximately double the questions of phase two. Several phase two questions include a reference to the phase one survey (and results), before probing deeper for a more specific response.

Both phases of the survey were hosted online with a temporary survey service, and participation in the surveys was encouraged through the NBHDL website and paid Facebook advertising. 577 NBHDL customers responded to phase one of the survey, and 485 responded to phase two. In phase one, 64.64% of respondents were Homeowners, 33.45% were Tenants, 1% Landlords and 0.17% Business/Commercial. 0.69% chose 'Other'.

Phase one of the survey ended in September of 2019, and phase two ran from October 8 to October 17, 2019.

Questions focused on obtaining demographic information, such as: household makeup,[1] age and gender,[2] as well as the role the respondent had in paying the electricity bill[3] and their primary source of heating.[4] However, the responses were not further broken into groupings based on these demographics, and so the percentages given reflect the answers of all respondents: both commercial and residential customers, all age groups, etc. The questions then moved onto topics such as communication,[5] customer service,[6] distribution of electricity[7] i.e. reliability[8] and cost of service (including billing)[9], vegetation management[10] (of particular interest to customers in North Bay as 35% of the total customer hours of interruptions over the

[1] NBHDL Consumer Engagement Survey 2019 Phase 1 – Closed September 18, 2019, ["Phase 1 Survey"], Question 8.
[2] Phase 1 Survey, Questions 5 and 6.
[3] Phase 1 Survey, Question 9.
[4] Phase 1 Survey, Question 11.
[5] Phase 1 Survey, Questions 12 to 23.
[6] Phase 1 Survey, Questions 24, 26, 27.
[7] Phase 1 Survey, Question 28.
[8] Phase 1 Survey, Questions 31-34.
[9] Phase 1 Survey, Question 35-36.
[10] Phase 1 Survey, Question 37.

historic period of 2015 to 2019 were from tree contacts excluding loss of supply events), and what other information customers would like to know, or feel is important[11].

Demographic information was also obtained from participants in phase two of the survey, but less specific information. Namely, the respondents were not asked about their household size or primary source of heating, but only age,[12] gender,[13] and 'best description' (e.g. homeowner, tenant, landlord, business/commercial or other).[14]

The ability to add a second phase to the online survey proved extremely helpful, as NBHDL designed the survey around answers from phase one questions, specifically, answers that inspired a need for greater understanding. To aid in this, there were three open-ended questions included at the end of phase one: was the respondent satisfied with the amount of information they received;[15] what information would the respondent like to have seen; and are there any questions they would still like answered.[16]

In January 2021, NBHDL will run a Phase 3 Consumer Engagement Survey relating to the key proposals being considered for inclusion in this Application and the value of those proposals to customers. NBHDL will file updated evidence once customer feedback is received from this Phase 3 Consumer Engagement Survey.

Planned Community Engagement

Unfortunately, there is a great deal of planned Customer Engagement that was postponed due to the pandemic. NBHDL is committed to the safety of its customers and community, and therefore had to adjust engagement activities in 2020.

NBHDL had a planned a conservation and education booth, as well as employees on hand for customer engagement at the Home and Garden Show that was to be held at Memorial Gardens. A Chamber of Commerce presentation, with emphasis on Conservation programs like the Industrial Conservation Initiative as well as discussing billing structures and overall education surrounding the industry, was also scheduled. All these activities were cancelled. Specific to the Rate Application customer engagement, face to face visits with the top 5 or 10 largest customers and a focus group setting with a select number of GS<50 and

[11] Phase 1 Survey, Question 40.
[12] NBHDL Consumer Engagement Survey 2019 Phase 2 – Closed October 13, 2019, ["Phase 2 Survey"], Question 5.
[13] Phase 2 Survey, Question 6.
[14] Phase 2 Survey, Question 7.
[15] Phase 1 Survey, Question 39.
[16] Phase 1 Survey, Question 41

GS>50 customers were being planned for April/May to gain further input from our C&I customers but had to be cancelled; these were not able to be completed prior to the finalization of NBHDL's 2021 budget in July. Once safe for staff and the community, NBHDL will resume all the engagements listed above to ensure we are available to hear the needs, preferences and wants of each category of customers.

2.1.7.4 KEY THEMES AND ANALYSIS

The following section of the overview of customer engagement will discuss the key themes that emerged upon review of both the enhanced and ongoing customer engagement strategies and results, providing both qualitative and quantitative data sets and allowing for the analysis of customer requirements, priorities and preferences, as well as the cost they will bear for these investments, and the analysis NBHDL undertook to identify needs, and prepare a budget response.

Customer engagement activities give NBHDL the opportunity to develop a genuine understanding of their customers' interests and preferences, and the ways to introduce those communications into planning. It is of great importance to show customers that improvements and projects will offer tangible benefits, and provide services in a manner that is responsive to customer preferences.

As it can be difficult to obtain customer data, particularly when the information is not frequently requested or offered by the customers, it is imperative to utilise any data or feedback received from customer engagement as efficiently and comprehensively as possible to ensure that every metric obtains an opportunity for improvement and/or investment. It is through the identification of key themes from both the enhanced customer engagement, specific to this application, and the comprehensive ongoing engagement and opportunities for dialogue that NBHDL is proactive in encouraging, that the following analysis is based.

The Customer Engagement Surveys, part of the enhanced customer engagement activities and created by UtilityPULSE and Clark Marketing Communications, will be referred to from this point as 'Telephone Survey' (UtilityPULSE) and 'Online Survey' (Clark Marketing Communications).

2.1.7.4.1 Satisfaction with Current Level of Service

Evident from the ongoing engagement activities that NBHDL undertakes, and the enhanced customer surveys, are largely feelings of trust, reliability, and the belief that NBHDL delivers on its service commitments. In addition to conversations from the ongoing events, activities and day to day customer service interactions, the online and telephone surveys revealed:

- When asked to rate NBHDL's reliability of electrical service, 72.18% respondents were pleased: 37.45% of those respondents rating the utility 'Excellent', and 34.73% said 'Above Average.'
- When customers were asked if NBHDL is a company they would like to continue to do business with, 91% of the 400 total respondents agreed with 63% choosing 'agree strongly.' Commercial customers agreed, as 95% said they would "continue to do business with' NBHDL.
- Of the respondents asked about their overall opinions, i.e. "Tell me if you agree or disagree: overall the utility provides excellent quality services," 93% of the total respondents agreed with the statement and that agreement level was 100% with commercial customers who were asked. 96% of the group agrees that the utility quickly handles outages and restores power, and when the same question is posed to a group of commercial consumers, 95% agreed, none disagreed, and 5% 'don't know.' Of those commercial customers who answered, 100% agreed that NBHDL delivers on its service commitments. 97% of the total respondents agreed with the statement "Provides consistent and reliable electricity." (97% residential; 100% commercial)
- 95% of commercial customers (89% overall) felt that NBHDL is a 'trusted and trustworthy company.' 90% of selected residential customers agreed that NBHDL is a respected company in the community.
- The selection of respondents that were asked about whether or not NBHDL delivers on its service commitments to customers largely agreed that it does (93%), with 65% of them choosing 'agree strongly.' Only those who have an annual income of less than $30,000 differed significantly from the average, and even then, 82% agreed with the statement.
- Of those commercial customers who answered, 100% agreed that NBHDL delivers on its service commitments.
- When asked if NBHDL 'Efficiently manages the electricity system', again the majority of both residential and commercial groups agreed with the statement; 87% of the residential group and 75% of the commercial group either agreeing 'strongly' or 'somewhat.'
- 73% agree strongly or somewhat that NBHDL spends money prudently to keep the electricity system reliable and up to date. This is even higher amongst those aged 18 to 34 (88%).

2.1.7.4.2 Capital projects

The enhanced customer engagement undertaken by NBHDL was shaped by the ongoing customer engagements; the conversations that North Bay Hydro staff have during a regular, daily, or even event-based, interactions.

Throughout these conversations, there was a clearly expressed need for improvements to communications, better education of customer care offerings, awareness and understanding of vegetation management, and affordability, but not of capital investment. NBHDL felt it was necessary to focus a great deal of the enhanced engagement on specific questions related to the above themes, and used the phase two online survey to probe further. While NBHDL firmly believes customers should help inform the drivers and value provided by capital investment, however, customers are not in a position to dictate what specific projects are undertaken in any given year. These decisions are the responsibility of the professional team NBHDL employs to implement and execute proven asset management principles that enable a safe and reliable distribution system.

That is not to say, however, that general questions regarding asset management and capital projects were not asked, including:

- A specific question about the investment in underground wires, rather than overhead, showed that 19.49% would like to change to underground if the cost was 2x that of overhead infrastructure, and 7.71% would tolerate 5x the cost. If project cost is close, NBHDL will pursue further analysis to determine the value to the infrastructure and the customer.
- Delivering reasonable electricity prices was the most important priority to 84.60% of respondents, and a second most important priority to 11.81%.

Though affordability was a consistently-raised suggestion, almost an equal number of respondents felt that there was nothing that North Bay Hydro should do to improve, and many included compliments and notes of encouragement like, “keep up the great work.”

Another priority for North Bay Hydro customers is that the utility should continue to invest in infrastructure, as well as ‘continue to provide’ the reliability of service that they currently maintain, implying that they are enjoying the standard currently set, and wish to continue that.

2.1.7.4.3 Empowering Customers

(a) **Request for Increased Digital and Self-Serve Customer Service Options**

Throughout the customer engagement process and within daily operations, customers have made clear their increasing preference for digital and self-serve options. Though respondents to the telephone survey tended to prefer the telephone, their second choice in almost every other area was digital. As the surveys were completed prior to the COVID-19 pandemic, it is unclear whether these preferences would change significantly, but purely from a public safety perspective, additional requirements to enhance customer service while observing pandemic protocols will be necessary for every stage of the pandemic, including any preventative measures that may be in place for the foreseeable future.

It is clear that walk-in front counter customer service is important to NBHDL customers, especially when it comes to billing, payment, and the setup of a new account, however, the pandemic has caused necessary changes to communication methods, both due to the preference for contactless interactions, as well as the need to transmit relevant and timely information to customers in emergency situations. For this reason, the analysis of this data not only considers the needs of the clients who prefer walk in interactions, but considers the potential for emergency contactless communication in future.

There is another potential factor that will significantly increase the need for better self-serve and online/digital options, as respondents to the online survey were presented with an idea to reduce costs; namely, NBHDL adding attractive incentives to those who switch to paperless billing, saving on supplies and postage. As this notion was favoured by a majority 87.84% of customers, an analysis of the data shows the need to invest in an alternate customer communication method is evident, if only to capture this new group of customers in need of service.

(b) **Communication Preferences: Outages**

- For customer preferences regarding updates on unplanned outages, a majority of those who answered the online survey chose Social Media as their preferred medium for information (45.82%). Second to this at 20.08% is email notice. Even though 33% of telephone respondents chose a recorded telephone message to notify them of an outage, 17% choosing email notice, again pointing to a preference for digital communication methods.

- The online survey did not include the option for texting notices, but it was included by several respondents under the 'other' option. Texting as an option was included in the telephone survey, and garnered 23% support for the outage communication method.
- In phase two of the online survey, a follow up question was asked regarding an investment in the ability to offer texting as a method of communication during unplanned outages. When told that a text notification system would require 'a substantial investment for system upgrades,' 55.26% said yes, they would be interested in the search for a way to offer this convenience.
- In terms of providing information about the outage, 73.85% of respondents felt that NBHDL was effective (36.61% somewhat; 37.24% very).

As outage communication from customers can also aid in the response to outages, respondents in phase two were asked to consider information from phase one before answering a question related to communicating an outage to NBHDL via the website. As less than a quarter of phase one respondents said they contacted NBHDL when experiencing an outage, they were alerted to a form in the 'Outages' section of the website, which when filled out sends a message to the utility. They were then asked if previous to the explanation, were they 'aware' of the outage-communication method. The answers were almost split, but 56.49% of respondents were not aware (chose no) and 43.51% were aware (chose yes).

(c) **Communication Preferences: New Projects, General Information**

- Phase one survey respondents were asked to rank their preferred methods for receiving general news from five options: Recorded Telephone Message, Email Notice, Local Radio, Social Media, and Text Messaging. Email notice was the preferred method of 40.04% of those who answered, Social Media next with 21.46 selecting it as their preferred method. Text messaging was favoured by 13.41% of respondents.
- Phase two noted the tendency towards email as a preference, and asked if the respondents would be willing to add their name to an email subscription list; 74.23% said 'Yes.'
- Telephone survey respondents choose their preferred method for billing information, and while telephone ranked very high, the second choice was email, and the rest divided amongst text, voice mail and 'don't know'.
- The online survey included the option to choose the communication method best for information related to projects happening 'near your home or business.' Email or push notification was clearly preferred with 58.03% support.

- 51% of first phase participants mentioned they find information regarding conservation and safety on the NBHDL website, and when asked in phase two if they would like to see a further investment in the website, to ensure the information is easier and quicker to locate, 78.97% of respondents said 'Yes.'
- 18-34 year-old respondents in the telephone survey gave high priority to smartphone application creation (67%) and though most customers, when given the option to share suggestions for improvement, said 'keep up the good work' or added nothing, 14% of commercial customers favoured the creation of an online mobile app.

(d) **Communication: Information Timeliness, Relevance, and Availability**

All respondents to the telephone survey were asked if they were satisfied with information available to them when outages occur, as well as the timeliness and relevance of non-outage-related information, such as planned outages, construction activity, or tree trimming.

- As far as outages and the information provided, 78% of all respondents were satisfied.
- For non-outage information, 82% of all respondents were satisfied with the timeliness and relevance of the information available.
- 85% of specifically commercial customers were satisfied with the timeliness and relevance, and 5% were dissatisfied, though they chose 'fairly dissatisfied' rather than 'very dissatisfied.'
- And though there is room for improvement, all respondents were asked if they felt NBHDL is "Pro-active in communicating changes and issues which may affect your electricity service." 79% of residential and 80% of commercial respondents agreed, 11% disagreed (8% commercial) and 9% don't know or were indifferent (12% commercial).

(e) **Self-Service Options**

- For online offerings, only 48.28% of respondents were 'very' (20.69%) or 'fairly' (27.59%) satisfied with the self-service options for managing their accounts, though 27.59% said they 'don't know' and 17.62% were indifferent. 2.68% were very dissatisfied, and 3.83% were fairly dissatisfied.
- For requesting services using the online self-serve options, 63.41% were either indifferent or chose 'don't know' 23.18% and 40.23%, respectively and 31.23% were satisfied (fairly: 19.54%; very: 11.69%). 2.87% were 'very' dissatisfied, and 2.49% were 'fairly' dissatisfied.

(f) **Tools for Conservation and Consumption Management**

- In terms of priorities, 46.84% of online survey respondents rated 'Helping customers with electricity conservation and efficient usage' to be their most important priority, with 35.36 rating it their second, and this trend continued with phase one and two of the online survey.
- When a group of respondents was asked about investing in projects to reduce the environmental impact of the utility's operations, 73% of them felt this was a high priority, with 23% of those feeling it a 'very high' priority.
- 77% of the respondents asked agreed with the statement "provides information to help customers reduce their electricity costs," (70% commercial).
- When asked if they agree or disagree with the statement "NBHDL provides information and tools to help manage electricity consumption," 80% of the selected respondents agreed, with 13% disagreeing and 7% saying they 'don't know'. Amongst the commercial group, there was almost total agreement, with 90% agreeing 'strongly' or 'somewhat', and 10% choosing 'don't know.'
- In regards to satisfaction levels related to "The amount of information available to you about energy conservation' from NBHDL, 86% of all residential respondents and 90% of all commercial respondents were satisfied. 10% of residential and 8% of commercial disagreed, and the rest chose 'don't know' or refused to answer.

2.1.7.4.4 Digital Privacy and Security

Included in the list of priority planning for the next five years, created by the telephone respondents, are ideas pertaining to SMART phone application development, providing more self-service on the website, and making better use of social media. This brings to light the need to protect personal information, and it was shown to be of great importance to online respondents.

In phase one, respondents were asked how they would like to see NBHDL invest in the effort. While 7.09% said basic protection was all that was required, 38.31% felt that NBHDL should go above that minimum, but that those protection tools are used only to a cost-effective level.

However, more than half of the respondents (54.06%) felt that NBHDL should invest significantly in the best tools and resources in order to properly protect information.

2.1.7.4.5 Customers' Suggestions for Improvement

Within phase one of the online survey, an open-ended question asked what the customers responding to the survey would like to see from the utility; specifically, "What can NBHDL focus on to meet your needs and preferences as a customer."

The most common answer was reduced prices, but pricing is closely followed by a number of people who said there was nothing that NBHDL could do to improve, they were satisfied, or in many cases customers were quite complimentary, including notes of gratitude and encouragement to 'keep up the great work'.

- Another focus for many of the respondents is reliability of service, with respondents asking NBHDL to invest in infrastructure, and to increase reliability by limiting outages; comments regarding reliability were phrased as 'continue to provide,' implying that the service is satisfactory, and that maintaining that standard should be a focus.
- Many respondents were hoping for more information regarding ways to save electricity or to conserve electricity. A few customers noted the importance of climate change planning and green energy initiatives.
- A focus on updates to the online offerings from NBHDL, including online chat options, quicker responses to emails, an app, and online payment system.

The remaining suggestions for needs and preferences fell into the categories of 'more information' with the inclusion of specifics like 'on rates', 'services offered', 'increase' and 'communication methods.'

2.1.7.4.6 Vegetation Management

Another key theme that emerged during the engagement phases is the need to maintain the reliable service that customers have come to expect from NBHDL, as well as investments to ensure that standard continues.

- Respondents felt that investing in the electricity grid to reduce outages and increase reliability and safety was a priority, as 77% of residential and 80% of commercial customers rated this a five-year priority: 20% residential and 17% commercial chose 'very high', and 57% of residential and 63% of commercial respondents felt it was a 'high priority'.
- In terms of proactively maintaining and upgrading equipment, 90% of all respondents felt this was a priority. For most, it was a high priority, with 66% of residential customers and 72% of commercial respondents choosing this option, and for some, a very high priority,

24% and 18% respectively. Only 2% of each group felt it was a low priority, and 5% residential (8% commercial) gave it neither high nor low priority.

It also became clear that despite the continued efforts of NBHDL, there is still a strong and immediate need to increase awareness and education surrounding vegetation management, and the continued fostering of a partnership between NBHDL and customers in order to maintain the standard of safety and reliability that NBHDL customers have come to expect.

For instance, respondents to the telephone survey felt that reducing response time (80%) and number of outages (78%) were important priorities, and 69% of telephone respondents rated 'investing more in tree trimming to help reduce the number of outages' as high or very high' priority.

Respondents to phase one of the online survey were given a short paragraph to read regarding the number of outages caused by tree contacts (in 2018 it was the cause of 25% of customer hours of interruption) and the ways in which NBHDL seeks to manage this issue with tree trimming, tree removal, tree consultation, and tree planting. A majority of those who answered were not aware of this program (62.74% No; 37.26% Yes). Nor were the aware of the "Right Tree, Right Place Campaign," as 22.53% said 'Yes' they were aware, and a large majority said 'No': 77.47%.

2.1.7.5 BUDGET RESPONSE FROM ENGAGEMENT ANALYSIS

The identification of key themes from the customer engagement sections has helped shape the budget response of NBHDL. The response from engagement has been grouped into three main areas, Customer Experience, Reliability and Affordability.

2.1.7.5.1 Customer Experience

It is clear from analysis that there is a requirement for increased customer service options, greater communication, better access to information, and further education on topics such as safety, conservation, and consumption management. On top of that, the customer expects NBHDL to protect their privacy and keep information safe from attack.

Investments in customer experience included in the budget derived from customer engagement include the following:

- Upgrade of the website and continued investment in keeping it current and creating new content on an annual basis ($30,000) to ensure information is relevant, easy to access and understand, and is effective at educating the customer. The plan is to upgrade the base platform, improve the navigation and structure and provide a modern look and feel that is mobile friendly. On top of that, the website will better direct the customer to self-service tools, such as the customer portal, NBHDL app, outage map, and other interactive services and will include the development of an embedded chat function to provide additional contact optionality. An element identified in the analysis, was the lack of knowledge about the topics on the website and therefore included in this annual amount is the promotion of the website, so customers are aware of the great information that is available and the beneficial services it offers.

- Further investment in bettering NBHDL's social media presence through the purchase of software that helps aid in the management of all platforms, keeping messaging consistent and current and ensuring a fast and more efficient funnel of information to the community. ($1,920)

- Upgrade of the existing Customer Portal, used to provide e-bills and consumption data to enrolled customers, to create a better experience for the customer. The improvements will include an updated platform that aligns with the updated website platform, better appearance, enhanced useability, the ability for customers to access multiple service locations through the dashboard, making the portal mobile friendly, enhanced security measures to protect data, and faster rendering of information by using modern formats such as HTML5. This will also include improvement to the administration side of the portal, providing administrators with more tools, better functionality between systems pulling customer information and better navigation through accounts. ($75,000)

- The creation of a secure mobile app to aid in better self-serve options for billing, account management and consumption monitoring while offering increased convenience and accessibility with information always at the tip of the customer's fingers. In a world that has been changed by the pandemic, an app can provide a contact-free way to exchange information and create meaningful interaction with the customer. It also aligns with the younger generations desire for a digital existence and will aid in the transition to paperless bills, meeting the customer preference to reduce NBHDL's environmental footprint. This

work will be linked with the website and customer portal work to help provide the greatest benefit to the customer. ($50,000)

- Protection of customer information and privacy through the investment in monitoring and segregation of networks, implementation of AI prediction and prevention tools, and dedication to keeping the environment current (hardware, operating systems, subscriptions, licenses) as pillars to ensure it meets our customer's and the OEB's security demands. When it comes to development of custom software, NBHDL will insist on a "Security and Privacy" posture first: this will be designed and built as inherent features of the product. For all existing software, remediation will take place to ensure applications and data are secure through proper best practice. User access will be guided by the principle of least privilege and audits of access will be done on a periodic basis. NBHDL will also use third-parties to evaluate its current security posture with recommendations on how to better secure the environment and will participate in industry lead cyber security initiatives like Project Lighthouse ($40,000)

- Continued investment in a Communications Officer, a new role to organization in late 2019. Without the resources to drive it, technology and process improvements are impossible to achieve and engagement opportunities cease. Clear from the engagement is the need for better information, increased interaction and more educational content. Also expected is continued engagement to help NBHDL respond to the ever-changing needs and preferences of the customer. And lastly, the engagement has identified a need for improved communication with our C&I customers and therefore in addition to existing engagements the following engagements will be offered and tracked annually ($19,700) through the role of Communications Officer:
    - Face to Face meetings with the top 10 customers annually, with follow-up meetings to address needs and preferences communicated
    - Annual Focus group created existing of a selection of GS<50 and GS>50 customers to provide C&I feedback that is very hard to gather through traditional means
    - An open forum annual meeting with customers/contractor and developers. In an effort to reach all stakeholders, the focus of the event will shift between C&I customers one year to contractors and developers the following year. The event will simulate a half day conference, with a large emphasis on Q and A, and the education of relevant topics and initiatives. Developing a stronger and ongoing

relationship with C&I customers and local contractors and developers is a main priority for NBHDL moving forward.

2.1.7.5.2 Reliability

Reliability continues to be an element of LDC operations customers deem extremely important. In short, although customers are happy with the currently reliability, there is a desire to always experience improved reliability, by reducing the number of outages and/or the length of outages. NBHDL agrees with the customer, and although NBHDL has very solid reliability statistics, the following areas will be focused on in an effort to maintain and/or improve reliability:

- Increased Vegetation Management ($775,000). In 2019, without considering Loss of Supply events, trees accounted for 41% of customer hours of interruption. This is a tremendous number of hours, and one that if mitigated could provide an improvement in reliability while also providing the added benefit of increased safety. In order to accomplish sustained improvement, it is critical that NBHDL gets back on track to a 5-year maintenance cycle (modified from 4 years) which requires a significant increase to the program's funding. Also included in this budget, is the continued promotion of the "Right Tree Right Place" campaign, in efforts to educate customers to choose the right tree and plant it in the right place to prevent future interference with lines and in turn prevent future outages caused by trees.

- Continued investment in asset renewal over the 2021-2025 period, approximately $4.2M average per year. Investment in asset renewal represents almost 70% of NBHDL's annual capital spending, further evidence of a strong commitment to continued reliability of the system. Over the past 5 years NBHDL has worked extremely hard at reinvesting in the system, aligning annual spending amounts with DSP spending forecasts all to ensure the continued operation of the system, in a safe, and reliable manner. Sustained renewal investment helps ensure assets are replaced prior to end of life/prior to failure minimizing outages caused by defective equipment.

- Continued investment in general assets ($770k average per year). In the last ten years, NBHDL has focused on maintaining and replacing vehicles in accordance with a fleet schedule. This ensures NBHDL employees have reliable, safe, state of the art technology,

that promotes efficiency and productivity, but also provides increased ability when constructing infrastructure and responding to outages.

- Although NBHDL does not have specific technology driven capital projects aimed at improving reliability statistics that are significant from a materiality aspect, the utility, over the course of the planning horizon, will consider technology-based solutions that provide an actual cost-benefit to customers when reviewing reliability issues that may arise. At this time, NBHDL is more focused on implementing technology that helps monitor and/or retrieve data from the grid. These low-cost, affordable implementations can help improve outage response times (pinpointing fault locations) and help obtain a better overall understanding of how the grid is working (voltage, current, power quality, load balance, etc.) which can be beneficial in the detection of problem areas that may lead to customer power quality issues, or overloading of circuits that can lead to outages. It also helps in the overall optimization of the system, leading to better utilization of assets and in turn longer life.

2.1.7.5.3 Affordability

Low rates are, and always will be, the most important aspect of the delivery of electricity to the customer. If there is one common theme NBHDL hears, through day-to-day engagement, or enhanced engagement, it is, “keep my rates low.”

NBHDL is requesting a significant increase in this Application, and therefore it may be construed that affordability is not important or has not been considered. Affordability is always considered, in all decisions, because of its importance. However, it’s a constant balancing act between affordability and a number of elements such as the company’s will to push the business forward, mitigate the many risks it faces, deliver on its core values while remaining aligned with RRFE outcomes and most importantly deliver on the other needs and preferences of the customer. With that said, a number of considerations were factored into this application that helped minimize the impact to rates, these include:

- Pacing of Asset Renewal: NBHDL uses asset management practices to determine proper investment in the renewal of assets. When looking at the replacement of assets on their own, without factoring in affordability, the data suggests that NBHDL should replace 200 poles annually. Currently NBHDL is resourced to install somewhere between 120 and 140 poles per year, and therefore instead of resourcing up to meet that requirement, NBHDL

has made the decision to pace the investment of assets at a slower rate to eliminate the need for increased resourcing. This also reduces the material costs associated with the replacement of an additional 60 to 80 poles per year, keeping the renewal of assets capital spending at a very stable level of $4.2M and slightly less than the spending over the past 5 years. It is important to note NBHDL will continue to replace the majority of its existing overhead system utilizing an overhead design based on customer preferences, as placing assets in the ground is typically three to five times more expensive.

- New Resources: NBHDL is an extremely lean organization, with very little middle management; although this provides great flexibility and lends itself to a low-cost profile, it does create risk, causes employee burnout, makes addressing customer's needs and preferences difficult and leaves very little time to tackle initiatives that push the company forward. In reviewing similar size LDCs, and counterparts in the north, NBHDL considered the addition of the following positions to align with the management structures of others, while filling identified resource gaps. They include:

    - Purchasing Manager
    - Risk Management Officer
    - Controller
    - Safety Coordinator
    - Executive Assistant
    - Departmental administrative support positions

After engagement, it became quite obvious that the addition of all these positions would push the requested increase past an affordable level. Therefore, NBHDL assessed further and decided to totally abandon the Controller position, and combined the other five positions into two. Although it is NBHDL's assertion that all positions would benefit the company greatly, in the balancing act of affordability for the customer and forward movement of the company, the compromise down to only two new positions was made. The final additional positions included in the Application are as follows:

- Operations Coordinator – one position to handle the tasks of the proposed purchasing manager, risk management officer, and safety coordinator
- Administrative Assistant - one administrative assistant for the entire management team, with time to be allocated to HR to help free up the Manager HR, Administration to provide executive assistant duties to the President and CEO

- Further Automation of the Control Room: NBHDL installed a SCADA system before most utilities, back in the late '90s, and since then has kept it up to date and in the last ten years completed the deployment of the system to all of its substations. A trend in the industry is to combine SCADA systems with outage management systems and fully automate the control room, eliminating paper maps and pins. The team explored this, and based on initial cost estimates, decided the benefit of doing so did not justify the cost to the customer and therefore it has not been included in the Application.

- New Enterprise System: NBHDL utilizes a very unique Enterprise system to handle CIS, work order management, inventory control, procurement and financial reporting. It is only utilized by two other LDC's in the province and therefore poses a very significant risk to the business. The platform has limited capability and flexibility because of its design and age, making new programs and processes difficult to implement. Recently, it was announced the platform will be discontinued in 2029, making the need for replacement a reality. Based on the cost of a new system, other pressing needs and cost pressures on the business, the decision to replace the system now has been pushed to the next planning horizon (after 2025). This will also allow for thorough due diligence and the planning that is required to undertake a project of this scope, scale, and magnitude. The replacement of enterprise software will impact every aspect of NBHDL's business.

- New Building: The NBHDL main office (only workspace) is an old butler building garage renovated with very little thought given to energy efficiency, workplace operationality, employee wellness, and accessibility. It does not provide a very strong impression of a community steward who is responsible for the encouragement and delivery of conservation and energy efficiency. In addition, the support systems (heating/air conditioning, air circulation) do not work properly, it provides very little sunlight to the majority of the staff, bleeds thermal energy, lacks general meeting space, does not provide proper sound retention between offices/meeting rooms, requires the placement of workspaces in hallways and old closet areas to accommodate the workforce and has no space to accommodate new needs of the business. NBHDL recognizes that new buildings are an expensive item, and although a new building is required, NBHDL has decided to defer this investment to after 2025. Work will start now on the evaluation of options and alternatives in efforts to prepare and find the most cost-effective option for the future.

2.1.7.6 CUSTOMER ENGAGEMENT ACTIVITIES SUMMARY

NBHDL has completed OEB Appendix 2-AC Customer Engagement Activities Summary, which is included in Appendix 1-E

2.1.7.7 LETTERS OF COMMENT

There have been no letters of comment filed with the OEB as of the submission date as part of this application.

2.1.8 PERFORMANCE MEASUREMENT

The tools NBHDL uses to measure performance are categorized in the following groups:

- OEB Scorecard
- Internal Goals and Objectives (over and above the OEB Scorecard)
- PEG Efficiency Assessment

2.1.8.1 SCORECARD PERFORMANCE

The OEB scorecard is a very important performance indicator as it is built on the RRFE Outcomes, is used by the regulator to assess and benchmark annual performance and publicly provides the customer with a snapshot of the LDC's achievement. NBHDL takes scorecard performance achievement very seriously and endeavors annually to meet or exceed all targets. A summary of the 2019 Scorecard results is summarized below. The 2019 scorecard and MD&A are included in Appendix 1-F.

2.1.8.1.1 Customer Focus

Table 1 - 35: New Customer Connection Requests for Low Voltage Connected on Time

Measure/Year	2015	2016	2017	2018	2019
New residential/small business services connected on time	100%	100%	100%	100%	100%
Industry Target: 90%					
NBHDL Target: 98%					

NBHDL takes great pride in connecting customers in a timely fashion. Doing so supports local economic development, allows customers to have access to power when they require it, and creates a positive LDC experience for customers. This is indicative of the NBHDL target of 99%, set above the Industry Target of 90% (see Table 1-35 above).

Table 1 - 36: Scheduled Appointments Met on Time

Measure/Year	2015	2016	2017	2018	2019
Scheduled Appointments Met on Time	100%	99.90%	100%	100%	100%
Industry Target: 90%					
NBHDL Target: 98%					

NBHDL also takes great pride in meeting customers and endeavors to make all scheduled appointments on time (Table 1-36). Doing so ensures a positive experience for the customer. Similar to the above, the internal target is set higher than the industry target, illustrating the importance of the customer to NBHDL.

Table 1 - 37: Telephone Calls Answered on Time

Measure/Year	2015	2016	2017	2018	2019
Telephone Calls Answered on Time	82.1%	83.6%	86.56%	91.13%	95.65%
Industry Target: 65%					
NBHDL Target: 80%					

In efforts to create exceptional service, NBHDL strives to answer 80% of its calls on time, well above the OEB standard of 65% (Table 1-37). With a small customer service department, this can be difficult at times, but because it is rooted in our core values, performance is typically above the NBHDL target annually, with very strong results in 2018 and 2019. NBHDL has observed that a seasonal pattern has evolved in terms of call volumes that correlate to the disconnection moratorium; lower volumes during the moratorium and a substantial increase in call levels during May to October when all collections tools, including disconnection, are utilized to manage accounts in arrears. In an effort to contain costs, and address this new seasonal reality, NBHDL has maintained a small department of full-time staff and manages the peak times through the use of part-time staff. The reality of this structure means that maintaining the NBHDL target consistently throughout the year can be challenging, however the customer service team works very hard to meet this

specific target on an annual basis. In 2020 call volumes were unlike any pattern seen historically and call duration increased significantly due to provincial policy changes, specifically: multiple pricing changes, COVID-19 relief programs, and the implementation of customer optionality. The trend that NBHDL is monitoring overall is that customers require more time on the phone with team members in order to understand the changes and they want to know what that means to them directly. NBHDL also took it upon themselves to reach out and work with customers experiencing financial difficulty due to COVID-19 by offering and providing flexible payment arrangements adding to the already increased workload. Once again, call duration naturally increases as a direct result of NBHDL's commitment to work with customers to address their individual circumstances in relation to the management of arrears during the pandemic. All of these things will affect the ability to maintain the NBHDL target, but efforts to do so with the existing complement will remain the focus.

Table 1 - 38: First Contact Resolution[17]

Measure/Year	**2015**	**2016**	**2017**	**2018**	**2019**
First Contact Resolution	6	14	6	4	3
Industry Target: N/A					
NBHDL Target: < 10					

At NBHDL, first contact resolution is defined as the number of customer concerns that are escalated formally to the President and CEO, and/or the OEB. Escalations will always be a reality when dealing with a large customer base, but NBHDL endeavors to limit serious escalations, normally involving dissatisfaction, to less than 10 escalations to the President and CEO and/or the OEB of all customer interactions (phone calls, in-person service visits, scheduled meetings). This is done by ensuring customer service employees are well informed on current provincial programs, trained in NBHDL processes and policies, and able to address the majority of customer concerns without intervention. Learning, improving and adapting from previous customer experiences is also an important aspect to preventing future escalations, which is evident in the positive trending from 2015 to 2019 (see Table 1-38 above).

Table 1 - 39: Billing Accuracy

Measure/Year	**2015**	**2016**	**2017**	**2018**	**2019**

[17] The 2019 published Scorecard shows these numbers as percentages, which is an error. They are customer counts.

Billing Accuracy	99.88%	99.70%	99.74%	99.72%	99.87%
Industry Target: 98%					
NBHDL Target: 99%					

An important way to earn trust is through accuracy and consistency, especially when it involves charges to the customer. NBHDL works tremendously hard at ensuring accurate, consistent bills in order to earn customer trust and in turn create satisfaction. This is accomplished by continuous monitoring and processes that identify possible issues prior to bill issue. NBHDL will continue to push to achieve at least 99% bill accuracy annually (Table 1-39).

Table 1 - 40: Customer Satisfaction Survey Results

Measure/Year	**2015**	**2016**	**2017**	**2018**	**2019**
Customer Satisfaction Survey Results	A	85%	85%	89%	89%
Industry Target: N/A					
NBHDL Target: Equal to or Better than the Provincial Average					

Customer engagement has always been important to the success of NBHDL, the purpose of which has been to focus on addressing the issues of concern raised directly by customers. Historically, NBHDL has relied on day-to-day, real time interactions with customers however, starting in 2013 survey results were also incorporated, as required by the OEB. The survey is done bi-annually by an independent 3rd party, the latest for Scorecard purposes occurred in 2018, with very positive results, increasing overall satisfaction from 85% to 89%, and ahead of the provincial average of 83% (Table 1-40). This has proven advantageous as another stream of information to help NBHDL improve. An additional survey was conducted in 2019 as part of the Customer Engagement process for this Application and is well detailed in section 2.1.7. NBHDL will continue to use the bi-annual survey results to benchmark improvement and to identify additional opportunities to enhance customer satisfaction, but daily interactions and everyday customer engagement will remain the highest priority.

2.1.8.1.2 Operational Effectiveness

Table 1 - 41: Level of Public Awareness

Measure/Year	2015	2016	2017	2018	2019
Level of Public Awareness	81%	81%	81%	81%	81%
Industry Target: N/A					
NBHDL Target: 80%					

This measure, introduced in 2015 by the OEB, is a good indicator of the public's awareness of key electrical safety precautions within the NBHDL safety territory. The survey must be completed every two years, and since inception NBHDL has maintained a score of 81% awareness (Table 1-41). Public safety education is conducted using various methods and well detailed in section 2.1.7.

An awareness level of 80% is satisfactory, however based on the severity electrical hazards can present, NBHDL's will work hard in future years to try and get this percentage higher.

Table 1 - 42: Level of Compliance with Ontario Regulation 22/04

Measure/Year	2015	2016	2017	2018	2019
Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C
Industry Target: N/A					
NBHDL Target: Full Compliance during annual audit					

Compliance with Ontario Regulation 22/04 is critical to strong operational effectiveness as it governs the safe design, construction and maintenance of LDC electrical distribution systems. NBHDL is committed to ensuring compliance to the regulation and has done so year in and year out (Table 1-42). This is accomplished by NBHDL's commitment to safety, and strict adherence to internal processes and procedures in relation to equipment procurement, design, construction, and maintenance practices. NBHDL welcomes the annual audit mandated under Ontario Regulation 22/04 and views it as a constructive input to the ideal of continuous improvement.

Table 1 - 43: Serious Electrical Incident Index: Number of General Public Incidents

Measure/Year	2015	2016	2017	2018	2019
Serious Electrical Incident Index: Number of General Public Incidents	0	0	0	0	0
Industry Target: N/A					
NBHDL Target: 0					

One of NBHDL's core values is to distribute electricity in a manner that safeguards the public against all hazards associated with the operation of an electrical grid. Over the past five years NBHDL has been able to achieve the target of zero general public incidents, and will endeavour to do so over the next 5-year horizon through prudent investment in asset renewal, sound maintenance practices, customer education, and a philosophy that puts safety first (Table 1-43).

Table 1 - 44: Serious Electrical Incident Index: Rate per 10, 100, 1000 km of line

Measure/Year	2015	2016	2017	2018	2019
Serious Electrical Incident Index: Rate per 10, 100, 1000 km of line	0	0	0	0	0
Industry Target: N/A					
NBHDL Target: 0					

This metric follows the metric above, but is represented over km of line by taking the number of serious electrical incidents over a predetermined denominator based on the total kilometers of line within NBHDL's service territory. For NBHDL the denominator is set at 100, and with zero serious electrical incidents over the past 5 years, results in a rate of zero each year (Table 1-44).

Table 1 - 45: Average Number of Hours that Power to a Customer is Interrupted

Measure/Year	2015	2016	2017	2018	2019
Average Number of Hours that Power to a Customer is Interrupted	1.10	2.29	1.11	1.95	1.16
Industry Target: N/A					
NBHDL Target: <= to 2.10					

Reliability is a very important element of service for customers and a core value of NBHDL. With a predominantly overhead system, servicing a large, heavily treed, rural based service territory, reliability trending will always correlate with the number and severity of storms that are experienced within the service territory. On top of that, NBHDL has always operated without a 24/7 control room, trading longer outage durations in after-hour events for lower overall operating costs. With that said, NBHDL has experienced very strong performance achieving SAIDI results better than targeted (Table 1-45). Although there is a general trend in the industry to invest heavily in innovative technology to help reduce outage hours, based on the overhead design and electrical configuration of NBHDL's grid (a lot of radial rural feeders) along with the geographic composition of the service territory, NBHDL would argue that ensuring proper annual maintenance, specifically vegetation management, and investment in the replacement of aging assets with robust resilient infrastructure must be prioritized over investment in innovative technology; minimizing the cause, instead of minimizing the consequence. NBHDL still has not found enough specific feeder evidence, or a specific technology, aside from the technology already implemented that provides a cost benefit to customers justifying further investment, based on an already strong reliability metric that for the most part varies only with the severity of storms experienced in a given year. NBHDL will continue to explore and evaluate all technology options, especially as costs to implement technology trend downwards.

Table 1 - 46: Average Number of Times that Power to a Customer is Interrupted

Measure/Year	**2015**	**2016**	**2017**	**2018**	**2019**
Average Number of Times that Power to a Customer is Interrupted	0.88	1.98	0.94	1.40	1.35
Industry Target: N/A					
NBHDL Target: <=1.99					

Similar to the metric above, NBHDL holds reliability as a core value. The same description applies, with the philosophy that investing in activities that minimize the cause over the activities that minimize the consequence are prioritized. Also similar to the above, NBHDL has outperformed the internal target each of the last 5 years (Table 1-46).

Table 1 - 47: Distribution System Plan Implementation Progress

Measure/Year		**2015**	**2016**	**2017**	**2018**	**2019**
Distribution System Plan Implementation Progress		94%	106%	118%	112%	119%
	Industry Target: N/A					
	NBHDL Target: 100% +/- 10% of Detailed DSP spending in given year					

This metric, introduced in 2013 by the OEB, provided each LDC the discretion to define measurement in a manner that best fits their organization. NBHDL decided to define the metric as a percentage of the budgeted gross capital spending detailed in the DSP in each year compared to actual gross capital spending in that given year (Table 1-47). The overall goal is to deliver on the expectations set forth in the DSP over the planning horizon in total, with at least 100% of the planned spending realized in any given year, creating stable and paced capital investment. It is important to note that given the dynamic nature of the business, a number of issues emerge over the course of a year that require the management to postpone, re-prioritize, add to or otherwise amend the capital work plan at the start and throughout any given year. Different than the previous planning horizon (2010-2014) where the capital program was underspent in total, NBHDL has made every effort to ensure the delivery of the capital plan at least meets the spending envelope detailed in the DSP.

Table 1 - 48: Efficiency Assessment

Measure/Year	**2015**	**2016**	**2017**	**2018**	**2019**
Efficiency Assessment	3	3	3	3	3
Industry Target: N/A					
NBHDL Target: 3					

Total costs for Ontario LDCs 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. NBHDL consistently maintains (for the last 8 years) ranking in Group 3, which is defined as having actual costs within +/- 10% of predicted costs (Table 1-48). Group 3 is considered “average efficiency” – in other words, NBHDL’s costs are within the average range for distributors in the Province of Ontario. Based on the

stagnant growth in the service territory, and the costs associated with maintaining and renewing assets in a vast, rural, service territory, NBHDL's goal is to maintain a ranking in Group 3.

Table 1 - 49: Total Cost per Customer

Measure/Year	2015	2016	2017	2018	2019
Total Cost per Customer	$675	$659	$672	$695	$732
Industry Target: N/A					
NBHDL Target: Maintain increases to stay within Cohort 3					

Total cost per customer is calculated as the sum of NBHDL's capital and operating costs and dividing this cost by the total number of customers that NBHDL serves. Table 1-49 above outlines NBHDL's total cost per customer from 2015 to 2019. With a static customer count and rising costs due to regulatory burden, growth in wage and benefit costs, increased vegetation management needs, investment in information technology to remain current and protect against cyber threats, and the renewal of distribution assets and general inflation there is only one way for this metric to go. With that said, NBHDL works hard to minimize those increases, and has kept the year over year average increase to 2.16% during the past 5 years. NBHDL will continue to maintain and replace distribution system assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts.

Table 1 - 50: Total Cost per km of Line

Measure/Year	2015	2016	2017	2018	2019
Total Cost per km of Line	$28,297	$27,680	$28,233	$29,208	$30,928
Industry Target: N/A					
NBHDL Target: Maintain increases to remain within Cohort 3					

Similar to the above metric, this measure uses the same total cost but the cost is divided by the kilometers of line that NBHDL operates to serve its customers. Table 1-50 above outlines the total cost per kilometers of line for the years 2015 to 2019. Similar to the number of customers, the km of line of the system has remained static over the past 5 years. When coupled with rising costs there is only one way for the metric to go. NBHDL will continue to search for solutions to minimize the rate of increase, but given the climate, demographics, lack of growth and system requirements this is a difficult task.

2.1.8.1.3 Public Policy Responsiveness

Table 1 - 51: Net Cumulative Energy Savings

Measure/Year	2015	2016	2017	2018	2019
Net Cumulative Energy Savings	20.96%	102.04%	129.07%	146%	151%
Industry Target: N/A					
NBHDL Target: 100% of Provincial Target					

Helping customers save energy is important as it creates a positive customer experience and provides the customer with a tangible benefit. For that reason, along with our commitment to deliver provincial programs, NBHDL had made the execution of the Conservation First Framework an important part of its mandate from 2015 to 2019. NBHDL quickly achieved its assigned conservation target of 20.3 GWh in the second year of the framework, and continued pushing to reach an unverified 151% of the target up to the unfortunate discontinuation of the framework in March 2019 (Table 1-51). Although this measure will most likely be removed from the scorecard in 2020 NBHDL remains committed to assisting customers in achieving their conservation goals and believes that LDCs are best suited to deliver conservation to the local communities they serve.

Table 1 - 52: Renewable Generation Connection Impact Assessments Completed on Time

Measure/Year	2015	2016	2017	2018	2019
Renewable Generation Connection Impact Assessments Completed on Time	N/A	N/A	N/A	N/A	50%
Industry Target: N/A					
NBHDL Target: 100%					

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of receiving a complete generation application package. NBHDL firmly believes in importance of providing timely turnaround times for customers looking to connect and generate into our grid, and therefore have set an internal goal to ensure all applications are processed within the 60-day window. NBHDL has seen only a few generation requests since the inception of the renewable generation program, and why there is no

measurement from 2015 to 2018. In 2019, two applications were received, one application was processed on time, the other was also processed within the given time limit, but unfortunately due to communication difficulties, the proponent didn't receive the CIA until just after the 60 day period, and therefore NBHDL decided to record it as late (Table 1-52).

Table 1 - 53: New Micro-embedded Generation Facilities Connected On Time

Measure/Year	2015	2016	2017	2018	2019
New Micro-embedded Generation Facilities Connected On Time	100%	100%	100%	100%	N/A
Industry Target: 90%					
NBHDL Target: 100%					

As per the above measure, NBHDL deemed it important to ensure timely connection of micro-embedded facilities for the same reasons, especially considering the mFIT program was more heavily prescribed. NBHDL has consistently connected 100% of its micro-embedded generation facilities on time, year over year (Table 1-53). This program has been discontinued and therefore the measure will most likely be removed on a go forward basis.

2.1.8.1.4 Financial Performance

Table 1 - 54: Liquidity: Current Ratio (Current Assets/Current Liabilities)

Measure/Year	2015	2016	2017	2018	2019
Liquidity: Current Ratio	2.07	2.09	1.92	1.84	1.69
Industry Target: N/A					
NBHDL Target: > 1					

The current ratio is a measure of liquidity; a current ratio greater than 1 is considered good as it indicates that the company can pay its short-term debts and financial obligations. 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 sets the target at greater than 1 and has achieved this each year over the past five years (Table 1-54). NBHDL works hard to keep this above 1 at all times through the continual management of accounts receivable and liabilities to ensure coverage of financial obligations on a timely basis.

Table 1 - 55: Total Debt (includes short-term and long-term debt) to Equity Ratio

Measure/Year	2015	2016	2017	2018	2019
Leverage: Total Debt to Equity Ratio	0.94	0.95	1.01	1.00	1.03
Industry Target: N/A					
NBHDL Target: Between 1 and 1.5					

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates, creating a deemed debt to equity ratio of 1.5. 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 the distributor is less levered than the deemed capital structure. 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 (Table 1-55).

Table 1 - 56: Profitability: Regulatory Return on Equity (Deemed and Achieved)

Measure/Year	2015	2016	2017	2018	2019
Profitability: Regulatory Return on Equity – Deemed	9.30%	9.30%	9.30%	9.30%	9.30%
Profitability: Regulatory Return on Equity - Achieved	10.65%	9.01%	8.56%	10.17%	6.14%
Industry Target: N/A					
NBHDL Target: Within +/- 3% of the Deemed ROE					

NBHDL's current distribution rates approved by the OEB include an expected (deemed) regulatory return on equity of 9.30%. The OEB allows a distributor to earn within +/- 3% of the deemed return on equity in any given year, and NBHDL has achieved that withstanding 2019, the last year in our 5-year rate cycle and one of the reasons NBHDL is seeking to reset rates (Table 1-56). NBHDL balances profitability with the commitments made to our customers and therefore expects the achieved ROE to decrease slightly throughout each year of the 5-year planning horizon.

2.1.8.2 INTERNAL PERFORMANCE MEASURES

The scorecard captures a tremendous amount of information that helps NBHDL's management team deliver on its commitments, identify areas for improvement and measure performance, while also giving the customer a great snapshot of the company's achievements. The majority of the items included on the scorecard were indicators NBHDL used prior to the introduction of the Scorecard to evaluate performance. In addition, NBHDL uses a number of other indicators internally to help measure performance and similar to the scorecard are organized by RRFE Outcomes. The additional measures are summarized in the sections below.

2.1.8.2.1 Customer Focus

(a) **Bill Inserts**

Bill inserts act as a great method of communication to customers. They inform customers of new initiatives NBHDL is offering, updates to rates, and new provincial policy initiatives that are available. They also provide an opportunity to educate customers on important aspects of electrical distribution safety.

Target: 6 new inserts per year (one every second month)
2019 Performance: 6 new inserts (Full achievement)

(b) **Customer Engagement**

A new measure heading into 2021, NBHDL will create targets for the execution of its customer engagement commitments. As noted throughout the Application, NBHDL believes customer engagement to be a fundamental aspect of every-day business, and not an activity that is only required in preparation for a rate application. To ensure that the commitment to customer engaged is upheld, the following targets will be put in place starting in 2021:

- *1 Focus Group session held per year involving a mixture of GS<50, and GS>50 customers.*
- *1 face-to-face meeting with each of NBHDL's top ten energy consuming customers (pandemic pending – will utilize web-based meeting technology if required).*

- *Bi-annual Survey conducted (OEB requirement, but NBHDL will add additional questions specific to current initiatives and offerings to provide greater feedback when appropriate or necessary).*
- *1 engagement town hall type of event per year (alternate each year between contractors/developers and business customers).*
- *1 presentation at a local business support organization (Chamber of Commerce as an example).*
- *1 public based booth setup (tradeshow, mall event, etc.).*

2.1.8.2.2 Operational Effectiveness

(a) **Safety**

Safety performance is extremely important to NBHDL and as per most industry participants NBHDL uses the number of lost time incidents as the main internal safety measure.

Target: 0 Lost-Time incidents each year
2019 Performance: 0 (Full achievement)

NBHDL is currently 2.8 years without a lost time injury, a great achievement, however, through the Joint Health and Safety Committee, NBHDL is in the process of considering a different approach to safety measurement. The consideration is for a system that involves measures that focus more on predictive and proactive leading indicators instead of only lost time as they better reflect the actual safety culture and safety effectiveness within the company at any given time.

NBHDL also tracks the number of Public Safety Concerns it receives, and more importantly that the concerns are addressed within 10 business days as required under Ontario Regulation 22/04. Public Safety Concerns are notices provided by the Electrical Safety Authority (ESA) to LDC's informing LDC's of possible hazards that exist within their service territory that may lead to or are safety hazards to the public. Public Safety Concerns are typically reported by a third party (i.e. property owner, customer, company, etc.) to the ESA whereby the ESA will then forward on to the LDC. Although we try to mitigate hazard exposure to the public through asset management, inspection and maintenance practices, they do occur from time to time and therefore the resolution of those issues in a timely matter is critical to ensuring safety and preventing serious incidents.

Target:

- *Public Safety Concerns: Eliminate imminent dangers the same business day they are issued*
- *Public Safety Concerns: Eliminate potential dangers within 10 business days from date of issue*
- *2019 Achievement: No public safety concerns were issued to NBHDL in 2019 (Full achievement)*

(b) **Distribution System Loss**

Inherent in electrical distribution is the presence of loss, comprised of both technical and non-technical loss. Technical loss is an expected amount of energy that is lost during the distribution of the energy and can be accounted for through formula-based calculation. Non-technical loss is an unexpected amount of energy lost to unidentified or misallocated energy flows, normally due to theft and or unmetered loads. Reducing loss, reduces costs; an industry standard is 5% and NBHDL has set an annual target to have total system loss less than 4%. NBHDL has invested heavily in the elimination of the 4kV system which is a much more lossy system than the replacement 12kV system and has seen a gradual decrease in losses in each year over the past 5 years as the conversion of the 4kV system to a 12kV system nears completion.

Target: Distribution System Loss < 4%

2019 Achievement: 3.6% (Full Achievement)

(c) **Maintenance Activities**

As a condition of the Distribution System Code, NBHDL must complete a defined percentage of inspections of major distribution facilities annually. NBHDL has set a goal that all major equipment, regardless if it is urban or rural, is to be patrol inspected once every 3 years, or 1/3 of the assets within each major distribution facility are to be inspected annually. NBHDL has also set a target to inspect all NBHDL owned substations on a monthly basis.

Target: Achieve 1/3 inspection of all major distribution facilities annually
2019 Achievement: 1/3 inspection (Full achievement)
Target: Inspect NBHDL owned substations monthly
2019 Achievement: All substations inspected monthly (Full achievement)

On top of the prescribed inspections, NBHDL also plans out additional maintenance activities each year. In 2019 NBHDL planned preventative maintenance at 4 substations, the full condition assessment of 3000 poles, oil sampling of all of its power transformers and infrared scanning of the 44kV system and 1/3 of the distribution system, all of which were achieved. In future years, NBHDL will endeavour to add preventative maintenance to a specific number of load break switches annually.

Target: Complete all planned maintenance activities
2019 Achievement: Planned maintenance activities completed (Full achievement)

(d) **Employee Absenteeism**

In order to be effective, operationally and overall, the labour force must be present. For that reason, NBHDL monitors employee absenteeism and has developed a targeted absenteeism rate of less than 6.8 days per employee per annum. To limit absenteeism NBHDL works hard to create a positive workplace, promoting health and wellness, providing training and growth opportunities, ensuring employees have strong interactions with their supervisors and that work is organized, planned and available.

Target: Less than the budgeted days absent per employee per annum (6.8 days)
2019 Achievement: Average employee absenteeism – 5.32 days (Full achievement)

2.1.8.2.3 Public Policy Responsiveness

(a) **Regulatory Filings**

A good relationship with our regulator is important, as is the integrity and credibility that comes with completing the requirements set out by the regulator on time. NBHDL implemented an internal target to monitor performance in this regard in 2019.

Target: Complete all scheduled regulatory filings on time
2019 Achievement: All regulatory filings made on time (Full achievement – note – executive certification for one of the filings was one day late due to logon credential issues, but the filing was submitted on time.)

(b) **New Provincial Initiatives**

Although at times the implementation of new provincial initiatives is difficult, or we are not fully aligned with the direction or intention of the initiative, we recognize our role to provide the customer with benefit and our duty to implement programs, optionality, and/or rebates that accomplish that. NBHDL tracks these initiatives and judges itself on the ability to implement them at the prescribed time.

Target: Implement new initiatives at the prescribed time
2019 Achievement: All new initiatives implemented at the prescribed time (Full Achievement)

2.1.8.2.4 Financial Performance

(a) **Key Performance Indicators (KPIs)**

NBHDL has for many years monitored its financial performance with the use of monthly KPIs that track actuals against budgeted items. They aid management in decision making throughout the year, ensure progress is in line with budget expectations and are provided monthly to the NBHDL Board of Directors in a dashboard form that provides a quick overview of the company's performance between quarterly board meetings.

The KPIs include the following:

- Distribution Revenue
- OM&A Spending
- Profitability EBITDA%
- EBITDA
- Net Income
- Cash Position
- Gross Capital Spending
- Net Book Value
- Debt
- Shareholder's Equity
- kWh Purchases

An example of the KPI dashboard can be found in Appendix 1-G.

(b) **Incentive Plan**

The NBHDL management team is incentivized based on four metrics, three of which are financially based. They are as follows:

- EBITDA
- ROE
- NBV

Achievement is based on obtaining a percentage of the target/budgeted amount which translates into points. It is as follows:

Results	Points
Actual < 80% of Budget	0
Actual 80-90% of Budget	12.5
Actual 90-95% of Budget	20
Actual > 95% of Budget	25

The incentive motivates management to work hard at achieving budgeted results and in turn ensuring the financial success of the company year in and year out.

The fourth metric is safety based and is tied to the achievement of no-lost time incidents in the given year. This motivates the management team to stand behind the value of safety, ensuring it is indeed the highest priority at NBHDL.

2.1.8.3 EFFICIENCY ASSESSMENT

Efficiency assessment, an element of the OEB Scorecard, is based on the PEG model. Since the inception of the PEG model, NBHDL has been ranked in Cohort 3, deemed average efficiency. Although NBHDL would like to move into a lower efficiency grouping (Cohort 1 or 2), due the size of the NBHDL service territory, the capital asset requirements and lack of customer growth, it is unrealistic to achieve based on the model inputs. NBHDL's goal is to remain in Cohort 3, while trying to improve its percentage within the Cohort.

NBHDL has completed the 2020 Benchmarking Spreadsheet Forecast model and has attached the file as part of the Application. The table below (Table 1-57) illustrates the that NBHDL will maintain its stretch factor 3 ranking.

Table 1 - 57: PEG Summary Table

Cost Benchmarking Summary	2019 Actual	2020 Bridge	2021 Test	2022 Forecast	2023 Forecast	2024 Forecast
Actual Total Cost	17,721,539	19,049,580	20,483,290	20,942,284	21,412,578	21,930,036
Predicted Total Cost	16,873,219	17,542,014	18,238,195	18,979,388	19,745,769	20,546,239
Difference	848,320	1,507,566	2,245,095	1,962,896	1,666,809	1,383,797
% Difference (Performance)	4.9%	8.2%	11.6%	9.8%	8.1%	6.5%
Three-year Average Performance			8.3%	9.9%	9.9%	8.2%
Stretch Factor Cohort						
Annual Result	3	3	4	3	3	3
Three-year Average			3	3	3	3

2.1.9 FINANCIAL INFORMATION

2.1.9.1 NON-CONSOLIDATED AUDITED FINANCIALS

Copies of NBHDL's 2018 and 2019 Audited Financial Statements are provided in Appendix 1-H.

2.1.9.2 RECONCILIATION BETWEEN AUDITED FINANCIAL STATEMENTS AND REGULATORY ACCOUNTING

Reconciliations of NBHDL's Audited Financial Statements to the annual RRR Trial Balance for 2018 and 2019 are provided in Appendix 1-I.

2.1.9.3 ACCOUNTING TREATMENT OF NON-UTILITY BUSINESSES

NBHDL was previously engaged in the delivery of the IESO's Conservation First Framework and continues to provide Street Light Maintenance and Construction Services. The accounting for these activities is segregated from NBHDL's rate regulated activities in accordance with the Board's Accounting Procedures Handbook for Electricity Distributors.

2.1.9.4 MOST RECENT ANNUAL MD&A FOR DISTRIBUTOR AND PARENT COMPANY

NBHHL does not publish an annual MD&A. NBHDL has provided its most recent annual MD&A in Appendix 1-E.

2.1.9.5 RATING AGENCY REPORT

Not Applicable.

2.1.9.6 PROSPECTUS OR INFORMATION CIRCULARS

NBHDL does not have any publicly traded debt or equity. NBHDL currently has no plans to issue public debt or equity in the 2021 Test Year.

2.1.9.7 CHANGES IN TAX STATUS

NBHDL is a corporation incorporated pursuant to the *Ontario Business Corporations Act* and has not had a change in tax status since its last COS application.

2.1.9.8 DESCRIPTION OF EXISTING ACCOUNTING ORDERS AND A LIST OF DEPARTURES

The 2021 COS Application is to be filed on a MIFRS accounting basis, and therefore, NBHDL has prepared its Application on a MIFRS basis. NBHDL does not have any accounting orders and NBHDL has not departed from the Accounting Procedures Handbook and therefore there is not a list of departures.

2.1.9.9 COMPLIANCE WITH THE UNIFORM SYSTEM OF ACCOUNTS

NBHDL has followed the accounting principles and main categories of accounts as stated in the Board's Accounting Procedures Handbook (APH) and Uniform Systems of Accounts (USoA) in the preparation of this Application.

2.1.9.10 ACCOUNTING STANDARDS USED FOR GENERAL PURPOSE FINANCIAL STATEMENTS

NBHDL adopted IFRS on January 1, 2015 and continues to use IFRS for General Purpose Financial Statements.

2.1.10 DISTRIBUTOR CONSOLIDATION

On January 16, 2019, North Bay (Espanola) Acquisition Inc. ("NBEAI") (an affiliate of NBHDL) filed a Mergers, Amalgamations, Acquisitions and Divestitures application (EB-2019-0015) ("MAADs Application") which sought approval for the acquisition of Espanola Hydro Holdings Corporation ("ERHHC") and Espanola Regional Hydro Distribution Corporation ("Espanola Hydro") by NBEAI and the amalgamation of NBEAI, ERHHC and Espanola Hydro to form Espanola Regional Hydro Distribution Corporation ("ERHDC"). These approvals formed Phase 1 of a two-phase transaction.

In its August 22, 2019 Decision and Order, the Ontario Energy Board ("OEB" or "Board") approved Phase 1 of the two-phase transaction. Effective October 1, 2019, the former entities amalgamated pursuant to the

provisions of the Business Corporations Act, 1990 (Ontario), to continue as one corporation under the name of Espanola Regional Hydro Distribution Corporation.

In this context, NBHDL confirms that:

- Due to the continued operation of the PUC Services Agreement, which expires on February 28, 2022 and includes cost prohibitive provisions associated with early termination that would not create value for ratepayers, NBHDL and ERHDC continue to be operated on a stand-alone basis.

- NBHDL confirms that there are no incentives that formed part of the acquisition and amalgamation that represent costs that are included or are being proposed to be included in NBHDL's rate base and/or revenue requirement.

- NBHDL confirms that there are no commitments were made to shareholders that are to be funded through NBHDL rates.

- As was outlined in the MAADs Application, NBHDL and ERHDC continue to operate as separate entities subsequent to Phase 1 and consequently there has been no impact with respect to price or underlying costs. Operational synergies are not yet possible because of ERHDC's obligations and PUC's rights under the PUC Services Agreement. This expectation was acknowledged by the OEB in the MAADs Decision and Order.

- NBHDL confirms that it does not have a prior approval of an ACM or ICM that is now seeking to incorporate into rate base for the first time.

NBEAI included a "Proposed Rate Framework" as part of the MAADs Application. Under the Proposed Rate Framework, following the Phase 1 Transaction, NBHDL and ERHDC would be permitted to continue to operate as independent utilities until 2022 (i.e. after the PUC Services Agreement expires). NBHDL would file its cost of service rebasing application and it would also ensure that ERHDC file a cost of service rebasing application at that time as well. NBHDL and ERHDC's rebasing applications would be heard independently.

Regarding the Proposed Rate Framework, the OEB found that it was consistent with the OEB's policies for one utility to acquire another utility and operate it on a stand-alone basis and by remaining as stand-alone utilities, it would include filing separate rate applications. The OEB also found that the Proposed Rate Framework to file separate cost of service rate applications for 2021 rates for NBHDL and ERHDC was reasonable.

The benefits of the Proposed Rate Framework include:

- NBHDL's rebasing in 2021 as planned and provide updated load forecast, cost allocation and rate design;
- NBHDL filing a comprehensive five-year consolidated distribution system plan in accordance with the OEB's requirements; and
- Following completion of the Phase 2 of the two-phase transaction, NBHDL would commit to only defer rebasing and rate harmonization of the consolidated utility for five (5) years.

Appendix 1-A: Table of Contents

MASTER TABLE OF CONTENTS

EXHIBIT 1: ADMINISTRATION

2.1.5 Distribution System Overview

2.1.5.1 Description of Applicants Service Area

2.1.5.2 Identification of Embedded or Host Utilities

2.1.5.3 Deemed Distribution Assets

2.1.6 Application Summary

2.1.6.1 Revenue Requirement

2.1.6.2 Budgeting and Accounting Assumptions

2.1.6.3 Economic Overview

2.1.6.4 Load Forecast Summary

2.1.6.5 Rate Base and DSP

2.1.6.6 Operations, Maintenance, and Administration Expense

2.1.6.7 Cost of Capital

2.1.6.8 Cost Allocation and Rate Design

2.1.6.9 Deferral and Variance Accounts

2.1.6.10 Bill Impacts

2.1.7 Customer Engagement

2.1.7.1 Overview of Customer Engagement

2.1.7.2 Ongoing Customer Engagement

2.1.7.3 Enhanced Customer Engagement

2.1.7.4 Key Themes and Analysis

2.1.7.5 Budget Response from Engagement Analysis

2.1.7.6 Customer Engagement Activities Summary

2.1.7.7 Letters of Comment

2.1.8 Performance Measurement

2.1.8.1 Scorecard Performance

2.1.8.2 Internal Performance Measures

2.1.8.3 Efficiency Assessment

2.1.9 Financial Information

2.1.9.1 Non-consolidated Audited Financials

2.1.9.2 Reconciliation between Audited Financial Statements and Regulatory Accounting

2.1.9.3 Accounting Treatment of Non-Utility Businesses

2.1.9.4 Most Recent Annual MD&A for Distributor and Parent Company

2.1.9.5 Rating Agency Report

2.1.9.6 Prospectus or Information Circulars

2.1.9.7 Changes in Tax Status

2.1.9.8 Description of Existing Accounting Orders and a List of Departures

2.1.9.9 Compliance with the Uniform System of Accounts

2.1.9.10 Accounting Standards used for General Purpose Financial Statements

2.1.10 Distributor Consolidation

EXHIBIT 2: RATE BASE

2.2 EXHIBIT 2: RATE BASE

2.2.1 Rate Base

2.2.1.1 Rate Base Overview

2.2.1.2 Variance Analysis of Rate Base

2.2.1.3 Fixed Asset Continuity Schedules, including work in progress

2.2.1.4 Fixed Asset Continuity Schedules, excluding work in progress

2.2.2 Gross Assets – Property Plant and Equipment and Accumulated Depreciation

2.2.2.1 Breakdown by Function

2.2.2.2 Variance analysis on Gross Assets

2.2.2.3 Summary of incremental Capital Module Adjustment

2.2.2.4 Reconciliation of Continuity Statements to calculated Depreciation Expenses

2.2.3 Working Capital Calculation

2.2.3.1 Overview

2.2.3.2 Cost of Power Calculations

2.2.4 Capital Expenditures

2.2.4.1 Planned Overview

EXHIBIT 4: OPERATING EXPENSES

2.4 EXHIBIT 4: OPERATING EXPENSES

EXHIBIT 6: CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

2.6 EXHIBIT 6: CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

- 2.6.1 Overview
- 2.6.2 Revenue Requirement
  - 2.6.2.1 Determination of Net Utility Income
  - 2.6.2.2 Statement of Rate Base
  - 2.6.2.3 Actual Utility Return on Rate Base
  - 2.6.2.4 Indicated Rate of Return
  - 2.6.2.5 Requested Rate of Return
  - 2.6.2.6 Deficiency or Sufficiency in Revenue
  - 2.6.2.7 Gross Deficiency or Sufficiency in Revenue
- 2.6.3. Cost Drivers on Revenue Deficiency
  - 2.6.3.1 Change in Methodology

EXHIBIT 7: COST ALLOCATION

2.7 EXHIBIT 7: COST ALLOCATION OVERVIEW

- 2.7.1 Cost Allocation Study Requirements
  - 2.7.1.1 Introduction
  - 2.7.1.2 Load Profiles
  - 2.7.1.3 Cost Allocation Model Inputs/Weighting Factors
  - 2.7.1.4 Services (Account 1855)
  - 2.7.1.5 Billing and Collection (Accounts 5315 – 5340, except 5335) (Sheet I5.2)
  - 2.7.1.6 Meter Capital (Sheet I7.1)
  - 2.7.1.7 Meter Reading (Sheet I7.2)
  - 2.7.1.8 Embedded Distributor Classes
  - 2.7.1.9 Unmetered Loads
  - 2.7.1.10 microFIT Class
  - 2.7.1.11 Standby Rates
  - 2.7.1.12 New Customer Class
  - 2.7.1.13 Eliminated Customer Class
- 2.7.2 Class Revenue Requirements

EXHIBIT 8: RATE DESIGN

2.8 EXHIBIT 8: RATE DESIGN

EXHIBIT 9: DEFERRAL AND VARIANCE ACCOUNTS

2.9 EXHIBIT 9: DEFERRAL AND VARIANCE ACCOUNTS

Appendix 1-B: NBHDL's 5 Year Business Plan (2020-2024)

5 Year Business Plan

2020-2024

Table of Contents

A) Overview

North Bay Hydro Distribution Limited (NBHDL) has the franchise to exclusively distribute electricity within the City of North Bay. NBHDL is an Ontario Business Corporation owned by a municipality and regulated by the Ontario Energy Board. The Business is structured and operated to earn returns permitted under the provincial regulatory framework. NBHDL has rates approved by the Ontario Energy Board including its most recent cost of service application covering the 2015-2020 timeframe. The cost of the service application (public document) included more than 5,000 pages of comprehensive information and evidence including a detailed distribution system plan, OM&A cost review and customer benchmarking. This plan utilizes information provided in that application which was subjected to extensive intervenor review.

In addition, NBHDL must also provide an annual scorecard on key industry metrics with an explanation on material year-over year variances. A copy of the latest scorecard is included in this plan.

The introduction section of this plan includes NBHDL's Mission, Core Business Objectives, OEB Scorecard and an Organizational chart. This plan is structured to deliver on the mission, achieve core business objectives and maintain or improve on key OEB performance metrics. NBHDL has a relatively flat organization consisting of professionals dedicated to serving the community and working safely in what can be a very hazardous environment.

As of October 1, 2019, Espanola Regional Hydro (ERH) was officially acquired by North Bay Hydro Holdings Inc. adding to the North Bay Hydro group of companies. As of today, ERH is an affiliate LDC, a sister company, to NBHDL. The companies will merge in the near term, but for the purpose of this plan, ERH will be treated separately and therefore operations and the financials of ERH are not included in this report. Mergers and acquisitions will continue to be evaluated and considered as a growth strategy for NBHDL.

B) Introduction

i) Mission:

NBHDL is committed to distributing 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.

ii) Objectives:

1. ***Community and customer focus*** - NBHDL carries on the business of distributing electricity within the City of North Bay, it is wholly-owned through its parent company by the City of North Bay, and its head office is in the City of North Bay. Firmly rooted in the local community, NBHDL is well positioned to identify and respond to customer preferences through its business planning processes. NBHDL is committed to maintaining the following customer and community focus objectives.

1.1 Assisting customers in becoming better informed about safe, economical and efficient uses of electricity.

Target: 6 billing inserts/year.

Target: Monthly messaging on the bill.

Target: Increasing the use of social media to provide real time information on system status and activity within the community.

Target: Home and Garden Expo and Downtown Christmas Walk Participation – 6,000 customers.

Target: Business Customer Breakfast Meeting, Contractor (Ally) Meeting.

Target: Annual Chamber of Commerce Meeting.

Target: Business Customer Meetings – minimum largest 15.

1.2 Maintaining service quality and customer satisfaction rates at or above industry targets.

Target: 90% of scheduled appointments met on time.

Target: 65% telephone calls answered on time.

Target: 98% billing accuracy.

Target: “B+” rating on customer satisfaction survey results.

1.3 Facilitating local economic development by providing timely responses to new customer connection or service expansion requests.

Target: 90% of new residential/small business services connected on time.

Target: 90% of low voltage customers (i.e. 750V or less) connected on time.

Target: 90% of high voltage customers (i.e. greater than 750V) connected on time.

1.4 Coordinating infrastructure replacement requirements to minimize costly duplicative civil and construction work.

Targets: Under development. Meet with the CNB quarterly to coordinate and plan capital work.

1.5 Providing good value service for money while providing a fair rate of return to the City of North Bay.

Target: OEB permitted regulatory return on equity.

2. ***Community and worker safety*** - Safety is of utmost importance for NBHDL’s workers and the community. Every task, regardless of conditions, must be executed safely and without harm to NBHDL’s workers or the public. NBHDL has an excellent workplace safety record and remains committed to maintaining this with the following safety related objectives:

2.1 Minimize lost time due to accidents involving NBHDL employees or contractors.

Target: Zero (0) lost time due to accidents involving NBHDL employees or contractors.

Minimize public safety incidents caused by factors within NBHDL's control, such as equipment failure or work procedures.

Target: Zero (0) public safety incidents caused by factors within NBHDL's control, such as equipment failure or work procedures.

Target: Maintain, or exceed, 80% in bi-annual public safety survey that gauges overall electrical safety awareness amongst the general public.

Beginning in 2015, and on a bi-annual basis going forward, all utilities must conduct a survey intended to measure the level of public awareness, within the distributor's service territory, of electrical safety information and precautions related to distribution system assets. NBHDL has conducted this study for the 2015, 2017, and 2019 OEB reporting periods with the most recent bi-annual survey conducted in Q1 2020. For the third consecutive time, NBHDL's Public Safety Awareness Index Score was 81%. NBHDL will continue to promote safety awareness throughout the community.

2.2 Maintain compliance with all relevant Electrical Safety Authority ("ESA") standards and guidelines.

Targets for Audit Results:

a) Zero (0) Non-Compliances in all sections; and
b) One (1) or less Needs Improvements overall.

Targets for Due Diligence Inspection Results:

a) Zero (0) Imminent Fire/Shock/Explosion Hazards on all projects reviewed;
b) Zero (0) Non-Compliances on all projects reviewed; and
c) One (1) or less Need Improvements on each project reviewed.

Targets regarding Public Safety Concerns:

a) Imminent danger – eliminate safety issue on the same day; and
b) Potential danger – eliminate safety issue within ten (10) business days.

3. ***Maintaining distribution system reliability and quality*** – NBHDL is committed to maintaining distribution system reliability and quality to achieve or outperform the targets for NBHDL established by the OEB through the following objectives:

3.1 Managing, maintaining and operating the distribution system in a manner that will, cost effectively, minimize: (i) the average number of hours that power to NBHDL's customers is interrupted; and (ii) the frequency of such interruptions.

Target: Based on OEB target of fixed 5-year average (2010 to 2014) target of 2.10.

Target: Based on OEB target of fixed 5-year average (2010 to 2014) target of 1.99.

3.2 Managing and maintaining the distribution system to meet power quality standards in accordance with good utility practice, all applicable standards and guidelines and NBHDL's Conditions of Service.

Target: Zero (0) voltage issues outside of the extreme conditions and less than five (5) voltage issues outside of the normal conditions but within the extreme conditions annually.

Target: One (1) or less power quality issues annually.

4. ***Continuously improve efficiency and productivity performance to provide better value-for-money*** – NBHDL is committed to continuously improving efficiency and productivity performance to provide better value service for ratepayer money. NBHDL will work towards the following objectives:

4.1 Continuously identifying and implementing measures that will lead to sustainable long-term efficiencies that utilize resources more effectively.

Target: Maintain in Group 3 or in an improved group ranking as determined using the PEG methodology.

A utility must manage its costs successfully in order to help assure its customers that they are receiving value for the cost of the service they receive. In order to evaluate this, the OEB uses a total cost benchmarking evaluation to produce a single efficiency ranking of Ontario's distributors. The efficiency ranking is then segmented into five groups based on the size of the difference between each

distributor's actual costs and its predicted costs as estimated in the benchmarking evaluation. Distributors whose actual costs are lower than their predicted costs are considered more efficient. Actual costs within +/- 10% of predicted costs are considered average performers and ranked in Group 3.

4.2 Actively monitoring and managing NBHDL's productivity performance.

Target: Maintain OM&A spending over the planning horizon period within 2%, year over year, of levels approved in the 2021 rate application subject to OEB annual adjustments.

Target: Achieve e-Billing penetration rate of 50% by 2024. (Currently 31%)

4.3 Maintain staffing levels in accordance with the 2021 rate application.

Target: Execute as per the resource plan contained in the 2021 rate application.

4.4 Manage and, to the extent practical, minimize overtime and sick time levels.

Target for overtime: <10% of hours worked.

Target for sick time: Five (5) sick days per employee per year.

5. ***Actively support provincial and local public policy objectives*** – NBHDL is committed to actively supporting provincial and local public policy energy sector objectives.

Target: 100% achievement of any provincially funded program goals. With the cancelling of the CDM program, there are not any specific targets to meet at this time.

Target: Help to maintain the local tree canopy by planting 100 specimen trees/shrubs per year on the properties of those customers impacted by the vegetation maintenance activities.

Target: Pay dividends to shareholder consistent with shareholder direction.

6. ***Positioning the business for change*** – NBHDL has served the City of North Bay for the last 75 years. NBHDL must continue to evolve its business to meet current and future demands of its customers, the community, and the broader sector.

   Target: Continue to support and connect new technology to the grid, such as Distributed Energy Resources (DERs). The Community Energy Park and a behind the meter battery project at a large manufacturing plant are examples of recent and current projects of this nature.

   Target: Successfully merge Espanola Regional Hydro with NBHDL, forming one LDC by the end of 2022.

   NBHDL is in the sixth year of a typical five-year rate cycle. Through cost control, NBHDL was able to defer rebasing one year, sacrificing ROE for rate stability. NBHDL now must reset rates, while addressing areas of risk. A main element of the rate application will involve eliminating the risks involved with a lean resource complement. Since 2002 NBHDL has operated extremely lean, with minimal management staff, and tremendous continuity risk should the company lose key management personnel unexpectedly or suffer from employee burnout.

   Target: Complete and submit a Cost of Service application in 2020 for new rates May 2021, addressing areas of risk associated with a lean resource complement.

iii) OEB Scorecard:

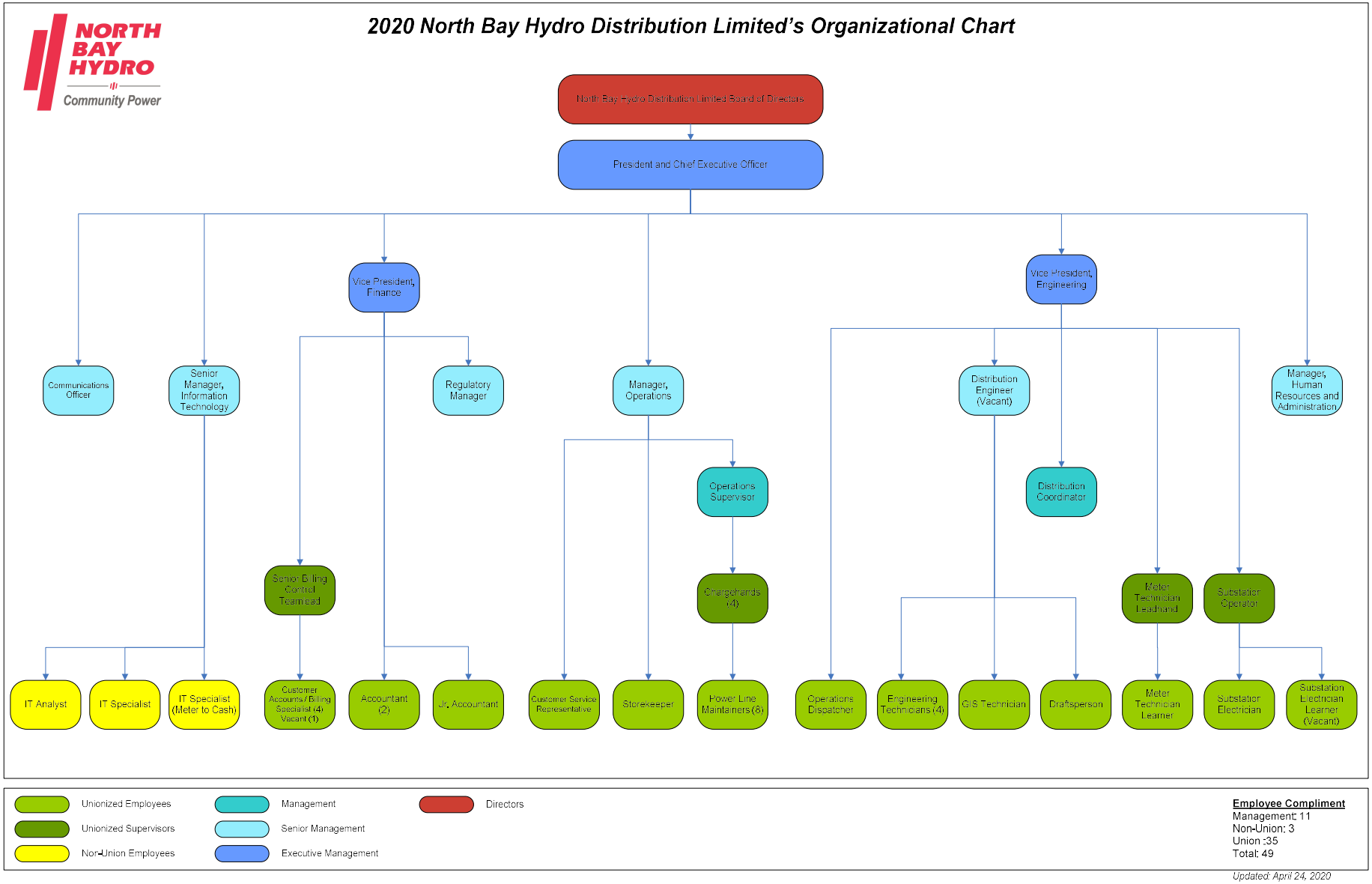
Scorecard - North Bay Hydro Distribution Limited 9/29/2019

Performance Outcomes	Performance Categories	Measures		2014	2015	2016	2017	2018	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%	99.90%	100.00%	100.00%	90.00%		
		Telephone Calls Answered On Time		78.40%	82.10%	83.60%	86.56%	91.13%	65.00%		
	Customer Satisfaction	First Contact Resolution		4	6	14	6	4			
		Billing Accuracy		99.92%	99.88%	99.70%	99.74%	99.72%	98.00%		
		Customer Satisfaction Survey Results		A	A	85%	85%	89%			
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%	81.00%			
		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	0	⇒		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	⇒		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		1.65	1.10	2.29	1.11	1.95	⇓		2.10
		Average Number of Times that Power to a Customer is Interrupted [2]		1.13	0.88	1.98	0.94	1.40	⇓		1.99
	Asset Management	Distribution System Plan Implementation Progress		87%	94%	106%	118%	112%			
	Cost Control	Efficiency Assessment		3	3	3	3	3			
		Total Cost per Customer [3]		$659	$675	$659	$672	$695			
		Total Cost per Km of Line [3]		$27,926	$28,297	$27,680	$28,233	$29,208			
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]						146.00%			
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time									
		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	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.84	2.07	2.09	1.92	1.84			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.81	0.94	0.95	1.01	1.00			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.30%	9.30%	9.30%	9.30%			
			Achieved	7.17%	10.65%	9.01%	8.56%	10.17%			

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 2015-2020 Conservation First Framework. 2018 results are based on the IESO's unverified savings values contained in the March 2019 Participation and Cost Report.

Legend: 5-year trend ⇑ up ⇓ down ⇒ flat; Current year ● target met ● target not met

iv) Organizational Chart:



C) Providing Community Value

NBHDL is an important part of the community providing the following services in a typical year.

i) Typical Year:

- 24,500 phone calls – 5-year average
- 10,000 walk-ins for service in person
- 450-500 trouble calls after hours (non- storm related)
- 3,500 locates
- 261 service spots
- 840 conservation projects
- 59 new services
- 2,719 attachments by communication companies to the overhead distribution system to provide telecom services to customers in North Bay

During major gird outages, decisions are made locally using local resources to restore power to customers within the City of North Bay as quickly as possible.

NBHDL works directly with the City of North Bay to assist with ***local*** economic development.

ii) Supporting Economic Development:

Recent Activities:

- Airport industrial park
- Community Energy Park
- Ski Ridge Estate Subdivision Development
- Cassellholme re-development
- Casino Development

Over the past 5 years, NBHDL has consistently increased in value providing strong returns to its Shareholder.

iii) Providing Shareholder Value:

	2015	2016	2017	2018	2019
Net Book Value	57,637,563	61,257,160	65,569,846	69,301,631	72,267,652
Interest	975,580	814,543	-	-	-
Dividends	783,177	675,782	2,731,535	1,258,855	1,329,025
Shareholder Equity	33,090,961	36,256,533	36,620,997	38,559,895	39,169,036

D) Looking Forward – 2020-2024

i) Resources are currently focused on submitting a Cost of Service application to the OEB for 2021 rates, which will set the stage for the next 5 years.

Regulatory Compliance → Current rates approved to April 2021, with expectation of rebased rates for May 2021 to carry NBHDL to at least 2025.

OEB Scorecard → Favourable trending.

Distribution System Plan → New 5-year investment plan will be submitted with the rate application in 2020.

Banking Covenants → No lender concerns.

Execution of Work Plan → Continued investment in capital infrastructure of $5.5M/6M per year.

Safety Culture		Continue no lost time record, with a culture that is built on constant improvement.

ii) Assumptions – 2020-2024 Planning Horizon:

- Dividends based on current policy
- The merger of Espanola Regional Hydro with NBHDL is planned to occur in 2022, but has not been included in the financial forecasts. No other merger or acquisitions have been contemplated in the plan, but opportunities will be explored.
- Final rate adjustment to fully fixed pricing for distribution rates for residential customers. OEB initiatives continue on pricing structure changes for commercial and industrial customers, but changes are not finalized and therefore have not been factored into the plan.
- 2020 key financial metrics consistent with the 2015 Cost of Service application will see the impact of a one-year deferral of the rate application which was due for May 2019. Specifically, ROE, and in turn dividends, will be lower than normal as a trade-off of an additional year of rate stability. 2021-2024 key financial metrics will be based on the outcomes of the 2021 rate application, which the company is currently preparing.
- Additional resources will be proposed in the 2021 rate application, eliminating the risks of a lean resource complement.
- For the 2020 year, the 2015-2019 plan has been extended one year, but for the majority of the time horizon the focus will be on delivering the 5-year Distribution System Plan and OM&A programs contained within the 2021 rate application. The new plan is currently being drafted.
- A large effort will be put into creating a better customer experience. Areas of focus will include interactions in person, interactions through the website and social media platforms, e-billing improvements and large customer engagement. Overall, the experience for the customer should be efficient and easy.
- The majority of staff turned over in the past five years; succession planning will continue based on the best information available.

- The business has the capacity to borrow and move closer to the deemed debt-to-equity structure that NBHDL's rates and returns are based on. Currently NBHDL is at a 56:44 debt equity ratio. The OEB deems the business to have a 60:40 structure for rate making purposes. The company is currently working with lenders to setup financing capacity for the 2021-2024 investment plan and will be finalized before year end.

- NBHDL will continue to gain experience with and enable connection of new "behind the meter" technologies and Distributed Energy Resources (DERs) including battery storage, smart grid controllers and renewable generation.

- NBHDL will continue to deliver provincially funded programs that provide aid to customers. At this time, the only elective program is the Affordability Fund Trust, but that is scheduled to conclude at the end of March 2021. For planning purposes, elective programs have not been included in the planning horizon.

iii) High Level Financial Highlights:

The following tables are based on the 2020 approved budget, but will be updated in future plans to reflect the new DSP that will be submitted with the 2021 rate application.

DSP Category	2019 ACTUAL DSP	2020 FORECAST	2021 FORECAST	2022 FORECAST	2023 FORECAST	2024 FORECAST
System Renewal - typical projects include voltage conversion, major betterments and substation upgrades	$3,788,369	$ 3,897,803	4,194,779	3,714,840	3,714,840	3,714,840
System Service - typical projects include SCADA system and metering projects such as transition to interval meters for all >50 customers	$ 273,390	$ 451,407	315,492	327,152	327,152	327,152
System Access - typical projects are related to customer demand and include road relocations for the City or MTO, subdivisions, services and minor betterments	$1,756,706	$ 1,009,025	975,675	1,158,009	1,158,009	1,158,009
General Plant - typical projects are related to fleet, IT, building and equipment for staff	$ 770,694	$ 1,264,584	$ 891,503	$ 642,733	$ 455,516	$ 431,583
Total Capital Spending	**$6,589,159**	**$ 6,622,820**	**$ 6,377,449**	**$ 5,842,733**	**$ 5,655,516**	**$ 5,631,583**
Contributed Capital, not included in DSP	$ (483,042)	$ (560,311)	$ (540,176)	$ (530,000)	$ (530,000)	$ (530,000)
Net Capital Spending	**$6,106,117**	**$ 6,062,510**	**$ 5,837,273**	**$ 5,312,733**	**$ 5,125,516**	**$ 5,101,583**

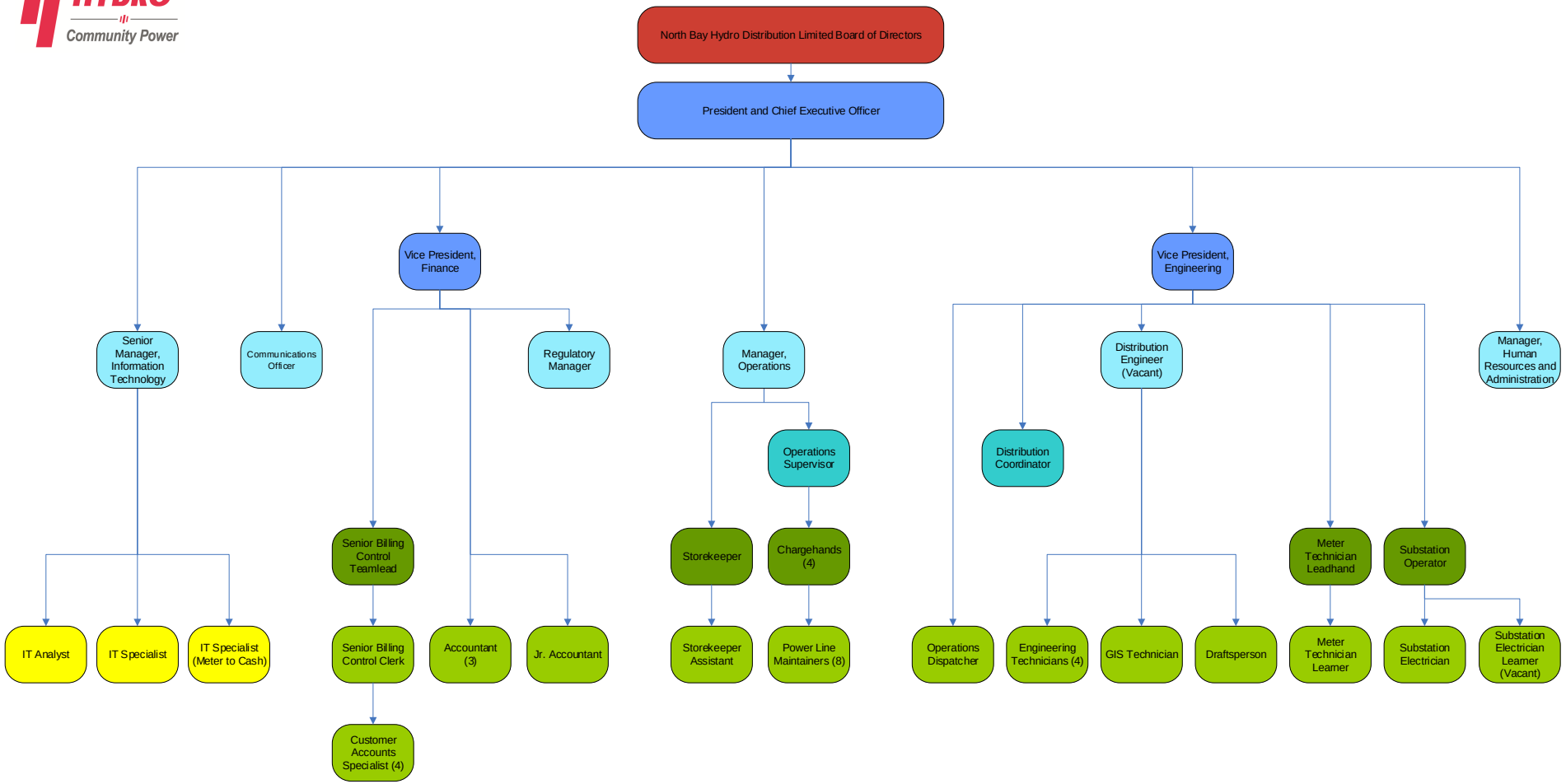
Based on the planning assumptions, including 2019 forecasted results at the time of budget preparation, the following are key financial highlights over the 5-year period. For comparison purposes the table below incorporates 2019 actuals. The results, especially those beyond 2020, are indicative only. This table will be updated in future plans and reflect the outcome of the 2021 rate application.

	2019 Forecast	2019 Actual	2020 Budget	2021	2022	2023	2024	5 Year Total
Customer Billings	72,776,029	70,498,828	85,974,325	87,288,261	92,228,912	96,843,005	101,715,720	464,050,223
Other Revenue	637,639	649,219	585,582	599,065	612,303	625,454	638,633	3,061,038
Total Revenue	73,413,668	71,148,048	86,559,907	87,887,326	92,841,215	97,468,459	102,354,354	467,111,261
Cost of Power	60,258,386	57,947,018	73,344,941	73,344,941	77,566,263	82,030,541	86,751,758	393,038,444
OM&A	6,892,610	6,618,346	7,290,136	7,575,882	7,704,905	7,879,588	8,045,305	38,495,816
Other	4,015,571	4,644,519	4,432,952	4,684,518	5,014,790	5,168,566	5,228,489	24,529,314
Net Income	2,247,100	1,938,166	1,491,878	2,281,985	2,555,257	2,389,764	2,328,802	11,047,686
EBITDA	6,408,366	6,458,726	5,859,979	6,882,016	7,745,583	7,736,309	7,737,721	35,961,609
EBITDA	49%	49%	44%	47%	51%	50%	50%	49%
Gross Capital Spending	6,069,236	6,589,160	6,622,820	6,377,449	5,842,733	5,655,516	5,631,583	30,130,102
Net Book Value	72,247,675	72,267,652	75,559,020	78,472,675	80,617,158	82,492,278	84,357,099	
Dividends	779,025	779,025	492,877	637,189	750,181	726,859	702,298	3,309,404
Special Dividends	550,000	550,000	-	-	-	-	-	-
Total Shareholders Equity	39,477,970	39,169,036	40,476,971	42,121,768	43,926,844	45,589,749	47,216,252	

**The dividend payments are based on current policies and are forecasts only.*
***The table will be updated upon approval of the 2021 rate application.*

Appendix 1-C: Full Organizational Chart for NBHDL

2020 North Bay Hydro Distribution Limited's Organizational Chart



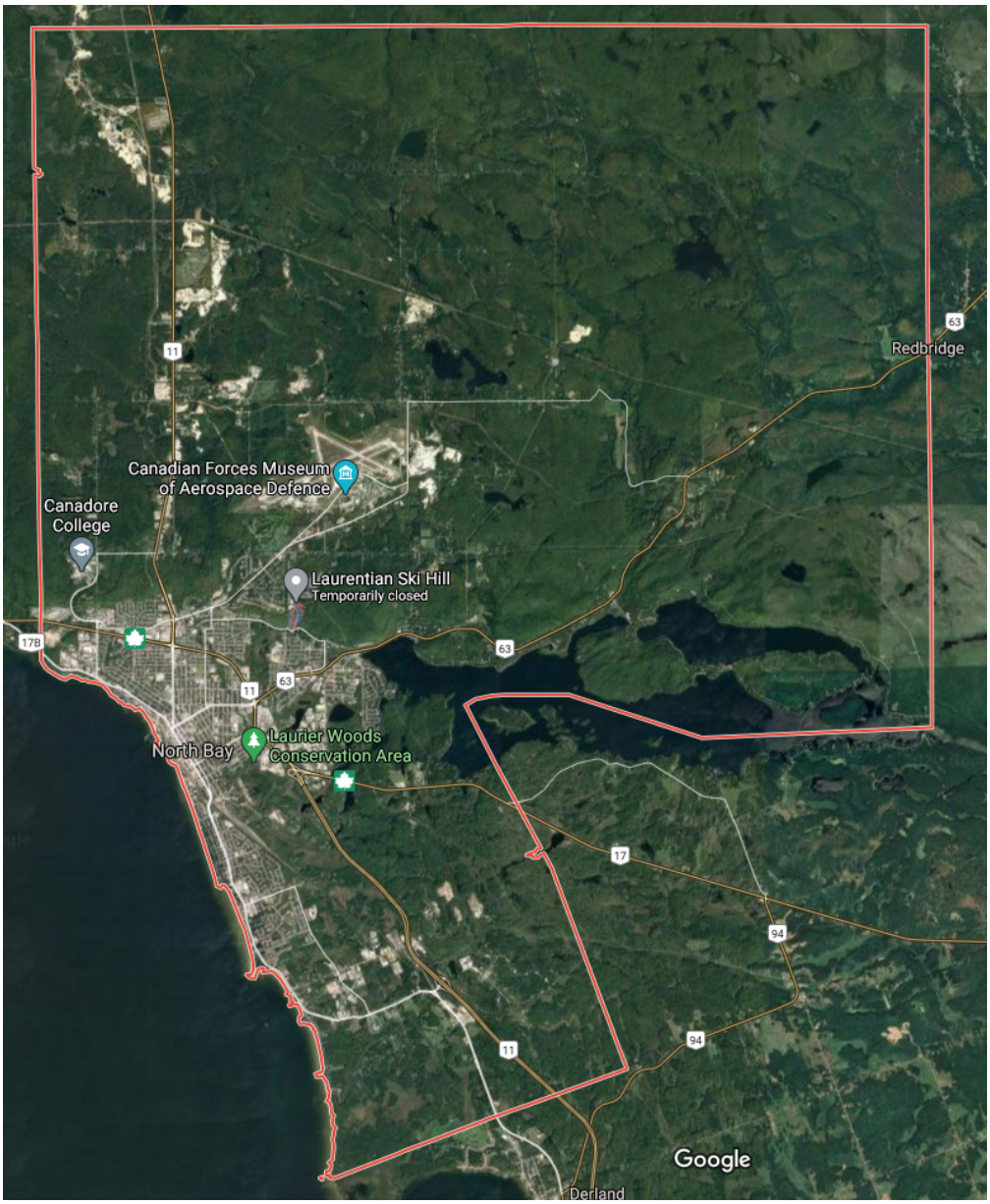
Unionized Employees
Unionized Supervisors
Non-Union Employees
Management
Senior Management
Executive Management
Directors

Employee Compliment
Management: 11
Non-Union: 3
Union :36
Total: 50

Updated: December 30, 2020

Appendix 1-D: Map of NBHDL's Distribution System Territory

NBHDL Distribution Service Territory



Appendix 1-E: OEB Appendix 2-AC Customer Engagement Activities Summary

File Number: EB-2020-0043
Exhibit: 2
Tab:
Schedule:
Page:

Date:

Appendix 2-AC
Customer Engagement Activities Summary

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
Engagement Activities		
EVERYDAY ENGAGEMENT ACTIVITIES:		
Activities	**Activity description**	**Results and actions taken**
10,000 customer walk-ins per year to the office for service	Pay a bill, arrange payment terms, account set up, general inquiries, new service	Maintain this service option, including an ability to make payment in-person. Trained all front office staff to handle majority of issues.
24,000 inbound calls per year between 2015 and 2019, approximately 11,000 outbound calls in 2019	Need to explain the bill, need to make payment arrangements, account balances, billing inquiries	Maintain this service option. All front office staff trained to handle all customer inquiries, or direct to proper department for expertise.
Annual vegetation control program, 4000-6000 customers/year	Maintain safe minimum clearance between trees and utility lines as well as a consistent supply of service to homes and businesses throughout our jurisdiction	Notices to customers of annual trimming, as well as education surrounding the necessity of the program. 4 and 5 year cycle throughout the community.
Locating electrical infrastructure, 2,000-3,000 requests per year	Need to build new infrastructure requires electrical plant to be safely located so construction can proceed	Locates are all now scheduled through On1Call as mandated by the Government of Ontario. On1Call then contacts our contractor to schedule the locates
Annual Vegetation control program, 4000-6000 customers per year	A a consistent supply of service to homes and businesses. It is our responsibility to maintain safe minimum clearance between trees and utility lines throughout our community to enhance reliability	Confirm scope of work on individual properties. Safely establishing right of way. Education and advisement. Removing, and trimming trees to eliminate hazards and provide strong reliability
Electrical Safety Awareness training	Need for elementary students to understand and respect electrical system hazards	In-class program through 21 schools in the North Bay region. Covering safety for JK through Grade 8 classes.
Social Media	Need for instant and efficient updates, feedback and timely information	Customers have continually requested more immediate updates, mainly during power interruptions, to better understand duration and magnitude of outages. In 2013 we established presence on twitter and solidified our engagements on FB, and both are used daily. A more active approach began in 2015 has seen our audience grow significantly. Additionally, NBHDL incorporated social media management software (Hootsuite) to become more effective during these times. With an increased audience on all social media platforms, NBHDL solidified our engagements and both are used daily to provide outage updates, conservation tips, provincial policy changes, promote assistance programs and community involvement
Working with customers on economic development activities	Need for coordinated, multi-utility infrastructure development according to customer schedule and budgets	Core membership in City of North Bay's Development Application Review Team (DART), annual utility coordination meeting to minimize adverse customer impact
Customer Demand Work	Customer require new services, service upgrades, increased transformation, service new developments including subdivisions	Maintain this service, with emphasis on the customer queue with appropriate prioritization
Trouble call response	Customer need for power restoration during unplanned events	24/7 coverage with ability to call in necessary resources to respond to most contingency situations
Roving Energy Managers (2015/2016)	Need for technical expertise to identify and implement complex industrial conservation project, visits to local businesses and investigations into their energy profile	NBHDL obtained special approval from the OPA to engage 2 Energy Managers to technically support our internal efforts
Corporate website (www.northbayhydro.com)	The need for a fast and efficient one-stop location for customers to find any information they may need, or direction, at any given time	Customers requested a more mobile friendly and acessible website. Some changes and adaptations have been introduced; most notably the outage map portion of the website.
Low Income Community Support	Customer feedback has been very clear on difficulties paying for electricity, and support is a necessity	Customer Service, Billing, and Communications Officer are all extremely active in monitoring requests for support and information related to financial programs available. Feedback is used to develop messaging to educate the community on programs available and local support initiatives
Business Customer Focus Group (2016)	Seeking local knowledge and value of conservation programs and opportunities	Developing a targeted communication and marketing plan to enhance branding and program recognition moving forward
Participation in conservation programs - Businesses	Customers have provided clear feedback that they need clear, and up to date, information on the ever-changing conservation programs and initiatives available	Up until the centralization of the Conservation First Frame work and the Save on Energy programs, NBHDL was active in its local promotion and education of business customers to determine their needs, as well as the programs available for them to participate. Including; energy conservation and the value it provides customers. Support was offered to assist customers, identify projects, complete program applications, and implement energy conservation projects.

Participation in conservation programs - Residents	Customers have provided clear feedback that they need clear, and up to date, information on the ever-changing conservation porograms and intiatives available	Up until the centralization of the Conservation First Frame work and the Save on Energy programs, NBHDL was active in its local promotion and education of residential customers to determine their needs, as well as the programs available for them to participate. Including; energy conservation and the value it provides customers. Support to assist customers, identify projects, complete program applications, and implement energy conservation projects.
RATE APPLICATION ENGAGEMENT:		
Activities	**Activity description**	**Results and actions taken**
Phase 1: Customer Engagement Survey (September 2019)	Survey conducted at random, consisting of 50 telephone and 490 online respondents as part of the customer engagement outreach	Refer to Exhibit 1 - Customer Engagement
Phase 2: Customer Re-engagement Survey (October 2019)	Survey conducted at random, consisting of 50 telephone and 427 online respondents as part of the customer engagement outreach	Refer to Exhibit 1 - Customer Engagement
Customer Satisfaction Survey (Biannually)	Determining Customer Needs and preferences by way of phone survey. 400 respondents completed the survey	Refer to Exhibit 1 - Customer Engagement
Safety Survey (Biannually)	Pre-Designed Survey to determine the knowledge of our community	Refer to Exhibit 1 - Customer Engagement
SPECIFIC CUSTOMER OUTREACH		
Timing/Frequency	**Event/Sponsor**	**Outreach description**
2015-2018	North Bay Battalion	Conservation advertising and education through in Ice Logo and relationship with executive level staff
2015, 2016	Memorial Gardens Tradeshow (North Bay Home and Lifestyle Show)	Conservation program education. Bill explanations, coupon giveaways. E-Bill sign up support. 1000+ Attendees
October 2015	Contractor event – Cecil's	Conservation support and educational presentation for local contractors. How to participate, what we can do to assist. 20+ attendees
42339	COGEN Grand Opening	Participation in the opening ceremony for the Cogeneration plant/project with our local hospital. Media present. 75+ attendees
May 2016	Tree Giveaway - Student education	Worked with Greening Nipissing on choosing a school to do donate trees to be planted to all students in attendance. Mayor assisted in the event and was present to take part. 100+ attendees
June 2016	Terry Young IESO	Fostering a culture of Conservation presentation to local business owners and key stakeholders on conservation and program education. 35+ attendees
42461	ICI Presentation	Presentation and ongoing support to Key Stakeholders representing large energy users from local businesses. Instruction and support on taking part in a program that could provide significant savings. 25+ attendees
June 2016	Chamber of Commerce Presentation	Presentation on local conservation projects and initiatives. How to take part, North Bay Hydro's role. Project descriptions. 20 attendees
January 2017	Harriet – Senior Group My Account Presentation	How to sign up for online billing. Conservation education. 20 – 30 attendees
January 2017	RPP Program	Assisted in the building, marketing and implementation of a pilot program that would allow for more opportunity with less behavior change
Annually since 2017	West Ferris Tradeshow	Conservation program education. Save on Energy Truck, Kids games and learning opportunities. Affordability fund sign up support. 500+ attendees
2017	HEAR Program	Residential conservation program delivery and implementation. Delivered conservation type products to customer's homes, provided an assessment of their energy blueprint. 250+ residents
November 2017	CEP Ground-breaking	Participation in the ground breaking ceremony for the first microgrid of its kind in Canada. Media present. 50+ attendees
January 2018	Energy Summit – Montreal	Presentation regarding the Community Energy Park microgrid concept and origin 100+ attendees
March 2018	World Curling Championships	Sponsor for Nationally Televised event. Booth with educational displays and interaction. Digital banner and Conservation discussions throughout the event 69,000+ attendees
June 2018	Northgate Mall	Clothesline giveaway, conservation program education 75+ attendees
June 2019	CEP Grand Opening	Ribbon cutting and media day. Attended by dignitaries, partners, media, and stakeholders. 75+ attendees
October 2019	City Hall Forum	Educational booth to educate on available conservation programs – Emphasis was Affordability Fund. 100+ attendees
Annually/Ongoing	Christmas Walk	Deploy staff and equipment. Support Downtown Improvement Association (local merchants), our City and to raise awareness about seasonal conservation tips, bill education and customer support to offer bucket truck rides and provide additional support through education as well as one-on-one interaction on the value NBHDL. In 2018 and 2019 it was used to promote the AFT program to customers - 2500+ attendees
Annually/Ongoing	North Bay Science Fair	Sponsor of our local North Bay Science Fair. Staff participation to assist with judging, and created an award to present each year for the project that displays the most advanced depiction of conservation or Electricity. 200 – 300 attendees

Annually/Ongoing	School Safety Presentations	Safety and conservation presentations at each of the local school boards. 1000+ attendees over 21 schools
Annually/Ongoing	Earth Day – North Bay Regional Health Centre	Educational booth with employees providing information on conserving and green efforts. Conservation product giveaways to support (I.e. clotheslines) 200+ attendees
Annually/Ongoing	Vegetation Management	100 trees donating locally each year. Education on tree trimming initiatives, enhancing the local canopy. 100+ participants
Annually/Ongoing	Armed Forces Day	Assistance in supporting and encouraging support for our local CFB. Parade, static displays. 2000+ attendees
Annually/Ongoing	Our Hospital Walk Run	Sponsorship support, as well as employee participation. Raising funds for advances in our local hospital. 250+ attendees

Note: Use "ALT-ENTER" to go to the next line within a cell

Appendix 1-F: NBHDL 2019 Scorecard and MD&A

Scorecard - North Bay Hydro Distribution Limited

10/16/2020

Performance Outcomes	Performance Categories	Measures		2015	2016	2017	2018	2019	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%	99.90%	100.00%	100.00%	100.00%	⬆	90.00%	
		Telephone Calls Answered On Time		82.10%	83.60%	86.56%	91.13%	95.65%	⬆	65.00%	
	Customer Satisfaction	First Contact Resolution		6%	14%	6%	4%	3%			
		Billing Accuracy		99.88%	99.70%	99.74%	99.72%	99.87%	➡	98.00%	
		Customer Satisfaction Survey Results		A	85%	85%	89%	89%			
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%	81.00%	81.00%			
		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	0	➡		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	➡		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		1.10	2.29	1.11	1.95	1.16	⬇		2.10
		Average Number of Times that Power to a Customer is Interrupted [2]		0.88	1.98	0.94	1.40	1.35	⬇		1.99
	Asset Management	Distribution System Plan Implementation Progress		94%	106%	118%	112%	119%			
	Cost Control	Efficiency Assessment		3	3	3	3	3			
		Total Cost per Customer [3]		$675	$659	$672	$695	$732			
		Total Cost per Km of Line [3]		$28,297	$27,680	$28,233	$29,208	$30,928			
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]		20.96%	102.04%	129.07%	146.00%	151.00%			20.26 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time						50.00%			
		New Micro-embedded Generation Facilities Connected On Time		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)		2.07	2.09	1.92	1.84	1.69			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.94	0.95	1.01	1.00	1.03			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.30%	9.30%	9.30%	9.30%	9.30%			
			Achieved	10.65%	9.01%	8.56%	10.17%	6.14%			

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 North Bay Hydro Distribution Ltd. ("NBHDL") once again met or exceeded all performance targets, continuing the 5-year trend that consistently shows an efficient, stable business meeting industry objectives.

- ✓ NBHDL operates under the distribution license ED-2003-0024. It owns, operates and manages the assets associated with the distribution of electricity to approximately 21,000 residential customers and 3,000 business customers operating in the city of North Bay.
- ✓ In 2019 NBHDL completed the successful purchase of Espanola Regional Hydro. This acquisition will play a part in NBHDL's measured growth as the two entities move towards full integration in 2022.
- ✓ Through April 2019 NBHDL achieved 151% of its 2015-2020 Conservation and Demand ("CDM") target. A significant driver of this achievement is the leading edge, technologically advanced cogeneration plant that went into operation in late 2015 at the North Bay Regional Health Centre. This project continues to be a great success for all partners involved. Looking forward to future years, provincial CDM programs will be administered through a more centralized delivery, but NBHDL will continue to assist its customers in any way possible to achieve their conservation goals.
- ✓ NBHDL continued to be a leading example of how locally based LDCs play a critical and unique role in the distributed energy future Ontario is embracing and the delivery of energy efficiency programs. Continuing with the forward-thinking approach, NBHDL continued facilitating the connection of the first microgrid of its kind in Canada with the local Community Energy Park, which went into operation in late May of 2019. This project will be a significant example to LDCs looking to provide green energy and resiliency to its communities.
- ✓ NBHDL continued its healthy financial performance in 2019. Liquidity and leverage ratios were well within the target for a healthy, stable company. While the achieved return-on-equity fell outside the deemed threshold, NBHDL is now in the sixth year of a five-year rate cycle and will be filing an upcoming Cost of Service (COS) application to address future capital infrastructure and operating requirements.
- ✓ NBHDL conducted its bi-annual customer safety survey and continues to score well relative to provincial and national averages. This is something NBHDL takes pride in as part of an overall safe work philosophy.
- ✓ 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 customers affected by NBHDL's vegetation management work, staff planted over 100 trees/shrubs throughout the City. This brings the program total to 522 since it began.
- ✓ 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 this report on service quality, customer satisfaction, safety, system reliability, asset management, cost control, CDM results, and financial ratios confirm NBHDL's continuing strong performance in 2019.

Service Quality

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

In 2019 approximately 59 eligible low-voltage residential and small business customers were connected to the system within the five-day timeline prescribed by the OEB, 100% of the time. NBHDL has achieved results above the industry target of 90% since 2009 and has done so through a continued commitment to customers and through adherence to processes in place to meet the five-day window.

Where feasible, NBHDL coordinates connection activities with other planned construction activities undertaken by the utility and throughout the City of North Bay. NBHDL attends the annual utilities meeting held by the City's engineering department and is involved on the City Development and Review Team ("DART") where representatives from all utilities, City departments (Public Works, Parks and Rec, Economic Development Office (EDO), Fire, etc.) and local agencies (MTO, North Bay and Mattawa Conservation Authority, etc.) review applications put forth to the City that involve new development/servicing, zoning changes, and site plan and control. A strong relationship exists between NBHDL and the EDO and this provides the City with the ability to easily obtain information that helps in attracting new development into the NBHDL service territory.

- **Scheduled Appointments Met On Time**

Approximately 4,000 appointments were scheduled with customers in 2019 for various activities including, but not limited to, work requested by customers, conservation and demand management initiatives, providing underground locate services, meter access and investigation when requested by customers. NBHDL also meets with customers regarding the tree trimming program that includes not only discussing the program itself, but addressing customer concerns and questions and obtaining the proper permissions for tree removal or trimming. NBHDL met all of these appointments 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 meet appointments on time at all times. 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 mobile units in the field. Field staff schedule the work within a 5day window. This automation has created a very efficient process for both customers and employees and, unlike many utilities, NBHDL completes this program with in house staff for quality assurance and flexibility to respond to requests.

- **Telephone Calls Answered On Time**

In 2019 Customer Service Representatives ("CSR") handled over 19,000 in-coming calls from customers; over 95% of those calls were answered in 30 seconds or less. This result exceeds the OEB mandated 65% target for timely call response. NBHDL has averaged over 24,501 calls per year to its Customer Service Centre over the last 5 years and has consistently performed ahead of the OEB's target while experiencing improvement in the performance metric resulting in 2019's best result, over 20% ahead of the industry target for the third year in a row.

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, CSRs handled approximately 11,000 outbound calls in 2019.

Customer Satisfaction

With the exception of 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 in order to achieve meaningful comparable information across electricity distributors.

Due to customer demand, NBHDL is one of few utilities to still offer counter service to walk-in customers and front-line staff are trained to resolve customers' issues directly, both on the phone and in-person. 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 CSRs 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 2019 three (3) concerns were escalated to the OEB. This represents less than .02% of NBHDL's 24,000 customers.

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 29% of the total bill for residential customers; the remaining 71% 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.

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 2019 just over 304,000 bills were issued to customers and NBHDL achieved a billing accuracy of 99.87%, exceeding the prescribed OEB target of 98%. Over the last five years, NBHLD has averaged 99.78% 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.

- **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.

Regardless of the OEB's formal introduction of Customer Satisfaction Survey Results customer engagement has always been important to the success of NBHDL, the purpose of which has been to focus on addressing issues of concern raised directly by customers. NBHDL is both proactive and reactive in its customer engagement consultations, the majority of which provide helpful insight into the day to day operations of NBHDL. Historically NBHDL has relied on direct, day-to-day, real time interactions with customers to inform decision making, to advise of issues important to customers and to address communication and customer service needs.

For the 2018 filing, NBHDL once again engaged the commonly used UtilityPULSE for the bi-annual formal customer satisfaction survey. This survey is widely utilized among LDCs in Ontario and the results of the survey contribute to benchmarking scores from electric utility customers across Canada. The survey covers a wide range of issues relating to customer satisfaction, service levels, business operations, reliability, conservation, smart meters and smart grid. The survey provides information that supports improving customer care at every level of the business. In addition to providing NBHDL customer responses to a variety of questions, both provincial and national results were provided to give NBHDL a sense of not only where the company stands in terms of customer perception, but how NBHDL fares across other LDCs in Ontario and across the board in Canada.

The results of the survey provided a snapshot of performance based on customer responses on 6 categories: Customer Care (Price/Value), Company Image (Corporate Leadership/Stewardship) and Management Operations (Operational Effectiveness/Power Quality & Reliability). As the statistic evolved, NBHDL has determined that a percentage (%) result would be more informative, aligned with the other scorecard metrics and provide for easier comparability. NBHDL believes one of the key metrics within the UtilityPULSE survey is the 'Customer Experience Performance rating (CEPr) score'. This is an effectiveness rating and is affected by many dimensions of service. Every touch point with customers on the phone, website or in-person influences what customers think and feel about the organization. NBHDL was able to improve on its 2016 result (85%) and scored 89% on this metric, exceeding the Ontario LDC average of 83% and the National average of 84%. Considering the delicate nature of the province's energy portfolio and the public perception thereof, NBHDL takes pride in knowing its customers have had improved perception year over year. 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. For comparison purposes with the 2014-2015 scorecard results, NBHDL was once again graded with an overall "A" compared to an Ontario and National average of "A" and "B+" respectively.

NBHDL undertook some new metrics in the most recent survey. Specifically focusing on the ability to effectively communicate with its customers, and the overall convenience of service delivery. With respect to communications, UtilityPULSE aggregated an overall Communication Score in which NBHDL scored an 82% as compared to a provincial aggregate of 79%. This focused on both general communications and communications via the customers' preferred methods (email, phone, etc.). On the convenience front, UtilityPULSE inquired about a variety of customers services and whether or not they were satisfied with the access and convenience. For all measurable comparatives, NBHDL scored better than the provincial average, though it is clear that the online experience can be approved upon.

NBHDL sets a high standard for performance when it comes to customer care and is especially proud of this result considering the increase in customer concerns over pricing and value across the Province. NBHDL strives to deliver customer excellence and value and believes this is shown in the various results of the survey including the category of demonstrating credibility and trust, where NBHDL exceeded 85%. In fact, the customer satisfaction results of the survey increased from 92% to 93% after customers went through the entire survey. NBHDL takes great pride in this. We feel that once customers see the big picture of what happens at the local level, within the community, the value of the work we do to provide safe and reliable power and excellent customer service becomes more apparent.

NBHDL will continue to use the bi-annual survey results to benchmark improvement and to identify additional opportunities to enhance customer satisfaction. On-going, daily interactions that leave the customer with the information they need will remain NBHDL's highest priority.

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.

NBHDL has a Joint Health and Safety Committee that meets monthly or as determined by the Committee. Multiple safety training sessions are held for staff throughout the year. While formal meetings and training programs are important, safety is a daily focus and practice for all employees. NBHDL makes every effort to eliminate accidents/incidents in the workplace and should an accident/incident occur, it is investigated for cause(s) and recommended action(s) are put in place when necessary to prevent a reoccurrence.

In 2019 NBHDL did not encounter a lost time incident. 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. This reinforces our safety culture established in 2017 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.

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

In order to gauge overall electrical safety awareness amongst the general public, the ESA was tasked with developing standardized survey questions and methodology in consultation with the Ontario Energy Board and key stakeholders, including distributors. The survey is intended to measure the level of public awareness, within the distributor's service territory, of electrical safety information and precautions related to distribution system assets and 2015 was the first year that the data for this component of measure was shown on utility scorecards. The 3rd bi-annual survey was conducted in early 2020 resulting in a score of 81%, remaining steady as compared to the previous surveys. It's important to note that this survey is not focused on utility customers only; it is completed by randomly-selected residents, 18 years or older, residing in a utility's service territory. In our case, the survey was conducted by telephone among a representative sample of 400 residents of the City of North Bay. NBHDL's score indicates that the public in our service territory have good knowledge about electrical safety, though we believe there is always room for improvement, especially when it comes to safety.

Six core questions were developed and an index score was applied to each response to allow comparability of utilities across the Province. The categories deemed significant to public safety awareness were the likelihood to call before you dig, the impact of touching a power line, the safe proximity to overhead power lines, the danger of tampering with electrical equipment, the safe proximity to a downed power line, and actions taken in vehicle in contact with wires. During February 2020 a random sample of 400 residents of the City of North Bay were contacted by a reputable research group, working on behalf of NBHDL, and asked to complete the public awareness survey. The general public's responses are an impressive benchmark for NBHDL to monitor and compare and NBHDL is proud to see residents maintaining a high level of safety awareness.

Slightly more than half of the respondents (56%) would definitely call before digging while another 22% are 'most likely to call'; NBHDL reminds customers that is it the LAW to call before you dig! A high number of respondents (96%) think touching a power line is very dangerous (we agree!), but we would remind all of this simple

fact: it is very dangerous to touch an overhead power line with your body or any object. Close to 1-in-8 respondents (12%) believe you should maintain a distance of 3 to 6 metres (while half (50%) believe you should maintain a distance of 6 metres or more). A high number of the public (88%) know that tampering with equipment is very dangerous, but this should be 100%. Please stay away from all electrical equipment, it is incredibly dangerous to touch or tamper with and the consequences could be irreversible. A majority (78%) believe you should maintain a distance of 10 metres or more from downed power lines, and a strong majority (86%) believe you should stay in the vehicle until power has been disconnected from the line. Always remember, should your vehicle come in contact with power lines, staying in the vehicle is your best and safest option until the power is disconnected.

After calculating the Public Safety Awareness Index Score, in accordance to OEB parameters, North Bay Hydro had an overall score of 81% for general public awareness. The City of North Bay's public awareness result is one that NBHDL is very proud of and we will continue to do the best job we can to get the message of electrical safety out to the public. While respondents did not pick the 'best' answer for the safe proximity to overhead lines (3 to 6 meters), NBHDL will always caution the public to stay as far away as possible from power lines and encourages a distance of 6 meters or more – you can never be too safe when it comes to electrical safety.

While not a formal component of the scorecard, NBHDL engages the public on the importance of safety through several avenues. An annual school program for grade school students provides an overview of electrical safety, safety messages, dangers in the home, safety tips and what to do, how to stay aware, and hazards – a dill pickle gets electrocuted in the process! NBHDL's website includes a page dedicated to safety. The information provides the hazards and tips on generator safety, what to do when the power goes out, indoor electrical safety, outdoor safety, safety tips for kids, and safety information related to vegetation management. NBHDL also promotes the "Call Before You Dig!" campaign with Ontario One Call.

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 objective 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.

o Component C – Serious Electrical Incident Index

NBHDL has not had any serious incidents due to contact with its infrastructure by the public over the last five years.

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: Foreign Interference, Tree Contacts, and Defective Equipment. Since the NBHDL system is predominantly overhead with a substantial portion running through rural areas, trend data will always correlate with the number and severity of storms that roll through the City each year. NBHDL is an embedded distributor to Hydro One and as such, will experience loss of supply. Loss of Supply is not a variable that NBHDL can alter in an effort 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 5-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.

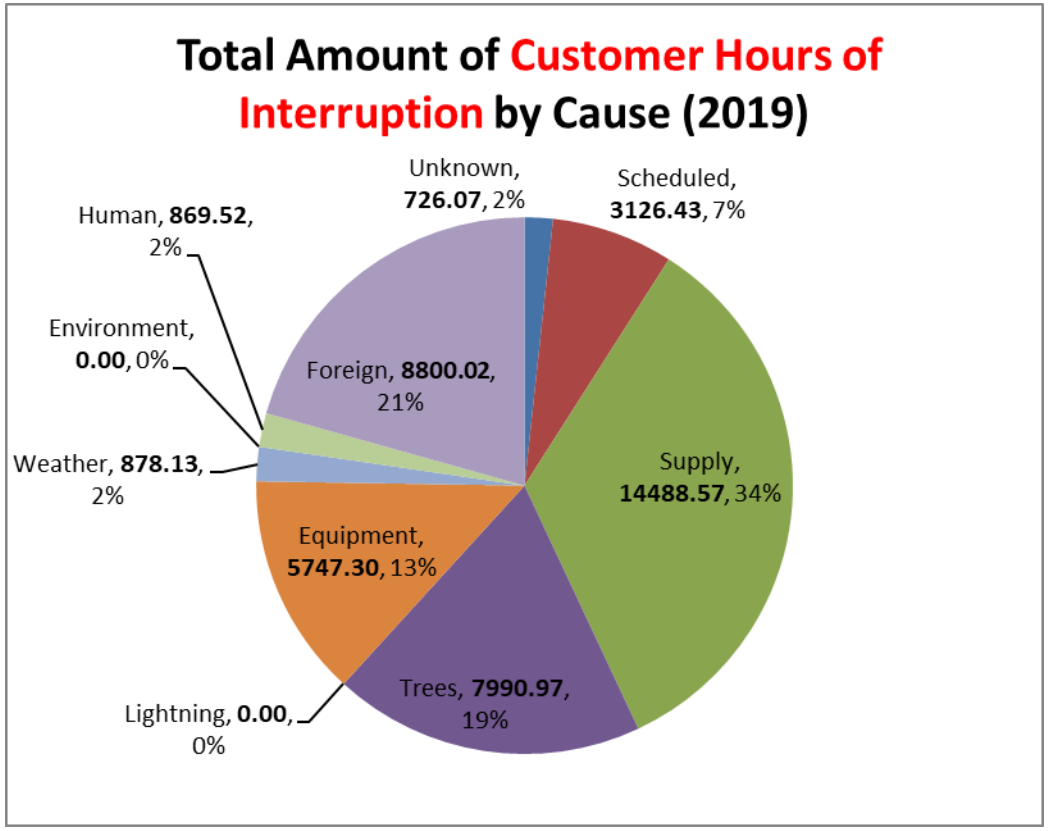
As a proud and active member of the North Bay community, NBHDL has committed to doing its part in restoring the tree canopy in the urban part of the City. As such, NBHDL has continued to maintain efforts to re-green the City while addressing the need for safe tree clearance with respect to power lines. In 2019, NBHDL planted over 100 new trees as part of the re-greening campaign, bringing the total since inception to 522.

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 2019, NBHDL's average number of hours in which power to a customer was interrupted (outage hours not including cause code 2) was 1.16 and below the target range of 2.10. 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. In 2019, Tree Contact and Foreign Interference related outages accounted for a combined 40% of the hours in which power to a customer was interrupted, while Defective Equipment was responsible for 13%. While the decrease in Defective Equipment is significant compared to 2018 (52%), it is due to a relatively small number of incidents in 2018 that affected a comparatively larger number of customers.



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

In 2019, NBHDL's average number of customer interruptions (i.e., frequency) was 1.35 and well below the target range of 1.99. As stated above, occurrence of storms is a significant factor in annual reliability statistics. Foreign Interference and Tree Contact related outages accounted for 12% of the number of times in which power to a customer was interrupted while Defective Equipment was responsible for 4%. While the decrease in Defective Equipment is significant compared to 2018 (40%), the circumstances explained in the bullet above detail the difference.

As explained below in the Asset Management section, NBHDL has put together an extensive plan to address aging infrastructure that addresses old and high-risk defective equipment. This plan provides 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. NBHDL has a largely overhead supplied system and as a result, power lines are more exposed to the elements. While this leads to more outages than underground supplied systems, the trade-off is lower costs to customers.

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 seventeen (17) municipal stations, has almost 575,000 meters of overhead lines and underground cable circuits and there are fifty-seven (57) distribution feeders, eight (8) subtransmission feeders, and 4,026 distribution transformers. A significantly large percentage of the assets employed on NBHDL's distribution system have been in service for much longer than their typical useful life and the main focus of the capital program is investments in system renewal. Specifically, NBHDL has been adhering to a plan to complete a voltage conversion program that began in 1977/1978 – the completion of this project will harmonize the entire system to one distribution voltage for optimal efficiency. An Asset Condition Assessment was utilized in the development of the DSP which uses data related to the health and condition of assets, including asset age, results of testing and visual inspections to determine the risk of asset failure in order to find the right balance between capital investments in new infrastructure and operating and maintenance costs so that the combined total cost over the life of the asset is minimized.

NBHDL has based the DSP implementation progress as a percentage (%) of budgeted gross capital spending compared to actual spending. NBHDL achieved 119% of the DSP forecasted budget of $6.1M in 2019. NBHDL is aligned with total DSP spending to date as variances to budget in a given year are typically addressed in the overall picture of the 5-year plan spending. Given the dynamic nature of the business, a number of issues emerge over the course of a year that require the management to postpone, re-prioritize or otherwise amend the capital work plan adopted at the start of the year. External factors such as extreme cold weather and a deep frost line are the type of elements that can have an impact on the ground when executing the work and cause delays that are outside NBHDL's control.

Significant construction work, totaling just under $2M, continued in the city in 2019. A section of Ski Club Road continues to be worked on as part of a project to revitalize two major 44kV sub-transmission circuits. Substation work of nearly $1.3M included improvements to municipal substation (MS) #11 and #13 as well as the completion of the rehabilitation of MS #10 (Marshall Ave), in addition to other technology upgrades. Customer demand work, and general operational requirements such as building upgrades, IT requirements and planned updates to the fleet also occurred in 2019.

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 2015 - 2019 planning horizon. Throughout 2019 and 2020, NBHDL has been working on the completion of a new DSP; this will cover the upcoming 5-year period (2021-2025) and will be 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 2019 for the eighth year in a row NBHDL was 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 2019, 49% (29 distributors) of the Ontario distributors were ranked as "average efficiency"; 41% were ranked as "more efficient"; 10% were ranked as "least efficient". A core objective of NBHDL is to maintain in Group 3.

- **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 2019 is $732/customer which is a $37 (5.3%) increase per customer over 2018. The average increase over the last 5 years is approx. 2.16% per year. This total cost figure does not reflect NBHDL's actual costs. Rather, these figures represent econometric values derived by the PEG model in order to rank Ontario utilities on a comparative "same size" basis. The total cost used in these measures reflects the mature state of development seen in Northern Ontario and in North Bay; an aging population with increased demands on service.

NBHDL continually strives to manage costs without unduly affecting service to customers or creating significant rate increases while addressing increasing customer expectations of an interactive, value added service provider. NBHDL understands that the service we provide is an essential part of daily life for customers and increasing bills are a concern for all. NBHDL's costs account for approximately 29% of a typical residential customer's bill and the company actively monitors costs against prudent budgets set for both capital and operating costs which are aligned with NBHDL's most recent Cost of Service rate application in 2015. Operating costs are those associated with the maintenance, inspection and operation of the system and those associated with metering, billing and collections.

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 such as Time of Use pricing, growth in wage and benefits costs for employees, as well as 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 will be demonstrated in NBHDL's 2021 rate application.

From the fall of 2019 through to the fall of 2020 NBHDL will be actively involved in a Cost of Service Application that will detail all operating and capital requirements of the company from 2015 through to a forecast of 2021. The 2021 costs will then form the basis of rates for the next 5 years. Staff at the OEB and intervenors, representing various customer groups, will go through thousands of pages of evidence supporting NBHDL's case for rates and test that evidence for reasonability, prudence and justification.

- **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 2019 rate is $30,928 per Km of line, a $1,720 (5.9%) increase over 2019; with an average increase of 2.10% 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 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.

Conservation & Demand Management

- **Net Cumulative Energy Savings (Percent of target achieved)**

NBHDL was committed to helping our customers understand their energy usage by offering programs that enable them to become more energy efficient. We have a history of excellence in Conservation and Demand Management (CDM) program delivery and results and this includes exceeding each of our annual targets in the Conservation First Framework years of 2015, 2016, 2017 and 2018. The strong program results continued in 2019, having achieved 151% of its 2020 persistent energy savings target.

In 2019 NBHDL was able to demonstrate the value of locally owned and operated LDC's by assisting in the connection of a second cogeneration project, working together with many partners including the City of North Bay. This project had a number of technical challenges to overcome, but NBHDL was able to innovate with its partners to overcome problems unique in the north.

NBHDL also recognizes that collaborations are a key component to our overall success. To help meet NBHDL's conservation goals under the Conservation First Framework that was introduced in 2015 by the Independent Electricity System Operator (IESO), NBDHL worked with other Utilities in the province through a collaborative group called Ecobility (formerly CustomerFirst) to design and deliver cost effective conservation programs for our customers. The six participating utilities in the Ecobility group continue to perform above average on energy savings and operate under their allocated budget. By working together, Ecobility utilities have found efficiencies in the delivery of conservation and this led to further cost savings for electricity customers.

As announced on March 21, 2019 by the Minister of Energy, Northern Development and Mines, the IESO was directed to cancel the conservation programs running through electrical utilities in the Province and those business programs that remained, were to be delivered directly by the IESO. While no longer directly involved in program delivery, NBHDL remains committed to assisting its customers in achieved their conservation goals and believes that LDCs are the best suited to deliver conservation to the local communities they serve.

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. There were two CIAs in 2019. NBHDL has three (3) FIT installations with generating capacity of 1.89 MW, including the Merrick Landfill. NBHDL currently has 5 Net-Metering connections. This continues to be a positive option for customers looking to connect with smaller electrical generation installations.

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

In 2017, the microFIT program ceased accepting new applications.

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 1.84 in 2018 to 1.69 in 2019 primarily due to a decrease in accounts receivable and an increase in short term debt. NBHDL’s current ratio in subsequent years is expected to remain at current levels or slightly increase with future borrowing and continual management of accounts receivable and liabilities.

- **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. NBHDL held relatively stable in 2019 where the exchange of new debt was offset by a comparatively lower net income which is reflected in a slight increase in the ratio to 1.03 in 2019 as compared to 1.00 in 2018.

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's last Cost of Service application was finalized in November 2015 and approved rates included an expected (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**

NBHDL’s achieved return in 2019 was 6.14%, which is outside the +/-3% range allowed. Given that NBHDL was in the fifth year of a cost or service cycle and will return with a new application in late 2020 for 2021, this is not an indication of overall health or performance. No regulatory review was deemed necessary by the OEB.

Productivity improvements and operational efficiencies 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.

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.

Appendix 1-G: Example of the KPI Dashboard

NBHDL
Key Performance Indices - Trending

Monthly Financial Information	Aug-20	Aug20 Budget	Variance		Budget Fiscal 2020			
	$M	$M	$M		$M			
Distribution Revenue	8.3	8.4	(0.1)	✓	12.4	+ / - 5%	< budget 6%-10%	< budget + 10%
OM&A	4.6	4.9	(0.3)	✓	7.1	+ / - 10%	> budget 11%-14%	> budget + 15%
Profitability EBITDA %	47.1%	45.6%	1%	✓	45.9%	+ / - 5%	< budget 7%-20%	< budget + 20%
EBITDA	4.1	4.0	0.1	✓	6.1	+ / - 5%	< budget 6%-10%	< budget + 10%
Net Income	1.3	1.1	0.2	✓	2.0	+ / - 5%	< budget 6%-10%	< budget + 10%
Cash Position	7.3	7.2	0.1	✓	9.1	+ / - 10%	< budget 11%-20%	< budget + 20%
Gross Capital Spending	3.0	3.7	(0.7)	✗	6.2	+ / - 10%	< budget 11%-14%	< budget + 15%
Variance driven primarily by timing due to COVID-19 including large general assets - mezzanine project / front office renovation / backyard cold storage project / fleet purchases, including bucket truck, and rehab of MS13 began in September								
NBV	73.1	73.8	(0.6)		71.7			
Debt	37.8	37.8	0.0		40.4			
Shareholder's Equity	40.4	40.5	(0.0)		39.2			
kWh Purchases	332,028,557	342,042,825	(10,014,268)	✓	506,756,130	+ / - 5%	< budget 6%-10%	< budget + 10%

NBHDL
Key Performance Indices - Trending

Monthly Financial Information	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun-20	Jul-20	Aug-20	Aug20 Budget	Variance		Budget Fiscal 2020			
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M		$M			
																	✓	!	✗
Distribution Revenue	11.7	11.9	12.3	12.6	1.1	2.1	3.2	4.2	5.2	6.2	7.2	8.3	8.4	(0.1)	✓	12.4	+ / - 5%	< budget 6%-10%	< budget + 10%
OM&A	6.2	6.4	6.3	6.6	0.5	1.0	1.7	2.5	3.2	3.7	4.2	4.6	4.9	(0.3)	✓	7.1	+ / - 10%	> budget 11%-14%	> budget + 15%
Profitability EBITDA %	49.9%	50.1%	52.8%	52.2%	59.5%	57.6%	52.0%	43.2%	41.5%	44%	44.9%	47.1%	45.6%	1%	✓	45.9%	+ / - 5%	< budget 7%-20%	< budget + 20%
EBITDA	6.3	6.4	6.9	6.9	0.7	1.3	1.7	1.9	2.2	2.7	3.4	4.1	4.0	0.1	✓	6.1	+ / - 5%	< budget 6%-10%	< budget + 10%
Net Income	3.8	3.1	3.2	1.8	0.3	0.4	0.7	0.5	0.5	0.9	1.0	1.3	1.1	0.2	✓	2.0	+ / - 5%	< budget 6%-10%	< budget + 10%
Cash Position	12.3	12.1	7.8	11.2	9.1	7.6	7.4	8.5	9.9	9.7	8.5	7.3	7.2	0.1	✓	9.1	+ / - 10%	< budget 11%-20%	< budget + 20%
Gross Capital Spending	6.3	7.2	6.6	6.6	0.4	0.7	1.0	1.2	1.4	1.9	2.3	3.0	3.7	(0.7)	✗	6.2	+ / - 10%	< budget 11%-14%	< budget + 15%
Variance driven primarily by timing due to COVID-19 including large general assets - mezzanine project / front office renovation / backyard cold storage project / fleet purchases, including bucket truck, and rehab of MS13 began in September																			
NBV	61.3	65.6	69.3	72.3	72.4	72.5	72.5	72.4	72.4	72.7	72.7	73.1	73.8	(0.6)		71.7			
Debt	34.5	37.0	38.5	40.4	40.1	39.8	39.4	39.1	38.8	38.4	38.1	37.8	37.8	0.0		40.4			
Shareholder's Equity	36.3	36.6	38.5	39.0	39.8	39.6	39.9	39.6	39.6	40.0	40.1	40.4	40.5	(0.0)		39.2			
kWh Purchases	508,987,624	499,370,144	512,973,319	512,012,783	51,387,834	99,208,098	143,724,530	180,806,524	216,397,631	251,954,332	294,396,191	332,028,557	342,042,825	(10,014,268)	✓	506,756,130	+ / - 5%	< budget 6%-10%	< budget + 10%

Appendix 1-H: NBHDL's 2018, and 2019 Audited Financial Statements

North Bay Hydro Distribution Limited
Financial Statements
For the year ended December 31, 2018

North Bay Hydro Distribution Limited
Financial Statements
For the year ended December 31, 2018

Table of contents

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Independent Auditor's Report

To the Shareholder of North Bay Hydro Distribution Limited

Opinion

We have audited the financial statements of North Bay Hydro Distribution Limited (the Entity), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
March 27, 2019

North Bay Hydro Distribution Limited
Statement of Financial Position
Expressed in Canadian Dollars
For the year ended December 31, 2018

	Note	2018	2017
Assets			
Current assets			
Cash and short-term investments		$ 7,791,709	$ 12,132,663
Accounts receivable	7	10,830,576	7,519,215
Unbilled revenue		5,867,434	6,329,535
Payment in lieu of taxes receivable	8	142,088	21,050
Inventory	11	738,723	610,225
Prepaid expenses - current		640,999	638,161
Total current assets		26,011,529	27,250,849
Non-current assets			
Property, plant and equipment	5	69,301,631	65,569,846
Prepaid expenses – long-term		63,510	254,041
Financial instrument asset		1,194,928	1,335,704
Deferred taxes	8	1,666,724	2,555,522
Total non-current assets		72,226,793	69,715,113
Total assets		98,238,322	96,965,963
Regulatory deferral account debit balances	4	666,902	450,824
Total assets and regulatory deferral account balances		$ 98,905,224	$ 97,416,787

North Bay Hydro Distribution Limited
Statement of Financial Position (continued)
Expressed in Canadian Dollars
For the year ended December 31, 2018

	Note	2018	2017
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	$ 9,558,632	$ 10,575,337
Deferred revenue		841,982	386,415
Customer deposits - current	7	73,005	113,244
Current portion of long-term debt	15	3,431,093	2,983,225
Total current liabilities		13,904,712	14,058,221
Long-term liabilities			
Customer deposits - long-term	7	737,239	721,988
Contributions in aid of construction	5	3,500,338	3,022,340
Employee future benefits	9	4,256,659	4,559,762
Long-term debt	15	35,060,008	33,988,488
Total non-current liabilities		43,554,244	42,292,578
Total liabilities		57,458,956	56,350,799
Shareholder's Equity			
Share capital	12	19,511,601	19,511,601
Retained earnings		19,059,353	17,275,704
Accumulated other comprehensive income (loss)		(11,059)	(166,308)
		19,048,294	17,109,396
Total shareholder's equity		38,559,895	36,620,997
Total liabilities and shareholder's equity		96,018,851	92,971,796
Regulatory deferral account credit balances	4	2,886,373	4,444,991
Total liabilities, equity and regulatory deferral account credit balances		$ 98,905,224	$ 97,416,787

Signed on behalf of the Board of Directors by

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

North Bay Hydro Distribution Limited
Statement of Comprehensive Income
Expressed in Canadian Dollars
For the year ended December 31, 2018

	Note	2018	2017
Revenue			
Electricity sales		$ 67,424,198	$ 68,378,071
Other		746,080	836,408
		68,170,278	69,214,479
Expenses			
Cost of power		55,082,974	56,443,994
Operating expenses	13	6,430,199	6,576,880
Depreciation and amortization		2,854,199	2,677,812
(Gain) loss on disposal of property, plant and equipment		25,920	154,023
Loss (gain) on foreign exchange		(915)	10,733
		64,392,377	65,863,443
Income from operating activities		3,777,901	3,351,037
Finance income	14	382,647	302,724
Finance costs	14	(1,091,700)	(1,051,545)
Change in interest rate swap	15	(140,775)	890,292
Income before provision for payment in lieu of income taxes		2,928,073	3,492,508
Provision for payment in lieu of income taxes			
Current	8	-	130,864
Deferred		832,823	414,498
		832,823	545,362
Profit for the year before net movements in regulatory deferral account balances		2,095,250	2,947,145
Net movement in regulatory deferral account balances related to profit or loss	3	114,430	16,779
Net movement in regulatory deferral account balances arising from deferred tax movement		832,823	414,498
Profit for the year and net movements in regulatory deferral account balances		3,042,503	3,378,423
Other comprehensive income:			
Remeasurement of employee future benefits (net of (2018 – ($55,974) in tax) (2017-$101,826)	8	155,249	(282,424)
Net and comprehensive income for the year		$ 3,197,752	$ 3,095,999

North Bay Hydro Distribution Limited
Statement of Changes in Equity
Expressed in Canadian Dollars
For the year ended December 31, 2018

	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at January 1, 2017	$ 19,511,601	$116,116	$ 16,628,816	$ 36,256,533
Profit for the year and net movements in regulatory deferral account balances	-	-	3,378,423	3,378,423
Other comprehensive Income, net of tax		(282,424)		(282,424)
Dividends paid	-	-	(2,731,535)	(2,731,535)
December 31, 2017	19,511,601	(166,308)	17,275,704	36,620,997
Profit for the year and net movements in regulatory deferral account balances	-	-	3,042,503	3,042,503
Other comprehensive income, net of tax	-	155,249	-	155,249
Dividends paid	-	-	(1,258,854)	(1,258,854)
Balance at December 31, 2018	$ 19,511,601	$ (11,059)	$ 19,059,353	$38,559,895

North Bay Hydro Distribution Limited
Statement of Cash Flows
Expressed in Canadian Dollars
For the year ended December 31, 2018

	2018	2017
Cash Flows From Operating Activities		
Profit for the year and net movements in regulatory deferral account balances	$ 3,042,503	$ 3,378,423
Adjustments to reconcile income to net cash used in operating activities:		
Depreciation and amortization	2,854,199	2,677,812
Amortization of contributions in aid of construction	(80,619)	(71,269)
Deferred income taxes	832,823	414,498
Employee future benefit expense	177,966	209,666
Loss on disposal of property, plant and equipment	25,920	184,022
Change in interest rate swap	140,775	(890,292)
	6,993,567	5,902,860
Change in non-cash operating working capital:		
Accounts receivable	(3,311,361)	(65,207)
Unbilled revenue	462,103	1,378,825
Inventory	(128,498)	(98,920)
Prepaid expenses	187,692	215,043
Accounts payable and accrued liabilities	(1,016,705)	(558,591)
Deferred revenue	455,568	277,342
Payment in lieu of taxes	(121,038)	261,821
Customer deposits	(24,988)	127,141
Net cash flows from operating activities	3,496,340	7,440,315
Cash Flows from investing activities		
Proceeds from sale	3,432	
Purchase of property, plant and equipment	(6,615,336)	(7,174,523)
Changes in regulatory deferral account balances	(1,774,695)	(607,059)
Cash used in investment activities	(8,386,599)	(7,781,582)
Cash Flows from financing activities		
Contributions received in aid of construction	558,617	728,037
Dividends paid	(1,258,854)	(2,731,535)
Employee future benefits paid	(269,846)	(239,718)
Repayment of long-term debt	(2,980,612)	(2,553,477)
Advances of long-term debt	4,500,000	5,000,000
Cash provided by financing activities	549,305	203,307
Net decrease in cash	(4,340,954)	(137,959)
Cash and short-term investments, beginning of year	12,132,663	12,270,623
Cash, end of year	$ 7,791,709	$ 12,132,663

1. CORPORATE INFORMATION

North Bay Hydro Distribution Limited's (the "Company") main business activity is the distribution of electricity under authority of the Ontario Energy Board ("OEB") Act, 1998. The Company owns and operates an electricity distribution system, which delivers electricity to approximately 24,350 customers located in North Bay, Ontario.

Operating in a regulated environment exposes the Company to regulatory and recovery risk.

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory balances. All requests for changes in electricity distribution charges require the approval of the OEB.

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. North Bay Hydro Distribution Limited is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

The address of the Company's corporate office and principal place of business is 74 Commerce Crescent, North Bay, Ontario, Canada.

The sole shareholder of the Company is the Corporation of the City of North Bay.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of North Bay Hydro Distribution Limited have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on March 27, 2019.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars (CDN$), which is also the Company's functional currency, and all values are rounded to the nearest dollar, unless when otherwise indicated.

c) Judgment and Estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving critical judgments and estimates in applying

2. BASIS OF PREPARATION (CONTINUED)

accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The calculation of the impairment of accounts receivable (Note 7)
- The recognition of regulatory debit and credit balances (Note 4)
- The determination for the provision for Payment in Lieu of Taxes since there are many transactions and calculations for which the ultimate tax determination is uncertain (Note 8); and
- The calculation of the net future obligation for certain unfunded health, dental and life insurance benefits for the Company's retired employees (Note 9).

In addition, in preparing the financial statements the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgement.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2018 did not materially affect the Company's financial statements other than those described below.

IFRS 9 Financial Instruments (IFRS 9)

On January 1, 2018, the Company adopted IFRS 9 Financial Instruments (IFRS 9), which supersedes IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities; new guidance for measuring impairment on financial assets; and new hedge accounting guidance. The Company adopted IFRS 9 retrospectively, however despite the retrospective adoption of IFRS 9, the Company is not required, upon initial application, to restate comparatives.

(i) Classification and measurement of financial instruments

On adoption of IFRS 9, in accordance with its transitional provisions, the Company has not restated prior periods but has reclassified the financial assets held at January 1, 2018, retrospectively, based on the new classification requirements and the characteristics of each financial instrument as at the transition date. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The Company did not choose the option of designating any financial liabilities at fair value through profit or loss (FVTPL) as such, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and FVTPL.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

The following table shows the original classification and carrying amount under IAS 39 and the new classification and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018.

Financial Instrument	Note	IAS 39		IFRS 9	
Financial assets					
Cash and short-term investments		Loans and receivables	$ 7,791,709	Amortized cost	$ 7,791,709
Accounts receivable	7	Loans and receivables	10,831,576	Amortized cost	10,831,576
Unbilled service revenue		Loans and receivables	5,867,434	Amortized cost	5,867,434
Financial instrument asset		Loans and receivables	1,194,928	Amortized cost	1,194,928
Financial liabilities					
Accounts payable and accrued liabilities	9	Other financial liabilities	$ 9,558,632	Amortized cost	$ 9,558,632
Customer deposits	7	Other financial liabilities	810,244	Amortized cost	810,244

(ii) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. This applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IAS 39, accounts receivable would be first provisioned for when it is deemed that the collection is unlikely. Upon adoption of IFRS 9 the Company measures the loss allowance at an amount equal to the lifetime ECL that results from possible default events over the expected life of accounts receiveables and unbilled service revenue. The Company measures the loss allowance by reviewing its customer receivables and related unbilled revenues for credit factors including aging analysis and collection history patterns.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

On January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers (IFRS 15). IFRS 15 contains a five-step model that applies to contracts with customers that specifies that revenue is recognized when or as an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized at a point in time or over time.

The Company adopted IFRS 15 using the modified retrospective approach, with recognition of transitional adjustments in opening retained earnings of the date of initial application (January 1, 2018), without restatement of comparative figures. IFRS 15 provides for certain options practical expedients, including those related to the initial adoption of the standard. The Company has not had a need to apply any expedients upon adoption of IFRS 15 on January 1, 2018.

(i) Recognition and measurement

Electricity sales are based on the cost of power and usage by the customer. For Regulated Price Plan (RPP) customers, the OEB has set a fixed rate which should approximate the true cost of power. The Company recovers the difference between amounts billed to RPP customers for electricity changes (RPP rate) and the cost to purchase the electricity (RPP Settlement Amount) from the IESO. In accordance with IAS 18, the RPP Settlement Amount was recorded as part electricity sales, as revenue should be measured at the fair value of consideration received or receivable.

In accordance with IFRS 15, revenue is recognized at the transaction price as per the contract with the customer. The contract with a RPP customer states the transaction price as the OEB RPP rate. As such, the RPP Settlement Amount will be recorded as a reduction/addition from/to purchased power instead of electricity sales. For the year ended December 31, 2018, the effect of applying IFRS 15 is an increase/decrease in electricity sales of $Nil and an increase/reduction to purchased power of $Nil.

Capital contributions received from developers to construct or acquire property, plant and equipment for the purpose of connecting future customers to the distribution network are considered out of scope of IFRS 15. Capital contributions received will be recognized as contributions in aid of construction and amortized into revenue at an equivalent rate to that used for depreciation of the related property, plant and equipment (PP&E).

The adoption of IFRS 15 had no impact to opening retained earnings as at January 1, 2018.

(ii) Disclosure

Amendments were also made to IFRS 15 introducing expanded qualitative and quantitative disclosures, which the Company has also adopted for the annual period beginning January 1, 2018.

Impacts of adopting IFRS 9 and IFRS 15 on the Company's financial statements on January 1, 2018

The adoption of IFRS 15 and 9 did not result in any changes to the statement of financial position on January 1, 2018.

4. REGULATORY DEFERRAL ACCOUNT BALANCES

In accordance with IFRS 14, the Company has continued to apply the accounting policies it applied in accordance with the pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances. Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets.

Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process.

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Management continually assesses the likelihood of recovery of regulatory balances. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

4. REGULATORY DEFERRAL ACCOUNT BALANCES (CONTINUED)

The balances and movements in the regulatory deferral account balances shown below are presented net of related deferred taxes. These deferred taxes are not presented within the total deferred tax asset balances shown in Note 8.

All amounts deferred as regulatory deferral account balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Company has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	Remaining recovery period (years)	2018	2017
Regulatory Deferral Account Debit Balances			
Cost of Power (i)	1 – 4	$ 381,987	$ 273,659
LRAMVA (iii)	1 – 4	181,983	104,243
Other (vi)	1 – 4	102,933	72,922
Total Regulatory Deferral Account Debit Balances		$ 666,902	$ 450,824

	Remaining recovery period (years)	2018	2017
Regulatory Deferral Account Credit Balances and related Deferred Tax	Remaining recovery period (years)		
Cost of Power - Wholesale Market Service (i)	1 – 4	$ (607,380)	$ (1,022,271)
Cost of Power – Global Adjustment (i)	1 - 4	(25,913)	(603,238)
Disposition/rec – 2014 - 2018 (ii)	1 - 4	(433,182)	(151,268)
Retail cost variances (iv)	1 – 4	(131,763)	(112,690)
Deferred income taxes (v)	5 - 25	(1,666,724)	(2,555,522)
Other (vi)	1 – 4	(21,412)	-
Total Regulatory Deferral Account Credit Balances and related Deferred Tax		$ (2,886,373)	$ (4,444,991)

4. REGULATORY DEFERRAL ACCOUNT BALANCES (CONTINUED)

In the absence of rate regulation, these rate regulated assets and liabilities would be recognized in income in the year in which they relate. As a result, the net effect on income for the period is as stated below.

i. Cost of Power

This account is comprised of the variances between amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service charged to the Company for the operation of the wholesale electricity market and grid, including commodity and global adjustment, various wholesale market settlement charges and transmission charges. Under the OEB's direction, the Company has deferred the settlement variances that have occurred since May 1, 2002 in accordance with the AP Handbook. Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specific interest rate as outlined by the OEB. The Company did not recognize carrying charge income related to the retail settlement variance accounts for external reporting purposes prior to December 31, 2003.

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under Modified IFRS (MIFRS). In absence of rate regulation, revenues in 2018 would have been lower by $1,110,543 (2017 - lower by $39,789).

As a component of the yearly Incentive Regulation Mechanism (IRM) rate application process, "Group 1" account balances (which are composed of Low Voltage, Wholesale Market, Network, Connection, Power and the Smart Meter Entity charge) are reviewed and will qualify for disposition if balances, including carrying charges, exceed a preset threshold per kWh. The Company has not proposed any disposition in the pending 2019 IRM application for 2019 rates. In 2018, NBHDL disposed of 2016 audited balances for Group 1 accounts – see Note iii.

ii. Disposition/recovery – 2014, 2015, 2016, 2017, 2018

Disposition/recovery – 2014 On August 30, 2013, the Company filed an IRM application for 2014 distribution rates (EB-2013-0157) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets and liabilities. On March 6, 2014, the OEB approved the disposition of net regulatory assets of $864,885 and net regulatory liabilities of $1,594,828 over a one year period commencing May 1, 2014 and ending April 30, 2015. The amounts consisted of principal balances as of December 31, 2012 with carrying charges projected to April 30, 2014. NBHDL will seek disposition of the net residual balance of $17,657 in a future rate application.

Disposition/recovery – 2015 On December 18, 2014, the Company filed a COS application for 2015 distribution rates (EB-2014-0099) with the OEB which included a request seeking disposition of the balances for regulatory assets and liabilities. On July 16, 2015, the OEB approved the disposition of net regulatory assets of $1,554,186 and net regulatory liabilities of ($4,662,850) which includes Group 1 and 2 balances, CGAAP and LRAMVA accounts. The Group 1 and 2 amounts consisted of principal balances as of December 31, 2013 with carrying charges projected to April 30, 2015 for a net total of $455,076 being collected from customers over a one year period commencing July 1, 2015 and ending June 30, 2016. The PP&E – CGAAP and transitional amounts are being refunded to customers over a two year period beginning July 1, 2015 and ending June 30, 2016. The amount owed to customers includes the disposition of the regulatory liability of ($3,793,377). The LRAMVA amount approved for disposition

included the lost revenue for OPA programs up to December 31, 2013 plus carrying charges projected to April 30, 2015 for a total amount of $229,637 being collected from customers over a one-year period commencing July 1, 2015 and ending June 30, 2016. NBHDL will seek disposition of the net residual balance of ($6,614) in a future rate application.

Disposition/recovery – 2016 On March 23, 2016, the Company filed an IRM application for 2016 distribution rates (EB-2015-0092) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets and liabilities. On May 5, 2016, the OEB issued a decision approving the disposition of net regulatory assets of $935,707. The amounts consisted of principal balances as of December 31, 2014 with carrying charges projected to April 30, 2016. The OEB approved disposition of $950,051 over a one year period commencing May 1, 2016 and ending April 30, 2017 for the Global Adjustment amount; the remaining Group 1 account balances netting ($14,344) will be refunded to customers in a future rate application. NBHDL will seek disposition of the net residual balance of $59,666 in a future rate application.

Disposition/recovery – 2017 On September 26, 2016, the Company filed an IRM application for 2017 distribution rates (EB-2016-0214) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets and liabilities. On February 8, 2017, the OEB issued a decision approving the disposition of net regulatory liabilities of ($691,352). The amounts consisted of principal balances as of December 31, 2015 with carrying charges projected to April 30, 2017. The OEB approved disposition over a one-year period commencing May 1, 2017 and ending April 30, 2018. NBHDL will seek disposition of the net residual balance of ($24,814) in a future rate application.

Disposition/recovery – 2018 On October 16, 2017, the Company filed an IRM application for 2018 distribution rates (EB-2017-0065) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets and liabilities. On March 22, 2018, the OEB issued a decision approving the disposition of net regulatory liabilities of ($1,300,650). The amounts consisted of principal balances as of December 31, 2016 with carrying charges projected to April 30, 2018. The OEB approved disposition over a one-year period commencing May 1, 2018 and ending April 30, 2019. The balance owing as at December 31, 2018 is ($479,007).

iii. Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

On April 26, 2012 the OEB released the Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003) which included accounting direction on the treatment of lost revenues from forecasted/unforecasted Conservation and Demand Management (CDM) results on distribution revenue due to variances from forecasted throughput used to establish distribution rates.

The Board established an LRAM variance account ("LRAMVA") to capture the differences between the results of actual, verified impacts of authorized CDM activities undertaken by electricity distributors between 2011-2014 for both Board-Approved CDM programs and IESO-Contracted Province-Wide CDM programs in relation to activities undertaken by the distributor and/or delivered for the distributor by a third party under contract (in the distributor's franchise area) and the level of CDM program activities included in the distributor's load forecast (i.e. the level embedded into rates). At a minimum, distributors must apply for disposition of the balance in the LRAMVA the time of their Cost of Service rate applications.

4. REGULATORY DEFERRAL ACCOUNT BALANCES (CONTINUED)

In the 2014 COS application, the OEB approved disposition of LRAMVA amounts related to CDM programs up to December 31, 2013 in the amount of $221,924; this is now included in the disposition/recovery – 2015 account. On February 8, 2017, the OEB approved disposition of LRAMVA amounts related to CDM programs up to December 31, 2014 in the amount of $191,584; this is now included in the disposition/recovery – 2017 account.

Under the Conservation First Framework, for programs that take place from 2015 to 2020, distributors are to treat lost revenues in a similar manner as those from the 2010-2014 programs with respect to the impact of lost revenues. Distributors are to capture the differences between the results of actual, verified impacts of authorized CDM activities against the LRAMVA threshold included in the most recent Cost of Service application. Accordingly, the Company has recorded $178,128 in the LRAMVA deferral account; this represents amounts related to CDM programs from 2015 to 2017.

iv. Retail cost variances

Retail cost variances were established to record the difference between the amount billed and the incremental costs of providing retail services and to record the difference between the amount billed in relation to a service transaction request and the incremental costs of providing the initial screening and actual processing services for the service transaction request. Under the OEB's direction, the Company has deferred the settlement variances that have occurred since May 1, 2002. Accordingly, the Company has deferred these recoveries in accordance with the AP Handbook.

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under IFRS. In absence of rate regulation, revenues in 2018 would have been higher by $19,072 (2017 - higher by $23,011). The deferred balance for unapproved settlement variances continues to be calculated in accordance with the OEB's direction. The OEB approved disposition of audited 2013 balances in the 2014 COS application - see Note iii.

v. Deferred Income Taxes

The recovery from, or refund to, customers of future income taxes through future rates is recognized as a regulatory deferral account balance. The Company has recognized a deferred tax asset of $1,666,724 (2017 – $2,555,522) arising from the recognition of regulatory deferral account balances and a corresponding regulatory deferral account credit balance of $1,666,724 (2017 - $2,555,522). The deferred tax asset balance is presented within the total regulatory deferral account balances presented in the statement of financial position.

4. REGULATORY DEFERRAL ACCOUNT BALANCES (CONTINUED)

vi. Other

2018 costs relate to carrying charges on accounts included as regulatory credits, increased OEB cost assessments and incremental revenue related to pole attachment charges. In 2016, in addition to an increase in the OEB's internal budget, the OEB also revised its Cost Assessment Model to reflect a change in the methodology used to apportion costs. These changes resulted in a material shift in the allocation of costs. The OEB established a variance account for electricity distributors to record any material differences between OEB cost assessments currently built into rates, and cost assessments that will result from the application of the new cost assessment model. NBHDL has recorded $30,586 in incremental cost assessment increases in 2018 ($38,744 – 2017) in the deferral account in accordance with the guidance on the use of the variance account. In 2018 the OEB revised its approved pole attachment charges for distributors. The OEB established a variance account for electricity distributors to record the revenue difference between these new rates and previously approved rates. NBHDL has recorded ($21,354) as incremental revenue.

For certain of the regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the regulator in determining the item's treatment for rate-setting purposes. Management continually assesses the likelihood of recovery of regulatory assets and realization of regulatory liabilities. If recovery and realization through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated amortization. Costs may include direct material, labour, contracted services, overhead, engineering costs and interest on funds used during construction that are considered applicable to construction. Major spares such as spare transformers and other items kept as standby/back up equipment are accounted for as property, plant and equipment since they support the Company's distribution system reliability. Upon disposal the cost and accumulated amortization of assets are relieved from the respective accounts and any gain or loss is reflected in operations.

Depreciation of property, plant and equipment is recorded in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The estimated useful lives are as follows:

Distribution Assets:	
Building and fixtures	30 - 50 years
Substations	40 - 50 years
Poles, towers and fixtures	45 years
Overhead conductor and devices	60 years
Underground conduit and conductor	40 - 50 years
Distribution transformers	40 years
Overhead and underground services	40 – 60 years
Distribution meters	10 - 25 years
General Assets:	
Buildings	25 – 50 years
Office equipment	10 years
Computer equipment	5 years
Transportation equipment	5 - 8 years
Small tools and miscellaneous equipment	10 years
Load management controls	6 years
System supervisory equipment	15 – 20 years

Land is not depreciated.

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Electrical Distribution Assets	General Assets	Work in process	Total
Cost				
Balance at January 1, 2017	$ 107,624,500	11,879,414	1,628,390	121,132,304
Additions	5,584,344	607,498	982,681	7,174,523
Disposals	(863,965)	(310,374)		(1,174,339)
Balance at December 31, 2017	112,344,878	12,176,538	2,611,071	127,132,487
Balance at January 1, 2018	112,344,878	12,176,538	2,611,071	127,132,487
Additions	6,642,285	297,763	(324,712)	6,615,336
Disposals	(286,282)	(53,766)		(340,048)
Balance at December 31, 2018	118,700,881	12,420,536	2,286,359	133,407,775
Depreciation and impairment losses				
Balance at January 1, 2017	51,541,860	8,333,284	-	59,875,144
Depreciation for the year	2,091,199	586,613	-	2,677,812
Disposals	(679,940)	(310,374)	-	(990,314)
Balance at December 31, 2017	$ 52,953,119	$ 8,609,523	$	$ 61,562,642
Balance at January 1, 2018	52,953,119	8,609,523	-	61,562,642
Depreciation for the year	2,262,348	591,852	-	2,854,200
Disposals	(256,932)	(53,766)	-	(310,698)
Balance at December 31, 2018	$ 54,958,535	$ 9,147,609	$	$ 64,106,144
Carrying amounts:				
At December 31, 2017	$ 59,391,760	$ 3,567,015	$ 2,611,071	$ 65,569,846
At December 31, 2018	$ 63,742,346	$ 3,272,927	$ 2,286,359	$ 69,301,631

6. REVENUE RECOGNITION

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity is recognized over time on an accrual basis upon delivery of electricity, including unbilled revenues accrued in respect of electricity delivered but not yet billed. Sale and distribution of electricity revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings, and are generally due within 30 days of the billing date.

Other revenues, which include revenues from pole use rental, collection charges and other miscellaneous revenues are recognized at the time services are provided. Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers. Contributions vary by project and are based on the criteria set forth in the Distribution System Code. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

The continuity of deferred contributions in aid of construction is as follows:

	December 31 2018	December 31 2017
Deferred contributions, net, beginning of year	$ 3,022,340	$ 2,365,572
Contributions in aid of construction received	558,617	728,037
Contributions in aid of construction recognized as distribution revenue	(80,619)	(71,269)
Deferred contributions, net, end of year	$ 3,500,338	$ 3,022,340

All contributions in aid of construction are cash contributions. There have not been any contributions of property plant and equipment.

7. ACCOUNTS RECEIVABLE, UNBILLED REVENUE AND CUSTOMER DEPOSITS

	December 31 2018	December 31 2017
Accounts receivable due from related parties	$ 953,905	$ 553,302
Short term advances to related parties	2,733,926	275,265
Customer accounts receivable	7,257,277	6,732,023
Loss allowance	(114,532)	(41,375)
Total accounts receivable	$ 10,830,576	$ 7,519,215

a) Recognition and initial measurement

The Company initially recognizes accounts receivable on the date on which they are originated and recognizes unbilled service revenue on the date on which the Company delivers the electricity but has not yet billed the customer. Similar to customer billings, unbilled revenue for distribution service charges are recorded based on meter readings. Accounts receivable and unbilled service revenue are initially measured at fair value.

b) Classification and subsequent measurement

Accounts receivable and unbilled service revenue are classified and subsequently measured at amortized cost because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The carrying amount is reduced through the use of a loss allowance and the amount of the related loss allowance is recognized in profit or loss. Subsequent recoveries of receivables and unbilled service revenue previously provisioned are credited to profit or loss.

c) Fair value measurement

Due to its short-term nature, the carrying amounts of accounts receivable and unbilled service revenue approximates their fair value.

d) Credit risk

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits, which are reported separately from the Company's own cash and cash equivalents. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

Due to its short-term nature, the carrying amount of the accounts receivable due from related parties and other accounts receivable approximates its fair value. Unbilled service revenue reflects the electricity delivered but not yet billed to customers. Customer billings generally occur within 30 days of delivery. The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company has approximately 24,350 customers, the majority of which are residential. The Company considers an account receivable to be in default when the customer is unlikely to pay its credit obligations in full, without recourse by the Company, such as realizing security

(if any is held). Accounts are past-due (in default) when the customers have failed to make the contractually requirements payments when due, which is generally within 30 days of the billing date.

The Company considers an account receivable to be credit-impaired when the customer has amounts more than 90 days past the billing date. In determining the allowance for doubtful accounts, the Company considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

The change in allowance for doubtful accounts related to a $167,985 bad debt expense for the year and accounts receivable write off of $153,888. The carrying amount of accounts receivable is reduced through the use of an allowance for impairment. Subsequent recoveries of receivables previously provisioned were $59,061 (2017 - $50,977.33) and are credited to the income statement. The balance of the allowance for impairment at December 31, 2018 is $114,532 (2017 - $41,375). The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2018, approximately $191,727 (2017 - $151.646) is considered 60 days past due.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to contributions in aid of construction.

Customer deposits represents cash deposits from electricity distribution customers and retailers, as well as construction deposits. Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

	December 31 2018	December 31 2017
Customer deposits – current	$ 73,005	$ 113,244
Customer deposits – long-term	737,239	721,988
Total customer deposits	$ 810,244	$ 835,232

a) Recognition and initial measurement
The Company initially recognizes customer deposits on the date on which the Company received the deposit. Customer deposits are initially measured at fair value.

b) Classification and subsequent measurement
Customer deposits are classified and subsequently measured at amortized cost, using the effective interest rate method.

c) Fair value measurement
The fair value of customer deposits approximates their carrying amounts taking into account interest accrued on the outstanding balance.

8. PAYMENTS IN LIEU OF TAXES PAYABLE

The Company is a Municipal Electricity Utility ("MEU") for purposes of the PIL's regime contained in the Electricity Act, 1998. As a MEU the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate income taxes each year to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. PILs expense comprises of current and deferred tax. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances.

Significant judgment is required in determining the provision for PILs. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Significant components of the payments in lieu of taxes expense are as follows:

a. Expense

The Company's provision for PILs is calculated as follows:

	2018	2017
Income before provision for payment in lieu of income taxes	$ 2,928,073	$ 3,492,508
Regulatory assets/liabilities added (deducted) for tax purposes	(885,896)	(294,387)
Net change in reserves (EFB)	(91,880)	(30,052)
Capital cost allowance (greater than) less than amortization expense	(2,110,256)	(1,845,871)
Other items	(64,280)	(53,302)
Unrealized (gain) loss	140,775	(890,292)
(Gain) loss on disposal of assets	25,920	154,022
Income (loss) for tax purposes	(57,544)	532,626
Statutory Canadian federal and provincial tax rate	26.50%	26.50%
Provision for PILs (recovery)	(15,249)	141,146
Prior year over provision		(10,282)
Loss carryforward balance	$ (15,249)	$ Nil
Total tax provision	$ Nil	$ 130,864

b. Deferred Taxes

Components of deferred taxes are as follows:

	2018	2017
Property, plant and equipment	$ 392,232	$ 965,944
Employee future benefits	1,128,015	1,208,337
Regulatory Assets / Liabilities	146,478	381,241
Total deferred tax assets	$ 1,666,724	$ 2,555,522

9. EMPLOYEE FUTURE BENEFITS

Employee future benefits other than pension provided by the Company include medical and insurance benefits. These benefit plans provide benefits to certain employees when they are no longer providing active service.

The cost of these benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the cost of these benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The calculation is performed by a qualified actuary using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities. The valuation is performed every third year or when there are significant changes to workforce. A full valuation was performed in 2016 and is scheduled to be done in 2019.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in the Statement of Comprehensive Income in operating expenses, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized on the Statement of Comprehensive Income in finance costs, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the Statement of Comprehensive Income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

The plan is exposed to a number of risks, including:

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of current and former employees.

Health care cost risk: increases in cost of providing health, dental and life insurance benefits.

9. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The Company has a defined benefit life insurance and health care plan covering substantially all unionized employees and most retirees. Information about the Company's defined benefit life insurance and health care plan is as follows:

	2018	2017
Prepaid benefit liability, beginning of year	$ 4,559,762	$ 4,205,564
Expense for the year	177,966	209,666
Benefits paid during the year	(269,846)	(239,718)
Recognized in Other Comprehensive Income	(211,223)	384,250
Prepaid benefit liability, end of year	$ 4,256,659	$ 4,559,762
Fair value of plan assets	$NIL	$NIL

Included in wages and employee benefits and finance costs respectively, is a net benefit expense as follows:

	2018	2017
Total service cost of the plan for the year	$ 34,281	$ 62,024
Interest on average liabilities	143,685	147,642
Total Expense for the year	$ 177,966	$ 209,666

The main actuarial assumptions employed for the valuations are based on the full actuarial report performed in 2016, except where noted below. In 2018, the Company hired an outside consulting firm to update the actuarial valuation report based on the changes noted below, including an update of employee and retiree status.

Expected average remaining service life of active employees 13 years.

a. General Inflation

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.0% per annum (2017 - 2.0%).

b. Interest (Discount) Rate

The obligation at year end, of the present value of future liabilities and the expense for the year ended, were determined using a discount rate of 3.9% (2017- 3.4%). The discount rate for 2018 reflects the assumed long-term yield on high quality bonds as at December 31, 2018 (most recent valuation date).

c. Salary Levels

Future general salary and wage levels were assumed to increase at 3.3% (2017- 3.3%) based on expected CPI adjusted for productivity, merit and promotion as at December 31, 2016.

9. EMPLOYEE FUTURE BENEFITS (CONTINUED)

d. Medical Costs

Medical costs reflect cost increase assumptions from 2018 and continue to be assumed to increase 5.78% in 2019, 5.56% in 2020, 5.56% in 2021, 5.14% in 2022, 4.93% in 2023, 4.41% in 2024 and 4.5% thereafter.

e. Dental Costs

Dental costs reflect cost increase assumptions from 2018 and are assumed to increase at 4.5% annually.

The Company's sick accrual is included above in the amount of $164,500 (2017 - $198,800) and is the accumulation of non-vested sick leave benefits under IAS 19 standards for financial reporting purposes. The Company hired an outside consulting firm to assess the future payments to be made as a result of the Company's employees' sick leave bank hours in 2015. The discount rate used in 2018 was 3.9% (2017 – 3.4%). The Future general salary and wage levels were assumed to increase at 3.3% per annum.

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities.

10. RELATED PARTY TRANSACTIONS

The Company provides administrative and other services to an affiliated company, North Bay Hydro Services Inc ("Services").

The Corporation of the City of North Bay (the "City") is the 100% owner of North Bay Hydro Holdings Inc. which is the parent company of North Bay Hydro Distribution Limited, North Bay Hydro Services Inc. and North Bay (Espanola) Acquisition Inc.

Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. Streetlight maintenance services are provided at rates determined in relation to other service providers. Other construction services are provided at cost.

The company has provided an inter-company loan arrangement to North Bay Hydro Services Inc. with a maximum authorized limit of $3.5 million. The interest rate on this facility is 3.45%. The loan balance at December 31, 2018 was $2,733,926 (2017 - $275,000) and is expected to be fully repaid in 2019.

The following tables summarize the transactions that occurred between North Bay Hydro Distribution Limited and its affiliates.

10. RELATED PARTY TRANSACTIONS (CONTINUED)

	Sale of Goods		Purchase of Goods		Amounts owed to (from)	
	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
NBHS						
Contract services and other	$ 372,060	$ 380,270	$ -	$ -	$ -	$ -
Contracted Services	-	-	307,149	399,335	-	-
Total statement of earnings and retained earnings	372,060	380,270	307,149	399,335	-	-
Accounts receivable					(174,095)	(184,349)
Accounts payable	-	-	-	-	318,115	405,782
Loan Receivable					(2,733,926)	(275,265)
Asset (proceeds) / sale	-	(18,691)	-	-	-	-
Total balance sheet	$ -	$ (18,691)	$ -	$ -	$(2,589,906)	$ (53,832)
NBEAI						
Accounts Receivable					(377,940)	
Hydro Holdings						
Administration fees	$ -	$ -	$ 12,000	$ 12,000	$ -	$ -
Holdco total	$ -	$ -	$ 12,000	$ 12,000	$ -	$ -
City of North Bay						
Electrical energy sales	$ 3,700,370	$ 3,900,717	$ -	$ -	$ -	$ -
Construction activity sales	53,844	10,849	-	-	-	-
Street light maintenance	19,901	23,703	-	-	-	-
Fuel / water / other	-	-	306,873	325,766	-	-
CDM initiatives	-	-	25,265	6,654	-	-
Donations	-	-	1,250	1,250	-	-
Interest on promissory note	-	-		-	-	-
Total statement of earnings and retained earnings	$ 3,774,115	$ 3,935,269	$ 333,388	$ 333,670	$ -	$ -
Accounts receivable	-	-	-	-	(401,871)	(368,953)
Accounts payable	-	-	-	-	126,815	130,685
Total balance sheet	$ -	$ -	$ -	$ -	($275,056)	($238,268)

Management Compensation

During the year the Company compensated its senior management group $1,115,317 (2017 - $976,900), including salaries and benefits.

11. INVENTORY

Cost of inventories comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. The amount of inventories consumed by the Company and recognized as an expense during 2018 was $90,924 (2017 - $86,833).

Inventory consists of parts, supplies and materials held for future capital expansion or maintenance and are valued at the lower of cost, determined by the weighted average method, and replacement cost.

12. SHARE CAPITAL

Authorized:

Unlimited Common shares

The issued share capital is as follows:

	2018	2017
1,001 Common Shares	$ 19,511,601	$ 19,511,601

13. OPERATING EXPENSES BY NATURE

	2018	2017
Repairs and maintenance	$ 1,087,545	$ 1,025,289
Staff costs	3,384,856	3,457,066
General administration and overhead	1,707,658	1,850,811
Bad debts	167,985	163,484
Property taxes	82,155	80,230
	$ 6,430,199	$ 6,576,880

14. FINANCE INCOME AND FINANCE COST

	2018	2017
Finance Income:		
Interest income on receivables	$ 207,164	$ 161,950
Interest income on bank deposits	175,483	140,774
	$ 382,647	$ 302,724
Finance Cost:		
Interest on long-term debt	$ 948,015	$ 903,903
Net interest on employee future benefits	143,685	147,642
	$1,091,700	$1,051,545

15. LONG-TERM DEBT

The Company negotiated a loan with the Ontario Infrastructure Projects Corporation to provide funding for the Smart Meter project. The loan is a 10 year serial loan at an interest rate of 3.90% calculated on a semi-annual basis. The loan will be repaid in 120 monthly installments which will include both principal and interest. The loan balance at the end of the year was $816,667 (2017 - $1,166,667), of which $350,000 is repayable within one year.

The Company's agreement with the Ontario Infrastructure Projects Corporation requires a debt service coverage ratio of 1.3 or higher, a debt to capital ratio lower than 60%, and a current ratio of 1.1:1 or higher. As part of the financing proposal, the OIPC agreed to waive any debt service coverage violation if working capital surplus was greater than the loan amount. The agreement also prevents the Company from making loans or paying dividends that would cause the violation of these covenants. As at December 31, 2018 the Company was in compliance with these covenants.

The Company has five term loans in the amounts of $4,000,000, $4,500,000, $6,000,000, and two $5,000,000 loans with a Canadian Financial Institution and has entered into interest rate derivative agreements to manage the volatility of interest rates on long-term debt for each. Four of these loans are to be repaid over 120 months and one over 240 months with combined repayments of $234,651 per month principal and interest having fixed rates at 3.095%,3.55%, 2.45%, 2.36%, and 2.88% respectively.

The Company entered into a term loan in the amount of $19,500,000 to replace the existing loan agreement with the City of North Bay. This loan is to be repaid over 240 months with repayments of $103,331 per month principal and interest at a rate of 2.5%.

The fair value of these loans are $37,674,438 (2017- $35,636,009) which is estimated by obtaining market-to-market quotes from the Company's lending institutions. The quoted prices generally reflect the estimated amount that the Company would pay (receive) to settle these agreements at the statement of financial position date.

15. LONG-TERM DEBT (CONTINUED)

The Company must maintain Debt Service Coverage (DSC) ratio of not less than 1.20:1 on to remain in compliance with outstanding debt obligations. The Company has met these covenants at year-end.

Principal repayments for the next five years and thereafter are as follows:

2019	$ 3,083,711
2020	3,166,330
2021	3,253,974
2022	3,344,095
2023	3,511,605
Thereafter	21,314,723
	$ 37,674,438

The interest rates on these financial instruments are fixed and therefore the Company is not exposed to fluctuations in short-term interest rates in relation to these debts.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an on-going basis. The Company strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

December 31, 2017	60 days	< 1 year	1 – 5 years	> 5 years
Accounts payable	$10,575,337	$ -	$ -	$ -
Loans	509,558	2,473,666	15,047,796	18,940,691
	$11,084,895	$2,473,666	$15,047,796	$18,940,691

December 31, 2018	60 days	< 1 year	1 – 5 years	> 5 years
Accounts payable	$9,558,632	$ -	$ -	$ -
Loans	568,646	2,865,064	17,122,187	17,935,207
	$10,127,278	$2,865,064	$17,122,187	$17,935,207

16. CONTINGENCIES

The Company belongs to the Municipal Electrical Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self-insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2018, the Company has not been made aware of any assessments for losses. The Company has one outstanding claim against it and expects that any potential liability under this claim will be covered under the MEARIE liability policy.

17. COMMITMENTS

On October 9, 2009 the Company entered into a 15 year contract with Sensus Metering Systems Inc. to maintain and further develop the AMI system that meets the MEU functional specifications related to the Smart Meter Project. The contract contains 3 renewal terms of 5 years each. The Company elected to have the monthly fees billed in US dollars, instead of having the currency rate set on an annual basis in October of each year. Termination penalties apply if the Company cancels the contract without cause, the related fees are based on a sliding scale for the year this takes place and the fees associated with the service option selected. Annual fees in the amount of approximately $206,000 are expected to be incurred under this contract, however can fluctuate based on several factors including performance. This contract exposes the Company to currency risk with fluctuations in currency prices when it purchases US dollars to meet the payable commitments.

18. CREDIT FACILITY / LETTERS OF CREDIT

The Company has an authorized line of credit under a credit facility agreement with a Canadian chartered bank. The maximum draw permitted under this agreement is $1,000,000. At year end the Company had drawn $Nil (2017 - $Nil) under this facility.

The Company has available a revolving term facility with a maximum draw of $1,000,000 to finance the purchase of capital assets. At year end the Company had drawn $Nil (2017 - $NIL) under this facility.

The Company has a $3.6 million letter of credit with its bank provided to the IESO to secure the Company's hydro purchase obligations. The Company has provided its financial institution with a General Security Agreement as security for this obligation.

The Company's general banking agreement which encompasses the line of credit, revolving term facility and the letter of credit contains financial covenants which include a debt to capital ratio lower than 60% and a debt service coverage ratio of not less than 1:1 and positive free cash flow. Distributions in excess of free cash flow are permitted when financed by cash on hand. As at December 31, 2018 the Company was in compliance with these covenants.

The Company strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due while minimizing interest expense. The Company monitors cash balances regularly and has access to short-term borrowings, should they be required, under its credit facility agreement. If the Company were to utilize this facility it would be exposed to fluctuations in short-term interest rates.

19. PENSION AGREEMENTS

The Company makes contributions to the OMERS, which is a multi-employer pension plan, on behalf of all full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to almost half a million active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2018. The results of this valuation disclosed total actuarial liabilities of $100,081 million in respect of benefits accrued for service with actuarial assets at that date of $95,890 million indicating an actuarial deficit of $4,191 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Company does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2018 was $437,483 (2017 - $437,730).

20. CAPITAL DISCLOSURES

The Company considers its capital to comprise its common share capital, retained earnings, and long-term debt.

In managing its capital, the Company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and through the payment of periodic dividends to its common shareholders. The Company also seeks to ensure that access to funding is available in order to maintain and improve the equipment used in operations and maintain financial ratios within the recommended guidelines as prescribed by the OEB. In order to achieve these objectives, the Company develops detailed annual operating budgets and seeks to maintain distribution revenue levels and control costs to enable the Company to meet its working capital requirements and strategic investment needs. In making decisions to adjust its capital structure to achieve these objectives, the Company considers both its short-term position and long-term operational and strategic objectives.

As at December 31, 2018 the Company is party to debt agreements that contain various covenants and is restricted from offering loans or paying dividends that would cause a violation of those covenants.

21. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2019 or later years.

The Company has not yet determined the extent of the impact of the following new standards, interpretations and amendments, which have not been applied in these financial statements:

- IFRS 16 – Leases; (supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The company is in the process of evaluating the impact of the new standard standard.
- IFRIC 23 – Uncertainty over income tax treatments provides guidance on recognition and measurement of uncertain income tax treatments. The effective date for IFRIC 23 is January 1, 2019. The Company is in the process of evaluating the impact of this interpretation.

North Bay Hydro Distribution Limited
Financial Statements
For the year ended December 31, 2019

North Bay Hydro Distribution Limited
Financial Statements
For the year ended December 31, 2019

Table of contents

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Independent Auditor's Report

To the Shareholder of North Bay Hydro Distribution Limited

Opinion

We have audited the financial statements of North Bay Hydro Distribution Limited (the Entity), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted

auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
April 7, 2020

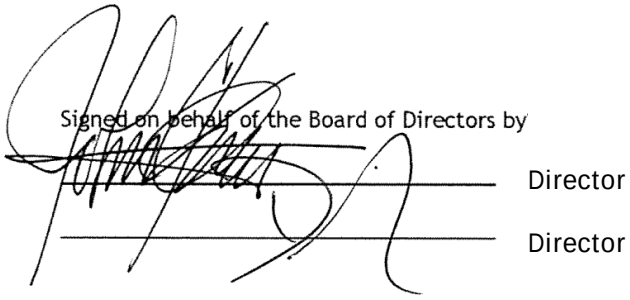
North Bay Hydro Distribution Limited
Statement of Financial Position
Expressed in Canadian Dollars
For the year ended December 31, 2019

	Note	2019	2018
Assets			
Current assets			
Cash and short-term investments		$ 11,244,116	$ 7,791,709
Accounts receivable	8	10,074,129	10,830,576
Unbilled revenue		6,010,011	5,867,434
Payment in lieu of taxes receivable	9	-	142,088
Inventory	13	679,184	738,723
Prepaid expenses		608,002	704,509
Total current assets		28,615,442	26,075,039
Non-current assets			
Property, plant and equipment	5	72,267,651	69,301,631
Investment in associate	7	360,120	-
Financial instrument asset		513,527	1,194,928
Deferred taxes	9	1,325,427	1,666,724
Total non-current assets		74,466,725	72,163,283
Total assets		103,082,167	98,238,322
Regulatory deferral account debit balances	4	1,062,183	666,902
Total assets and regulatory deferral account balances		$ 104,144,350	$ 98,905,224

North Bay Hydro Distribution Limited
Statement of Financial Position (continued)
Expressed in Canadian Dollars
For the year ended December 31, 2019

	Note	2019	2018
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	$ 11,740,444	$ 9,558,632
Payment in lieu of taxes	9	87,718	-
Deferred revenue		789,289	841,982
Customer deposits - current	8	94,281	73,005
Current portion of long-term debt	17	4,010,219	3,431,093
Total current liabilities		16,721,951	13,904,712
Long-term liabilities			
Customer deposits – long-term	8	732,674	737,239
Contributions in aid of construction	6	3,890,009	3,500,338
Employee future benefits	10	4,536,742	4,256,659
Long-term debt	17	36,428,435	35,060,008
Total non-current liabilities		45,587,860	43,554,244
Total liabilities		62,309,811	57,458,956
Shareholder's Equity			
Share capital	14	19,511,601	19,511,601
Retained earnings		19,862,835	19,059,353
Accumulated other comprehensive (loss)		(205,399)	(11,059)
		19,657,436	19,048,294
Total shareholder's equity		39,169,037	38,559,895
Total liabilities and shareholder's equity		101,478,848	96,018,851
Regulatory deferral account credit balances	4	2,665,502	2,886,373
Total liabilities, equity and regulatory deferral account credit balances		$ 104,144,350	$ 98,905,224

Commitments and Contingencies (Note 18 and 19)
Subsequent events (Note 23)



Director

Director

North Bay Hydro Distribution Limited
Statement of Comprehensive Income
Expressed in Canadian Dollars
For the year ended December 31, 2019

	Note	2019	2018
Revenue			
Electricity sales		$ 70,498,828	$ 67,424,198
Other		649,219	746,080
		71,148,047	68,170,278
Expenses			
Cost of power		57,947,018	55,082,974
Operating expenses	15	6,739,764	6,430,199
Depreciation and amortization		2,981,841	2,854,199
Loss on disposal of property, plant and equipment		90,272	25,920
Loss (gain) on foreign exchange		1,406	(915)
		67,760,301	64,392,377
Income from operating activities		3,387,746	3,777,901
Finance income	16	392,466	382,647
Finance costs	16	(1,205,365)	(1,091,700)
Earning in associate	7	605,148	-
Change in interest rate swap	17	(681,401)	(140,775)
Income before provision for payment in lieu of income taxes		2,498,594	2,928,073
Provision for payment in lieu of income taxes			
Current	9	122,584	-
Deferred		411,365	832,823
		533,949	832,823
Profit for the year before net movements in regulatory deferral account balances		1,964,645	2,095,250
Net movement in regulatory deferral account balances related to profit or (loss)	4	(243,503)	114,430
Net movement in regulatory deferral account balances arising from deferred tax movement		411,365	832,823
Profit for the year and net movements in regulatory deferral account balances		2,132,507	3,042,503
Other comprehensive income:			
Remeasurement of employee future benefits (net of (2019 – ($70,068) in tax) (2018-$55,974)	9	(194,340)	155,249
Net and comprehensive income for the year		$ 1,938,167	$ 3,197,752

North Bay Hydro Distribution Limited
Statement of Changes in Equity
Expressed in Canadian Dollars
For the year ended December 31, 2019

	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at January 1, 2018	$ 19,511,601	($166,308)	$ 17,275,704	$ 36,620,997
Profit for the year and net movements in regulatory deferral account balances	-	-	3,042,503	3,042,503
Other comprehensive income, net of tax		155,249		155,249
Dividends paid	-	-	(1,258,854)	(1,258,854)
December 31, 2018	19,511,601	(11,059)	19,059,353	38,559,895
Profit for the year and net movements in regulatory deferral account balances	-	-	2,132,507	2,132,507
Other comprehensive income, net of tax	-	(194,340)	-	(194,340)
Dividends paid	-	-	(1,329,025)	(1,329,025)
Balance at December 31, 2019	$ 19,511,601	$ (205,399)	$ 19,862,835	$39,169,037

North Bay Hydro Distribution Limited
Statement of Cash Flows
Expressed in Canadian Dollars
For the year ended December 31, 2019

	2019	2018
Cash Flows From Operating Activities		
Profit for the year and net movements in regulatory deferral account balances	$ 2,132,507	$ 3,042,503
Adjustments to reconcile income to net cash used in operating activities:		
Depreciation and amortization	2,981,841	2,854,199
Amortization of contributions in aid of construction	(93,371)	(80,619)
Deferred income taxes	411,365	832,823
Employee future benefit expense	275,840	177,966
Loss on disposal of property, plant and equipment	80,337	25,920
Change in associate	(605,148)	
Change in interest rate swap	681,401	140,775
	5,864,772	6,993,567
Change in non-cash operating working capital:		
Accounts receivable	1,184,717	(3,311,361)
Unbilled revenue	(142,577)	462,103
Inventory	59,539	(128,498)
Prepaid expenses	96,508	187,692
Accounts payable and accrued liabilities	2,181,812	(1,016,705)
Deferred revenue	(52,695)	455,568
Payment in lieu of taxes	229,806	(121,038)
Customer deposits	16,711	(24,988)
Net cash flows from operating activities	9,438,593	3,496,340
Cash Flows from investing activities		
Proceeds from sale of property, plant and equipment	132,692	3,432
Purchase of property, plant and equipment	(6,589,158)	(6,615,336)
Dividends received and accrued from associate	245,028	-
Changes in regulatory deferral account balances	(616,152)	(1,774,695)
Cash used in investment activities	(6,827,590)	(8,386,599)
Cash Flows from financing activities		
Contributions received in aid of construction	483,042	558,617
Dividends paid	(1,329,025)	(1,258,854)
Employee future benefits paid	(260,166)	(269,846)
Repayment of long-term debt	(3,552,447)	(2,980,612)
Advances of long-term debt	5,500,000	4,500,000
Cash provided by financing activities	841,404	549,305
Net increase (decrease) in cash	3,452,407	(4,340,954)
Cash and short-term investments, beginning of year	7,791,709	12,132,663
Cash and short-term investments, end of year	$ 11,244,116	$ 7,791,709

1. CORPORATE INFORMATION

North Bay Hydro Distribution Limited's (the "Company") main business activity is the distribution of electricity under authority of the Ontario Energy Board ("OEB") Act, 1998. The Company owns and operates an electricity distribution system, which delivers electricity to approximately 24,401 customers located in North Bay, Ontario.

Operating in a regulated environment exposes the Company to regulatory and recovery risk.

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory balances. All requests for changes in electricity distribution charges require the approval of the OEB.

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. North Bay Hydro Distribution Limited is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

The address of the Company's corporate office and principal place of business is 74 Commerce Crescent, North Bay, Ontario, Canada.

The sole shareholder of the Company is the Corporation of the City of North Bay.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of North Bay Hydro Distribution Limited have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on April 7, 2020.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars (CDN$), which is also the Company's functional currency, and all values are rounded to the nearest dollar, unless when otherwise indicated.

c) Judgment and Estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving critical judgments and estimates in applying

2. BASIS OF PREPARATION (CONTINUED)

accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The recognition and measurement of regulatory deferral account balances (Note 4);
- The determination of useful lives of property, plant and equipment (Note 5);
- The calculation of the impairment of accounts receivable (Note 8);
- The determination for the provision for Payment in Lieu of Taxes since there are many transactions and calculations for which the ultimate tax determination is uncertain (Note 9); and
- The calculation of the net future obligation for certain unfunded health, dental and life insurance benefits for the Company's retired employees (Note 10).

In addition, in preparing the financial statements the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgement.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2019 are listed below and did not materially affect the Company's financial statements.

IFRS 16 Leases (IFRS 16)

IFRS 16 Leases supersedes IAS 17 Leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset is of low value. The standard eliminates the distinction between operating and finance leases from the perspective of the lessee, however, the perspective of the lessor remains largely in line with previous IAS 17 requirements with the distinction between operating leases and finance leases being retained. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease.

The Company adopted IFRS 16 using the modified retrospective approach without restatement of comparative figures. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019. The company concludes that there are no contracts in 2019 of material value, or over a lease term of 12 months, that have been entered into that would require recognition of right-of-use assets and lease liabilities. The Company elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED):

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (IFRIC 23)

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- An entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- An entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The adoption of IFRIC 23 did not have a material impact on the Company's financial statements.

4. REGULATORY DEFERRAL ACCOUNT BALANCES

In accordance with IFRS 14, the Company has continued to apply the accounting policies it applied in accordance with the pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances. Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets.

Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process.

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Management continually assesses the likelihood of recovery of regulatory balances. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

The balances and movements in the regulatory deferral account balances shown below are presented net of related deferred taxes. These deferred taxes are not presented within the total deferred tax asset balances shown in Note 9.

4. REGULATORY DEFERRAL ACCOUNT BALANCES (CONTINUED)

All amounts deferred as regulatory deferral account balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Company has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	Remaining recovery period (years)	2019	2018
Regulatory Deferral Account Debit Balances			
Cost of Power (i)	1 – 4	$ 532,660	$ 381,987
Cost of Power – Global Adjustment (i)	1 - 4	170,956	-
Disposition/rec – 2014 - 2018 (ii)	1 - 4	38,630	-
LRAMVA (iii)	1 – 4	185,986	181,983
Other (vi)	1 – 4	133,951	102,932
Total Regulatory Deferral Account Debit Balances		$ 1,062,183	$ 666,902

	Remaining recovery period (years)	2019	2018
Regulatory Deferral Account Credit Balances and related Deferred Tax			
Cost of Power - Wholesale Market Service (i)	1 – 4	$ (750,952)	$ (607,380)
Cost of Power – Global Adjustment (i)	1 - 4	-	(25,913)
Disposition/rec – 2014 - 2018 (ii)	1 - 4	-	(433,182)
Retail cost variances (iv)	1 – 4	(151,130)	(131,763)
Deferred income taxes (v)	5 - 25	(1,325,427)	(1,666,724)
Other (vi)	1 – 4	(437,993)	(21,411)
Total Regulatory Deferral Account Credit Balances and related Deferred Tax		$ (2,665,502)	$ (2,886,373)

4. REGULATORY DEFERRAL ACCOUNT BALANCES (CONTINUED)

In the absence of rate regulation, these rate regulated assets and liabilities would be recognized in income in the year in which they relate. As a result, the net effect on income for the period is as stated below.

i. Cost of Power

This account is comprised of the variances between amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service charged to the Company for the operation of the wholesale electricity market and grid, including commodity and global adjustment, various wholesale market settlement charges and transmission charges. Under the OEB's direction, the Company has deferred the settlement variances that have occurred since May 1, 2002 in accordance with the AP Handbook. Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specific interest rate as outlined by the OEB. The Company did not recognize carrying charge income related to the retail settlement variance accounts for external reporting purposes prior to December 31, 2003.

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under Modified IFRS (MIFRS). In absence of rate regulation, revenues in 2019 would have been lower by $33,015 (2018 - lower by $1,110,543).

As a component of the yearly Incentive Regulation Mechanism (IRM) rate application process, "Group 1" account balances (which are composed of Low Voltage, Wholesale Market, Network, Connection, Power and the Smart Meter Entity charge) are reviewed and will qualify for disposition if balances, including carrying charges, exceed a preset threshold per kWh. The Company has not proposed any disposition in the pending 2020 IRM application for 2020 rates. In 2018, NBHDL disposed of 2016 audited balances for Group 1 accounts – see Note ii.

ii. Disposition/recovery – 2014, 2015, 2016, 2017, 2018

Disposition/recovery – 2014 On August 30, 2013, the Company filed an IRM application for 2014 distribution rates (EB-2013-0157) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets and liabilities. On March 6, 2014, the OEB approved the disposition of net regulatory assets of $864,885 and net regulatory liabilities of $1,594,828 over a one year period commencing May 1, 2014 and ending April 30, 2015. The amounts consisted of principal balances as of December 31, 2012 with carrying charges projected to April 30, 2014. NBHDL will seek disposition of the net residual balance of $17,602 related to the 2014 disposition in a future rate application.

Disposition/recovery – 2015 On December 18, 2014, the Company filed a COS application for 2015 distribution rates (EB-2014-0099) with the OEB which included a request seeking disposition of the balances for regulatory assets and liabilities. On July 16, 2015, the OEB approved the disposition of net regulatory assets of $1,554,186 and net regulatory liabilities of ($4,662,850) which included Group 1 and 2 balances, CGAAP and LRAMVA accounts. The Group 1 and 2 amounts consisted of principal balances as of December 31, 2013 with carrying charges projected to April 30, 2015 for a net total of $455,076 being collected from customers over a one year period commencing July 1, 2015 and ending June 30, 2016.

4. REGULATORY DEFERRAL ACCOUNT BALANCES (CONTINUED)

The PP&E – CGAAP and transitional amounts were refunded to customers over a two year period beginning July 1, 2015 and ending June 30, 2016. The amount owed to customers included the disposition of the regulatory liability of ($3,793,377). The LRAMVA amount approved for disposition included the lost revenue for OPA programs up to December 31, 2013 plus carrying charges projected to April 30, 2015 for a total amount of $229,637 being collected from customers over a one-year period commencing July 1, 2015 and ending June 30, 2016. NBHDL will seek disposition of the net residual balance of ($6,973) related to the 2015 disposition in a future rate application.

Disposition/recovery – 2016 On March 23, 2016, the Company filed an IRM application for 2016 distribution rates (EB-2015-0092) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets and liabilities. On May 5, 2016, the OEB issued a decision approving the disposition of net regulatory assets of $935,707. The amounts consisted of principal balances as of December 31, 2014 with carrying charges projected to April 30, 2016. The OEB approved disposition of $950,051 over a one year period commencing May 1, 2016 and ending April 30, 2017 for the Global Adjustment amount; the remaining Group 1 account balances netting ($14,344) will be refunded to customers in a future rate application. NBHDL will seek disposition of the net residual balance of $60,470 related to the 2016 disposition in a future rate application.

Disposition/recovery – 2017 On September 26, 2016, the Company filed an IRM application for 2017 distribution rates (EB-2016-0214) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets, liabilities and LRAMVA accounts. On February 8, 2017, the OEB issued a decision approving the disposition of net regulatory liabilities of ($691,352). The amounts consisted of principal balances as of December 31, 2015 with carrying charges projected to April 30, 2017. The OEB approved disposition and recovery of net regulatory liabilities over a one-year period commencing May 1, 2017 and ending April 30, 2018. The LRAMVA amount approved for disposition included the lost revenue for OPA programs up to December 31, 2014 plus carrying charges projected to April 30, 2017 for a total amount of $191,584 being collected from customers over a one-year period commencing May 1, 2017 and ending April 30, 2018. NBHDL will seek disposition of the net residual balance of ($24,954) related to the 2017 disposition in a future rate application.

Disposition/recovery – 2018 On October 16, 2017, the Company filed an IRM application for 2018 distribution rates (EB-2017-0065) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets and liabilities. On March 22, 2018, the OEB issued a decision approving the disposition of net regulatory liabilities of ($1,300,650). The amounts consisted of principal balances as of December 31, 2016 with carrying charges projected to April 30, 2018. The OEB approved disposition over a one-year period commencing May 1, 2018 and ending April 30, 2019. NBHDL will seek disposition of the net residual balance of ($7,515) related to the 2018 disposition in a future rate application.

4. Regulatory deferral account balances (continued)

iii. Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

On April 26, 2012 the OEB released the Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003) which included accounting direction on the treatment of lost revenues from forecasted/unforecasted Conservation and Demand Management (CDM) results on distribution revenue due to variances from forecasted throughput used to establish distribution rates.

The Board established an LRAM variance account ("LRAMVA") to capture the differences between the results of actual, verified impacts of authorized CDM activities undertaken by electricity distributors between 2011-2014 for both Board-Approved CDM programs and IESO-Contracted Province-Wide CDM programs in relation to activities undertaken by the distributor and/or delivered for the distributor by a third party under contract (in the distributor's franchise area) and the level of CDM program activities included in the distributor's load forecast (i.e. the level embedded into rates). At a minimum, distributors must apply for disposition of the balance in the LRAMVA at the time of their Cost of Service rate applications.

In the 2014 COS application, the OEB approved disposition of LRAMVA amounts related to CDM programs up to December 31, 2013 in the amount of $221,924; this is now included in the disposition/recovery – 2015 account. On February 8, 2017, the OEB approved disposition of LRAMVA amounts related to CDM programs up to December 31, 2014 in the amount of $191,584; this is now included in the disposition/recovery – 2017 account.

Under the Conservation First Framework ("CFF"), for programs that take place from 2015 to 2020, distributors were to treat lost revenues in a similar manner as those from the 2010-2014 programs with respect to the impact of lost revenues. Distributors were to capture the differences between the results of actual, verified impacts of authorized CDM activities against the LRAMVA threshold included in the most recent Cost of Service application. Accordingly, the Company has recorded $178,128 in the LRAMVA deferral account; this represents amounts related to CDM programs from 2015 to 2017. On March 21, 2019 the OEB announced the discontinuation of the CFF and the establishment of a scaled down interim framework for the balance of 2019 and 2020, the delivery of which will be done centrally by the IESO. The cancelation of the CFF has the potential to limit or eliminate the Company's ability to seek recovery for any future revenue variances caused by conservation programs beyond the current application.

On November 25, 2019, the Company filed an IRM application for 2020 distribution rates (EB-2019-0057) with the OEB which included a request seeking recovery of the LRAMVA amounts related to CDM programs from 2015-2018. The amount requested, $274,497, includes carrying charges through to April 30, 2020 and an additional request for a specific program. This request is under review and not recorded as LRAMVA as at December 31, 2019. The Company has requested a recovery period of one year form May 1, 2020 through April 30, 2021. This is a pending application and is subject to the approval of the OEB.

4. REGULATORY DEFERRAL ACCOUNT BALANCES (CONTINUED)

iv. Retail cost variances

Retail cost variances were established to record the difference between the amount billed and the incremental costs of providing retail services and to record the difference between the amount billed in relation to a service transaction request and the incremental costs of providing the initial screening and actual processing services for the service transaction request. Under the OEB's direction, the Company has deferred the settlement variances that have occurred since May 1, 2002. Accordingly, the Company has deferred these recoveries in accordance with the AP Handbook.

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under IFRS. In absence of rate regulation, revenues in 2019 would have been higher by $19,268 (2018 - higher by $19,072). The deferred balance for unapproved settlement variances continues to be calculated in accordance with the OEB's direction. The OEB approved disposition of audited 2013 balances in the 2014 COS application - see Note ii.

v. Deferred Income Taxes

The recovery from, or refund to, customers of future income taxes through future rates is recognized as a regulatory deferral account balance. The Company has recognized a deferred tax asset of $1,325,427 (2018 – $1,666,724) arising from the recognition of regulatory deferral account balances and a corresponding regulatory deferral account credit balance of $1,325,427 (2018 - $1,666,724). The deferred tax asset balance is presented within the total regulatory deferral account balances presented in the statement of financial position.

vi. Other

2019 costs relate to carrying charges on accounts included as regulatory credits, increased OEB cost assessments and incremental revenue related to pole attachment charges and decreased tax expenditures to tax changes. In 2016, in addition to an increase in the OEB's internal budget, the OEB also revised its Cost Assessment Model to reflect a change in the methodology used to apportion costs. These changes resulted in a material shift in the allocation of costs. The OEB established a variance account for electricity distributors to record any material differences between OEB cost assessments currently built into rates, and cost assessments that will result from the application of the new cost assessment model. NBHDL has recorded $31,474 in incremental cost assessment increases in 2019 (2018- $30,586) in the deferral account in accordance with the guidance on the use of the variance account. In September 2018 and again in January 2019, the OEB revised its approved pole attachment charges for distributors. The OEB established a variance account for electricity distributors to record the revenue difference between these new rates and previously approved rates. In 2019 NBHDL has recorded ($257,220) as incremental revenue (2018 - $21,354). In July 2019, the OEB established a variance account to record the effects of the Accelerated Investment Incentive (AII). The AII created new capital cost allowance (CCA) rules that translated to a material difference between taxes built into rates using the OEB Tax Model and taxes that NBHDL would pay. The OEB also established that this account should reflect the change dating back to the beginning of the AII (November 2018). In 2019, NBHDL, recorded regulatory liabilities of $171,649 and $6,254 for 2019 and 2018 respectively.

4. REGULATORY DEFERRAL ACCOUNT BALANCES (CONTINUED)

vii. Future Applications

On Nov 25, 2019, NBHDL filed a IRM rate application (EB-2019-0057) for rates commencing May 1, 2020. This application is subject to the approval of the OEB. The application includes an annual delivery rate adjustment of 1.7% and a request for recovery of LRAMVA balances totaling $274,497 - Note 4-iii.

In August 2020, NBHDL intends to file its cost of service (COS) application for 2021 rates. As part of this application, NBHDL will seek the disposition of all Group 1 and Group 2 balances for regulatory assets and liabilities as of December 31, 2019. These balances will includes the net residual balances described in 4ii) above and will be subject to OEB review and approval.

For certain of the regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the regulator in determining the item's treatment for rate-setting purposes. Management continually assesses the likelihood of recovery of regulatory assets and realization of regulatory liabilities. If recovery and realization through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated amortization. Costs may include direct material, labour, contracted services, overhead, engineering costs and interest on funds used during construction that are considered applicable to construction. Major spares such as spare transformers and other items kept as standby/back up equipment are accounted for as property, plant and equipment since they support the Company's distribution system reliability. Upon disposal the cost and accumulated amortization of assets are relieved from the respective accounts and any gain or loss is reflected in operations.

Depreciation of property, plant and equipment is recorded in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The estimated useful lives are as follows:

Distribution Assets:	
Building and fixtures	30 - 50 years
Substations	40 - 50 years
Poles, towers and fixtures	45 years
Overhead conductor and devices	60 years
Underground conduit and conductor	40 - 50 years
Distribution transformers	40 years
Overhead and underground services	40 – 60 years
Distribution meters	10 - 25 years
General Assets:	
Buildings	25 – 50 years
Office equipment	10 years
Computer equipment	5 years
Transportation equipment	5 - 8 years
Small tools and miscellaneous equipment	10 years
Load management controls	6 years
System supervisory equipment	15 – 20 years

Land is not depreciated.

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Electrical Distribution Assets	General Assets	Work in process	Total
Cost				
Balance at January 1, 2018	$ 112,344,878	12,176,538	2,611,071	127,132,487
Additions	6,642,285	297,763	(324,712)	6,615,336
Disposals	(286,282)	(53,374)	-	(340,048)
Balance at December 31, 2018	118,700,881	12,420,536	2,286,359	133,407,775
Balance at January 1, 2019	118,700,881	12,420,536	2,286,359	133,407,775
Additions	6,298,481	799,673	(508,995)	6,589,159
Disposals / Reallocation	(596,504)	(89,410)	(442,669)	(1,128,582)
Balance at December 31, 2019	124,402,858	13,130,799	1,334,695	138,868,352
Depreciation and impairment losses				
Balance at January 1, 2018	52,953,119	8,609,523	-	61,562,642
Depreciation for the year	2,262,348	591,852	-	2,854,200
Disposals	(256,932)	(53,766)	-	(310,698)
Balance at December 31, 2018	$ 54,958,535	$ 9,147,609	$ -	$ 64,106,144
Balance at January 1, 2019	54,958,535	9,147,609	-	64,106,144
Depreciation for the year	2,385,235	596,606	-	2,981,841
Disposals	(397,873)	(89,411)	-	(487,284)
Balance at December 31, 2019	$ 56,945,897	$ 9,654,804	$ -	$ 66,600,701
Carrying amounts:				
At December 31, 2018	$ 63,742,346	$ 3,272,927	$ 2,286,359	$ 69,301,631
At December 31, 2019	$ 67,456,961	$ 3,475,995	$ 1,334,695	$ 72,267,651

6. REVENUE RECOGNITION

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity is recognized over time on an accrual basis upon delivery of electricity, including unbilled revenues accrued in respect of electricity delivered but not yet billed. Sale and distribution of electricity revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings, and are generally due within 30 days of the billing date.

Other revenues, which include revenues from pole use rental, collection charges and other miscellaneous revenues are recognized at the time services are provided. Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers. Contributions vary by project and are based on the criteria set forth in the Distribution System Code. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

The continuity of deferred contributions in aid of construction is as follows:

	December 31 2019	December 31 2018
Deferred contributions, net, beginning of year	$ 3,500,338	$ 3,022,340
Contributions in aid of construction received	483,042	558,617
Contributions in aid of construction recognized as distribution revenue	(93,371)	(80,619)
Deferred contributions, net, end of year	$ 3,890,009	$ 3,500,338

All contributions in aid of construction are cash contributions. There have not been any contributions of property plant and equipment.

7. INVESTMENT IN ASSOCIATE

The Company has an equity interest in Ecobility; a company owned by five different shareholders all of whom own, operate, or are affiliated with, a local distribution company. The company operates out of Sudbury and Toronto and facilitates the management and delivery of Provincial conservation programs across the service territories of each owner and other locations throughout the Province.

Of the 143,860 shares issued, the company owned 16.66% at year end. Of the five voting shares, the Company holds one. This equity interest is measured on the balance sheet using the equity method of accounting. The Company's share of preliminary net earnings of $2,579,837 for the year is $343,840. Dividends recorded against the investment throughout the year totaled $250,068. The investee had total assets of $5,869,575 and shareholders' equity of $2,672,850 as at December 31, 2019.

8. ACCOUNTS RECEIVABLE, UNBILLED REVENUE AND CUSTOMER DEPOSITS

	December 31 2019	December 31 2018
Accounts receivable due from related parties	$ 1,685,626	$ 953,905
Short term advances to related parties	-	2,733,926
Customer accounts receivable	8,520,035	7,257,277
Loss allowance	(131,532)	(114,532)
Total accounts receivable	$ 10,074,129	$ 10,830,576

a) Recognition and initial measurement

The Company initially recognizes accounts receivable on the date on which they are originated and recognizes unbilled service revenue on the date on which the Company delivers the electricity but has not yet billed the customer. Similar to customer billings, unbilled revenue for distribution service charges are recorded based on meter readings. Accounts receivable and unbilled service revenue are initially measured at fair value.

b) Classification and subsequent measurement

Accounts receivable and unbilled service revenue are classified and subsequently measured at amortized cost because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The carrying amount is reduced through the use of a loss allowance and the amount of the related loss allowance is recognized in profit or loss. Subsequent recoveries of receivables and unbilled service revenue previously provisioned are credited to profit or loss.

c) Fair value measurement

Due to its short-term nature, the carrying amounts of accounts receivable and unbilled service revenue approximates their fair value.

8. ACCOUNTS RECEIVABLE, UNBILLED REVENUE AND CUSTOMER DEPOSITS (CONTINUED)

d) Credit risk

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits, which are reported separately from the Company's own cash and cash equivalents. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

Due to its short-term nature, the carrying amount of the accounts receivable due from related parties and other accounts receivable approximates its fair value. Unbilled service revenue reflects the electricity delivered but not yet billed to customers. Customer billings generally occur within 30 days of delivery. The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company has approximately 24,410 customers, the majority of which are residential. The Company considers an account receivable to be in default when the customer is unlikely to pay its credit obligations in full, without recourse by the Company, such as realizing security (if any is held). Accounts are past-due (in default) when the customers have failed to make the contractually requirements payments when due, which is generally within 30 days of the billing date.

The Company considers an account receivable to be credit-impaired when the customer has amounts more than 90 days past the billing date. In determining the allowance for doubtful accounts, the Company considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

The change in allowance for doubtful accounts related to a $121,132 bad debt expense for the year and accounts receivable write off of $159,457. The carrying amount of accounts receivable is reduced through the use of an allowance for impairment. Subsequent recoveries of receivables previously provisioned were $55,349 (2018 - $59,061) and are credited to the income statement. The balance of the allowance for impairment at December 31, 2019 is $131,556 (2018 - $114,532). The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2019, approximately $104,659 (2018 - $191,727) is considered 60 days past due.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to contributions in aid of construction.

Customer deposits represents cash deposits from electricity distribution customers and retailers, as well as construction deposits. Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

Subsequent to year end, the credit risk related to the organization's accounts receivable has increased due to the impact of COVID-19, which could lead to potential uncollectible amounts or slowing collections. This may impact the amount of cash collections related to accounts receivable balances in fiscal 2020 could impact the Company's cash flow requirements.

8. ACCOUNTS RECEIVABLE, UNBILLED REVENUE AND CUSTOMER DEPOSITS (CONTINUED)

	December 31 2019	December 31 2018
Customer deposits – current	$ 94,281	$ 73,005
Customer deposits – long-term	732,674	737,239
Total customer deposits	$ 826,955	$ 810,244

a) Recognition and initial measurement
The Company initially recognizes customer deposits on the date on which the Company received the deposit. Customer deposits are initially measured at fair value.

b) Classification and subsequent measurement
Customer deposits are classified and subsequently measured at amortized cost, using the effective interest rate method.

c) Fair value measurement
The fair value of customer deposits approximates their carrying amounts taking into account interest accrued on the outstanding balance.

9. PAYMENTS IN LIEU OF TAXES PAYABLE

The Company is a Municipal Electricity Utility ("MEU") for purposes of the PIL's regime contained in the Electricity Act, 1998. As a MEU the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate income taxes each year to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. PILs expense comprises of current and deferred tax. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances.

Significant judgment is required in determining the provision for PILs. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

9. PAYMENTS IN LIEU OF TAXES PAYABLE (CONTINUED)

Significant components of the payments in lieu of taxes expense are as follows:

a. Expense

The Company's provision for PILs is calculated as follows:

	2019	2018
Income before provision for payment in lieu of income taxes	$ 2,498,594	$ 2,928,073
Regulatory assets/liabilities added (deducted) for tax purposes	(274,885)	(885,896)
Net change in reserves (EFB)	15,675	(91,880)
Capital cost allowance (greater than) less than amortization expense	(1,807,071)	(2,110,256)
Other items	(741,404)	(121,823)
Unrealized (gain) loss	681,401	140,775
(Gain) loss on disposal of assets	90,272	25,920
Income (loss) for tax purposes	464,619	Nil
Statutory Canadian federal and provincial tax rate	26.50%	26.50%
Provision for PILs (recovery)	122,584	-
Total current tax provision	$ 122,584	$ Nil

b. Deferred Taxes

Components of deferred taxes are as follows:

	2019	2018
Property, plant and equipment	$ 49,549	$ 392,232
Employee future benefits	1,202,237	1,128,015
Regulatory Assets / Liabilities	73,641	146,478
Total deferred tax assets	$ 1,325,427	$ 1,666,725

10. EMPLOYEE FUTURE BENEFITS

Employee future benefits other than pension provided by the Company include medical and insurance benefits. These benefit plans provide benefits to certain employees when they are no longer providing active service.

The cost of these benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the cost of these benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The calculation is performed by a qualified actuary using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities. The valuation is performed every third year or when there are significant changes to workforce. A full valuation was performed in 2019.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in the Statement of Comprehensive Income in operating expenses, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized on the Statement of Comprehensive Income in finance costs, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the Statement of Comprehensive Income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

The plan is exposed to a number of risks, including:

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of current and former employees.

Health care cost risk: increases in cost of providing health, dental and life insurance benefits.

10. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The Company has a defined benefit life insurance and health care plan covering all active employees and most retirees. Information about the Company's defined benefit life insurance and health care plan is as follows:

	2019	2018
Prepaid benefit liability, beginning of year	$ 4,256,659	$ 4,559,762
Expense for the year	275,841	177,966
Benefits paid during the year	(260,166)	(269,846)
Actuarial gains/losses recognized	264,408	(211,223)
Prepaid benefit liability, end of year	$ 4,536,742	$ 4,256,659

Fair value of plan assets	$NIL

Included in wages and employee benefits and finance costs respectively, is a net benefit expense as follows:

	2019	2018
Total service cost of the plan for the year	$ 121,320	$ 34,281
Interest on average liabilities	154,521	143,685
Total Expense for the year	$ 275,841	$ 177,966

The main actuarial assumptions employed for the valuations are based on the full actuarial report performed in 2019. In 2019, the Company hired an outside consulting firm to update the actuarial valuation report based on the changes noted below, including an update of employee and retiree status.

Expected average remaining service life of active employees 13 years.

a. General Inflation / Salary Levels

In 2019, the actuarial report was based on salary scale assumption based on the Corporation's management of 2% per annum up to 2022 and 3% per annum for 2023 onwards. This change reflected the Corporation's bargaining agreements and consideration for increases in the salary scale in the long term. As such, in 2019 there was no inflation rate used in the valuation. In 2018, the future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2% in 2018.

b. Interest (Discount) Rate

The obligation at year end, of the present value of future liabilities and the expense for the year ended, were determined using a discount rate of 3.1% (2018- 3.9%). The discount rate for 2019 reflects the assumed long-term yield on high quality bonds as at December 31, 2019 (most recent valuation date).

10. EMPLOYEE FUTURE BENEFITS (CONTINUED)

c. Medical Costs

Medical costs reflect cost increase assumptions from 2019 and continue to be assumed to increase 4.20% from 2020-2024, 5.3% from 2025-2034, 4.6% from 2035-2039, and 4% thereafter.

d. Dental Costs

Dental costs reflect cost increase assumptions from 2019 and continue to be assumed to increase at 4.5% from 2020-2024, 5.60% from 2025-2029, 5.30% from 2030-2034, 4.60% from 2035-2039 and 4% thereafter.

The Company's sick accrual is included above in the amount of $220,400 (2018 - $164,500) and is the accumulation of non-vested sick leave benefits under IAS 19 standards for financial reporting purposes. The Company hired an outside consulting firm to assess the future payments to be made as a result of the Company's employees' sick leave bank hours in 2019. The discount rate used in 2019 was 3.10% (2018 – 3.9%). The Future general salary and wage levels were assumed to increase at 2.0% per annum up to 2022 and 3.0% per annum thereafter.

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities.

11. RELATED PARTY TRANSACTIONS

The Company provides administrative and other services to an affiliated company, North Bay Hydro Services Inc ("Services").

The Corporation of the City of North Bay (the "City") is the 100% owner of North Bay Hydro Holdings Inc. which is the parent company of North Bay Hydro Distribution Limited, North Bay Hydro Services Inc. and Espanola Regional Hydro Distribution Corporation (amalgamated with North Bay (Espanola) Acquisition Inc. October 1, 2019).

Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. Streetlight maintenance services are provided at rates determined in relation to other service providers. Other construction services are provided at cost.

The company has provided an inter-company loan arrangement to North Bay Hydro Services Inc. with a maximum authorized limit of $3.5 million. The interest rate on this facility is 3.45%. The loan balance at December 31, 2019 was $NIL (2018 - $2,733,926).

The following tables summarize the transactions that occurred between North Bay Hydro Distribution Limited and its affiliates.

11. RELATED PARTY TRANSACTIONS (CONTINUED)

	Sale of Goods		Purchase of Goods		Amounts owed to (from)	
	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
NBHS						
Contract services and other	$ 441,308	$ 372,060	$ -	$ -	$ -	$ -
Contracted Services	-	-	245,484	307,149	-	-
Total statement of earnings and retained earnings	441,308	372,060	245,484	307,149	-	-
Accounts receivable					(794,333)	(174,095)
Accounts payable	-	-	-	-	380,023	318,114
Loan Receivable					-	(2,733,926)
Total balance sheet	$ -	$ -	$ -	$ -	$ (414,310)	$(2,589,906)
ERHDC Accounts Receivable					(551,351)	(377,940)
NBEAI Total					$ (551,351)	$ (377,940)
Hydro Holdings						
Administration fees	$ -	$ -	$ 12,000	$ 12,000	$ -	$ -
Holdco total	$ -	$ -	$ 12,000	$ 12,000	$ -	$ -
City of North Bay						
Electrical energy sales	$ 3,519,935	$ 3,700,370	$ -	$ -	$ -	$ -
Construction activity sales	73,563	53,844	-	-	-	-
Street light maintenance	7,703	19,901	-	-	-	-
Fuel / water / other	-	-	102,017	306,873	-	-
CDM initiatives	-	-	-	25,265	-	-
Donations	-	-	-	1,250	-	-
Interest on promissory note	-	-		-	-	-
Total statement of earnings and retained earnings	$ 3,601,201	$ 3,774,115	$ 102,017	$ 333,688	$ -	$ -
Accounts receivable	-	-	-	-	(339,942)	(401,871)
Accounts payable	-	-	-	-	60,790	126,815
Total balance sheet	$ -	$ -	$ -	$ -	($279,152)	($275,056)

Management Compensation

During the year the Company compensated its senior management group $1,168,945 (2018 - $1,115,317), including salaries and benefits.

12. LOAN GUARANTEE

The company has a financial loan guarantee to a related company under common control; the guarantee covers the amount outstanding to two commercial lenders. The amount of debt outstanding, related to this financial guarantee at year end, was $9,907,801. The guarantee would be triggered if the related party defaulted on its financial obligations, primarily with respect to monthly debt payments. There is no collateral held for this guarantee and no fees were charged during the year in relation to this financial guarantee

13. INVENTORY

Cost of inventories comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. The amount of inventories consumed by the Company and recognized as an expense during 2019 was $110,895 (2018 - $90,924).

Inventory consists of parts, supplies and materials held for future capital expansion or maintenance and are valued at the lower of cost, determined by the weighted average method, and replacement cost.

14. SHARE CAPITAL

Authorized:

Unlimited Common shares

The issued share capital is as follows:

	2019	2018
1,001 Common Shares	$ 19,511,601	$ 19,511,601

15. OPERATING EXPENSES BY NATURE

	2019	2018
Repairs and maintenance	$ 1,267,625	$ 1,087,545
Staff costs	3,713,425	3,384,856
General administration and overhead	1,549,622	1,707,658
Bad debts	121,132	167,985
Property taxes	87,960	82,155
	$ 6,739,764	$ 6,430,199

16. FINANCE INCOME AND FINANCE COST

	2019	2018
Finance Income:		
Interest income on receivables	$ 186,699	$ 207,164
Interest income on bank deposits	205,767	175,483
	$ 392,466	$ 382,647
Finance Cost:		
Interest on long-term debt	$ 1,050,844	$ 948,015
Net interest on employee future benefits	154,521	143,685
	$1,205,365	$1,091,700

17. LONG-TERM DEBT

The Company negotiated a loan with the Ontario Infrastructure Projects Corporation to provide funding for the Smart Meter project. The loan is a 10 year serial loan at an interest rate of 3.90% calculated on a semi-annual basis. The loan will be repaid in 120 monthly installments which will include both principal and interest. The loan balance at the end of the year was $116,667 (2018 - $816,667), of which is repayable within one year.

The Company's agreement with the Ontario Infrastructure Projects Corporation requires a debt service coverage ratio of 1.3 or higher, a debt to capital ratio lower than 60%, and a current ratio of 1.1:1 or higher. As part of the financing proposal, the OIPC agreed to waive any debt service coverage violation if working capital surplus was greater than the loan amount. The agreement also prevents the Company from making loans or paying dividends that would cause the violation of these covenants. As at December 31, 2018 the Company was in compliance with these covenants.

The Company has six term loans in the amounts of $4,000,000, $4,500,000, $6,000,000, $5,500,000 and two $5,000,000 loans with a Canadian Financial Institution and has entered into interest rate derivative agreements to manage the volatility of interest rates on long-term debt for each. Five of these loans are to be repaid over 120 months and one over 240 months with combined repayments of $286,175 per month principal and interest having fixed rates at 3.095%,3.55%, 2.45%, 2.36%, 2.88%, and 2.37% respectively.

The Company entered into a term loan in the amount of $19,500,000 to replace the existing loan agreement with the City of North Bay. This loan is to be repaid over 240 months with repayments of $103,331 per month principal and interest at a rate of 2.5%.

The fair value of these loans are $39,968,501 (2018- $37,674,438) which is estimated by obtaining market-to-market quotes from the Company's lending institutions. The quoted prices generally reflect the estimated amount that the Company would pay (receive) to settle these agreements at the statement of financial position date.

17. LONG-TERM DEBT (CONTINUED)

The Company must maintain Debt Service Coverage (DSC) ratio of not less than 1.20:1 on to remain in compliance with outstanding debt obligations. The Company has met these covenants at year-end.

Principal repayments for the next five years and thereafter are as follows:

2020	$ 4,010,219
2021	3,882,218
2022	3,866,670
2023	3,969,492
2024	3,999,848
Thereafter	20,710,207
	$ 40,438,654

The interest rates on these financial instruments are fixed and therefore the Company is not exposed to fluctuations in short-term interest rates in relation to these debts.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an on-going basis. The Company strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

December 31, 2018	60 days	< 1 year	1 – 5 years	> 5 years
Accounts payable	$9,558,632	$ -	$ -	$ -
Loans	568,646	2,865,064	17,122,187	17,935,207
	$10,127,278	$2,865,064	$17,122,187	$17,935,207

December 31, 2019	60 days	< 1 year	1 – 5 years	> 5 years
Accounts payable	$11,740,444	$ -	$ -	$ -
Loans	622,810	3,156,387	16,154,324	20,151,646
	$12,363,254	$3,156,387	$16,154,324	$20,151,646

18. CONTINGENCIES

The Company belongs to the Municipal Electrical Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self-insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2019, the Company has not been made aware of any assessments for losses.

The Company has one outstanding claim against it and expects that any potential liability under this claim will be covered under the MEARIE liability policy.

19. COMMITMENTS

On October 9, 2009 the Company entered into a 15 year contract with Sensus Metering Systems Inc. to maintain and further develop the AMI system that meets the MEU functional specifications related to the Smart Meter Project. The contract contains 3 renewal terms of 5 years each. The Company elected to have the monthly fees billed in US dollars, instead of having the currency rate set on an annual basis in October of each year. Termination penalties apply if the Company cancels the contract without cause, the related fees are based on a sliding scale for the year this takes place and the fees associated with the service option selected. Annual fees in the amount of approximately $206,000 are expected to be incurred under this contract, however can fluctuate based on several factors including performance. This contract exposes the Company to currency risk with fluctuations in currency prices when it purchases US dollars to meet the payable commitments.

20. CREDIT FACILITY / LETTERS OF CREDIT

The Company has an authorized line of credit under a credit facility agreement with a Canadian chartered bank. The maximum draw permitted under this agreement is $1,000,000. At year end the Company had drawn $Nil (2018 - $Nil) under this facility.

The Company has available a revolving term facility with a maximum draw of $1,000,000 to finance the purchase of capital assets. At year end the Company had drawn $Nil (2018 - $NIL) under this facility.

The Company has a $3.6 million letter of credit with its bank provided to the IESO to secure the Company's hydro purchase obligations. The Company has provided its financial institution with a General Security Agreement as security for this obligation.

The Company's general banking agreement which encompasses the line of credit, revolving term facility and the letter of credit contains financial covenants which include a debt to capital ratio lower than 60% and a debt service coverage ratio of not less than 1:2 and positive free cash flow. Distributions in excess of free cash flow are permitted when financed by cash on hand. As at December 31, 2019 the Company was in compliance with these covenants.

The Company strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due while minimizing interest expense. The Company monitors cash balances regularly and has access to short-term borrowings, should they be required, under its credit facility agreement. If the Company were to utilize this facility it would be exposed to fluctuations in short-term interest rates.

21. PENSION AGREEMENTS

The Company makes contributions to the OMERS, which is a multi-employer pension plan, on behalf of all full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to almost half a million active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2019. The results of this valuation disclosed total actuarial liabilities of $107,687 million in respect of benefits accrued for service with actuarial assets at that date of $106,443 million indicating an actuarial deficit of $3,397 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Company does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2019 was $430,516 (2018 - $437,483).

22. CAPITAL DISCLOSURES

The Company considers its capital to comprise its common share capital, retained earnings, and long-term debt.

In managing its capital, the Company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and through the payment of periodic dividends to its common shareholders. The Company also seeks to ensure that access to funding is available in order to maintain and improve the equipment used in operations and maintain financial ratios within the recommended guidelines as prescribed by the OEB. In order to achieve these objectives, the Company develops detailed annual operating budgets and seeks to maintain distribution revenue levels and control costs to enable the Company to meet its working capital requirements and strategic investment needs. In making decisions to adjust its capital structure to achieve these objectives, the Company considers both its short-term position and long-term operational and strategic objectives.

As at December 31, 2019 the Company is party to debt agreements that contain various covenants and is restricted from offering loans or paying dividends that would cause a violation of those covenants.

23. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

There are no other standards, interpretations or amendments issued, but not yet effective that the Company anticipates may have a material effect on the financial statements once adopted.

24. SUBSEQUENT EVENTS

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly.

The global pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and related financial impact cannot be reasonably estimated at this time. The entity's ability to continue to service debt and meet obligations as they come due is dependent on the continued ability to generate earnings and cash flows.

At this time, the full potential impact of COVID-19 on the entity is not known.

Appendix 1-I: Reconciliation of NBHDL's Audited Financial Statements to the Annual RRR Trial Balance for 2018, and 2019

2.1.13 - 2018 NBHDL FINANCIAL STATEMENTS - BALANCE SHEET - MAPPED TO OEB ACCT #'S

OEB Acct #	Acct Description	OEB Classification	NBHDL B/S Section	NBHDL B/S Line Grouping	Current Year	Balance Sheet
ASSETS						
Current assets:						
Cash and short-term investments						
2075	Non Rate-Regulated Utility Property Owned or Under Finance Leases	Other Capital Assets	Current Assets	Cash and short-term investments	148,208	
1005	Cash	Current Assets	Current Assets	Cash and short-term investments	7,643,501	7,791,709
Accounts receivable						
1100	Customer Accounts Receivable	Current Assets	Current Assets	Accounts receivable	6,140,654	
1102	Accounts Receivable - Services	Current Assets	Current Assets	Accounts receivable	(66,790)	
1104	Accounts Receivable - Recoverable Work	Current Assets	Current Assets	Accounts receivable	54,645	
1110	Other Accounts Receivable	Current Assets	Current Assets	Accounts receivable	810,761	
1130	Accumulated Provision for Uncollectible Accounts--Credit	Current Assets	Current Assets	Accounts receivable	(114,532)	
1200	Accounts Receivable from Associated Companies	Current Assets	Current Assets	Accounts receivable	3,687,832	
2075	Non Rate-Regulated Utility Property Owned or Under Finance Leases	Other Capital Assets	Current Assets	Accounts receivable	318,007	10,830,576
Unbilled revenue						
1120	Accrued Utility Revenues	Current Assets	Current Assets	Unbilled revenue	5,867,434	5,867,434
Payment in lieu of taxes receivable						
1180	Prepayments	Current Assets	Current Assets	Payment in lieu of taxes receivable	142,088	142,088
Inventory						
2075	Non Rate-Regulated Utility Property Owned or Under Finance Leases	Other Capital Assets	Current Assets	Inventory	15,292	
1330	Plant Materials and Operating Supplies	Inventory	Current Assets	Inventory	723,431	738,723
Prepaid expenses - current						
1180	Prepayments	Current Assets	Current Assets	Prepaid expenses - current	640,999	640,999
Total current assets						**26,011,529**
Non-current assets:						
Property, Plant and Equipment						
1611	Computer Software	Intangible Plant	Non-current assets	Property, plant and equipment	1,615,070	
1805	Land	Distribution Plant	Non-current assets	Property, plant and equipment	505,305	
1808	Buildings and Fixtures	Distribution Plant	Non-current assets	Property, plant and equipment	966,190	
1820	Distribution Station Equipment - Normally Primary below 50 kV	Distribution Plant	Non-current assets	Property, plant and equipment	20,343,712	
1830	Poles, Towers and Fixtures	Distribution Plant	Non-current assets	Property, plant and equipment	25,711,345	
1835	Overhead Conductors and Devices	Distribution Plant	Non-current assets	Property, plant and equipment	18,338,953	
1840	Underground Conduit	Distribution Plant	Non-current assets	Property, plant and equipment	1,468,433	
1845	Underground Conductors and Devices	Distribution Plant	Non-current assets	Property, plant and equipment	6,813,139	
1850	Line Transformers	Distribution Plant	Non-current assets	Property, plant and equipment	17,489,134	
1855	Services	Distribution Plant	Non-current assets	Property, plant and equipment	19,015,003	
1860	Meters	Distribution Plant	Non-current assets	Property, plant and equipment	6,158,171	
1905	Land	General Plant	Non-current assets	Property, plant and equipment	86,551	
1908	Buildings and Fixtures	General Plant	Non-current assets	Property, plant and equipment	3,607,970	
1915	Office Furniture and Equipment	General Plant	Non-current assets	Property, plant and equipment	386,365	
1920	Computer Equipment - Hardware	General Plant	Non-current assets	Property, plant and equipment	1,168,461	
1930	Transportation Equipment	General Plant	Non-current assets	Property, plant and equipment	3,137,342	
1935	Stores Equipment	General Plant	Non-current assets	Property, plant and equipment	142,493	
1940	Tools, Shop and Garage Equipment	General Plant	Non-current assets	Property, plant and equipment	1,432,078	
1955	Communication Equipment	General Plant	Non-current assets	Property, plant and equipment	201,054	
1960	Miscellaneous Equipment	General Plant	Non-current assets	Property, plant and equipment	21,010	
1970	Load Management Controls - Customer Premises	General Plant	Non-current assets	Property, plant and equipment	403,931	
1975	Load Management Controls - Utility Premises	General Plant	Non-current assets	Property, plant and equipment	165,151	
1980	System Supervisory Equipment	General Plant	Non-current assets	Property, plant and equipment	1,891,494	
1990	Other Tangible Property	General Plant	Non-current assets	Property, plant and equipment	53,060	
2055	Construction Work in Progress--Electric	Other Capital Assets	Non-current assets	Property, plant and equipment	2,286,359	
2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipment	Accumulated Amortization	Non-current assets	Property, plant and equipment	(62,568,752)	
2120	Accumulated Amortization of Electric Utility Plant - Intangibles	Accumulated Amortization	Non-current assets	Property, plant and equipment	(1,537,392)	69,301,631
Prepaid expenses - long-term						
1460	Other Non-Current Assets	Non-Current Assets	Non-current assets	Prepaid expenses - long-term	63,510	63,510
Financial instrument assets						
1405	1405-Non-Current Investments in Non-Associated Companies	Non-Current Assets	Non-current assets	Financial instrument asset	1,194,928	1,194,928
Deferred taxes						
1495	Deferred Taxes - Non-Current Assets	Non-Current Assets	Non-current assets	Deferred taxes	1,666,724	1,666,724
Total non-current assets						**72,226,793**
Total assets						**98,238,322**

2.1.13 - 2018 NBHDL FINANCIAL STATEMENTS - BALANCE SHEET - MAPPED TO OEB ACCT #'S

OEB Acct #	Acct Description	OEB Classification	NBHDL B/S Section	NBHDL B/S Line Grouping	Current Year	Balance Sheet
Regulatory deferral account debit balances:						
1508	Other Regulatory Assets	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	105,534	
1518	RCVA Retail	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	(7,004)	
1548	RCVA STR	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	1,318	
1550	LV Variance Account	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	42,495	
1551	Smart Metering Entity Charge Variance Account	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	(21,771)	
1555	Smart Meter Capital and Recovery Offset Variance Account	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	3,084	
1568	LRAM Variance Account	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	181,983	
1575	IFRS-CGAAP Transitional PP&E Amounts	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account credit balances	0	
1576	CGAAP Accounting Changes	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account credit balances	(0)	
1580	RSVA - Wholesale Market Service Charge	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	(22,814)	
1584	RSVA - Retail Transmission Network Charge	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	6,187	
1586	RSVA - Retail Transmission Connection Charge	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	290,109	
1588	RSVA - Power (excluding Global Adjustment)	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	76,451	
1589	RSVA - Global Adjustment	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account credit balances	11,328	**666,902**
TOTAL ASSETS						**98,905,225**
LIABILITIES AND SHAREHOLDER'S EQUITY						
Current liabilities:						
Accounts payable and accrued liabilities						
2205	Accounts Payable	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(6,712,811)	
2208	Customer Credit Balances	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(551,491)	
2220	Miscellaneous Current and Accrued Liabilities	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(1,370,973)	
2240	Accounts Payable to Associated Companies	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(270,835)	
2250	Debt Retirement Charges(DRC) Payable	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	179	
2268	Accrued Interest on Long Term Debt	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(71,236)	
2285	Obligations Under Finance Leases - Current	Current Liabilities	Current liabilities	Deferred revenue	(81,498)	
2290	Commodity Taxes	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(36,480)	
2292	Payroll Deductions / Expenses Payable	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(463,486)	(9,558,632)
Deferred revenue						
2285	Obligations Under Finance Leases - Current	Current Liabilities	Current liabilities	Deferred revenue	(841,982)	(841,982)
Customer deposits - current						
2210	Customer Deposits	Current Liabilities	Current liabilities	Customer deposits - current	(73,005)	(73,005)
Current portion of long-term debt						
2225	Notes and Loans Payable	Current Liabilities	Current liabilities	Current portion of long-term debt	(3,081,093)	
2260	Current Long Term Debt	Current Liabilities	Current liabilities	Current portion of long-term debt	(350,000)	(3,431,093)
Total current liabilities						**(13,904,712)**
Long-term liabilities:						
Customer deposits - long-term						
2335	Non-Current Customer Deposits	Non-Current Liabilities	Long-term liabilities	Customer deposits - long-term	(737,239)	(737,239)
Contributions in aid of construction						
2440	Deferred Revenues	Other Liabilities & Deferred Credits	Long-term liabilities	Contributions in aid of construction	(3,500,338)	(3,500,338)
Employee future benefits						
2306	OPEB Liability	Non-Current Liabilities	Long-term liabilities	Employee future benefits	(4,092,159)	
2310	Vested Sick Leave Liability	Non-Current Liabilities	Long-term liabilities	Employee future benefits	(164,500)	(4,256,659)
Long-term debt						
2505	Debentures Outstanding - Long Term	Long Term Debt	Long-term liabilities	Long-term debt	(466,667)	
2520	Other Non-Current Debt	Long Term Debt	Long-term liabilities	Long-term debt	(34,593,341)	(35,060,008)
Total long-term liabilities						**(43,554,244)**
Total liabilities						**(57,458,956)**

2.1.13 - 2018 NBHDL FINANCIAL STATEMENTS - BALANCE SHEET - MAPPED TO OEB ACCT #'S

OEB Acct #	Acct Description	OEB Classification	NBHDL B/S Section	NBHDL B/S Line Grouping	Current Year	Balance Sheet
Shareholder's equity:						
Share capital						
3005	Common Shares Issued	Shareholder's Equity	Shareholder's Equity	Share capital	(19,511,601)	**(19,511,601)**
Retained earnings						
3045	Unappropriated Retained Earnings	Shareholder's Equity	Shareholder's Equity	Retained earnings	(17,265,879)	
3049	Dividends Payable-Common Shares	Shareholder's Equity	Shareholder's Equity	Retained earnings	1,258,854	
3075	Non Rate-Regulated Utility Shareholders' Equity	Shareholder's Equity	Shareholder's Equity	Retained earnings	(9,825)	
3046	Balance Transferred From Income	Shareholder's Equity	Shareholder's Equity	Retained earnings	(3,042,503)	(19,059,353)
Accumulated other comprehensive income						
3090	Accumulated Other Comprehensive Income	Shareholder's Equity	Shareholder's Equity	Accumulated other comprehensive income	11,059	11,059
Total shareholder's equity						**(19,048,294)**
Total liabilities and shareholder's equity						**(38,559,895)**
Regulatory deferral account debit balances:						
1508	Other Regulatory Assets	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	(21,412)	
1518	RCVARetail	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account credit balances	(166,051)	
1548	RCVASTR	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account credit balances	34,288	
1580	RSVA - Wholesale Market Service Charge	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account credit balances	(607,380)	
1589	RSVA - Global Adjustment	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account credit balances	(25,913)	
1595	Disposition and Recovery/Refund of Regulatory Balances Control Account	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account credit balances	(433,181)	
2350	Deferred Tax - Non-Current Liability	Non-Current Liabilities	Regulatory deferral account credit balances	Regulatory deferral account credit balances	(1,666,724)	**(2,886,373)**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY						**(98,905,224)**

2.1.13 - 2018 NBHDL FINANCIAL STATEMENTS - INCOME STATEMENT - MAPPED TO OEB ACCT #'S

OEB Acct #	Acct Description	OEB Classification	NBHDL I/S Section	NBHDL I/S Line Grouping	Current Year	Income Statement
Revenue:						
Electricity sales						
4006	Residential Energy Sales	Sales of Electricity	Revenue	Electricity Sales	(16,136,560.72)	
4010	Commercial Energy Sales	Sales of Electricity	Revenue	Electricity Sales	(7,318,154.63)	
4025	Street Lighting Energy Sales	Sales of Electricity	Revenue	Electricity Sales	(216,240.15)	
4030	Sentinel Lighting Energy Sales	Sales of Electricity	Revenue	Electricity Sales	(10,253.40)	
4035	General Energy Sales	Sales of Electricity	Revenue	Electricity Sales	(22,410,002.46)	
4055	Energy Sales For Retailers/Others	Sales of Electricity	Revenue	Electricity Sales	(1,175,898.49)	
4062	Billed WMS	Sales of Electricity	Revenue	Electricity Sales	(1,421,714.31)	
4066	Billed NW	Sales of Electricity	Revenue	Electricity Sales	(3,212,768.54)	
4068	Billed CN	Sales of Electricity	Revenue	Electricity Sales	(3,002,437.54)	
4075	Billed - LV	Sales of Electricity	Revenue	Electricity Sales	(34,267.28)	
4076	Billed – Smart Metering Entity Charge	Sales of Electricity	Revenue	Electricity Sales	(144,676.65)	
4080	Distribution Services Revenue	Revenue from Services - Distribution	Revenue	Electricity Sales	(12,254,299.52)	
4086	SSS Administration Revenue	Revenue from Services - Distribution	Revenue	Electricity Sales	(86,924.16)	(67,424,198)
Other						
4210	Rent from Electric Property	Other Operating Revenues	Revenue	Other	(245,584.35)	
4235	Miscellaneous Service Revenues	Other Operating Revenues	Revenue	Other	(358,851.77)	
4245	Government and Other Assistance Directly Credited to Income	Other Operating Revenues	Revenue	Other	(80,619.40)	
4375	Revenues from Non Rate-Regulated Utility Operations	Other Income / Deductions	Revenue	Other	(1,155,267.91)	
4380	Expenses of Non Rate-Regulated Utility Operations	Other Income / Deductions	Revenue	Other	1,103,440.24	
4390	Miscellaneous Non-Operating Income	Other Income / Deductions	Revenue	Other	(9,196.63)	(746,080)
Total revenues						**(68,170,278)**
Expenses:						
Cost of power						
4705	Power Purchased	Other Power Supply Expense	Expenses	Cost of power	29,058,366.87	
4707	Charges - Global Adjustment	Other Power Supply Expense	Expenses	Cost of power	18,208,743.00	
4708	Charges-WMS	Other Power Supply Expense	Expenses	Cost of power	1,421,714.32	
4714	Charges-NW	Other Power Supply Expense	Expenses	Cost of power	3,212,768.47	
4716	Charges-CN	Other Power Supply Expense	Expenses	Cost of power	3,002,437.54	
4750	Charges - LV	Other Power Supply Expense	Expenses	Cost of power	34,267.28	
4751	Charges – Smart Metering Entity Charge	Other Power Supply Expense	Expenses	Cost of power	144,676.65	55,082,974
Operating expenses						
4380	Expenses of Non Rate-Regulated Utility Operations	Other Income / Deductions	Expenses	Operating expenses	216,844.59	
5010	Load Dispatching	Distribution - Operations	Expenses	Operating expenses	245,357.69	
5012	Station Buildings and Fixtures Expense	Distribution - Operations	Expenses	Operating expenses	18,257.21	
5020	Overhead Distribution Lines and Feeders - Operation Labour	Distribution - Operations	Expenses	Operating expenses	7,307.93	
5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	Distribution - Operations	Expenses	Operating expenses	1,524.73	
5030	Overhead Subtransmission Feeders - Operation	Distribution - Operations	Expenses	Operating expenses	928.08	
5040	Underground Distribution Lines and Feeders - Operation Labour	Distribution - Operations	Expenses	Operating expenses	178,072.31	
5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	Distribution - Operations	Expenses	Operating expenses	19,585.62	
5065	Meter Expense	Distribution - Operations	Expenses	Operating expenses	220,826.28	
5085	Miscellaneous Distribution Expense	Distribution - Operations	Expenses	Operating expenses	(80,946.43)	
5095	Overhead Distribution Lines and Feeders - Rental Paid	Distribution - Operations	Expenses	Operating expenses	34,539.59	
5110	Maintenance of Buildings and Fixtures - Distribution Stations	Distribution - Maintenance	Expenses	Operating expenses	34,657.98	
5114	Maintenance of Distribution Station Equipment	Distribution - Maintenance	Expenses	Operating expenses	92,171.16	
5120	Maintenance of Poles, Towers and Fixtures	Distribution - Maintenance	Expenses	Operating expenses	18,733.12	
5125	Maintenance of Overhead Conductors and Devices	Distribution - Maintenance	Expenses	Operating expenses	271,104.80	
5130	Maintenance of Overhead Services	Distribution - Maintenance	Expenses	Operating expenses	339,372.97	
5135	Overhead Distribution Lines and Feeders - Right of Way	Distribution - Maintenance	Expenses	Operating expenses	515,993.58	
5150	Maintenance of Underground Conductors and Devices	Distribution - Maintenance	Expenses	Operating expenses	37,215.51	
5155	Maintenance of Underground Services	Distribution - Maintenance	Expenses	Operating expenses	146,126.49	
5160	Maintenance of Line Transformers	Distribution - Maintenance	Expenses	Operating expenses	183,564.05	
5175	Maintenance of Meters	Distribution - Maintenance	Expenses	Operating expenses	13,535.27	
5310	Meter Reading Expense	Billing & Collecting	Expenses	Operating expenses	295,712.37	
5315	Customer Billing	Billing & Collecting	Expenses	Operating expenses	461,975.95	
5320	Collecting	Billing & Collecting	Expenses	Operating expenses	332,942.43	
5325	Collecting- Cash Over and Short	Billing & Collecting	Expenses	Operating expenses	23.68	
5335	Bad Debt Expense	Billing & Collecting	Expenses	Operating expenses	167,985.01	
5610	Management Salaries and Expenses	Administration & General	Expenses	Operating expenses	906,607.37	
5615	General Administrative Salaries and Expenses	Administration & General	Expenses	Operating expenses	393,195.13	
5620	Office Supplies and Expenses	Administration & General	Expenses	Operating expenses	1,545.15	
5630	Outside Services Employed	Administration & General	Expenses	Operating expenses	321,281.42	
5635	Property Insurance	Administration & General	Expenses	Operating expenses	118,435.36	
5645	OMERS Pensions and Benefits	Administration & General	Expenses	Operating expenses	272,860.39	
5647	Employee Sick Leave	Administration & General	Expenses	Operating expenses	(34,300.00)	
5655	Regulatory Expenses	Administration & General	Expenses	Operating expenses	270,520.12	

OEB Acct #	Acct Description	OEB Classification	NBHDL I/S Section	NBHDL I/S Line Grouping	Current Year	Income Statement
5665	Miscellaneous General Expenses	Administration & General	Expenses	Operating expenses	89,018.63	
5675	Maintenance of General Plant	Administration & General	Expenses	Operating expenses	188,625.28	
5680	Electrical Safety Authority Fees	Administration & General	Expenses	Operating expenses	11,770.04	
6105	Taxes Other Than Income Taxes	Taxes	Expenses	Operating expenses	82,155.05	
6205	Donations	Other Deductions	Expenses	Operating expenses	35,073.00	6,430,199
Depreciation and amortization						
5705	Depreciation Expense - Property Plant, and Equipment	Amortization	Expenses	Depreciation and amortization	2,805,571.68	
5715	Amortization of Intangible Assets	Amortization	Expenses	Depreciation and amortization	48,627.55	2,854,199
Loss on disposal of propert, plant and equipment						
4355	Gain on Disposition of Utility and Other Property	Other Income / Deductions	Expenses	Loss on disposal of propert, plant and equipment	(3,432.00)	
4362	Loss from Retirement of Utility and Other Property	Other Income / Deductions	Expenses	Loss on disposal of propert, plant and equipment	29,351.73	25,920
Gain on foreign exchange						
4398	Foreign Exchange Gains and Losses, Including Amortization	Other Income / Deductions	Expenses	Gain on foreign exchange	(914.97)	(915)
Total expenses						**64,392,377**
Income from operating activities						**(3,777,901)**
Finance income:						
4225	Late Payment Charges	Other Operating Revenues	Finance income	Finance income	(152,361.89)	
4405	Interest and Dividend Income	Investment Income	Finance income	Finance income	(230,285.24)	**(382,647)**
Finance costs:						
6005	Interest on Long Term Debt	Interest Expense	Finance costs	Finance costs	936,608.85	
6035	Other Interest Expense	Interest Expense	Finance costs	Finance costs	11,405.89	
5645	OMERS Pensions and Benefits	Administration & General	Finance costs	Finance costs	143,685.00	**1,091,700**
Unrealized loss on investments:						
4335	Profits and Losses from Financial Instrument Hedges	Other Income / Deductions	Unrealized loss on investments	Change in interest rate swap	140,775.00	**140,775**
Income from operating activities						**(2,928,073)**
Provision for payment in lieu of income taxes:						
6110	Income Taxes	Taxes	Provision for payment in lieu of income taxes	Current	-	
6110	Income Taxes	Taxes	Provision for payment in lieu of income taxes	Deferred	832,823.00	**832,823**
Profit for the year before net movement in regulatory deferral account balances						**(2,095,250)**
Net movement in regulatory deferral account balances						
6110	Income Taxes	Taxes	Net movement in regulatory deferral account balances	Net movement in regulatory deferral account balances	(832,823.00)	
6115	Deferred Taxes	Taxes	Net movement in regulatory deferral account balances	Net movement in regulatory deferral account balances	(55,974.10)	
4080	Distribution Services Revenue	Revenue from Services - Distribution	Net movement in regulatory deferral account balances	Net movement in regulatory deferral account balances	(75,935.57)	
4305	Regulatory Debits	Regulatory Debit	Net movement in regulatory deferral account balances	Net movement in regulatory deferral account balances	272.90	
4405	Interest and Dividend Income	Investment Income	Net movement in regulatory deferral account balances	Net movement in regulatory deferral account balances	(17,990.00)	
6035	Other Interest Expense	Interest Expense	Net movement in regulatory deferral account balances	Net movement in regulatory deferral account balances	35,196.32	**(947,253)**
Profit for the year and net movement in regulatory deferral account balances						**(3,042,503)**
Other comprehensive income:						
7010	Pension Actuarial Gains or Losses or Remeasurement Adjustment - Other Comprehensive Income	Other Comprehensive Income	Other Comprehensive Income	Remeasurement of employee future benefits	(211,223.00)	
7025	Deferred Taxes - Other Comprehensive Income	Other Comprehensive Income	Other Comprehensive Income	Remeasurement of employee future benefits	55,974.10	**(155,249)**
NET INCOME FOR THE YEAR						**(3,197,752)**

2.1.13 - 2019 NBHDL FINANCIAL STATEMENTS - BALANCE SHEET - MAPPED TO OEB ACCT #'S

OEB Acct #	Acct Description	OEB Classification	NBHDL B/S Section	NBHDL B/S Line Grouping	Current	Balance Sheet
ASSETS						
Current assets:						
Cash and short-term investments						
1005	Cash	Current Assets	Current Assets	Cash and short-term investments	11,244,116	11,244,116
Accounts receivable						
1100	Customer Accounts Receivable	Current Assets	Current Assets	Accounts receivable	5,863,222	
1005	Cash	Current Assets	Current Assets	Accounts receivable	(87,776)	
1102	Accounts Receivable - Services	Current Assets	Current Assets	Accounts receivable	(60,066)	
1104	Accounts Receivable - Recoverable Work	Current Assets	Current Assets	Accounts receivable	74,007	
1110	Other Accounts Receivable	Current Assets	Current Assets	Accounts receivable	2,269,688	
1130	Accumulated Provision for Uncollectible Accounts--Credit	Current Assets	Current Assets	Accounts receivable	(131,556)	
1200	Accounts Receivable from Associated Companies	Current Assets	Current Assets	Accounts receivable	1,853,361	
2075	Non Rate-Regulated Utility Property Owned or Under Finance Leases	Other Capital Assets	Current Assets	Accounts receivable	293,250	10,074,129
Unbilled revenue						
1120	Accrued Utility Revenues	Current Assets	Current Assets	Unbilled revenue	6,010,011	6,010,011
Payment in lieu of taxes receivable						
1180	Prepayments	Current Assets	Current Assets	Payment in lieu of taxes receivable	0	-
Inventory						
1330	Plant Materials and Operating Supplies	Inventory	Current Assets	Inventory	679,184	679,184
Prepaid expenses - current						
1180	Prepayments	Current Assets	Current Assets	Prepaid expenses - current	608,002	608,002
Total current assets						**28,615,441**
Non-current assets:						
Property, Plant and Equipment						
1611	Computer Software	Intangible Plant	Non-current assets	Property, plant and equipment	1,662,300	
1805	Land	Distribution Plant	Non-current assets	Property, plant and equipment	505,305	
1808	Buildings and Fixtures	Distribution Plant	Non-current assets	Property, plant and equipment	966,190	
1820	Distribution Station Equipment - Normally Primary below 50 kV	Distribution Plant	Non-current assets	Property, plant and equipment	21,226,263	
1830	Poles, Towers and Fixtures	Distribution Plant	Non-current assets	Property, plant and equipment	26,791,701	
1835	Overhead Conductors and Devices	Distribution Plant	Non-current assets	Property, plant and equipment	19,287,928	
1840	Underground Conduit	Distribution Plant	Non-current assets	Property, plant and equipment	1,985,394	
1845	Underground Conductors and Devices	Distribution Plant	Non-current assets	Property, plant and equipment	7,141,618	
1850	Line Transformers	Distribution Plant	Non-current assets	Property, plant and equipment	18,221,443	
1855	Services	Distribution Plant	Non-current assets	Property, plant and equipment	20,060,596	
1860	Meters	Distribution Plant	Non-current assets	Property, plant and equipment	6,271,746	
1905	Land	General Plant	Non-current assets	Property, plant and equipment	86,551	
1908	Buildings and Fixtures	General Plant	Non-current assets	Property, plant and equipment	3,648,165	
1915	Office Furniture and Equipment	General Plant	Non-current assets	Property, plant and equipment	393,914	
1920	Computer Equipment - Hardware	General Plant	Non-current assets	Property, plant and equipment	1,390,644	
1930	Transportation Equipment	General Plant	Non-current assets	Property, plant and equipment	3,485,797	
1935	Stores Equipment	General Plant	Non-current assets	Property, plant and equipment	142,493	
1940	Tools, Shop and Garage Equipment	General Plant	Non-current assets	Property, plant and equipment	1,473,156	
1955	Communication Equipment	General Plant	Non-current assets	Property, plant and equipment	204,627	
1960	Miscellaneous Equipment	General Plant	Non-current assets	Property, plant and equipment	21,010	
1970	Load Management Controls - Customer Premises	General Plant	Non-current assets	Property, plant and equipment	403,931	
1975	Load Management Controls - Utility Premises	General Plant	Non-current assets	Property, plant and equipment	165,151	
1980	System Supervisory Equipment	General Plant	Non-current assets	Property, plant and equipment	1,944,674	
1990	Other Tangible Property	General Plant	Non-current assets	Property, plant and equipment	53,060	
2055	Construction Work in Progress--Electric	Other Capital Assets	Non-current assets	Property, plant and equipment	1,334,696	
2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipment	Accumulated Amortization	Non-current assets	Property, plant and equipment	(65,032,574)	
2120	Accumulated Amortization of Electric Utility Plant - Intangibles	Accumulated Amortization	Non-current assets	Property, plant and equipment	(1,568,127)	72,267,651
Prepaid expenses - long-term						
1460	Other Non-Current Assets	Non-Current Assets	Non-current assets	Prepaid expenses - long-term	(0)	(0)
investments						
1485	Portfolio Investments - Associated Companies - Influence	Non-Current Assets	Non-current assets	Investments	360,120	360,120
Financial instrument assets						
1405	1405-Non-Current Investments in Non-Associated Companies	Non-Current Assets	Non-current assets	Financial instrument asset	513,527	513,527
Deferred taxes						
1495	Deferred Taxes - Non-Current Assets	Non-Current Assets	Non-current assets	Deferred taxes	1,325,427	1,325,427
Total non-current assets						**74,466,726**
Total assets						**103,082,167**

2.1.13 - 2019 NBHDL FINANCIAL STATEMENTS - BALANCE SHEET - MAPPED TO OEB ACCT #'S

OEB Acct #	Acct Description	OEB Classification	NBHDL B/S Section	NBHDL B/S Line Grouping	Current	Balance Sheet
Regulatory deferral account debit balances:						
1508	Other Regulatory Assets	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	139,687	
1518	RCVA Retail	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	(10,975)	
1548	RCVA STR	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	2,119	
1550	LV Variance Account	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	79,463	
1551	Smart Metering Entity Charge Variance Account	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	(24,398)	
1555	Smart Meter Capital and Recovery Offset Variance Account	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	3,120	
1568	LRAM Variance Account	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	185,986	
1575	IFRS-CGAAP Transitional PP&E Amounts	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account debit balances	0	
1576	CGAAP Accounting Changes	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account debit balances	(0)	
1580	RSVA - Wholesale Market Service Charge	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	(38,900)	
1584	RSVA - Retail Transmission Network Charge	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	219,374	
1586	RSVA - Retail Transmission Connection Charge	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	401,980	
1588	RSVA - Power (excluding Global Adjustment)	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	(125,138)	
1595	Disposition and Recovery/Refund of Regulatory Balances Control Account	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account debit balances	38,630	
1589	RSVA - Global Adjustment	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account debit balances	191,235	**1,062,183**
TOTAL ASSETS						**104,144,350**
LIABILITIES AND SHAREHOLDER'S EQUITY						
Current liabilities:						
Accounts payable and accrued liabilities						
2205	Accounts Payable	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(7,144,074)	
2208	Customer Credit Balances	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(1,707,309)	
2220	Miscellaneous Current and Accrued Liabilities	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(1,988,080)	
2240	Accounts Payable to Associated Companies	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(273,868)	
2250	Debt Retirement Charges(DRC) Payable	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	205	
2268	Accrued Interest on Long Term Debt	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(74,848)	
2285	Obligations Under Finance Leases - Current	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(3,570)	
2290	Commodity Taxes	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(47,927)	
2292	Payroll Deductions / Expenses Payable	Current Liabilities	Current liabilities	Accounts payable and accrued liabilities	(500,973)	(11,740,444)
Payments in lieu of taxes						
2294	Accrual for Taxes - PILs				(87,718)	(87,718)
Deferred revenue						
2285	Obligations Under Finance Leases - Current	Current Liabilities	Current liabilities	Deferred revenue	(789,289)	(789,289)
Customer deposits - current						
2210	Customer Deposits	Current Liabilities	Current liabilities	Customer deposits - current	(94,281)	(94,281)
Current portion of long-term debt						
2225	Notes and Loans Payable	Current Liabilities	Current liabilities	Current portion of long-term debt	(3,660,219)	
2260	Current Long Term Debt	Current Liabilities	Current liabilities	Current portion of long-term debt	(350,000)	(4,010,219)
Total current liabilities						**(16,721,951)**
Long-term liabilities:						
Customer deposits - long-term						
2335	Non-Current Customer Deposits	Non-Current Liabilities	Long-term liabilities	Customer deposits - long-term	(732,674)	(732,674)
Contributions in aid of construction						
2440	Deferred Revenues	Other Liabilities & Deferred Credits	Long-term liabilities	Contributions in aid of construction	(3,890,009)	(3,890,009)
Employee future benefits						
2306	OPEB Liability	Non-Current Liabilities	Long-term liabilities	Employee future benefits	(4,316,342)	
2310	Vested Sick Leave Liability	Non-Current Liabilities	Long-term liabilities	Employee future benefits	(220,400)	(4,536,742)
Long-term debt						
2505	Debentures Outstanding - Long Term	Long Term Debt	Long-term liabilities	Long-term debt	(116,666)	
2520	Other Non-Current Debt	Long Term Debt	Long-term liabilities	Long-term debt	(36,311,769)	(36,428,435)
Total long-term liabilities						**(45,587,860)**
Total liabilities						**(62,309,811)**

2.1.13 - 2019 NBHDL FINANCIAL STATEMENTS - BALANCE SHEET - MAPPED TO OEB ACCT #'S

OEB Acct #	Acct Description	OEB Classification	NBHDL B/S Section	NBHDL B/S Line Grouping	Current	Balance Sheet
Shareholder's equity:						
Share capital						
3005	Common Shares Issued	Shareholder's Equity	Shareholder's Equity	Share capital	(19,511,601)	**(19,511,601)**
Retained earnings						
3045	Unappropriated Retained Earnings	Shareholder's Equity	Shareholder's Equity	Retained earnings	(19,049,527)	
3049	Dividends Payable-Common Shares	Shareholder's Equity	Shareholder's Equity	Retained earnings	1,329,025	
3075	Non Rate-Regulated Utility Shareholders' Equity	Shareholder's Equity	Shareholder's Equity	Retained earnings	(9,825)	
3046	Balance Transferred From Income	Shareholder's Equity	Shareholder's Equity	Retained earnings	(2,132,507)	(19,862,834)
Accumulated other comprehensive income						
3090	Accumulated Other Comprehensive Income	Shareholder's Equity	Shareholder's Equity	Accumulated other comprehensive income	205,399	205,399
Total shareholder's equity						**(19,657,436)**
Total liabilities and shareholder's equity						**(39,169,037)**
Regulatory deferral account debit balances:						
1508	Other Regulatory Assets	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account credit balances	(260,090)	
1518	RCVARetail	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account credit balances	(190,137)	
1548	RCVASTR	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account credit balances	39,007	
1580	RSVA - Wholesale Market Service Charge	Other Assets & Deferred Charges	Regulatory deferral account credit balances	Regulatory deferral account credit balances	(750,952)	
1592	Pils and Tax Variance	Other Assets & Deferred Charges	Regulatory deferral account debit balances	Regulatory deferral account credit balances	(177,903)	
2350	Deferred Tax - Non-Current Liability	Non-Current Liabilities	Regulatory deferral account credit balances	Regulatory deferral account credit balances	(1,325,427)	**(2,665,502)**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY						**(104,144,350)**

2.1.13 - 2019 NBHDL FINANCIAL STATEMENTS - INCOME STATEMENT - MAPPED TO OEB ACCT #'S

OEB Acct #	Acct Description	OEB Classification	NBHDL I/S Section	NBHDL I/S Line Grouping	Current Year	Income Statement
Revenue:						
Electricity sales						
4006	Residential Energy Sales	Sales of Electricity	Revenue	Electricity Sales	(17,379,985)	
4010	Commercial Energy Sales	Sales of Electricity	Revenue	Electricity Sales	(7,765,292)	
4025	Street Lighting Energy Sales	Sales of Electricity	Revenue	Electricity Sales	(229,155)	
4030	Sentinel Lighting Energy Sales	Sales of Electricity	Revenue	Electricity Sales	(10,335)	
4035	General Energy Sales	Sales of Electricity	Revenue	Electricity Sales	(23,344,198)	
4055	Energy Sales For Retailers/Others	Sales of Electricity	Revenue	Electricity Sales	(922,682)	
4062	Billed WMS	Sales of Electricity	Revenue	Electricity Sales	(1,880,903)	
4066	Billed NW	Sales of Electricity	Revenue	Electricity Sales	(3,207,041)	
4068	Billed CN	Sales of Electricity	Revenue	Electricity Sales	(3,013,409)	
4075	Billed - LV	Sales of Electricity	Revenue	Electricity Sales	(34,449)	
4076	Billed – Smart Metering Entity Charge	Sales of Electricity	Revenue	Electricity Sales	(159,570)	
4080	Distribution Services Revenue	Revenue from Services - Distributior	Revenue	Electricity Sales	(12,464,401)	
4086	SSS Administration Revenue	Revenue from Services - Distributior	Revenue	Electricity Sales	(87,410)	(70,498,828)
Other						
4210	Rent from Electric Property	Other Operating Revenues	Revenue	Other	(266,288)	
4235	Miscellaneous Service Revenues	Other Operating Revenues	Revenue	Other	(214,871)	
4245	Government and Other Assistance Directly Credited to Income	Other Operating Revenues	Revenue	Other	(93,371)	
4375	Revenues from Non Rate-Regulated Utility Operations	Other Income / Deductions	Revenue	Other	(864,459)	
4380	Expenses of Non Rate-Regulated Utility Operations	Other Income / Deductions	Revenue	Other	792,813	
4390	Miscellaneous Non-Operating Income	Other Income / Deductions	Revenue	Other	(3,042)	(649,219)
Total revenues						**(71,148,047)**
Expenses:						
Cost of power						
4705	Power Purchased	Other Power Supply Expense	Expenses	Cost of power	29,045,952	
4707	Charges - Global Adjustment	Other Power Supply Expense	Expenses	Cost of power	20,605,694	
4708	Charges-WMS	Other Power Supply Expense	Expenses	Cost of power	1,870,880	
4714	Charges-NW	Other Power Supply Expense	Expenses	Cost of power	3,207,041	
4716	Charges-CN	Other Power Supply Expense	Expenses	Cost of power	3,013,409	
4750	Charges - LV	Other Power Supply Expense	Expenses	Cost of power	44,472	
4751	Charges – Smart Metering Entity Charge	Other Power Supply Expense	Expenses	Cost of power	159,570	57,947,018
Operating expenses						
4380	Expenses of Non Rate-Regulated Utility Operations	Other Income / Deductions	Expenses	Operating expenses	27,360	
5010	Load Dispatching	Distribution - Operations	Expenses	Operating expenses	277,280	
5012	Station Buildings and Fixtures Expense	Distribution - Operations	Expenses	Operating expenses	37,442	
5020	Overhead Distribution Lines and Feeders - Operation Labour	Distribution - Operations	Expenses	Operating expenses	10,643	
5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	Distribution - Operations	Expenses	Operating expenses	2,792	
5030	Overhead Subtransmission Feeders - Operation	Distribution - Operations	Expenses	Operating expenses	216	
5040	Underground Distribution Lines and Feeders - Operation Labour	Distribution - Operations	Expenses	Operating expenses	245,195	
5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	Distribution - Operations	Expenses	Operating expenses	48,739	
5065	Meter Expense	Distribution - Operations	Expenses	Operating expenses	280,002	
5085	Miscellaneous Distribution Expense	Distribution - Operations	Expenses	Operating expenses	(36,148)	
5095	Overhead Distribution Lines and Feeders - Rental Paid	Distribution - Operations	Expenses	Operating expenses	59,681	
5110	Maintenance of Buildings and Fixtures - Distribution Stations	Distribution - Maintenance	Expenses	Operating expenses	53,974	
5114	Maintenance of Distribution Station Equipment	Distribution - Maintenance	Expenses	Operating expenses	127,362	
5120	Maintenance of Poles, Towers and Fixtures	Distribution - Maintenance	Expenses	Operating expenses	158,576	
5125	Maintenance of Overhead Conductors and Devices	Distribution - Maintenance	Expenses	Operating expenses	274,623	
5130	Maintenance of Overhead Services	Distribution - Maintenance	Expenses	Operating expenses	270,093	
5135	Overhead Distribution Lines and Feeders - Right of Way	Distribution - Maintenance	Expenses	Operating expenses	550,373	
5145	Maintenance of Underground Conduit	Distribution - Maintenance	Expenses	Operating expenses	2,494	
5150	Maintenance of Underground Conductors and Devices	Distribution - Maintenance	Expenses	Operating expenses	50,474	
5155	Maintenance of Underground Services	Distribution - Maintenance	Expenses	Operating expenses	183,690	
5160	Maintenance of Line Transformers	Distribution - Maintenance	Expenses	Operating expenses	155,198	
5175	Maintenance of Meters	Distribution - Maintenance	Expenses	Operating expenses	2,310	
5310	Meter Reading Expense	Billing & Collecting	Expenses	Operating expenses	296,026	
5315	Customer Billing	Billing & Collecting	Expenses	Operating expenses	383,050	
5320	Collecting	Billing & Collecting	Expenses	Operating expenses	341,821	
5325	Collecting- Cash Over and Short	Billing & Collecting	Expenses	Operating expenses	1	
5335	Bad Debt Expense	Billing & Collecting	Expenses	Operating expenses	121,132	
4380	Expenses of Non Rate-Regulated Utility Operations	Other Income / Deductions	Expenses	Expenses of Non-Utility Operations	56,629	
5610	Management Salaries and Expenses	Administration & General	Expenses	Operating expenses	941,905	
5615	General Administrative Salaries and Expenses	Administration & General	Expenses	Operating expenses	351,351	

OEB Acct #	Acct Description	OEB Classification	NBHDL I/S Section	NBHDL I/S Line Grouping	Current Year	Income Statement
5620	Office Supplies and Expenses	Administration & General	Expenses	Operating expenses	2,093	
5630	Outside Services Employed	Administration & General	Expenses	Operating expenses	271,181	
5635	Property Insurance	Administration & General	Expenses	Operating expenses	119,272	
5645	OMERS Pensions and Benefits	Administration & General	Expenses	Operating expenses	254,135	
5647	Employee Sick Leave	Administration & General	Expenses	Operating expenses	55,900	
5655	Regulatory Expenses	Administration & General	Expenses	Operating expenses	287,176	
5665	Miscellaneous General Expenses	Administration & General	Expenses	Operating expenses	124,514	
5675	Maintenance of General Plant	Administration & General	Expenses	Operating expenses	217,852	
5680	Electrical Safety Authority Fees	Administration & General	Expenses	Operating expenses	11,938	
6105	Taxes Other Than Income Taxes	Taxes	Expenses	Operating expenses	87,960	
6205	Donations	Other Deductions	Expenses	Operating expenses	33,458	6,739,764
Depreciation and amortization						
5705	Depreciation Expense - Property Plant, and Equipment	Amortization	Expenses	Depreciation and amortization	2,945,287	
5715	Amortization of Intangible Assets	Amortization	Expenses	Depreciation and amortization	36,554	2,981,841
Loss on disposal of propert, plant and equipment						
4355	Gain on Disposition of Utility and Other Property	Other Income / Deductions	Expenses	Loss on disposal of propert, plant and equipment	(90,253)	
4362	Loss from Retirement of Utility and Other Property	Other Income / Deductions	Expenses	Loss on disposal of propert, plant and equipment	180,525	90,272
Gain on foreign exchange						
4398	Foreign Exchange Gains and Losses, Including Amortization	Other Income / Deductions	Expenses	Gain on foreign exchange	1,406	1,406
Total expenses						**67,760,301**
Income from operating activities						**(3,387,746)**
Finance income:						
4225	Late Payment Charges	Other Operating Revenues	Finance income	Finance income	(134,994)	
4405	Interest and Dividend Income	Investment Income	Finance income	Finance income	(257,473)	**(392,467)**
Investment oncome						
4405					(605,148.00)	**(605,148)**
Finance costs:						
6005	Interest on Long Term Debt	Interest Expense	Finance costs	Finance costs	1,036,235	
6035	Other Interest Expense	Interest Expense	Finance costs	Finance costs	14,609	
5645	OMERS Pensions and Benefits	Administration & General	Finance costs	Finance costs	154,521	**1,205,365**
Unrealized loss on investments:						
4335	Profits and Losses from Financial Instrument Hedges	Other Income / Deductions	Unrealized loss on investments	Change in interest rate swap	681,401	**681,401**
Income from operating activities						**(2,498,595)**
Provision for payment in lieu of income taxes:						
6110	Income Taxes	Taxes	Provision for payment in lieu of incor	Current	122,584	
6110	Income Taxes	Taxes	Provision for payment in lieu of incor	Deferred	411,365	**533,949**
Profit for the year before net movement in regulatory deferral account balances						**(1,964,645)**
Net movement in regulatory deferral account balances						
6110	Income Taxes	Taxes	Net movement in regulatory deferral	Net movement in regulatory deferral account balances	(411,365)	
6115	Deferred Taxes	Taxes	Net movement in regulatory deferral	Net movement in regulatory deferral account balances	70,068	
4080	Distribution Services Revenue	Revenue from Services - Distributior	Net movement in regulatory deferral	Net movement in regulatory deferral account balances	177,903	
4405	Interest and Dividend Income	Investment Income	Net movement in regulatory deferral	Net movement in regulatory deferral account balances	(30,790)	
6035	Other Interest Expense	Interest Expense	Net movement in regulatory deferral	Net movement in regulatory deferral account balances	26,322	**(167,862)**
Profit for the year and net movement in regulatory deferral account balances						**(2,132,507)**
Other comprehensive income:						
7010	Pension Actuarial Gains or Losses or Remeasurement Adjustment - Other Comprehensive Income	Other Comprehensive Income	Other Comprehensive Income	Remeasurement of employee future benefits	264,408	
7025	Deferred Taxes - Other Comprehensive Income	Other Comprehensive Income	Other Comprehensive Income	Remeasurement of employee future benefits	(70,068)	**194,340**
NET INCOME FOR THE YEAR						**(1,938,167)**

Appendix 1-J: List of Specific Approvals Requested (Board Appendix 2-A)

Appendix 2-A
List of Requested Approvals

The distributor must fill out the following sheet with the complete list of specific approvals requested and relevant section(s) of the legislation must be provided. All approvals, including accounting orders (deferral and variance accounts) new rate classes, revised specific service charges or retail service charges which the applicant is seeking, must be separately identified, as well being clearly documented in the appropriate sections of the application.

Additional requests may be added by copying and pasting blank input rows, as needed.

If additional requests arise, or requested approvals are removed, during the processing of the application, the distributor should update this list.

North Bay Hydro Distribution Limited - North Bay service territory is seeking the following approvals in this application:

1	Approval to charge distribution rates effective May 1, 2021 to recover a Service Revenue Requirement of $14,457,121 which includes a Revenue Deficiency of $1,770,175 as detailed in Exhibit 6. The schedule of Proposed Rates is set out in Exhibit 8.
2	Approval of the Distribution System Plan as outlined in Exhibit 2.
3	Approval of revised Low Voltage Rates as proposed and described in Exhibit 8.
4	Approval to adjust the Retail Transmission Rates – Network and Connection as detailed in Exhibit 8.
5	Approval to continue to charge Wholesale Market and Rural Rate Protection Charges approved in the Board Decision and Order in the matter of NBHDL's 2020 Distribution Rates (EB-2019-0057) and updated in the Board's Decision and Order EB-2020-0276..
6	Approval to continue the Specific Service Charges and Transformer Allowance approved in the Board Decision and Order in the matter of NBHDL's 2020 Distribution Rates (EB-2019-0057).
7	Approval of the Proposed Loss Factors as detailed in Exhibit 8.
8	Approval to continue to use the Transformer Allowance most recently approved as part of the last Cost of Service application (EB-2014-0099). Listed in Appendix 8.
9	Approval to charge the Board's updated Pole Attachment Charge, effective January 1, 2021.
10	Approval of the Rate Riders for a one-year disposition of the Group 1, Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9.
11	Approval to discontinue the use of Retail Cost Variance Accounts (RCVAs) 1518 and 1548.
12	Approval of the Rate Riders for a one-year disposition of the Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") for lost revenue as presented in Exhibits 4 and 9 of this application.
13	Approval for the continued used of 1592 – PILS and Tax Variance – CCA Changes sub account as described in Exhibit 9.
14	Approval to create a 1509 – Impacts Arising from the COVID-19 Emergency sub account as described in Exhibit 9.
15	Approval of the Proposed Loss Factors as detailed in Exhibit 8.F50
16	Approval to amend the name and description of its current customer class of GS 3,000 to 4,999 kW to GS> 3,000 kW as described in Exhibit 7.
17	Such other approvals as NBHDL may advise and the OEB may deem as just and reasonable.