CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

EXHIBIT 1:
ADMINISTRATIVE DOCUMENTS

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1.1 INTRODUCTION AND EXECUTIVE SUMMARY

1.1.1 INTRODUCTION

Canadian Niagara Power Inc. ("CNPI" or the "Applicant") is pleased to present its cost of service application (the "Application") for rates effective January 1, 2022. This Application consists of the following Exhibits, and live Excel models in support of the evidence presented in this Application.

Exhibits:

- Exhibit 1: Administrative Documents
- Exhibit 2: Rate Base and DSP
- Exhibit 3: Revenues
- Exhibit 4: Operating Expenses
- Exhibit 5: Cost of Capital and Capital Structure
- Exhibit 6: Revenue Requirement
- Exhibit 7: Cost Allocation
- Exhibit 8: Rate Design
- Exhibit 9: Deferral and Variance Accounts

Models:

- CNPI 2022 Benchmarking Forecast Model
- CNPI 2022 Cost Allocation
- CNPI 2022 LRAMVA Workform (plus various supporting files/models from CNPI's 2021 IRM)
- CNPI 2022 PILs Workform
- CNPI 2022 Rev Requirement Workform
- CNPI 2022 RTSR Workform
- CNPI 2022 Load Forecast Model
- CNPI 2022 COS Checklist
- CNPI 2022 DVA Continuity Schedule
- CNPI 2022 GA Analysis Workform
- CNPI 2022 1595 Workform
- CNPI 2022 Chapter 2 Appendices
- CNPI 2022 Depreciation Schedules (Appendix 2-C filed stand-alone from Ch 2 Appendices)
- CNPI 2022 Chapter 5 Appendix
- CNPI 2022 Rate Design Model
- CNPI 2022 Tariff Schedule and Bill Impact Model
- CNPI 2022 Tariff (Generated from OEB Model)

All documents and models have been submitted to the Ontario Energy Board (the "OEB" or the "Board") via the RESS filing system.

The application along with all supporting evidence will also be posted on CNPI's website once the application is posted on the OEB website.

1.1.2 SUMMARY OF APPLICATION FOR CNPI CUSTOMERS

A brief, plain-language summary of the application is included as Appendix 1-A. The summary will be posted as a stand-alone document on the OEB's website for review by the general public and be made available to CNPI's customers via its website and social media. CNPI has also included this summary as a stand-alone pdf file to aid in website posting of this document.

1.1.3 EXECUTIVE SUMMARY AND BUSINESS PLAN

CNPI has developed a Business Plan, included as Appendix 1-B, to address the expectations of the OEB's *"Handbook for Utility Rate Applications"*, issued October 13, 2016.

Key elements of the Application and Business Plan are:

1. Identification of 6 strategic objectives that drive capital and O&M plans and related investments over the 2022-2026 period:
    a. Proactive end of life asset replacement
    b. Strategic voltage conversion programs
    c. Optimizing substation configurations
    d. Worker and public safety and environmental protection
    e. Reliability Improvement
    f. Flexible Approach to Emerging Technology and Public Policy
2. A Distribution System Plan ("DSP") with projects and programs aligned with the strategic objectives listed above;
3. CNPI's goals for the 2022-2026 period are to implement its planned projects and programs that are aligned with the objectives identified above, and to meet or exceed all targets for performance metrics identified in the DSP and the Business Plan;
4. Enhanced customer engagement to ensure that the preferences of CNPI's customers were identified and considered in determining the strategic objectives listed above;

5. Evaluation and forecasting of performance metrics that are consistent with the OEB's Renewed Regulatory Framework ("RRF");

6. A 2022 Cost Allocation Study that is consistent with CNPI's cost allocation approach in prior applications; and,

7. A rate design approach that is consistent with OEB policy.

1.2 ADMINISTRATION

1.2.1 CONTACT INFORMATION, INTERNET ADDRESS, AND SOCIAL MEDIA

Application contact information is as follows:

Applicant's Name:	Canadian Niagara Power Inc.
Applicant's Address:	1130 Bertie Street P.O. Box 1218 Fort Erie, Ontario L2A 5Y2 Phone: (905) 871-0330 Fax: (905) 994-2207
Applicant Primary Contact:	Trevor Wilde Manager Regulatory Affairs Email: regulatoryaffairs@fortisontario.com Phone: (289) 808-2236
Applicant's Counsel:	Michael Buonaguro 24 Humber Trail Toronto, Ontario M6S 4C1 Email: mrb@mrb-law.com Phone: (416) 767-1666

The Application will be posted on CNPI's website address at www.cnpower.com and a message to that effect will be posted on the utility's website, Twitter site (https://twitter.com/cnppower), and Facebook page (https://www.facebook.com/CanadianNiagaraPower/).

1.2.2 CUSTOMERS AFFECTED BY THE APPLICATION

All of CNPI's customers may be affected by this Application. It is impractical to set out their names and addresses because they are too numerous.

1.2.3 STATEMENT OF PUBLICATION

For the Notice of Application related to customers residing in the Fort Erie and Port Colborne areas, CNPI recommends that it be published in Niagara This Week[1], a local newspaper with a circulation of approximately 12,000 in Fort Erie and approximately 9,000 in Port Colborne.[2] Niagara This Week also has online content at www.NiagaraThisWeek.com. Niagara This Week is a free publication, with the highest circulation in the Fort Erie and Port Colborne.

For the Notice of Application related to customers residing in the Gananoque area, CNPI recommends that it be published in the Gananoque Reporter, a local newspaper with a circulation of approximately 6,000.[2] The Gananoque Reporter also has online content at www.gananoquereporter.com. The Gananoque Reporter is a free publication, with the highest circulation in Gananoque.

The OEB may also wish to consider publication of the French version of the Notice of Application in Le Régional, a French language newspaper circulating in the Niagara Region (see https://leregional.com/).

1.2.4 LEGAL APPLICATION AND SPECIFIC APPROVALS REQUESTED

IN THE MATTER OF THE Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B, as amended (the "Act");

AND IN THE MATTER OF an application by Canadian Niagara Power Inc. for an Order or Orders, pursuant to section 78 of the Act, approving or fixing just and reasonable distribution rates effective January 1, 2022 and related matters;

APPLICATION:

1. The Applicant is a licensed distributor of electricity under distribution license ED-2002-0572 issued by the OEB under the Act.

2. The Application has been prepared pursuant to the OEB's Renewed Regulatory Framework for Electricity Distributors as detailed in the Report of the Board dated October 18, 2012 (the "RRFE"), and in accordance with *Chapter 2 (Cost of Service)* and *Chapter 5 (Consolidated Distribution System Plan)* of the OEB's *Filing Requirements for Electricity Distribution Rate Applications* dated May 14, 2020 (the "Filing Requirements"), except as noted in Section 1.2.7.

[1] The Fort Erie Post and the Port Colborne Leader are both included in the free circulation of Niagara This Week (https://www.niagarathisweek.com/community-static/2544689-niagarathisweek-com-about-us/).
[2] Circulation figures from: https://www.ocna.org/find-a-member-OCNA, accessed 2020-09-18.

3. The Applicant hereby applies to the Board for an order or orders made pursuant to Section 78 of the Act, approving just and reasonable rates for the distribution of electricity, and other rates and charges, effective January 1, 2022, as further detailed below.

4. In accordance with Section 2.1.4 of the Filing Requirements, the Applicant hereby applies to the Board for an order or orders made pursuant to Section 78 of the Act, related to the following list of specific approvals requested in this proceeding[3]:

    a. Approval to charge distribution rates effective January 1, 2022 to recover a base revenue requirement of $22,117,708, which includes a revenue deficiency of $2,558,598, as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8;

    b. Approval of the Distribution System Plan included in Exhibit 2;

    c. Approval to adjust the Retail Transmission Rates – Network and Connection as calculated in Exhibit 8;

    d. Continued approval of CNPI's existing Standby Charge on an interim basis, as described in Exhibits 7 and 8;

    e. Approval to continue to charge various Regulatory Charges and the Smart Meter Entity Charge identified in Exhibit 8, as amended by the Board from time to time;

    f. Approval to continue the Retail Service Charges, Specific Service Charges, Transformer Allowance and Primary Metering Allowance, identified in Exhibit 8;

    g. Approval of inflationary adjustments to certain Retail Service Charges and Specific Service Charges as calculated in Exhibit 8;

    h. Approval of Low Voltage Service Charges, as calculated in Exhibit 8;

    i. Approval of the proposed loss factors as calculated in Exhibit 8;

    j. Approval of the rate riders for disposition of the Deferral and Variance Accounts, including LRAMVA, as detailed in Exhibit 9; and,

    k. Such other approvals that CNPI may request and that the OEB accepts.

[3] This list of specific approvals requested in also identified in OEB Appendix 2-A, which is included in PDF format as Appendix 1-C to this Exhibit.

5. This Application is supported by pre-filed written evidence, and may be amended from time to time, prior to the Board's final decision on this Application.

6. This Application includes placeholders for cost of capital parameters, cost of power rates, inflation rates, and interest rates, based on the values most recently approved and/or published by the OEB. The Applicant acknowledges that the OEB will approve and/or publish updated values for rates effective in 2022, and that these updates may affect the revenue requirement and rates requested in this Application.

1.2.4.1 CERTIFICATION OF ACCURACY AND COMPLETENESS

The Applicant certifies that the Application has been reviewed and approved by the Vice President Finance and Chief Financial Officer. A signed certification statement is included as Appendix 1-D.

1.2.4.2 CONFIDENTIAL INFORMATION

The Application does not include any confidential information.

1.2.5 BILL IMPACTS

For the purpose of the Notice of Application, the 2022 distribution rates proposed by CNPI will result in increases to the distribution portion of the bill (i.e. Subtotal A of the Bill Impact Model) for residential customers using 750 kWh per month (RPP-TOU) of $4.50 and for small commercial customers using 2000 kWh per month (RPP-TOU) of $5.33.

Table 1 below shows a summary of all components of the bill impacts for a range of consumption scenarios across all customer classes.

Further explanation of bill impacts is found in Section 8.6 of Exhibit 8.

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Table 1 - 1: Bill Impacts

RATE CLASSES / CATEGORIES *(eg: Residential TOU, Residential Retailer)*	Consumption (kWh)	Demand kW (if applicable)	Units	Sub-Total						Total	
				A		B		C		Total Bill	
				$	%	$	%	$	%	$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	750		kwh	$4.50	11.9%	$1.76	4.1%	$3.04	5.7%	$2.80	2.3%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	2,000		kwh	$5.33	5.9%	-$2.26	-2.2%	$0.51	0.4%	$0.48	0.2%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	20,000	60	kw	$67.35	11.1%	-$5.06	-0.8%	$29.08	3.1%	$29.62	1.0%
EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION - Non-RPP (Other)	432,129	1,155	kw	$1,375.68	13.1%	$628.24	6.0%	$1,285.47	7.9%	$1,530.51	2.0%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	2,500		kwh	$16.00	13.6%	$15.36	11.8%	$18.83	11.6%	$17.30	4.4%
STANDBY POWER SERVICE CLASSIFICATION - Non-RPP (Other)	-	4,500	kw	$0.00	0.0%	$0.00	0.0%	$0.00	0.0%	$0.28	0.0%
SENTINEL LIGHTING SERVICE CLASSIFICATION - RPP	1,400	5	kw	$17.72	13.1%	$14.96	10.5%	$17.37	10.7%	$15.96	5.5%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	5,400	15	kw	$82.31	11.2%	$50.01	6.5%	$56.35	6.9%	$63.71	3.9%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	750		kwh	$4.50	11.9%	$2.60	6.0%	$3.88	7.2%	$3.56	2.8%

Subtotal A represents the distributor's fixed and variable charges plus rate riders associated with Group 2 and other deferral and variance accounts
Subtotal B includes Subtotal A plus rate riders associated with Group 1 deferral and variance accounts, cost of line losses (for most cases), and the SME charge
Subtotal C includes Subtotal B plus retail transmission service rates
Total Bill includes Subtotal C plus administrative and regulatory charges, commodity rates, and taxes

1.2.6 STATEMENT AS TO THE FORM OF HEARING REQUESTED

CNPI requests that pursuant to Section 34.01 of the Board's Rules of Practice and Procedure, this proceeding be conducted by way of written hearing in an effort to minimize costs but understands that if certain issues remain unsettled, the utility may be required to participate in an oral hearing.

1.2.7 DEVIATIONS FROM FILING REQUIREMENTS OR CHANGES TO MODELS

Except where specifically identified in the Application or noted below, CNPI followed the Filing Requirements and used the OEB-issued Cost of Service models in order to prepare this Application.

A live Excel version of the OEB's Cost of Service Checklist is being filed in conjunction with this application. In any case where a specific section of the Filing Requirements is not applicable to CNPI's circumstances, CNPI has indicated "N/A" and provided an accompanying explanation in the Cost of Service Checklist.

The following changes to OEB models, use of alternative models, or use of alternative inputs to the models were necessary to address CNPI's circumstances:

1. Since the OEB's Cost of Service models for rates effective in 2022 were not available as of the filing date, CNPI used the 2021 version of most models, adapted as required for a 2022 Test Year. CNPI worked with OEB Staff in any cases where models needed to be unlocked or where material changes were required in order to use the models for 2022 rates.

2. On sheet I6.2 of the OEB Cost Allocation Model, bad debt data entered in the 2017-2019 rows is based on CNPI's 2018-2020 bad debt data;

3. The OEB's Benchmarking Forecast Model was adjusted to reflect a 2022 Test Year instead of 2021;

4. The following tabs of the Chapter 2 Appendices model are not applicable to the Application: 2-FA, 2-FB, 2-FC, 2-Q and 2-S;

5. Depreciation schedules (OEB Appendix 2-C) were filed as a stand-alone workbook, instead of populating those tabs of the Chapter 2 Appendices model;

CNPI acknowledges that 2022 cost of service models will likely be published in due course. To the extent that any of these models incorporate material changes from 2021 versions, CNPI will update the models as required.

1.2.8 CHANGES IN METHODOLOGIES

CNPI changed its accounting treatment of shared IT assets in 2020, as described below. There have been no other material changes in methodologies since CNPI's 2017 cost of service application.

Accounting Treatment of Shared IT Assets

In order to achieve cost and operating efficiencies, CNPI provides IT services to its affiliated licensed distributors, resulting in a portion of CNPI's IT assets being used by multiple companies. Prior to 2016, CNPI allocated a portion of the capital costs and associated accumulated depreciation to each of its affiliates. In its 2017 cost of service application (EB-2016-0061), CNPI explained that it had changed from an asset allocation approach to an approach where the assets would be entirely included within CNPI's rate base, with charges from CNPI to each affiliate. This change in approach was consistent with OEB staff's preference in Algoma Power Inc.'s (API) prior Cost of Service Application (EB-2014-0055). During the hearing stage of EB-2016-0061, CNPI identified that from a cost benchmarking perspective, the change in methodology resulted in the entire cost associated with the shared IT assets being included in CNPI's capital costs, without any offset to its actual costs in the OEB's PEG model to reflect the revenue that CNPI receives from these assets. This is a result of the PEG model not including any of the Other Revenue series of accounts.

Subsequently, in API's next cost of service application (EB-2019-0019), OEB staff indicated that charges to API related to these services should be included as an OM&A expense, as opposed to a cost in Account 4380. API agreed to make this accounting change as part of the settlement proposal that was ultimately approved by the OEB.

In considering the impacts of API's accounting treatment, CNPI observed that making a similar change in accounts would address the cost benchmarking issue that was identified in EB-2016-0061. Specifically, by using accounts 4375 and 4380 previously, 100% of the costs related to shared IT assets were included in CNPI's benchmarking costs, with no costs included in API's benchmarking results. Changing from an Other Revenue to an OM&A account for API resulted in API's portion of those costs being appropriately included in its benchmarking results, however 100% of the asset costs still remained in CNPI's benchmarking costs. Making a further accounting change for CNPI, from recording the revenue in Account 4375 to recording the revenue as an offset to OM&A, results in consistency with the API accounting change, and ensures that CNPI's cost benchmarking results incorporate the cost efficiencies from the sharing of IT services.

1.2.9 OEB DIRECTIVES FROM PREVIOUS DECISIONS

In its decision and order in CNPI's 2017 cost of service application,[4] the OEB found that it was appropriate for CNPI to continue to account for Pensions and Other Post-Employment Benefits ("OPEBs") using the accrual methodology, pending the outcome of the OEB's generic policy consultation (EB-2015-0040). The OEB also found that if the outcome of the policy consultation results in a new policy on Pensions and OPEBs that would require CNPI to change its accounting methodology, then CNPI would be required to track any differences in a variance account for consideration in its next rebasing application. The outcome of the OEB's policy consultation, and the relevant accounting order applicable to CNPI, are further discussed in Section 1.8.6.2.2.

OEB directives and orders resulting from generic policy consultations are addressed in relevant sections of this Application, in accordance with the Filing Requirements.[5] As of the filing date, CNPI is not aware of any utility-specific directions that remain outstanding from prior OEB decisions and/or orders.

1.2.10 CONDITIONS OF SERVICE

CNPI's conditions of service were last updated in 2016, and are accessible on its website at:

https://www.cnpower.com/conditions-of-service

CNPI confirms that are no rates or charges listed in the Conditions of Service that are not listed in its Tariff of Rates and Charges. CNPI's expects to publish a revised Conditions of Service document before the end of 2021.

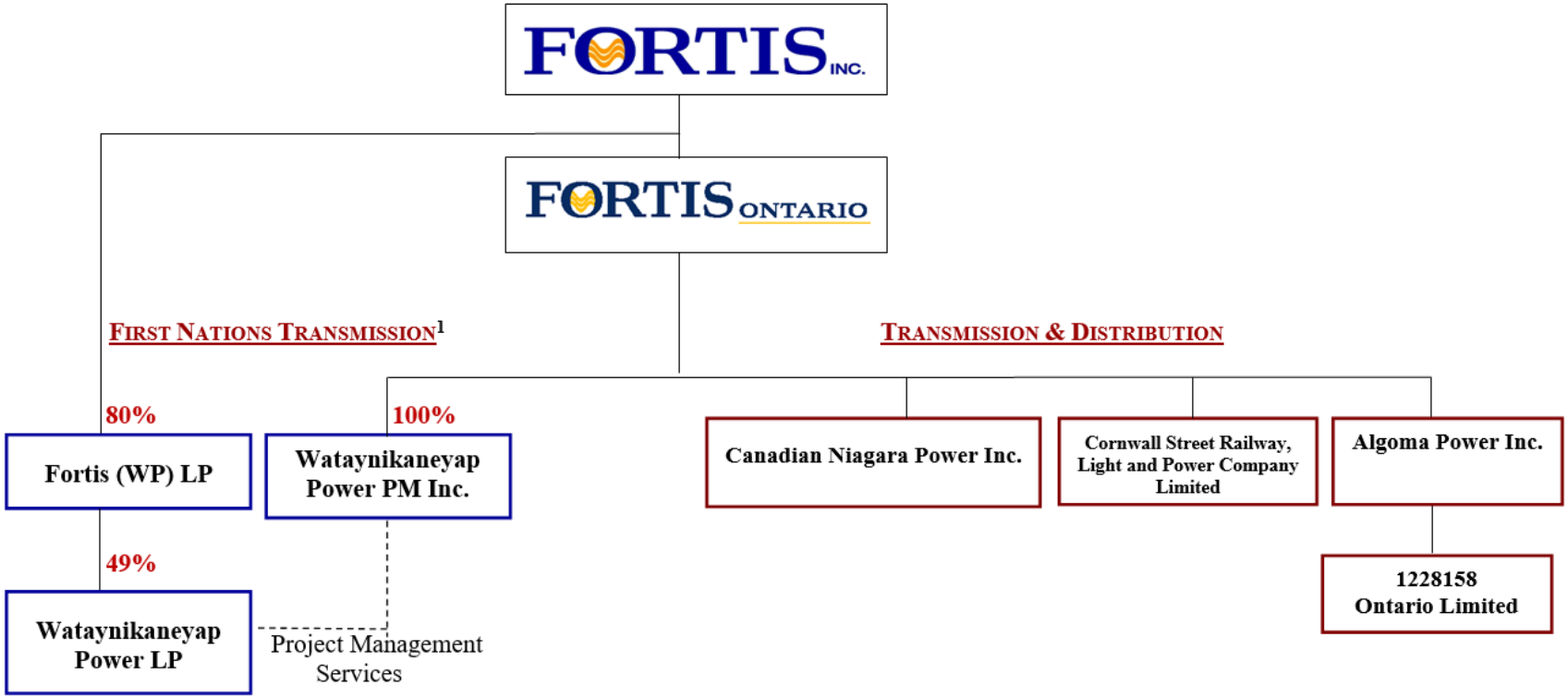
1.2.11 CORPORATE ORGANIZATION

1.2.11.1 CORPORATE ENTITIES RELATIONSHIP CHART AND UTILITY ORGANIZATIONAL STRUCTURE

The chart on the following page illustrates the corporate entities relationship of CNPI, its shareholder and its affiliates carrying on business in Ontario:

[4] EB-2016-0061, Decision and Order, March 9, 2017, pp.3-4
[5] For example, see the discussion of Pension and OPEB costs in Exhibit 4 resulting from OEB findings in EB-2015-0040, and related variance account discussion in Exhibit 9.

Figure 1 - 1: Corporate Entities Relationship Chart



[1] FortisOntario has a 100% interest in Fortis (WP) GP Inc., the General Partner of Fortis (WP) LP.

1.2.11.2 ORGANIZATION OF ENTITIES

CNPI is a wholly-owned subsidiary of FortisOntario Inc. ("FortisOntario"), which is headquartered in Fort Erie, Ontario. FortisOntario owns and operates generation, transmission and distribution businesses in the province of Ontario. Founded in 1892, FortisOntario began generating electricity in 1905 from its Rankine Generating Station located on the Canadian side of the Niagara River and subsequently began distributing electricity to the Town of Fort Erie in 1907. The Rankine Generating Station ceased operations in 2005 and was transferred to the Niagara Parks Commission in 2009. Accordingly, FortisOntario's operations in Ontario are primarily transmission and distribution.

FortisOntario is the Ontario-based subsidiary of Fortis Inc. ("Fortis"), which is the largest investor-owned gas and electric distribution utility in Canada. With 2020 total assets of approximately $55.5 billion and annual revenues of approximately $8.9 billion, Fortis serves approximately 3 million gas and electricity consumers across Canada, the United States and the Caribbean. Fortis is a publicly traded company listed on the TSX and the NYSE.

CNPI is a single corporate entity which has two internal business units: a distribution business (ED-2002-0572) and a transmission business (ET-2002-0073). CNPI's distribution business serves approximately 30,000 customers in the Town of Fort Erie, the City of Port Colborne, and the Town of Gananoque[6]. CNPI's transmission business owns and operates transmission assets in the Niagara Region.

FortisOntario also owns Algoma Power Inc. ("API") (ED-2009-0072), and Cornwall Street Railway Light and Power Company Limited ("Cornwall Electric") (ED-2004-0405). API serves approximately 12,000 in the Algoma District and Cornwall Electric serves approximately 25,000 customers in and around the City of Cornwall.

FortisOntario is a licensed generator (EG-2003-0107), which owns a 5 MW natural gas cogeneration district heating plant located in Cornwall, Ontario. The Cornwall district heating facility is an embedded generator selling district heating to local customers and electricity directly to Cornwall Electric, which is isolated from the IESO-controlled grid.

FortisOntario holds a ten percent (10%) interest in Westario Power Inc. (ED-2002-0515), a 24,000 customer electricity distributor located in mid-western Ontario, a ten percent (10%) interest in Rideau St. Lawrence Holdings Inc. (ED-2003-0003), a 6,000 customer electricity distributor located in southeastern Ontario, and a ten percent (10%) interest in Grimsby Power Inc. (ED-2002-0554), a 12,000 customer electricity distributor located in the Niagara region. Accordingly, Westario Power Inc., Rideau St. Lawrence Holdings Inc. and Grimsby Power Inc. are not affiliates of CNPI as defined by the Ontario Energy Board Act, 1998.

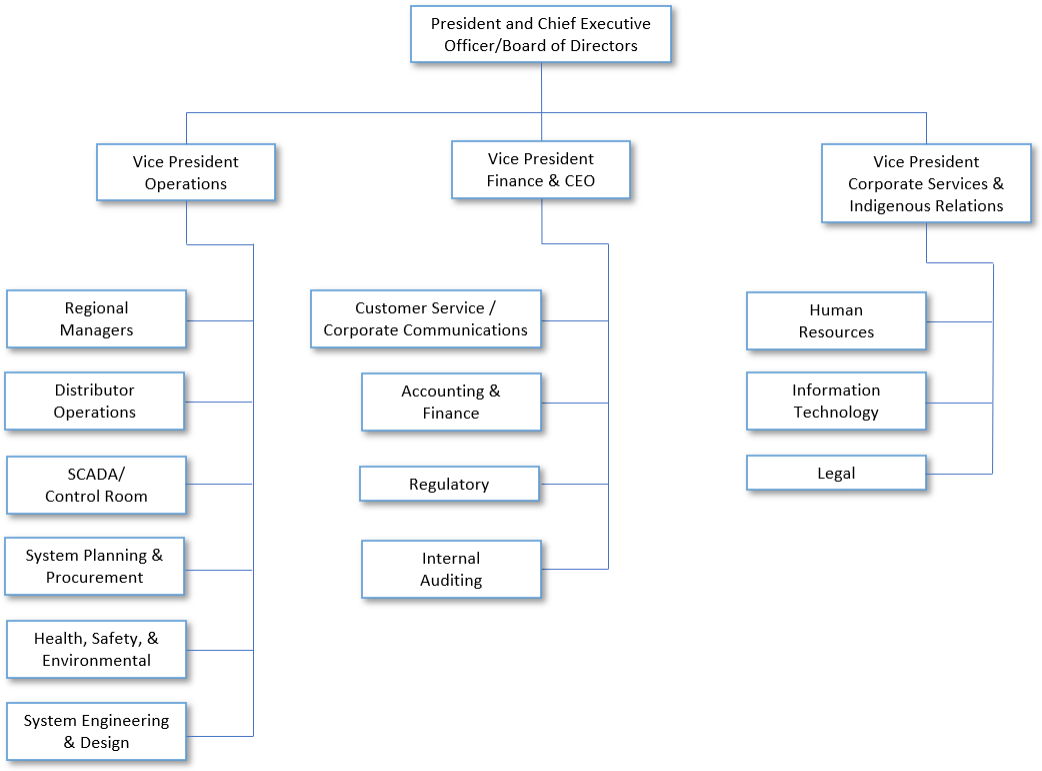
[6] CNPI operates as Eastern Ontario Power ("EOP") in the Town of Gananoque.

Fortis is also a partner in the First Nations-led Wataynikaneyap Power LP transmission partnership (ET-2015-0264) with 24 First Nations partners.

1.2.11.3 UTILITY ORGANIZATION STRUCTURE

The chart below illustrates the utility's organization structure showing main units and senior management positions with the utility. The CEO and Vice Presidents are also appointed as officers of CNPI (i.e. each member of FortisOntario Executive holds the same position with respect to CNPI).

Figure 1 - 2: CNPI Organizational Structure



1.2.11.4 SHARED CORPORATE SERVICES

Shared corporate services being provided to CNPI include the following:

- Executive Services
- Finance
- Information Technology
- Human Resources
- Health, Safety and Environment
- Regulatory

- Engineering
- Legal

It is anticipated that shared corporate services will continue to be provided to CNPI from affiliates in the future.

1.2.11.5 CORPORATE GOVERNANCE

The objective of effective and responsive corporate governance is achieved by continually reviewing structures, policies, and programs against best practices in utility governance.

One of those structures is the CNPI board of directors. CNPI has three directors who serve on its board of directors. Two of the CNPI directors are also officers of API, CNPI, FortisOntario and Cornwall Electric and one director is independent. The board follows a guideline of one third of the board members being independent. CNPI's Articles of Incorporation indicates a minimum of 1 and a maximum of 10 directors.

1.2.11.6 BOARD OF DIRECTORS' MANDATE

FortisOntario ensures a level of consistency in the governance function of its Ontario operating subsidiaries. The CNPI board does not have a written mandate. The role of the CNPI board is to supervise the management of the business and affairs of CNPI. In doing so, the directors are required to act honestly and in good faith with a view to the best interests of the corporation. Both in legal and practical terms, this means that the board must have regard to the interests of varying CNPI stakeholders, including shareholders, customers and creditors, as well as exercising independent judgement in determining the best interests of the corporation. In a number of respects, FortisOntario provides key services relating to CNPI's operations and defines the strategic direction for CNPI. This ensures that the CNPI board has the resources it requires to ensure that its strategy, risk management and internal controls and processes are consistent.

In conjunction with these responsibilities, the directors of CNPI understand that they have a fiduciary duty to CNPI.

1.2.11.7 BOARD MEETINGS

CNPI's board is scheduled to meet in Q2 and Q4 of 2021 and 2022.

1.2.11.8 QUALIFICATIONS AND CONTINUING EDUCATION

CNPI's non-independent directors are also executive officers and/or directors of CNPI, its affiliates and its parent company, FortisOntario. This ongoing active engagement on the boards and executive management of the parent and affiliates of CNPI ensures that these directors maintain the knowledge,

skill, continuing education and experience necessary to meet their obligations as directors of CNPI. The non-independent directors and officers of CNPI are also involved in the selection of the independent board member of CNPI to ensure their independence, and level of skill and knowledge necessary to meet their obligations as directors. In addition, continuing education sessions are included in CNPI board meetings to broaden the skill and knowledge of all directors. CNPI's current independent director is a lawyer with expertise in corporate and real estate law.

1.2.11.9 CODE OF CONDUCT AND ETHICS POLICY

The board of directors of CNPI has approved a written Code of Conduct for the directors, officers and employees, (the "Code" or "Code of Conduct"). This Code of Conduct is consistent between FortisOntario and all of its operating subsidiaries. The monitoring of ethical business conduct of CNPI's employees, officers and directors is a governance function exercised primarily by CNPI's parent, FortisOntario.

The CNPI board monitors compliance with its Code by updates from executive management of CNPI (who act in a dual capacity as executive management of FortisOntario) on Code of Conduct violations. The board of CNPI has also approved a Policy on Reporting Allegations of Suspected Improper Conduct and Wrongdoing and an Anti-Corruption Policy to satisfy itself regarding compliance with the Code. In other words, allegations of Code of Conduct violations would be brought to the attention of the parent company, FortisOntario, and managed in accordance with its policies. Any reporting of a Code of Conduct violation involving CNPI would be brought to the attention of the CNPI board by management of CNPI and/or the management or board of FortisOntario.

1.3 DISTRIBUTION SYSTEM OVERVIEW

1.3.1 SERVICE AREA OVERVIEW

CNPI's service area generally includes the Town of Fort Erie, the City of Port Colborne, and the Town of Gananoque. Exclusions for certain addresses in these communities and inclusions of specific addresses in neighbouring communities resulting from historical arrangements and eliminations of long-term load transfers are set out in Schedule 1 of CNPI's distribution licence (ED-2002-0572).

The following 3 figures illustrate the general extent of CNPI's service area:

Figure 1 - 3: Overview of CNPI Service Area

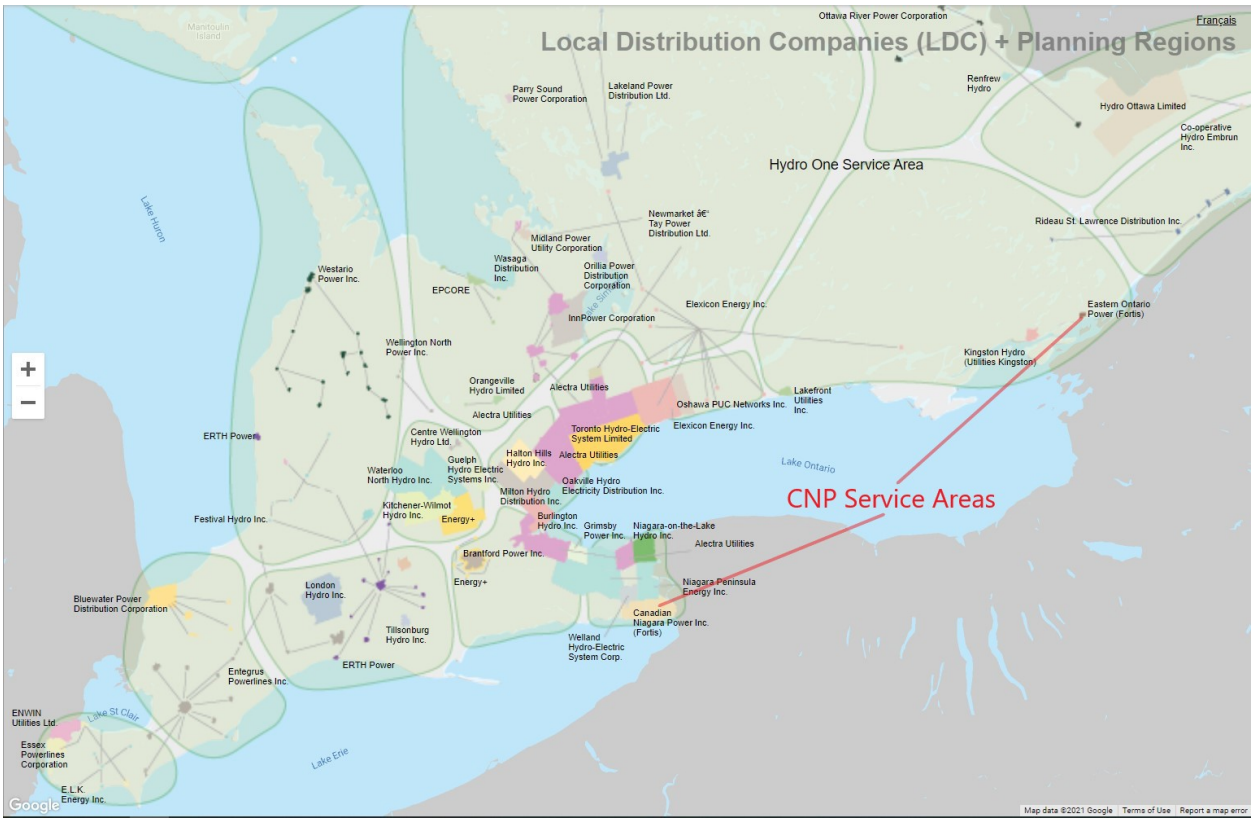


Figure 1 - 4: CNPI Service Area – Niagara Region

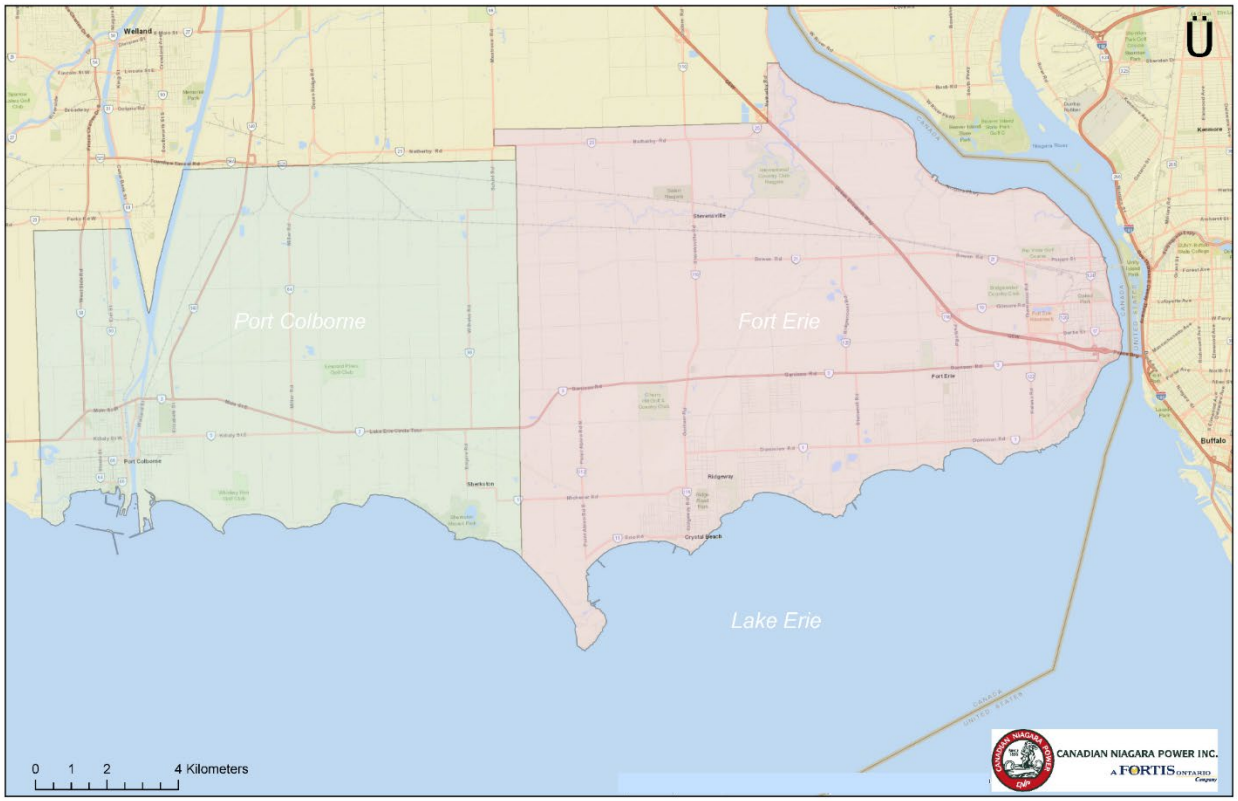
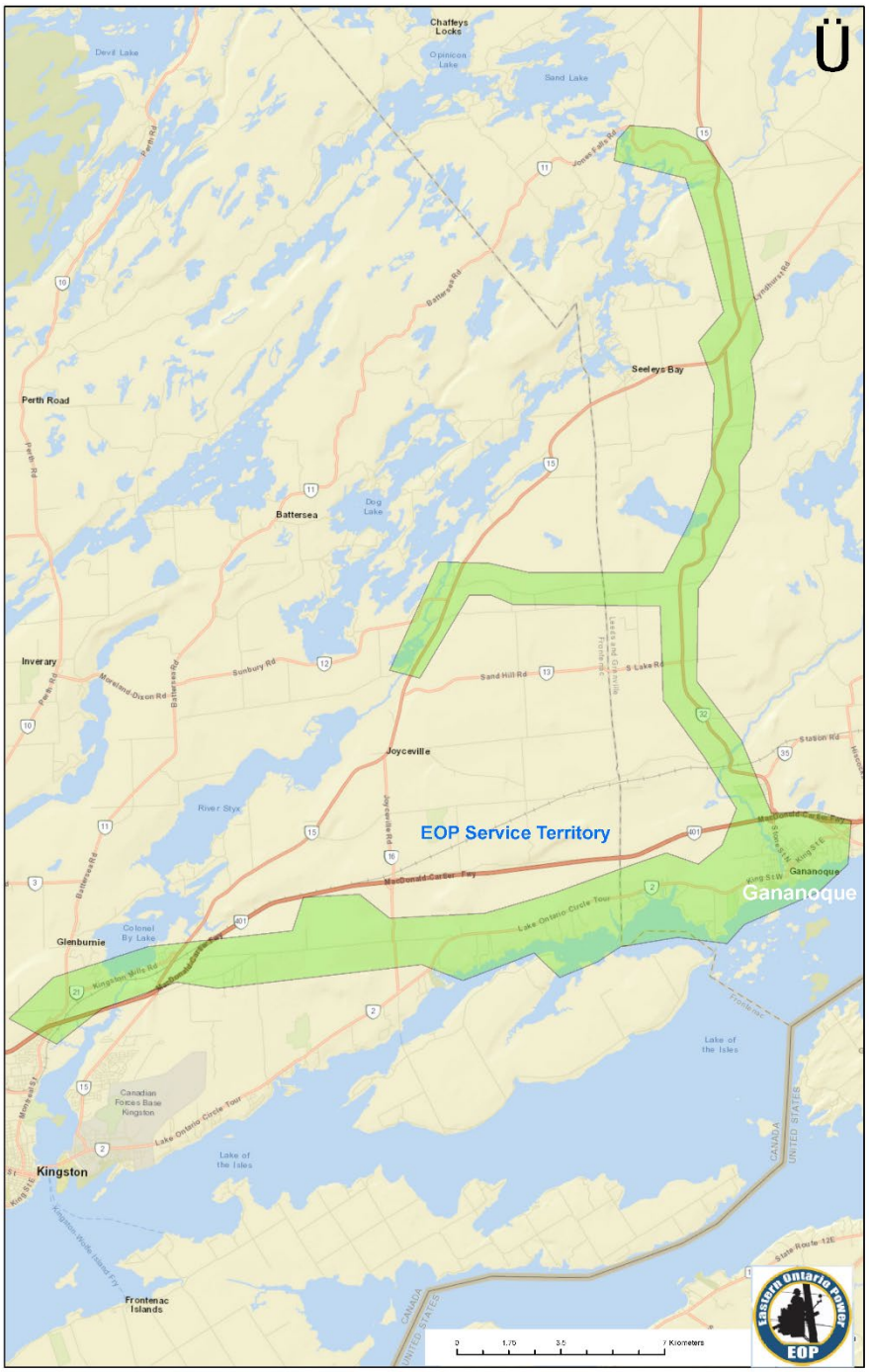


Figure 1 - 5: CNPI Service Area - Gananoque



1.3.2 HOST/EMBEDDED DISTRIBUTOR AND NEIGHBOURING UTILITIES

As outlined in Section 1.3.1 above CNPI has two distinct operating areas: the Niagara service area and the Gananoque area.[7]

In the Niagara Service area, CNPI is supplied the majority of its load from three transmission delivery points. In the city of Port Colborne, supply is primarily provided at Hydro One Networks' ("Hydro One") Port Colborne Transmission Station. A small proportion of CNPI's load in the Town of Port Colborne can be supplied from an embedded delivery point located on Hydro One's distribution system emanating from the Crowland Transmission Station.

In the Town of Fort Erie, the entire supply is provided from two CNPI Transmission Stations, Station 17 and Station 18, both located in the town of Fort Erie. These two transmission stations are owned and operated by CNPI's transmission business.

In the Gananoque service area, CNPI (operating as EOP) is supplied entirely, as an embedded distributor, from Hydro One's 44 kV sub-transmission system.

In total, CNPI receives approximately 87% of its supply from the IESO-controlled grid, 9% of its supply as an embedded distributor to Hydro One, and 4% of its supply from a combination of embedded generation resources in all service areas.

In the Niagara service area, CNPI is a host distributor to Hydro One in the Wainfleet area. On an annual basis, CNPI provides approximately 5 GWh to the Hydro One distribution system at an average demand of 1 MW. CNPI established an Embedded Distributor rate class in its 2017 cost of service application for the purpose of developing rates that appropriately reflect the cost of serving this embedded supply point.

The following electricity distributors are adjacent to CNPI's service areas:

- Hydro One Networks Inc. (ED-2003-0043)
- Niagara Peninsula Energy Inc. (ED-2007-0749)
- Welland Hydro-Electric System Corp. (ED-2003-0002)

1.3.3 TRANSMISSION OR HIGH-VOLTAGE ASSETS

CNPI does not have any transmission or high voltage assets (i.e. assets operating at >50 kV) in its distribution system that have been deemed by the OEB as distribution assets. CNPI does not have any such assets that it is asking the OEB to deem as distribution assets in this Application.

[7] CNPI operates as Eastern Ontario Power ("EOP") in the Gananoque service area.

1.4 APPLICATION SUMMARY

Table 1 - 2 below summarizes the main elements of the Application for which CNPI is seeking OEB approval, with additional detail provided in Sections 1.4.1 to 1.4.9.

Table 1 - 2: Application Summary

	2022 Test Year	Exhibit
Revenue Requirement Component		
OM&A Expenses (Incl LEAP)	$9,958,029	4.2
Amortization/Depreciation	$5,625,717	4.9
Property Taxes	$105,100	4.10.2
Income Taxes (Grossed Up)	$430,483	4.10.1
Regulated Return on Rate Base:		
Deemed Interest	$2,951,625	5.1.2
Return on Deemed Equity	$4,388,005	
Service Revenue Requirement	**$23,458,959**	6.3.2
Revenue Offsets	($1,341,251)	3.4
Base Revenue Requirement (Excl Transformer Ownership Allowance)	**$22,117,708**	6.3.2
TOTAL Customer (Excl SL, Sent, USL)	29,930	3.2.2.6
TOTAL SL, Sent Connections	6,674	
Total kWh Deliveries	459,305,534	3.2.2
Total Billed kW (for demand-billed classes)	542,083	
Test Year Fixed Rates		
Residential	$42.42	8.1.2.2
GS < 50	$35.71	
GS 50 to 4,999 kW	$169.70	
Embedded Distributor	$610.63	
Street Light	$4.12	
Sentinel Light	$6.45	
USL	$49.79	
Test Year Variable Rates		
Residential	-	8.1.2.2
GS < 50	$0.0291	
GS 50 to 4,999 kW	$8.4793	
Embedded Distributor	$9.7651	
Street Light	$9.0446	
Sentinel Light	$7.4381	
USL	$0.0335	

1.4.1 REVENUE REQUIREMENT

CNPI's proposed Service Revenue Requirement of $23,458,959 for the 2022 Test Year reflects an increase of $2,027,777 or 9% relative to 2017 Board Approved. This is an average annual increase of 1.8%. CNPI's proposed Base Revenue Requirement on which rates are calculated is $22,117,708, reflecting other revenue offsets of $1,341,251.

Applying CNPI's 2021 approved rates to its 2022 forecast of load, demand and customer counts produces a forecasted distribution revenue of $19,559,110, resulting in a net revenue deficiency of $2,558,598. CNPI is applying for 2022 rates to eliminate this deficiency and recover its forecasted revenue requirement. Table 1 - 3 below shows the trend in the calculation of CNPI's revenue requirement from 2017 Board Approved to the 2022 Test Year amount forecasted in this Application.

Table 1 - 3: 2017-2022 Revenue Requirement Trend

Revenue Requirement Component	2017 Board Appr	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Bridge	2022 Test
OM&A Expenses (Incl LEAP)	9,914,002	9,183,850	10,565,452	10,145,838	9,515,149	9,658,884	9,958,029
Amortization/Depreciation	4,767,507	4,529,681	4,467,502	4,669,110	4,861,991	5,309,907	5,625,717
Property Taxes	103,000	85,786	97,531	98,976	99,336	103,000	105,100
Income Taxes (Grossed Up)	521,069	1,011,261	659,734	78,340	28,558	28,289	430,483
Regulated Return on Rate Base:							
Deemed Interest	2,978,570	2,904,141	3,081,842	3,363,802	3,644,018	3,991,020	2,951,625
Return on Deemed Equity	3,147,033	3,068,395	3,256,146	3,554,053	3,850,117	4,216,746	4,388,005
Service Revenue Requirement	**21,431,182**	**20,783,115**	**22,128,206**	**21,910,119**	**21,999,169**	**23,307,846**	**23,458,959**
Revenue Offsets	(2,548,193)	(2,551,248)	(2,644,570)	(1,591,137)	(560,470)	(618,075)	(1,341,251)
Base Revenue Requirement (Excl Transformer Ownership Allowance)	**18,882,989**	**18,231,867**	**19,483,636**	**20,318,982**	**21,438,699**	**22,689,772**	**22,117,708**

The primary drivers of the change in revenue requirement are an increased return on rate base, and an increase in OM&A[8]. An increase in depreciation expense and a decrease in income taxes contribute to a lesser degree. Each of these contributing factors is summarized in Section 6.3.2 of Exhibit 6. Table 1 - 4 below compares each component of CNPI's proposed 2020 revenue requirement to 2015 Board Approved amounts.

[8] See Section 1.2.8 for information on the reclassification of Shared IT revenues and costs.

Table 1 - 4: Change in Revenue Requirement from 2017 Board-Approved

Driver	2017 Board Appr	2022 Test Year	Difference		Reference
			Absolute	%	
Long Term Debt Rate	5.81%	3.88%	-1.93%	-33%	5.1.2.3
Short Term Debt Rate	1.76%	1.75%	-0.01%	-1%	5.1.2.3
Weighted Average Debt Rate	5.54%	3.74%	-1.80%	-32%	5.1.2.3
Rate of Return on Equity	8.78%	8.34%	-0.44%	-5%	5.1.2.2
Regulated Rate of Return on Rate Base	**6.84%**	**5.58%**	**-1.26%**	**-18%**	**5.1.2**
Controllable Expenses	$9,849,766	$10,063,129	$213,362	2%	4.2
Power Supply Expense	$64,608,405	$51,746,773	-$12,861,632	-20%	2.3.2
Working Capital Base	**$74,458,171**	**$61,809,902**	**-$12,648,269**	**-17%**	**2.3.1**
Working Capital Allowance Rate	7.50%	7.50%	0.00%	0%	2.3.1
Working Capital Allowance ("WCA")	**$5,584,363**	**$4,635,743**	**-$948,620**	**-17%**	**2.3**
Net Fixed Assets Opening Test Year	$81,690,697	$123,226,409	$41,535,712	51%	2.1.2
Net Fixed Assets Closing Test Year	$86,356,871	$130,571,977	$44,215,106	51%	2.1.2
Average Net Fixed Assets	$84,023,784	$126,899,193	$42,875,409	51%	2.1.2
Working Capital Allowance	$5,584,363	$4,635,743	-$948,620	-17%	2.3
Rate Base	**$89,608,147**	**$131,534,936**	**$41,926,789**	**47%**	**2.1.2**
Deemed Interest Expense	$2,978,575	$2,951,625	-$26,950	-1%	5.1.2
Target Return on Deemed Equity	$3,147,038	$4,388,005	$1,240,967	39%	5.1.2
Regulated Return on Rate Base	**$6,125,613**	**$7,339,631**	**$1,214,018**	**20%**	5.1.2
Regulated Return on Rate Base	$6,125,613	$7,339,631	$1,214,018	20%	5.1.2
OM&A	$9,915,768	$9,958,029	$42,260	0%	4.2
Property Taxes	$103,000	$105,100	$2,100	2%	4.10.2
Depreciation Expense	$4,724,996	$5,625,717	$900,721	19%	4.9
Income Taxes	$521,069	$430,483	-$90,586	-17%	4.10.1
Revenue Offset	-$2,548,193	-$1,341,251	$1,206,942	-47%	3.4
Base Revenue Requirement	**$18,842,253**	**$22,117,708**	**$3,275,455**	**17%**	**6.3.2**

1.4.2 BUDGETING AND ACCOUNTING ASSUMPTIONS

In preparing its cost forecasts for the Application, CNPI has assumed an inflation rate of 2%. CNPI is experiencing a modest increasing trend in residential customer counts, combined with a relatively flat trend in overall system load as described in Exhibit 3. CNPI has been able to manage the impacts of the COVID-19 pandemic without material cost impacts and without seeking deferral account recovery for

COVID-related costs. No material adjustments have been made to future forecasts in relation to COVID-19 impacts.

CNPI adopted MIFRS and confirms that it made the required changes to its capitalization policies and depreciation rates in 2013. These changes were reflected and approved within CNPI's 2013 cost of service proceeding (EB-2012-0112). Values presented in both CNPI's 2017 cost of service application (EB-2016-0061) and in this Application have also been reported using the same methodology. There are therefore no impacts resulting from a change in accounting standard.

1.4.3 LOAD FORECAST SUMMARY

CNPI's load forecast for 2022 is based on a methodology that predicts class-specific consumption using a multiple regression analysis that relates historical monthly wholesale kWh usage to historical weather and other factors.

In CNPI's case, variation in monthly electricity consumption is influenced by four main factors – weather (i.e. heating and cooling degree days), the number of days in a given month, spring/fall flag (i.e. lower consumption during shoulder months), and an ongoing reduction due to CDM activity. The most significant variables used in weather related regressions are monthly historical heating degree days and cooling degree days.

Weather normalized values are determined by using the regression equation with 10-year average monthly heating and cooling degree days for 2011-2020. The 10-year average is consistent with recent years' weather and has been used in other electricity distribution rate applications accepted by the Board.

Allocation of wholesale kWh to specific weather-sensitive rate classes (e.g. Residential, GS<50 is based on recent historical ratios of actual retail kWh (exclusive of distribution losses) to actual wholesale kWh for each class. For the Street Lighting, Sentinel Lighting and Unmetered Scattered Load rate classes, which are not weather-sensitive, the forecasted 2021 and 2022 load is based on average consumption per connection/account from 2018-2020, times the number of forecasted connections/accounts for 2022.

Customer and connection counts are forecasted by determining the geomean growth rate for the 2011-2020 period, and applying this rate to 2020 actual customer/connection counts to forecast 2021 and 2022 values.

CNPI observed moderate fluctuations in its wholesale purchases during 2020 as a result of the COVID-19 pandemic. Despite these reductions, year-over-year variations and differences between actual and predicted wholesale kWh for 2020 were comparable to other years used in the wholesale regression

analysis. While fluctuations in wholesale kWh were minimal, CNPI observed noticeable shifts in consumption between rate classes as a percentage of wholesale purchases.

CNPI used the average of 2016-2020 retail/wholesale ratios to allocate 2021 and 2022 predicted wholesale purchases to each of its Residential, General Service and Embedded Distributor rate classes. In the absence of COVID impacts, CNPI would likely have used either the most recent year ratios (i.e. 2020), or an average of a small number of years to reflect the apparent trends in certain rate classes that would be skewed by using a 10-year average. The use of a 5-year average balances these issues.

CNPI's 2022 load forecast and customer forecast is summarized in Table 1 - 5. Detailed explanations of the load forecast can be found in Exhibit 3.

1

Table 1 - 5: Load Forecast Summary

	2017 Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Bridge	2022 Test
Customers / Connections							
Residential	26,074	26,228	26,465	26,647	26,916	27,071	27,227
GS < 50	2,489	2,507	2,491	2,496	2,514	2,514	2,515
GS 50 to 4,999 kW	217	198	198	190	193	190	187
Embedded Distributor	1	1	1	1	1	1	1
Street Light (Connections)	5,713	5,743	5,774	5,879	5,997	6,030	6,064
Sentinel Light (Connections)	695	706	698	669	645	627	610
USL	35	49	48	47	46	47	48
TOTAL Customers (Excl SL, Sentinel, USL)	**28,781**	**28,934**	**29,154**	**29,334**	**29,623**	**29,776**	**29,930**
kWh							
Residential	201,294,289	192,333,397	213,384,792	208,333,695	220,200,220	206,258,605	207,937,091
GS < 50	69,390,323	66,385,178	68,552,191	68,296,620	63,219,122	66,411,371	66,588,571
GS 50 to 4,999 kW	190,144,345	185,980,426	186,317,854	183,204,908	169,630,767	178,767,212	176,291,005
Embedded Distributor	5,205,754	4,768,120	5,218,945	5,234,524	5,321,960	5,173,258	5,185,553
Street Light	2,991,556	1,392,668	1,390,047	1,401,778	1,425,844	1,441,120	1,449,102
Sentinel Light	629,014	631,150	606,042	565,913	525,915	528,557	514,043
USL	1,462,761	1,308,270	1,307,306	1,299,487	1,307,650	1,307,291	1,340,169
TOTAL	**471,118,042**	**452,799,209**	**476,777,177**	**468,336,925**	**461,631,477**	**459,887,414**	**459,305,534**
kW							
Residential							
GS < 50							
GS 50 to 4,999 kW	610,067	588,372	580,251	553,966	527,484	529,536	522,202
Embedded Distributor	13,921	12,501	13,532	13,276	14,340	13,830	13,863
Street Light	9,240	4,209	4,252	4,286	4,348	4,356	4,403
Sentinel Light	1,916	2,038	1,951	1,856	1,723	1,607	1,615
USL							
TOTAL	**635,144**	**607,120**	**599,986**	**573,383**	**547,895**	**549,330**	**542,083**

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1.4.4 RATE BASE AND DSP

CNPI's proposed Rate Base for the 2022 Test Year of $131,534,936 reflects an increase of $41,926,921, or 47% relative to 2017 Board Approved. CNPI's 2017-2022 rate base trend is presented in the following table:

Table 1 - 6: 2017-2022 Rate Base Trend

Description	2017 BA	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Bridge	2022 Test
Gross Fixed Assets - Opening	143,247,451	138,306,007	144,525,444	157,655,796	168,774,398	180,846,582	201,984,718
Gross Fixed Assets - Closing	153,004,610	144,525,444	157,655,796	168,774,398	180,846,582	201,984,718	215,427,465
Accumulated Depreciation - Opening	-60,741,275	-56,084,517	-60,210,701	-64,703,357	-67,896,326	-72,417,936	-78,155,383
Accumulated Depreciation - Closing	-65,874,769	-60,210,701	-64,703,357	-67,896,326	-72,417,936	-78,155,383	-84,295,074
Gross Fixed Assets - Average	148,126,031	141,415,726	151,090,620	163,215,097	174,810,490	191,415,650	208,706,091
Gross Write Up - Average	-1,400,000	-1,400,000	-1,400,000	-1,400,000	-1,400,000	-1,400,000	-1,400,000
Accumulated Depreciation - Average	-63,308,022	-58,147,609	-62,457,029	-66,299,841	-70,157,131	-75,286,660	-81,225,229
Accumulated Depreciation Write Up - Average	605,776	605,776	648,287	690,798	733,309	775,820	818,331
Net Fixed Assets - Average	84,023,784	82,473,893	87,881,878	96,206,053	103,986,668	115,504,810	126,899,193
Allowance for Working Capital	5,584,230	4,894,979	4,832,984	4,991,363	5,640,817	4,561,980	4,635,743
Total Rate Base	**89,608,015**	**87,368,871**	**92,714,861**	**101,197,416**	**109,627,485**	**120,066,790**	**131,534,936**

The decrease from 2017 Board Approved to 2017 Actual is primarily due to an increase in CWIP because CNPI prioritized a higher than anticipated volume of 2017 system access work. Year over year increases in rate base are primarily driven by System Access and System Renewal capital investments. CNPI experienced a high volume of connection requests, particularly as it relates to new subdivisions and multi-unit developments and broadband related work, which resulted in higher than forecast System Access work. The acceleration of the voltage conversion project saw an increase in System Renewal spending. Table 1 - 7 below reproduces portions of OEB Appendix 2-AB, comparing planned vs. actual spending over the historical period:

Table 1 - 7: Historical Planned vs. Actual Capital and O&M

CATEGORY	Historical Period (previous plan & actual)								
	2017			2018			2019		
	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var
	$ '000		%	*$ '000*		%	*$ '000*		%
System Access	1,459	3,128	114.4%	1,098	5,713	420.5%	1,120	3,869	245.6%
System Renewal	4,991	3,310	-33.7%	5,939	7,833	31.9%	5,496	6,863	24.9%
System Service	1,842	2,018	9.6%	1,064	1,588	49.1%	1,505	2,459	63.4%
General Plant	2,016	2,061	2.2%	1,825	2,238	22.6%	1,621	2,251	38.9%
TOTAL EXPENDITURE	**10,307**	**10,517**	**2.0%**	**9,926**	**17,371**	**75.0%**	**9,742**	**15,443**	**58.5%**
Capital Contributions	-550	-1,327	141.3%	-561	-1,812	223.1%	-572	-773	35.0%
Net Capital Expenditures	**9,757**	**9,190**	**-5.8%**	**9,365**	**15,559**	**66.1%**	**9,170**	**14,671**	**60.0%**
System O&M	*4,107*	*3,927*	*-4.4%*	*4,189*	*3,967*	*-5.3%*	*4,273*	*3,980*	*-6.9%*

CATEGORY	Historical Period (previous plan & actual)						Forecast Period (planned)				
	2020			2021			2022	2023	2024	2025	2026
	Plan	Actual	Var	Plan	Actual[2]	Var					
	$ '000		%	*$ '000*		%	*$ '000*				
System Access	1,144	2,849	149.1%	1,166	1,765	51.3%	1,771	1,718	1,710	1,711	1,711
System Renewal	5,461	9,179	68.1%	7,044	10,747	52.6%	7,259	6,537	7,826	6,865	6,865
System Service	1,179	1,957	66.0%	836	1,855	122.0%	3,305	1,695	1,345	1,295	1,845
General Plant	2,478	1,967	-20.6%	2,074	2,354	13.5%	2,007	1,846	1,851	1,708	1,578
TOTAL EXPENDITURE	**10,261**	**15,953**	**55.5%**	**11,119**	**16,721**	**50.4%**	**14,343**	**11,796**	**12,732**	**11,579**	**11,999**
Capital Contributions	-584	-1,730	196.5%	-595	-900	51.2%	-900	-850	-850	-850	-850
Net Capital Expenditures	**9,677**	**14,222**	**47.0%**	**10,524**	**15,821**	**50.3%**	**13,443**	**10,946**	**11,882**	**10,729**	**11,149**
System O&M	*4,358*	*4,216*	*-3.3%*	*4,445*	*4,147*	*-6.7%*	*4,125*	*4,208*	*4,292*	*4,378*	*4,465*

In developing its 2022-2026 DSP and Business Plan, CNPI identified 6 strategic customer focused objectives that drive capital and O&M plans and related investments over the forecast period:

- Proactive end of life asset replacement
- Strategic voltage conversion programs
- Optimizing substation configurations
- Worker and public safety and environmental protection
- Reliability Improvement
- Flexible Approach to Emerging Technology and Public Policy

CNPI's 2022 Business Plan, included as Appendix 1-B describes how the strategic objectives listed above are consistent with its core values and principles, the objectives of the OEB's Renewed Regulatory Framework, as well as the identified preferences of CNPI's customers.

Details on historical capital variances and details on forecasted capital spending are included in Exhibit 2 and the DSP.

CNPI is not requesting any costs for renewable energy connections/expansions, smart grid projects, or regional planning initiatives.

1.4.5 OPERATION, MAINTENANCE AND ADMINISTRATION EXPENSE

CNPI's proposed OM&A expenses for the 2022 Test Year of $9,958,029 reflects an increase of $42,260 or 0.4% relative to 2017 Board Approved, after factoring in the Shared IT offset which is discussed in Section 1.2.8 above and Exhibit 4. The following table summarizes CNPI's OM&A trend from 2017 Board Approved to the 2020 Test Year.

Table 1 - 8: 2017-2022 OM&A Trend

	2017 Board Approved	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Bridge Year	2022 Test Year
Operations	$1,792,896	$1,773,093	$1,811,215	$1,921,232	$2,076,364	$2,077,866	$1,989,629
Maintenance	$2,020,475	$2,154,314	$2,155,320	$2,058,652	$2,139,756	$2,069,263	$2,135,403
Billing and Collecting	$1,865,826	$1,707,304	$1,861,959	$1,579,098	$1,498,832	$1,807,855	$1,775,955
Community Relations	$40,150	$31,121	$34,951	$55,763	$39,402	$105,055	$78,761
Administrative and General	$4,196,421	$3,518,018	$4,702,007	$4,531,093	$4,825,094	$4,643,134	$5,002,900
Total (excl Shared IT Offset)	**$9,915,768**	**$9,183,850**	**$10,565,452**	**$10,145,838**	**$10,579,448**	**$10,703,172**	**$10,982,649**
%Change (year over year)		-7.4%	15.0%	-4.0%	4.3%	1.2%	2.6%
Shared IT Offset					**-$1,064,299**	**-$1,044,288**	**-$1,024,620**
Total (incl Shared IT Offset)	**$9,915,768**	**$9,183,850**	**$10,565,452**	**$10,145,838**	**$9,515,149**	**$9,658,884**	**$9,958,029**
%Change (year over year)		-7.4%	15.0%	-4.0%	-6.2%	1.5%	3.1%

Historical year-over-year variances from 2017 actuals to 2020 actuals have ranged from -6% to 15%, mainly due to inflationary increases and a significant amount of FTE fluctuation early on in its current historical years. Cost drivers for the 2021 Bridge Year and the 2022 Test Year include:

- Reduction in travel costs due to the pandemic and a reduction in incremental pandemic costs (e.g. vehicle rental and related costs, materials and supplies such as disinfectants and sanitizers for enhanced measures, cleaning service costs, and portable washroom rentals);
- Increased IT costs related to addressing the requirements of the OEB's Cybersecurity Framework;

- Recoveries from affiliates. The slight decrease in recoveries in 2022 is based on updated methodology for 2022 as a result of business requirements for CNPI distribution;
- Renewal of contract with metering service provider;
- Customer engagement costs to support a new portal and eBilling; and,
- Inflationary adjustments at 2.0% per year.

Table 1 - 9 summarizes CNPI's 2017-2022 OM&A cost drivers, consistent with OEB Appendix 2-JB. Further cost driver analysis is provided in Section 4.22 of Exhibit 4.

Table 1 - 9: 2017-2022 OM&A Cost Drivers

OM&A	Last Rebasing Year (2017 Actuals)	2018 Actuals	2019 Actuals	2020 Actuals	2021 Bridge Year	2022 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Opening Balance[2]	$ 9,915,768	$ 9,183,850	$ 10,565,452	$ 10,145,838	$ 9,515,149	$ 9,658,884
Bad Debt Expense	$ 7,000	$ 87,000	-$ 193,000	-$ 39,000	$ 99,000	-$ 25,000
App 2-K Impact on OM&A	-$ 800,000	$ 887,000	-$ 199,000	$ 312,000	-$ 27,000	$ 66,000
Internal Controls Program Review	$ 94,000	-$ 76,000	-$ 18,000	$ -	$ -	$ -
Shared Assets Recoveries Reclassification	$ -	$ -	$ -	-$ 1,064,000	$ -	$ -
Appendix 2-N Administrative Service Recoveries From Affiliates	$ -	$ 428,000	-$ 348,000	-$ 251,000	-$ 309,000	$ 73,000
Switch Maintenance Carried Over	$ -	-$ 40,000	$ 40,000	$ -	$ -	$ -
Cybersecurity	$ -	$ -	$ 200,000	-$ 91,000	$ 91,000	$ -
Third Party Locate Costs	$ -	$ -	$ -	$ 96,000	-$ 93,000	$ 24,000
Joint-Use Pole Rental Costs	$ -	$ -	$ -	$ 58,000	-$ 18,000	$ -
IT Based Third Party Solutions	$ -	$ -	$ -	$ 110,000	$ -	$ -
Metering Service Provider	$ -	$ -	$ -	$ -	$ 55,000	$ -
Third Party Customer Engagement Costs	$ -	$ -	$ -	$ -	$ 48,000	-$ 28,000
Travel Costs	$ -	$ -	$ -	-$ 124,000	$ 148,000	-$ 37,000
Pandemic Incremental OM&A Costs	$ -	$ -	$ -	$ 136,000	-$ 25,000	-$ 61,000
Miscellaneous	-$ 32,918	$ 95,602	$ 98,386	$ 226,311	$ 174,735	$ 287,144
Closing Balance[2]	$ 9,183,850	$ 10,565,452	$ 10,145,838	$ 9,515,149	$ 9,658,884	$ 9,958,029

2022 total compensation of $9,711,527 reflects an increase of $788,709 or 8.8% relative to 2017 Board Approved. Following lower 2017 actuals, primarily due to FTE impacts, 2018 to 2022 actuals reflect an annual increase of approximately 3% per year. Total compensation is summarized in Table 1 - 10 below, and analyzed in detail in Section 4.4 of Exhibit 4.

Table 1 - 10: 2017-2022 Total Compensation Summary ($)

	2017 Approved (Restated)	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Bridge	2022 Test
Total Salary and Wages	6,795,628	5,941,598	6,739,189	7,286,413	7,357,355	7,494,036	7,638,152
Total Benefits	2,127,190	1,685,410	1,876,201	1,748,014	1,769,139	1,817,314	2,073,375
Total Compensation	**8,922,818**	**7,627,008**	**8,615,389**	**9,034,427**	**9,126,494**	**9,311,351**	**9,711,527**

1.4.6 COST OF CAPITAL

In this application, CNPI seeks to recover a weighted average cost of capital of 5.58% through rates in the 2022 Test Year. CNPI has followed the *Report of the Board on Cost of Capital for Ontario's Regulated Utilities*, December 11, 2009 in determining the applicable cost of capital.

In calculating the applicable cost of capital, CNPI has used the OEB's deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, in conjunction with the cost of capital parameters in the OEB's letter of November 9, 2020, for the deemed debt rates (where applicable) and allowed return on equity. The following table summarizes CNPI's capital structure, cost of capital, and the associated return on rate base included in its 2022 revenue requirement.

Table 1 - 11: Summary of 2022 Capital Structure and Cost of Capital

	Capitalization Ratio		Cost Rate	Return
	(%)	($)	(%)	($)
Debt				
Long-term Debt	56.00%	$73,659,564	3.88%	$2,859,551
Short-term Debt	4.00%	$5,261,397	1.75%	$92,074
Total Debt	60.00%	$78,920,962	3.74%	$2,951,625
Equity				
Common Equity	40.00%	$52,613,974	8.34%	$4,388,005
Preferred Shares	0.00%	$ -	0.00%	$ -
Total Equity	40.00%	$52,613,974	8.34%	$4,388,005
Total	100.00%	$131,534,936	5.58%	$7,339,631

CNPI acknowledges that the OEB will update the cost of capital parameters applicable to rate changes effective in 2022, and therefore commits to updating the Application to reflect the revised 2022 parameters as required.

1.4.7 COST ALLOCATION AND RATE DESIGN

CNPI has prepared and is filing a 2022 Cost Allocation Study consistent with its understanding of the Directions and Policies in the Board's Reports of November 28, 2007 Application of Cost Allocation for

Electricity Distributors and March 31, 2011 Review of Electricity Distribution Cost Allocation Policy (EB-2010-0219) (the "Cost Allocation Reports") and all subsequent updates.

The cost allocation study accepted in CNPI's 2017 cost of service application (EB-2016-0061) resulted in revenue-to-cost ratios within the OEB's policy guidelines, as summarized in Table 1 - 12.

Table 1 - 12: 2017 Revenue-to-Cost Ratios

Customer Class	2017 Approved R/C Ratio
Residential	95%
GS < 50	109%
GS 50 to 4,999 kW	108%
Embedded Distributor	100%
Street Light	120%
Sentinel Light	104%
USL	95%

No adjustments to CNPI's revenue-to-cost ratios were required during the 2018-2021 IRM years, since the 2017 OEB-approved R/C ratios were all within the OEB's policy ranges. The results of CNPI's 2022 cost allocation study indicate that status quo R/C ratios continue to remain within the OEB's policy ranges for all classes except Street Lighting, where a reallocation of costs is required to bring the class revenue down to the 120% upper limit.

Table 1 - 13: 2022 Revenue-to-Cost Ratios

Customer Class	2017 Approved	Status Quo	Proposed	Policy Range
Residential	95.06%	97.04%	97.31%	85 - 115
GS < 50	109.35%	111.42%	111.42%	80 - 120
GS 50 to 4,999 kW	107.60%	100.48%	100.48%	80 - 120
Embedded Distributor	100.00%	98.35%	98.35%	80 - 120
Street Light	120.00%	133.84%	120.00%	80 - 120
Sentinel Light	103.78%	106.12%	106.12%	80 - 120
USL	95.05%	101.23%	101.23%	80 - 120

CNPI completed its transition to fully fixed residential rates in its 2020 IRM application (EB-2019-0024), and continues to propose fixed monthly service charges that will recover 100% of the revenue requirement allocated to this rate class.

Maintaining status quo fixed/variable percentages would result in monthly service charges for CNPI's Residential, GS 50 to 4,999 kW, Embedded Distributor and USL customer classes that are higher than the ceiling identified in the cost allocation study. For the Residential class, this is an intentional outcome of the OEB's rate design policy, discussed further in Exhibit 8. For the GS 50 to 4,999 kW, Embedded Distributor and USL customer classes, CNPI proposes to maintain the fixed charges at the 2021 approved levels in order to avoid further increasing those charges above the ceiling identified in the cost allocation study. For all other customer classes (e.g. GS <50, Street Light and Sentinel Light) the resulting monthly service charges are within the floor to ceiling ranges identified in the cost allocation study, therefore CNPI proposes to maintain the current fixed/variable proportions.

The table below shows CNPI's existing rates in comparison to the 2022 proposed rates:

Table 1 - 14: 2022 Distribution Rate Summary

Customer Class	Determinant	Bridge Year Approved		Test Year Proposed	
		Fixed Charge	Variable Rate	Fixed Charge	Variable Rate
Residential	kWh	37.40	0.0000	42.42	0.0000
GS < 50	kWh	31.58	0.0257	35.71	0.0291
GS 50 to 4,999 kW	kW	169.70	7.4535	169.70	8.4793
Embedded Distributor	kW	610.63	8.5743	610.63	9.7651
Street Light	kW	4.09	8.8982	4.12	9.0446
Sentinel Light	kW	5.70	6.5951	6.45	7.4381
USL	kWh	49.79	0.0271	49.79	0.0335

1.4.8 DEFERRAL AND VARIANCE ACCOUNTS

CNPI proposes to dispose of a debit of $26,574 related to Group 1 and credit of $2,009,126 related to Group 2 Deferral and Variance Accounts ("DVA"). These balances include carrying charges up to and including December 31, 2020, as well as interest projected to December 31, 2021.

Specific Account 1508 sub-accounts currently used by CNPI, being the sub-accounts used to record incremental revenue and associated interest charges related to Pole Attachment Charges and Retail Service Charges, will be used to record amounts up to December 31, 2021. As a result of province-wide increases to these charges imposed by the OEB, CNPI is receiving more revenue from pole attachments and retail service charges than the amounts included in its 2017 cost of service application. Per OEB direction, the incremental revenue is being recorded in these sub-accounts for the purpose of refunding the incremental revenue to CNPI's customers. In consideration that these Group 2 accounts are not normally eligible for disposition in IRM proceedings, and CNPI's ability to accurately forecast 2021 activity in these accounts (and to adjust those forecasts later in this proceeding if required), CNPI is requesting disposition of these accounts on a forecast basis in this Application.

CNPI also proposes to dispose of a net debit balance of $54,370 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA").

Group 1, Group 2 and account 1568 DVA balances are proposed to be disposed of over a period of 12 months.

Based on CNPI's billing process, there is no Global Adjustment ("GA") variance for Class A customers. For Class B customers, OEB Account 1589 captures the difference between GA amounts billed to non-RPP customers and the actual GA amount paid for those customers to the IESO. The rate rider for disposition of OEB Account 1589 is therefore applicable to Class B non-RPP customers only. CNPI applied historical RPP/non-RRP percentages to the 2022 load forecast amounts to arrive at estimated non-RPP kWhs for calculation of the 2022 rate rider.

CNPI is requesting three new standard OEB 1595 sub-accounts for the 2022 rate year. CNPI is not requesting to create any other accounts or discontinue the use of any existing accounts.

Table 1 - 15 summarizes the DVA balances sought for disposition in 2022. Exhibit 9 provides detailed calculation of the resulting rate riders, all of which have been factored into 2022 bill impact calculations.

Table 1 - 15: DVA Balances for 2022 Disposition

		Claim ($)	Allocator
LV Variance Account	1550	25,452	kWh
Smart Metering Entity Charge Variance Account	1551	(6,644)	# of Customers
RSVA - Wholesale Market Service Charge	1580	(366,254)	kWh
Variance WMS – Sub-account CBR Class A	1580	-	kWh
Variance WMS – Sub-account CBR Class B	1580	100,319	kWh
RSVA - Retail Transmission Network Charge	1584	185,445	kWh
RSVA - Retail Transmission Connection Charge	1586	47,046	kWh
RSVA - Power (excluding Global Adjustment)	1588	(52,298)	kWh
RSVA - Global Adjustment	1589	162,116	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	-	%
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	-	%
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595	9,618	%
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	(78,225)	%
Disposition and Recovery/Refund of Regulatory Balances (2019)	1595	-	%
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	-	%
Total of Group 1 Accounts		**26,574**	
Total of Group 1 Accounts (excluding 1589)		**(135,542)**	
Other Regulatory Assets - Sub-Account - Pole Attachment Charges	1508	(965,100)	kWh
Other Regulatory Assets - NIA - LTLT Rate Impact Mitigation	1508	1,375	kWh
Other Regulatory Assets - CNP - Retail Service Charges	1508	(27,266)	kWh
Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	1522	(49,452)	kWh

		Claim ($)	Allocator
Total of Group 2 Accounts		**(1,040,443)**	
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account CCA Changes	1592	(968,683)	kWh
Total of Account 1592		**(968,683)**	
LRAM Variance Account	1568	**54,370**	LRAM Calculations
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		**182,691**	
Total of Account 1580 and 1588 (not allocated to WMPs)		**(318,233)**	
Balance of Account 1589 Allocated to Non-WMPs		**161,001**	
Group 2 Accounts (including 1592, 1532, 1555)		**(2,009,126)**	
IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	0	kWh
Accounting Changes Under CGAAP Balance + Return Component	1576	0	kWh
Total Balance Allocated to each class for Accounts 1575 and 1576		**0**	

1.4.9 BILL IMPACTS

A summary of the bill impacts by rate class is presented in Table 1 - 16 below. Detailed explanations of the bill impacts are presented in Section 8.6 of Exhibit 8. Neither a rate plan nor a mitigation plan are required as all of CNPI's bill impacts fall below the OEB's 10% total bill impact threshold.

Table 1 - 16 Bill Impacts

RATE CLASSES / CATEGORIES *(eg: Residential TOU, Residential Retailer)*	Consumption (kWh)	Demand kW (if applicable)	Units	Sub-Total						Total	
				A		B		C		Total Bill	
				$	%	$	%	$	%	$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	750		kwh	$4.50	11.9%	$1.76	4.1%	$3.04	5.7%	$2.80	2.3%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	2,000		kwh	$5.33	5.9%	-$2.26	-2.2%	$0.51	0.4%	$0.48	0.2%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	20,000	60	kw	$67.35	11.1%	-$5.06	-0.8%	$29.08	3.1%	$29.62	1.0%
EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION - Non-RPP (Other)	432,129	1,155	kw	$1,375.68	13.1%	$628.24	6.0%	$1,285.47	7.9%	$1,530.51	2.0%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	2,500		kwh	$16.00	13.6%	$15.36	11.8%	$18.83	11.6%	$17.30	4.4%
STANDBY POWER SERVICE CLASSIFICATION - Non-RPP (Other)	-	4,500	kw	$0.00	0.0%	$0.00	0.0%	$0.00	0.0%	$0.28	0.0%
SENTINEL LIGHTING SERVICE CLASSIFICATION - RPP	1,400	5	kw	$17.72	13.1%	$14.96	10.5%	$17.37	10.7%	$15.96	5.5%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	5,400	15	kw	$82.31	11.2%	$50.01	6.5%	$56.35	6.9%	$63.71	3.9%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	750		kwh	$4.50	11.9%	$2.60	6.0%	$3.88	7.2%	$3.56	2.8%

There are no large increases, by percentage, for any rate classes based on the proposed rates.

1.5 MATERIALITY THRESHOLD

In accordance with the Minimum Filing Requirements and given that CNPI's revenue requirement falls within the $10 million to $200 million range, the following materiality threshold has been calculated.

Table 1 - 17: Materiality Calculation

	2022 Test Year
Base Revenue Requirement	$22,117,708
x 0.5%	$110,589
Materiality Threshold (Rounded Down)	$100,000

Based on the above, CNPI has used a revenue requirement impact of $100,000 as a materiality threshold throughout this Application.

1.6 CUSTOMER ENGAGEMENT

1.6.1 OVERVIEW OF CUSTOMER ENGAGEMENT

Customers remain passionate about the notion of efficient and safe delivery of electricity at low costs. CNPI strives to continue to provide services that are valued by its customers, in a safe and cost-effective manner. This requires understanding customers' current and future needs. It also requires a culture of embracing continuous improvements in the services CNPI provides, especially the customer experience. Accordingly, CNPI has implemented a comprehensive customer engagement program, which has evolved in accordance with the expectations of the OEB's Renewed Regulatory Framework for Electricity Distributors.

CNPI's goal is to demonstrate a focus on long term value to customers and in turn raise confidence through both education and solicitation of customer feedback. This will lead to the successful implementation of projects that customers consider meaningful.

The following subsections provide detail of CNPI's customer engagement activities across four categories: Customer Satisfaction Surveys, Community Outreach/Stakeholder Sessions, Taking AIM Customer Engagement program and Other Supporting Engagement Activities. The complete list of customer engagement activities has been populated in the OEB's Appendix 2-AC, which is included as Appendix 1-F to this Exhibit.

1.6.1.1 CUSTOMER SATISFACTION SURVEYS

CNPI has engaged UtilityPULSE to conduct independent telephone-based customer satisfaction surveys since 2015. The survey asks questions of both residential and general service customers on a wide range of topics, including: (a) power quality and reliability; (b) price; (c) billing and payment; (d) communications; and (e) the customer service experience. UtilityPULSE typically conducts the survey in the fall of a given year, with final results available in December. The results are compiled into a final report outlining the overall level of customer satisfaction within CNPI's service area, as well as benchmarking the results against other Provincial and National participants. These results are then used to support internal discussions surrounding what is currently being done well, and what needs improvement. Highlights of survey results from recent years are included in the "Taking Aim Report", which is provided as Appendix B to CNPI's Business Plan. The following table provide a summary of overall satisfaction results:

Table 1 - 18: Customer Satisfaction Results 2016-2020

	2016	2017	2018	2019	2020
Customer Satisfaction Survey Results	85%	91%	91%	91%	92%

1.6.1.2 COMMUNITY OUTREACH/STAKEHOLDER SESSIONS

This form of engagement is very important to CNPI's understanding of customer and stakeholder needs through face to face interaction.

CNPI meets regularly with municipalities, regional planning authorities, road authorities and other stakeholders in its service areas. These meetings allow parties to communicate upcoming projects and other activities to better understand emerging issues, priority programs and opportunities for synergies.

CNPI also hosts a variety of orientation sessions, safety sessions, and information sessions with local contractors, joint-use partners, first responders and others. These events allow CNPI to communicate key safety messages, discuss upcoming projects/programs and get a better understanding of future developments and work activity in its service areas. The sessions also include discussions on Public Safety issues, Customer Service topics regarding interactions between CNPI and the contractor community as well as any changes to CNPI's customer connection process.

In addition to meeting with stakeholders and larger groups, CNPI also arranges one-on-one meetings with customers as required.

1.6.1.3 OTHER SUPPORTING ENGAGEMENT ACTIVITIES

Beyond the activities summarized above, the following additional customer engagement activities support customer outreach and engagement across a variety of platforms.

Social Media (Outage Communication) – CNPI provides Twitter and Facebook updates on planned outages as well as periodic updates during significant storm events. More sophisticated methods such as real-time public facing OMS communication to customer mobile devices are also being tested for deployment in the near future. Since CNPI customers also interact with the 24x7 call centre, ongoing dialogue will continue to ensure alignment of communication methods with customer preference is maintained.

Website (General Communication) – The CNPI website (www.cnpower.com) provides a constant flow of updated customer-centric information. Topics such as distribution services, rates, regulatory matters and decisions, marketing campaigns, conservation and demand management programs are made available in this one-stop location.

Technology Based – Similar to the outage communication methods a modest approach has been taken with the development of technology based solutions. In response to customer feedback, CNPI has implemented a more comprehensive customer portal for e-billing and retrieving historical consumption data and is investigating increased self-service options that can be made available through this platform.

Front Line Support – CNPI maintains first contact support (primarily by telephone since the COVID-19 pandemic), allowing the customer and the utility to interact on a direct basis. Social interaction is still one of the best ways to be in close contact with the customer. People love being heard and they love giving feedback, which is conveniently done when paying your electrical bill at the front counter of your local utility. Through these phone calls, information is exchanged regularly with every customer interaction. Data gathered through these interactions can then be used to improve business outcomes. In this sense, front line staff becomes pivotal to the business and bridges the gap between the customer and other utility staff.

Publications –CNPI takes advantage of this opportunity to communicate additional information via messages on the outside of the envelope, separate inserts, and messages on the bill itself (or included electronically with e-bills). Many of these messages are coordinated with announcements from the OEB, IESO, and other agencies, and include information about retailers, rate changes, conservation and demand management programs, electrical safety, and references to our website. CNPI also publishes the newsletter (twice per year), which gives information and updates on the industry and/or explains how costs/rates are determined. A copy of CNPI's most recent newsletter is included as Appendix 1G.

Social Services – Financial Assistance Program: CNPI provides support through partnerships with the province's Low-income Energy Assistance Program (LEAP). Programs of this type are designed to help low-income customers who have difficulty making their electricity bill payments and are regularly communicated to CNPI customers via all media channels. During the COVID-19 pandemic, CNPI also continues to inform customers of additional support programs, such as the (COVID-19 Energy Assistance Program (CEAP).

1.6.1.4 TAKING AIM PROGRAM

In advance of its 2022 cost of service application, CNPI partnered with UtilityPULSE and co-developed a multi-channel approach to gathering wisdom, insights, information and feedback from customers.

This approach reviewed the results of historical telephone surveys and other customer engagement activities to develop a two-part online survey tailored to CNPI's DSP and the Application. In addition to the primary goal of understanding the needs and preferences of CNPI's customers, these surveys included educational components, and opportunities for customers to share their wisdom and/or comments at various points throughout the survey process. The survey process allowed for completion of either or both parts of the online survey, and provided incentives for participation to increase response rates.

The Taking Aim Report provides detail of survey responses across all chapters and summarizes actionable outcomes that CNPI developed in collaboration with UtilityPULSE. The complete report is included as Appendix B to CNPI's Business Plan.

1.6.2 IMPACT OF CUSTOMER ENGAGEMENT ON THE APPLICATION

In CNPI's experience, when customers are asked to rank a broad list of priorities during telephone or online surveys, cost control and reliability always rank in the top two priorities. Regular capital investments in the distribution system and investments in O&M programs such as tree trimming are required to maintain and improve reliability, and size of these programs will ultimately have an effect on CNPI's distribution rates. One of the goals of CNPI's online to provide insight in to CNPI's proposed investment plans to seek customer input on the tradeoff between investment levels, performance outcomes and associated rate increases.

The results of CNPI's online surveys indicate broad support across all capital investment categories, with anywhere from 61 to 94% of survey respondents supporting investments levels at or above the amounts presented in the surveys. With respect to increased tree trimming to reduced tree-caused outages, the majority of respondents supported increased spending, but at a level less than originally proposed by CNPI. Median support for the overall rate increasing resulting from CNPI's 2022-2026 DSP was slightly below the result that would have resulted from the investment plan and tree trimming increases originally proposed by CNPI.

In response to customer preferences related to rate increases, CNPI kept overall investment levels and tree trimming increases consistent with levels that were supported by the majority of customers.

Further, CNPI ensured that its online surveys were designed to identify and prioritize both overall priorities and customer care priorities. Three key themes emerged as priorities for the majority of CNPI's customers:

- Any category of investment intended to maintain or improve reliability was supported by the majority of customers.
- 81% of customers identified preventing data and system breaches as a priority.
- Reducing CNPI's environmental footprint is a priority for most customers, including increased use of e-billing and other paper-free communication, and education on energy conservation.

Three additional categories of customer care improvements were also identified as priorities:

- Automated outage notification messages and other alerts
- Self-serve options and online forms
- Education on energy conservation

The preferences identified above are consistent with key priorities considered in CNPI's system planning and investment prioritization activities, as well as projects recently undertaken by CNPI and CNPI's strategic objectives for the 2022-2026 forecast period (see Section 1.4.4).

Chapter 5 of the Taking AIM Report summarizes the levels of customer support for CNPI's investment plans across all investment categories, as well as support for the overall level of investment over the 2022-2026 forecast period.

Table 1 - 19: Summary of Customer Support for CNPI's Investment Recommendations[9]

	No Increase #	No Increase %	Support CNPEOP's recommendations #	Support CNPEOP's recommendations %
System Access	87	7%	1,166	94%
System Renewal	112	9%	818	66%
System Service	124	10%	756	61%
General Plant	273	22%	818	66%
Tree Trimming	298	24%	471	38%
Support No Increase (in all 5 areas)	62	5%	--	--
Support CNP/EOP recommendations (in all 5 areas)	--	--	260	33%

Base: total respondents, online survey N=1,240

1.6.3 LETTERS OF COMMENT

CNPI has not received any letters from its customers related to this application as of the filing date. CNPI is, however, committed to responding to matters raised in letters of comments during the proceeding and will file all customer letters related to the application, along with CNPI's response, as additional evidence.

1.7 PERFORMANCE MEASUREMENT

[9] As discussed above, while a minority of customers (38%) supported CNPI's recommended increase in tree trimming expenditures as presented in the survey, a majority (66%) supported various levels of increased spending on this program.

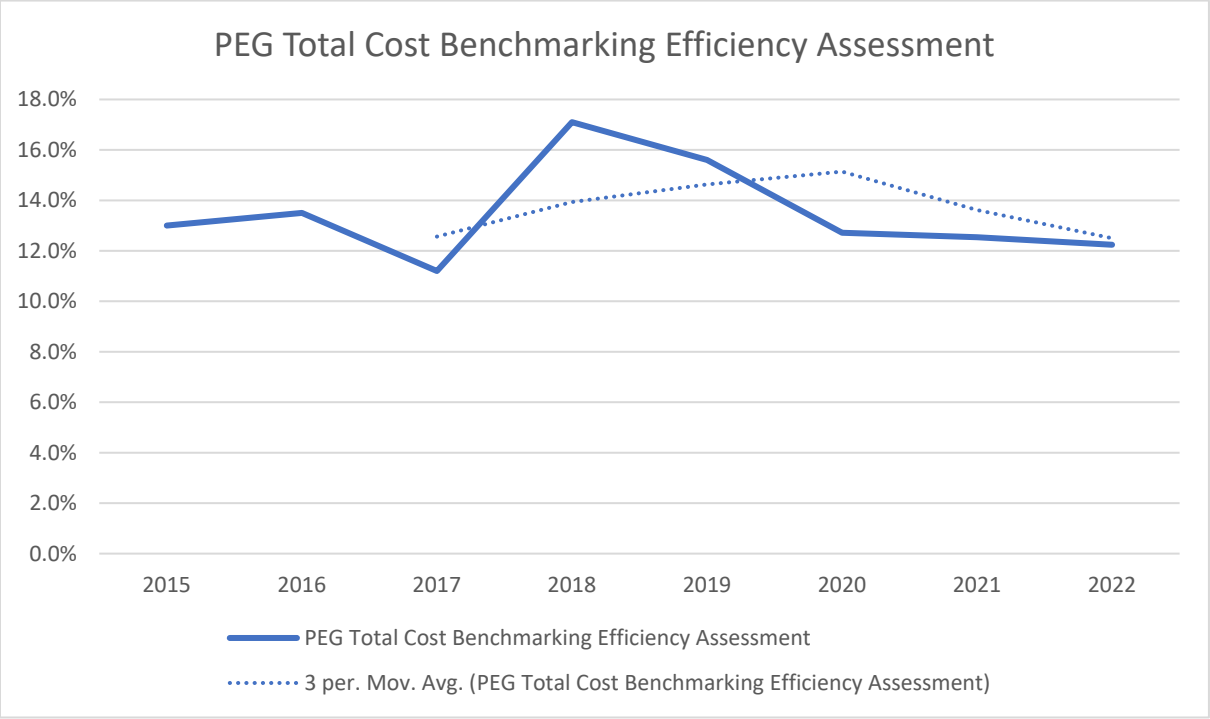
1.7.1 SCORECARD ANALYSIS

Section 5 of CNPI's Business Plan outlines CNPI's performance for each of the scorecard measures over the last five years, explains future targets for each measure, and where applicable describes how past performance and/or future targets have affected the proposals in this Application and DSP. The Business Plan is included as Appendix 1-B. Additionally, CNPI's 2019 scorecard and MD&A are included as Appendix A to the Business Plan.

1.7.2 COST BENCHMARKING

CNPI's historical and forecasted efficiency assessment for the 2017-2026 period, using the OEB's Benchmarking Forecast Model, is shown below:

Figure 1 - 6: Benchmarking Performance – PEG Model



Two items have a significant effect on CNPI's historical benchmarking results:

- Prior to 2020, CNPI's actual costs in the PEG model reflect 100% of the capital investments related to providing shared IT services to affiliates using assets owned by CNPI.
- The significant increase in customer and third-party driven investments in the 2017-2019 period resulted in capital investments in the System Access category significantly above typical levels. The PEG model captures the gross costs of these investments, ignoring the corresponding

increase in CIAC which serves to offset increases in rate base and ultimately revenue requirement.

The results above show a declining trend from 2018-2022 and CNPI anticipates that this trend will continue into the 2022-2026 forecast period as a result of a moderate declining trend in capital investment levels.

1.7.3 ACTIVITY AND PROGRAM-BASED BENCHMARKING

CNPI has performed an initial review of the *New Developments in Activities and Program Benchmarking* report prepared by Pacific Economics Group Research LLC (the "APB Report").

The results of the APB Report show CNPI as having below average unit costs related to certain O&M programs and capital investments and above average costs in other areas.

Considering the recency of the APB Report and the variation in results between asset and program categories, CNPI intends to investigate opportunities for improvement over the forecast period, after completing a more comprehensive review of the results.

1.8 FINANCIAL INFORMATION

1.8.1 HISTORICAL FINANCIAL STATEMENTS

CNPI's most recent audited financial statements are included as appendices to this Exhibit:

- Appendix 1-H Year ended 31 December 2019
- Appendix 1-I Year ended 31 December 2020

1.8.2 RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RRR

Reconciliations between the financial results shown in CNPI's RRR filings and CNPI's Audited Financial Statements, consistent with CNPI's prior-year RRR 2.1.13 filings, are presented in Appendix 1J of this Exhibit.

1.8.3 ANNUAL REPORT AND RATINGS AGENCY RRPORTS

The Filing Requirements require an Applicant to file an "Annual Report and Management's Discussion and Analysis for the most recent year of the distributor and of the parent company, **as available and applicable**" [emphasis added].

Neither CNPI, nor its parent company (FortisOntario) publish an Annual Report and MD&A.

CNPI's does prepare a MD&A in respect of the OEB Scorecard, which is included as Appendix A to the Business Plan.[10] FortisOntario is not a licensed distributor and as such does not prepare a similar MD&A.

1.8.4 PROSPECTUS AND RECENT DEBT/SHARE ISSUANCE UPDATE

CNPI has not produced either a prospectus or an information circular to support third-party debt or equity offerings.

1.8.5 CHANGES IN TAX STATUS

CNPI is a corporation incorporated pursuant to the Ontario Business Corporations Act and has not had a change in tax status since its last Cost of Service application.

1.8.6 ACCOUNTING STANDARDS AND ACCOUNTING ORDERS

1.8.6.1 ACCOUNTING STANDARD USED IN APPLICATION

CNPI has reported under the Accounting Standards for Private Enterprises accounting standard since January 1, 2011. Previous to January 1, 2011, CNPI reported in accordance with the Canadian Generally Accepted Accounting Principles accounting standard. CNPI adopted MIFRS and confirms that it reflected the required changes to its capitalization policies and depreciation rates in its 2013 cost of service application (EB-2012-0112). The values presented in CNPI's most recent cost of service application (EB-2016-0061) and the values presented within this Application have also been reported using this methodology.

1.8.6.2 EXISTING/PROPOSED ACCOUNTING ORDERS

1.8.6.2.1 EB-2013-0369 PENSION AND OTHER POST-EMPLOYMENT BENEFITS DEFERRAL AND VARIANCE ACCOUNTS

On December 12, 2013, CNPI received a Decision and Order from the Board (EB-2013-0369) approving the establishment of specific deferral and variance 1508 accounts related to pension and other post-employment benefits ("P&OPEB"), subject to the conditions of the Order. The description of these deferral and variance accounts can be found in Section 9.2.2.2 of Exhibit 9. CNPI has continued to book journal entries in accordance with the Accounting Order to record the difference between P&OPEB expenses under Section 3461 and Section 3462. CNPI is not seeking recovery of any variances recorded in these accounts within this Application.

1.8.6.2.2 EB-2015-0040 REPORT OF THE OEB RE: REGULATORY TREATMENT OF PENSION AND OTHER POST-EMPLOYMENT BENEFITS ("P&OPEB")

[10] CNPI's Business Plan is provided as Appendix 1-B to this Exhibit.

In CNPI's 2017 cost of service application (EB-2016-0061), the OEB found that it was appropriate for CNPI to continue to account for P&OPEB expenses using the accrual method, pending the outcome of the OEB's generic policy consultation.

On September 14, 2017, the OEB issued a report regarding the regulatory treatment of P&OPEB Costs. Within the report, the OEB confirmed the continued use of accrual accounting for these expenses, and established the P&OPEB Forecast Accrual versus Actual Cash Payment Differential variance account on a generic basis, effective January 1, 2018. CNPI has been using the appropriate 1522 sub accounts and is requesting disposition of the accumulated carrying charges as described in Exhibit 9 of this Application.

1.8.6.2.3 EB-2015-0304 WIRELINE POLE ATTACHMENT CHARGES

On July 20, 2018, the OEB issued a letter outlining accounting guidance in connection with the implementation of the new pole attachment charge. CNPI has been accumulating the excess incremental revenue along with applicable carrying charges in the 1508 sub accounts that have been prescribed by the OEB. CNPI's proposed revenue requirement for 2022 reflects the revenue expected to be earned for pole rental revenues using the most recent provincially approved charges. CNPI is requesting disposition of these sub-accounts, on a forecast basis, as described in Section 1.4.8 and in Exhibit 9.

1.8.6.2.4 EB-2015-0304 ENERGY RETAILER SERVICE CHARGES

On February 14, 2019, the OEB issued a Decision and Order which included accounting guidance regarding energy retailer service charges. Effective May 1, 2019, CNPI started accumulating the difference between the revenue collected from the current electricity distributor Retail Service Charges and the revenue collected with the updated electricity Retail Service Charges, along with applicable carrying charges in the 1508 sub accounts that have been prescribed by the OEB. CNPI's proposed revenue requirement for 2022 reflects the revenue expected to be earned for Retail Service Charge revenues, using the most recent provincially approved charges. CNPI is requesting disposition of these sub-accounts, on a forecast basis, as described in Section 1.4.8 and in Exhibit 9.

1.8.6.2.5 EB-2020-0133 DEFERRAL ACCOUNT – IMPACTS ARISING FROM THE COVID-19 EMERGENCY

CNPI has managed its response to the COVID-19 pandemic in a manner that has met the needs of its customers and employees. Based on guidance provided by the OEB to date, CNPI has not recorded either incremental pandemic costs incurred, nor any lost revenues as a result of the pandemic, in the COVID-19 deferral and variance account.

1.8.6.3 COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS

With one exception, CNPI has followed the accounting principles and main categories of accounts as stated in the OEB's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts ("USoA") in the preparation of this Application. Due to the non-significant dollar value associated with Retail Service Charges, CNPI has not followed the Article 490, Retail Services and Settlement Variances of the Accounting Procedures Handbook for Account 1518 and Account 1548. Further explanation can be found in Exhibit 9.

CNPI has adopted the various account changes prescribed by the Board in relation to the USoA (Article 210 – Chart of Accounts and Account 220 – Account Descriptions).

CNPI confirms that it has implemented the OEB's accounting guidance related to Accounts 1588 (RSVA – Power) and 1589 (RSVA – Global Adjustment), as set out in the letter issued February 21, 2019, and that all transactions recorded in these accounts in 2019 and subsequent years are in accordance with this guidance.

CNPI received approval to dispose of its pre-2019 balances on a final basis in its 2020 IRM proceeding (EB-2019-0024) and received approval to dispose of its 2019 balances on a final basis in its 2021 IRM proceeding (EB-2020-0008).

The useful lives proposed by CNPI in this Application are consistent with the typical useful lives in the Kinectrics Report commissioned by the OEB dated July 8, 2010, with descriptions provided for any asset classes outside of the Kinectrics ranges. CPI has not changed its depreciation rates since its last rebasing in 2015.

1.8.6.4 MONTHLY BILLING

Consistent with all historical years presented within this application, CNPI confirms that it continues to bill customers on a monthly basis.

1.8.7 ACCOUNTING TREATMENT OF NON-UTILITY BUSINESS

CNPI has transmission and distribution business units, both of which are regulated by the OEB. This Application has been prepared using accounting values attributable to the distribution division only; transmission has been appropriately excluded.

Costs related to CNPI's administration of the Affordability Fund Trust ("AFT") are segregated from its rate-regulated activities and CNPI confirms that these costs are not included in the Application. CNPI is not engaged in any other non-utility activities.

1.9 DISTRIBUTOR CONSOLIDATION

1.9.1 DISTRIBUTOR CONSOLIDATION

CNPI has not acquired or amalgamated with another distributor since its last rebasing application.

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

APPENDIX 1-A:
CUSTOMER SUMMARY

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

2022 Cost of Service Application Customer Summary

ABOUT CANADIAN NIAGARA POWER

Canadian Niagara Power provides local distribution service to the Fort Erie, Port Colborne and Gananoque areas. Canadian Niagara Power delivers electricity over 1037 km of distribution lines to approximately 30,000 customers.

Canadian Niagara Power has a relatively low customer density (i.e. number of customers per square-kilometre) relative to other distribution companies in Ontario. Canadian Niagara Power's combined service areas cover 357 square kilometres, approximately 80% of which is rural.

ABOUT THE APPLICATION

Canadian Niagara Power applies to the OEB every year to approve rates for the following year. These applications are on a five-year cycle, with a detailed "Cost of Service" review in Year 1, followed by inflationary adjustments in Years 2-5. This application is a Cost of Service Application. Much of this application relates to reviewing Canadian Niagara Power's costs and setting its base distribution rates.

This application is only for distribution rates, which is one component of your bill. Other components of your bill include costs for transmission lines or electricity generation plants, which are not a part of this application. For the average residential customer, only approximately 25% of the bill goes to Canadian Niagara Power. Costs related to transmission are approved by the Ontario Energy Board (OEB) in similar applications by electricity transmitters. Some generation costs are also approved by the OEB, while other costs are a product of either the competitive wholesale market, or long-term power purchase contracts. Canadian Niagara Power passes through these costs without any markup or profit margin.

The pass-through transmission rates that Canadian Niagara Power charges to its customers are reviewed and approved by the OEB each year. For low-volume customers, the OEB also approves Time of Use and Tiered Electricity Rates (for generation costs) on a province-wide basis. Since Canadian Niagara Power's revenue from these pass-through rates is typically different than its actual costs, every rate application includes requests for "rate riders" that true-up any past differences. Depending on the year, these rate riders can either be charges or credits.

CUSTOMER ENGAGEMENT AND PERFORMANCE METRICS

Canadian Niagara Power has a broad customer and stakeholder engagement program that includes: customer satisfaction surveys, community outreach/stakeholder sessions, a customer engagement program and other supporting engagement activities such as outage communication via social media.

Canadian Niagara Power also conducted online customer surveys specific to this application, which provided multiple opportunities for customers to identify their need and priorities, and to provide feedback on programs and spending levels.

Canadian Niagara Power has considered feedback from all of the above activities with a goal of meeting the needs and preferences of our customers.

The OEB expects utilities to measure their performance across a number of categories: Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and Financial Performance. Every year, the OEB publishes a scorecard that compares Canadian Niagara Power's performance against targets and trends over the past five years, which can be accessed on Canadian Niagara Power's website. The following OEB website has additional information on utility performance: https://www.oeb.ca/utility-performance-and-monitoring

Website Link (For Application, Scorecard and Other Information): www.cnpower.com
Customer Service Email Contact: mailto:customer.service@cnpower.com

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

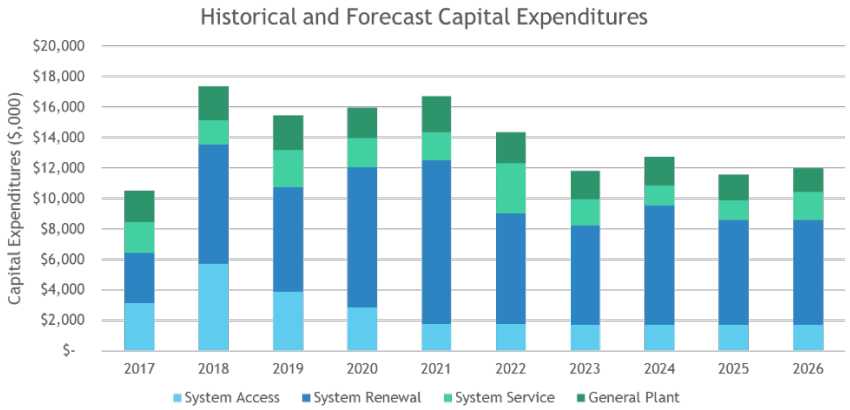
2022 Cost of Service Application Customer Summary

CANADIAN NIAGARA POWER'S GOALS

Canadian Niagara Power operates according to seven core values: Respect for People; Inclusion and Diversity, Safety and the Environment; Financial Success; Customer Service; Productivity; and Community Involvement. Based on a combination of these values, customer preferences and OEB expectations (discussed above), Canadian Niagara Power identified six strategic objectives for its Five-Year Plan, which are discussed in Canadian Niagara Power's 2022 Business Plan (Appendix 1B of Exhibit 1 of the application).

SUMMARY OF CANADIAN NIAGARA POWER'S FIVE-YEAR PLAN

Canadian Niagara Power prepared a 2022-2026 Distribution System Plan that outlines its strategy and proposed spending levels for capital investments, and the ongoing operation and maintenance of its system. The following chart summarizes Canadian Niagara Power's actual and planned capital investments for 2017-2026:



OTHER PROPOSALS AND REQUESTS

Canadian Niagara Power has a standby customer class, where a customer pays to have capacity available, but not used. Canadian Niagara Power proposes to continue using its existing standby rates and have those rates remain interim until it develops an updated methodology for its next Cost of Service application.

RATE SETTING AND RATE RELIEF

Canadian Niagara Power's forecasted 2022 costs of approximately $22 million includes operating costs, payments for capital investments that are spread over the life of the assets, the cost of debt and equity to support capital investments, and various taxes.

These total costs are divided between groups of customers (residential, commercial, industrial, street lighting, sentinel lights, embedded distributor, and unmetered load), and rates are calculated based on forecasted 2022 load and customer counts.

Revenue from street lighting customers in 2022 is forecasted to be more than the costs assigned to them. Distribution revenues are proposed to be adjusted to keep these revenues within the limits of OEB policy.

Rate relief programs like the Ontario Electricity Rebate (OER) and the Ontario Electricity Support Program (OESP) are not affected by this application.

BILL IMPACTS

For the distribution portion of the bill, Canadian Niagara Power has forecasted increases of $4.50 for a typical residential customer (750 kWh per month) and $5.33 for a typical small commercial customer (2000 kWh per month). These adjustments are the result of CNPI's proposed rates, and changes to rate riders for pass-through costs.

Website Link (For Application, Scorecard and Other Information): www.cnpower.com
Customer Service Email Contact: mailto:customer.service@cnpower.com

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

APPENDIX 1-B:
CNPI BUSINESS PLAN (WITH APPENDICES)

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1 EXECUTIVE SUMMARY

Canadian Niagara Power Inc. ("CNPI") has developed this business plan to address the expectations of the OEB's "Handbook for Utility Rate Applications", issued October 13, 2016. It outlines how key challenges associated with CNPI's service areas, CNPI's core values, and the preferences of CNPI's customers have all been integrated into its cost of service application (the "Application") and Distribution System Plan ("DSP") in a manner that is consistent with the outcomes of the OEB's Renewed Regulatory Framework ("RRF"). This business plan also summarizes CNPI's historical, target and forecasted performance with respect to performance metrics to ensure that CNPI delivers on its strategic objectives.

CNPI has established core values that are integrated into its planning process and daily activities, as well as objectives and principles that are integral to its asset management and system planning processes. Section 2 of this document outlines these values and principles, and summarizes how they are aligned with the objectives of the RRF. Based on these values and principles, as well as the identified preferences of CNPI's customers, strategic objectives are identified that drive projects and programs in the 2022-2026 period.

An overview of CNPI and its ownership structure, service area, unique aspects and key challenges is provided in Section 3 of this business plan.

Section 4 focuses on the four categories of RRF outcomes, and discusses how these have informed the Application and DSP, with a particular focus on customer engagement activities specific to the application and the customer preferences identified through those activities.

Section 5 of this document summarizes performance metrics that have been considered during the planning process and that will be used to ensure that CNPI delivers on its plans.

2 GUIDING PRINCIPLES AND STRATEGIC OBJECTIVES

2.1 VALUES AND PRINCIPLES

CNPI has established seven core values that all employees should strive to promote and comply with each working day:

Respect for People

Treat others as you would have others treat you. Honesty, integrity and ethics are never compromised.

Inclusion and Diversity

Create a welcoming environment that encourages and promotes diversity, cross-culture working experiences and strong relationships with our Indigenous communities and partners. Demonstrate leadership and foster a workplace culture where all employees feel empowered to bring their authentic selves to the workplace, and do their best work.

Safety and the Environment

Demonstrate a personal, unrelenting commitment to safety and environmental excellence. Protect yourself, your fellow employees, the public, and the environment.

Financial Success

Produce solid earnings, with dividends that meet the expectations of CNPI shareholders. Grow shareholder value through prudent equity investments and business partnerships. Ensure that debt obligations are always met in a timely manner and to the satisfaction of our creditors.

Customer Service

Everyone has customers. Determine your customers' needs by listening. When you can meet those needs, do so; when you cannot, tell them you cannot – or tell them who can. When in doubt about how to treat a customer, do what you believe is right. When serving customers be pleasant, courteous and accurate; smile, act professionally and enjoy yourself…Attitudes are contagious.

Productivity

The old sayings hold true. Teamwork is key. Working smarter produces more gains than working harder. Mistakes are costly; get it right the first time. Job security comes from doing your job well, not from what job you do. Remember…if you have a better way to do something; just do it.

Community Involvement

Each of us has an obligation to support the communities that support our employer. This means time as much as money. Success is measured by the reaction of community leaders and the opinions expressed by community residents.

In addition to the core values above, the fundamental objective of CNPI's Asset Management Program ("AMP") is to prudently and efficiently manage the planning and engineering, design, addition, inspection and maintenance, replacement, and retirement of all distribution assets in a sustainable manner that maximizes safety and customer reliability, while optimizing asset lifecycle costs.

Using the AMP, Area Planning Studies ("APS") and other performance analysis as inputs, CNPI's overall system planning and capital expenditure planning process ensures that CNPI continues to provide the safe, reliable, and efficient distribution of electricity to its customers.

There are three key principles that are integral to CNPI's distribution system planning process:

1) Meet the needs and expectations of its customers, as identified through regular customer engagement;
2) Provide safe, reliable, and high-quality of service to all of the customers of CNPI; and
3) Satisfy the first two principles in a sustainable manner, with a focus on long-term value and performance outcomes.

Finally, CNPI is guided by the four categories of outcomes under the OEB's RRF, namely customer focus, operational effectiveness, public policy responsiveness, and financial performance. Additional information on how each of the RRF outcomes has influenced the Application and DSP is provided in Section 4.

Table 1 below summarizes how CNPI's core values, asset management objectives and system planning principles identified above, relate to each other and to the RRF performance outcomes established by the OEB.

Table 1: Performance Outcome Alignment with Planning Objectives and Core Values

RRFE Performance Outcome	CNPI Planning Objectives/Principles	CNPI Core Values
Customer Focus	Meet the needs and expectations of its customers, as identified through regular customer engagement; Provide safe, reliable, and high-quality service; Minimize long-term costs to be borne by ratepayers;	Customer Service Respect for People Inclusion and Diversity Community Involvement Safety and the Environment
Operational Effectiveness	*Prudently and efficiently* manage the planning and engineering, design, addition, inspection and maintenance, replacement, and retirement of all distribution assets in a sustainable manner	Customer Service Inclusion and Diversity Productivity
Public Policy Responsiveness	Principles are derived from safety considerations; *acts, regulations, codes and guidelines*	Safety and the Environment
Financial Performance	*Prudently and efficiently* manage the planning and engineering, design, addition, inspection and maintenance, replacement, and retirement *of all distribution assets in a sustainable manner*	Inclusion and Diversity Productivity Financial Success

2.2 STRATEGIC OBJECTIVES

Based on the values and principles identified in Section 2.1, and the preferences of CNPI's customers as identified through customer engagement, the following objectives are the primary driver of projects and programs identified in the 2022-2026 DSP:

- Proactive end of life asset replacement
- Strategic voltage conversion programs
- Optimizing substation configurations
- Worker and public safety and environmental protection
- Reliability Improvement
- Flexible Approach to Emerging Technology and Public Policy

2.3 STRATEGIC INITIATIVES

The following projects and programs in the 2022-2026 DSP are planned in consideration of meeting the objectives identified above:

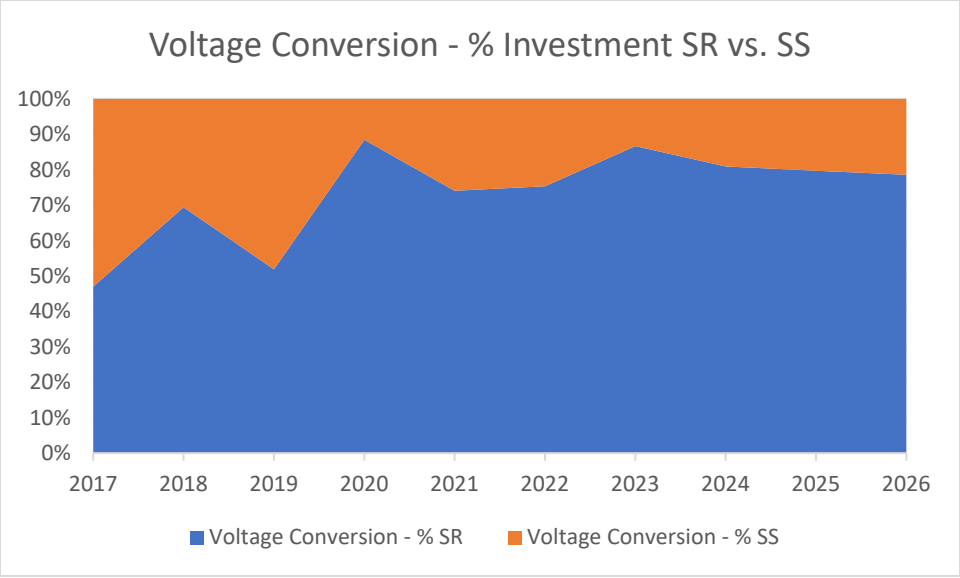
System Access Investments

CNPI is committed to expanding and reinforcing its distribution system in order to meet the needs of its customers with respect to requests for new services and service upgrades. Similarly, CNPI is committed meeting evolving public policy related to joint-use requirements to incent expansion of broadband internet service to currently underserved areas. As discussed in Section 3.5, CNPI has identified the level of uncertainty related to economic recovery following the COVID-19 pandemic, along with uncertainty related to recent legislative changes as key factors that could significantly alter the level of System Access investments required over the forecast period. CNPI is therefore prepared to ramp up its resources if required to respond to higher levels of third-party driven investments, while maintaining a focus on strategic initiatives in other investment categories.

Strategic Voltage Conversion – Aligned with Asset End of Life Replacements

Over the historical period, CNPI accelerated its voltage conversion programs to better align with its overall substation investment strategy and end of life line rebuild requirements. This has resulted in an increasing proportion of CNPI's investment in voltage conversion being associated with System Renewal as opposed to System Service, as illustrated in Figure 1.

Figure 1: Voltage Conversion SR vs. SS



The primary focus of voltage conversion activity over the historical period was CNPI's conversion of its Fort Erie 4.8 kV delta feeders to 4.8/8.3 kV wye, in order to mitigate the additional safety risks inherent with the delta-configured system. Over the forecast period, a smaller amount of remaining 4.8 kV delta pockets continue to be targets for voltage conversion, with increasing emphasis on converting 2.4/4.16 kV systems to higher voltage levels to address identified asset replacement, system performance and contingency planning issues in other parts of CNPI's service areas.

Continued Investment in Substations

In its Fort Erie service area, CNPI's is on track to complete construction of a new dual-element substation in the southern portion of Fort Erie (Rosehill DS) in 2021.

In Port Colborne, due to the land availability challenges discussed in Section 3.5, CNPI's plan to build a new dual-element Port Colborne South DS shifted to rebuilding two existing end of life single-element stations (Catharine DS and Jefferson DS). Additionally, CNPI worked with Hydro One to advance the rebuild of the Port Colborne TS to address negative reliability trends associated with asset end of life.

Due to emerging requirements to retire the Gananoque DS, combined with similar land availability challenges, CNPI's strategy evolved to installing distributed step-down transformers and using voltage conversion activity to partially offload the 4.16 kV system in Gananoque.

CNPI's substation investments over the forecast period remain well aligned with its strategic voltage conversion program and end of life replacements:

- Complete of the Gananoque distributed step-down solution will allow Gananoque DS to be retired in 2022 and the increased number of distributed supply points will provide significant long-term flexibility to align end of life line rebuilds with voltage conversion efforts in Gananoque.
- Construction of a new substation in Stevensville is an opportunity to address capacity and reliability challenges in a way that will standardize the voltage in this area with the rest of CNPI's Fort Erie system.
- Plans for additional substation investment at Killaly DS vs. additional voltage conversion in the surrounding area remain flexible pending the results of detailed pole testing being conducted in the area of Port Colborne East of the Welland Canal.
- Construction of Oakes DS in Fort Erie upon completion of additional voltage conversion activity and retirement of Station 12 will provide a long-term solution that improves system performance and reliability while reducing other investments in ratio banks or additional feeders that would otherwise be required for contingency planning.

Worker and Public Safety and Environmental Protection

All System Renewal projects and programs have inherent benefits with respect to worker and public safety and protection of the environment. By proactively replacing end of life assets on a planned basis, CNPI can ensure that work is executed in a controlled manner, using work methods that provide the highest degree of project safety planning to protect its workers and the public. Further, CNPI can plan the timing of this work to reduce impacts to species at risk and significant natural areas, and can consider alternative work methods or site access options as required. In contrast, reacting to sudden failures during outage and emergency situations often results in work being performed in unfavourable working conditions and with limited consideration of alternative access or work methods.

Ongoing voltage conversion programs and substation projects are based on designs that incorporate industry standards and best practices for worker and public safety and environmental protection. Completion of these projects will also ultimately reduce system losses and reduce the risk of oil spills.

Many of CNPI's General Plant investments also have an impact on safety and environmental protection. For example, new fleet purchases are typically safer and more fuel- efficient than the fleet equipment being replaced, and new tools and equipment is generally for efficient and ergonomic.

Reliability Improvement

Consideration of reliability performance, reliability trends, and contingency planning scenarios are key inputs to CNPI's system planning process, as described throughout its DSP. Completion of the voltage conversion programs and substation projects discussed above will inherently improve reliability and system restoration options during outages due to standardization of voltage levels, reduces equipment loading, and elimination of single points of failure.

Additionally, CNPI maintains ongoing System Service investment programs to implement targeted reliability improvement opportunities identified during system planning efforts.

Flexible Approach to Emerging Technology and Public Policy

Certain reliability and SCADA investments in the System Service and General Plant categories will provide a foundation for future investments in DERs and Smart Grid.

In light of changes to public policy such as changes to the delivery of conservation programs and the repeal of the Green Energy Act, CNPI has not included any other investments specifically related to connecting renewable energy, Distributed Energy Resources ("DER"), or implementation of Smart Grid. CNPI expects that both emerging technologies and government/OEB will continue to evolve over the forecast period and will incorporate consideration of emerging technologies into its planning process and its evaluation of alternatives as appropriate.

3 UTILITY OVERVIEW

3.1 OVERVIEW OF THE SERVICE AREAS

Location and Geography

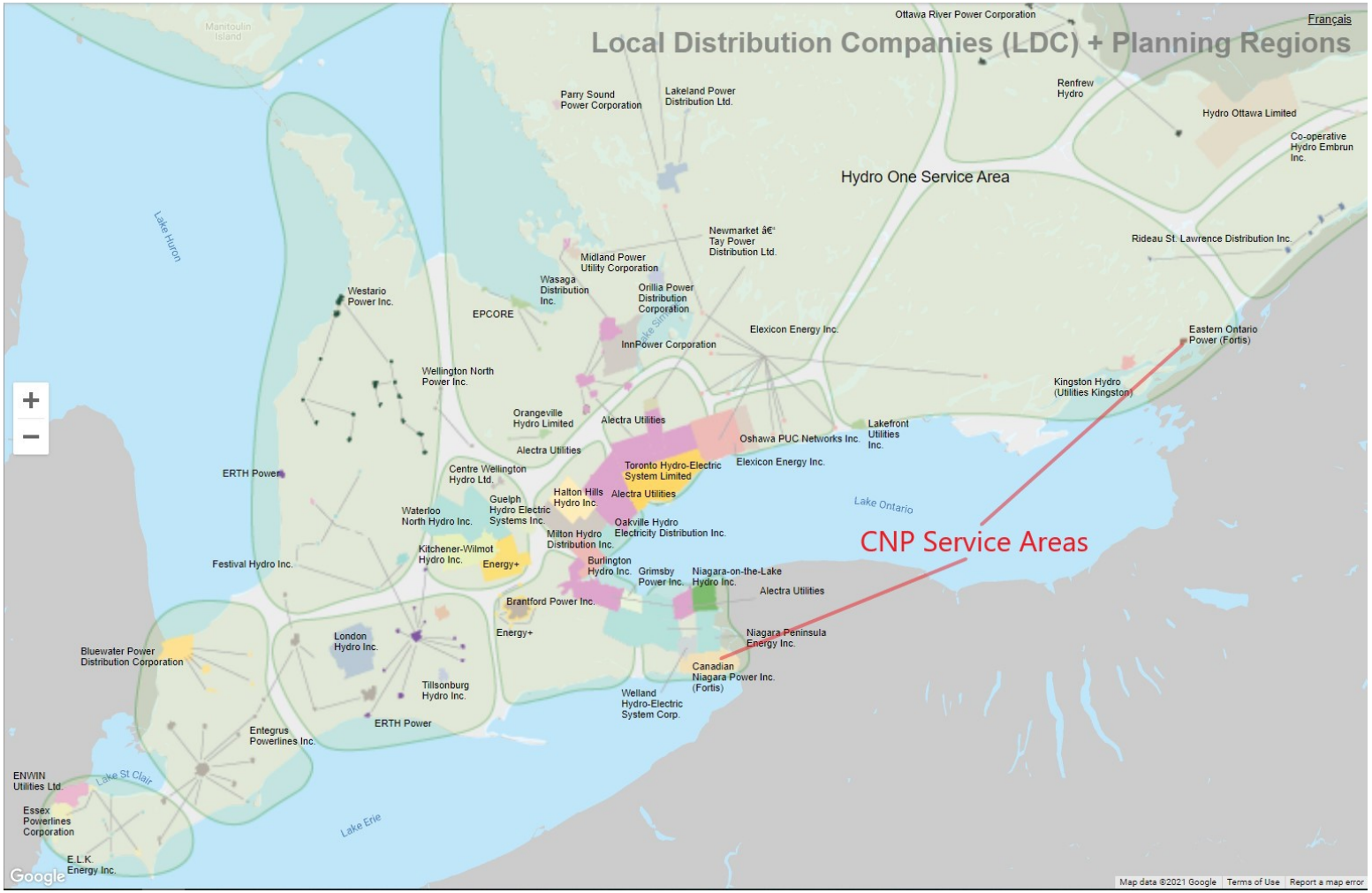
CNPI is an amalgamation of three former distinct LDCs:

- Canadian Niagara Power, serving the Town of Fort Erie
- Port Colborne Hydro, serving the City of Port Colborne
- Eastern Ontario Power, serving the Town of Gananoque and some surrounding area

Figures 2-4 show the extent of CNPI's Fort Erie and Port Colborne service areas (along the northeast shoreline of Lake Erie), and CNPI's Gananoque service area (operating as Eastern Ontario Power, northeast of Lake Ontario, along the St. Lawrence River).

Each of the three former LDCs that now comprise CNPI (CNPI, Port Colborne Hydro and Granite Power Corporation) were independently owned and operated for decades prior to operation and ownership changes involving CNPI in the 2001-2011 period. As a result, through a series of different planning decisions, operating philosophies, and construction standards, the three systems have distinct supply points and different primary system voltages, as detailed in Section 3.5.

Figure 2: CNPI Service Areas (Southern Ontario Context)



Map Data © Google; LDC + Planning Region Overlay © IESO

Figure 3: Fort Erie (Red) and Port Colborne (Green) Service Areas

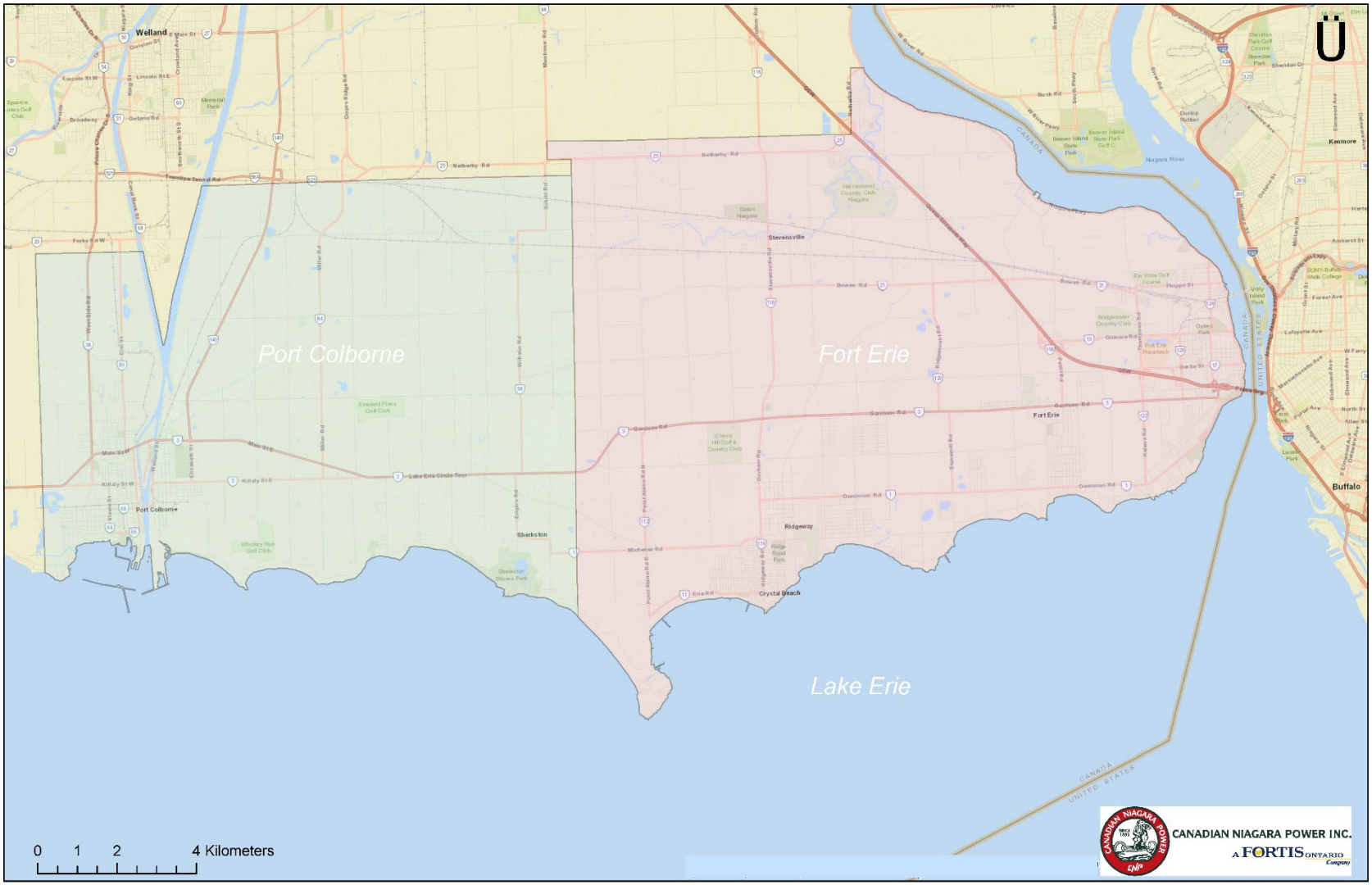
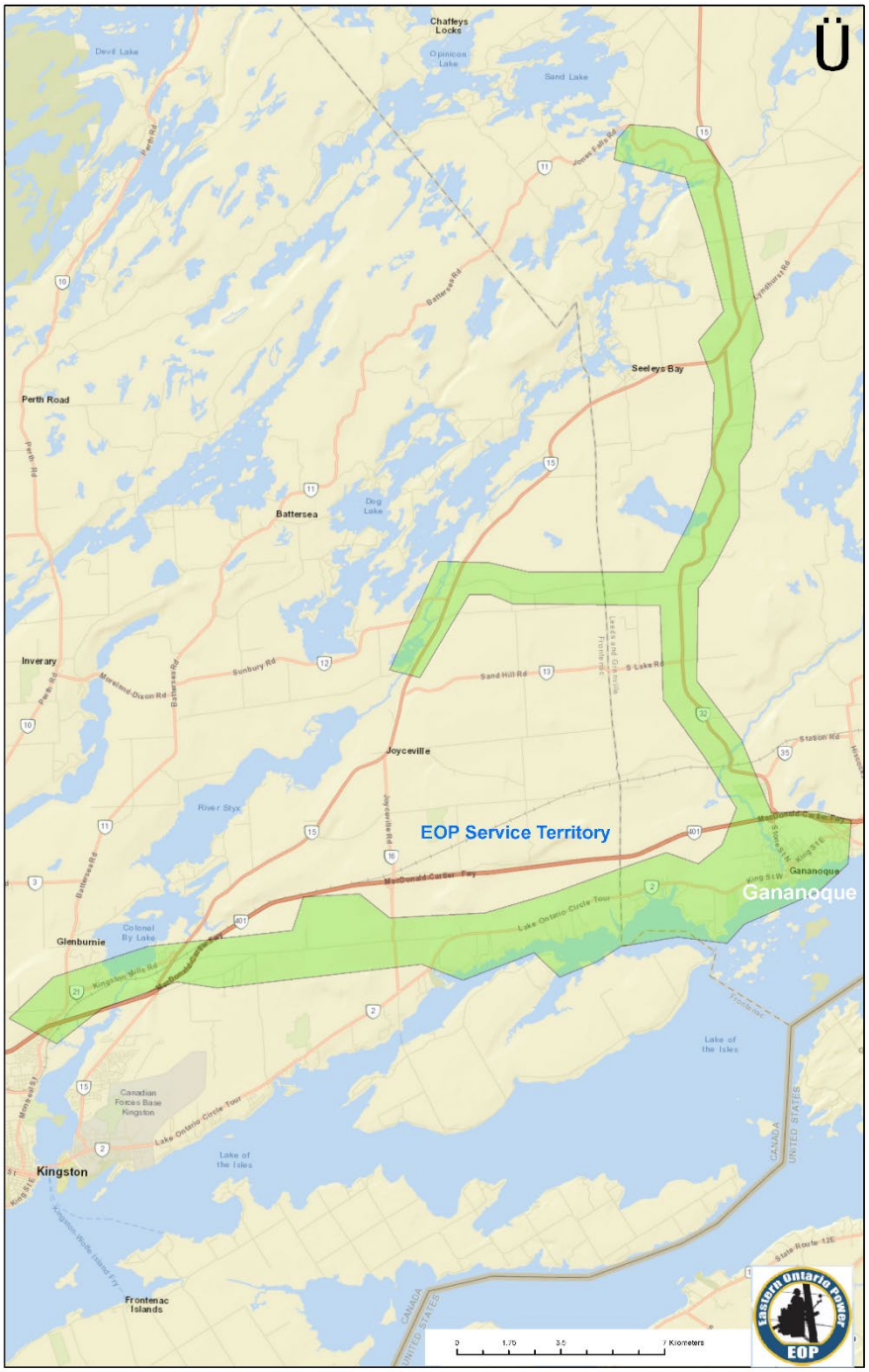


Figure 4: Gananoque Service Area (Green)



Employment and Industry

Major industries in CNPI's service area include refining/manufacturing/fabricating (industrial, metals, chemical and food products, among others), tourism/service/hospitality, agriculture, as well as other supporting industries. Over the past 10 years, CNPI's service area has seen a gradual decline in commercial and industrial load (particularly for larger customers), partially offset by a gradual increase in residential customers and associated load.

Over 90% of CNPI's customers are residential. Among these customers is a mix of customers employed by organizations in CNPI's service areas, and customers residing in CNPI's service areas but commuting to other municipalities for work. An aging population also means that CNPI's residential class includes a large base of retirees. As of the 2016 census, the median ages in CNPI's service areas ranged from 46 to 47.2 years, compared to 41 years for Ontario as a whole. Commercial and Industrial customers currently comprise less than 10% of CNPI's total customer base, with only 0.7% of all accounts having a demand greater than 50 kW.

Climate

The climate in CNPI's service area is humid continental, which is characterized by large variations in seasonal temperatures including cold winters and warm, humid summers. The location of CNPI's service areas along the shores of Lake Erie and Lake Ontario often results in lake-effect winds and precipitation more severe than areas further inland, which presents a significant challenge with respect to reliability improvement.

3.2 UTILITY OWNERSHIP

CNPI is a wholly-owned subsidiary of FortisOntario Inc. ("FortisOntario"), which is headquartered in Fort Erie, Ontario. FortisOntario also owns Algoma Power Inc. and Cornwall Street Railway Light and Power Company Limited (both licensed distributors), and a 5 MW natural gas cogeneration district heating plant located in Cornwall, Ontario (a licensed generator). FortisOntario is the Ontario-based subsidiary of Fortis Inc. ("Fortis"), which is the largest investor- owned gas and electric distribution utility in Canada. FortisOntario subsidiary Wataynikaneyap Power PM Inc. acts as project manager for the Wataynikaneyap Power transmission project in Northwestern Ontario. FortisOntario holds a ten percent interest in each of three other licensed distributors: Westario Power Inc., Rideau St. Lawrence Holdings Inc., and Grimsby Power Inc.

Fortis Inc. is a well-diversified leader in the North American regulated electric and gas utility industry, with 2020 revenue of $8.9 billion and total assets of $55 billion as at December 31, 2020. Its regulated utilities account for approximately 99% of its total assets and serve more than 3.3 million customers across Canada and in the United States and the Caribbean. Fortis Inc. currently owns and operates a total of approximately 185,700 km of electricity transmission and distribution lines and 57,000 km of gas transmission and distribution lines.

3.3 UTILITY DESCRIPTION

CNPI serves approximately 26,200 customers in Port Colborne and Fort Erie. CNPI serves an additional approximately 3,600 customers in the portion of its service area in and around Gananoque, operating as Eastern Ontario Power in the Gananoque area.

CNPI's combined service areas cover 357 square kilometres, approximately 80% of which is rural. CNPI's distribution system is comprised of over 1,600 km of primarily overhead distribution lines, and supplies a combined summer-peaking demand of approximately 100 MW.

3.4 RATE HARMONIZATION

CNPI achieved full harmonization of its monthly service charges and distribution volumetric rates for its three service territories (Fort Erie, Gananoque and Port Colborne) as a result of the Board's decision in CNPI's 2016 incentive rate-setting mechanism (IRM) Application (EB-2015-0058). Rate riders were subsequently harmonized in CNPI's 2017 cost of service application (EB-2016-0061).

3.5 KEY CHALLENGES

The following key challenges, which are discussed in greater detail in Section 2.1.1 of CNPI's 2022-2026 DSP, have been factored into the strategic objectives and strategic initiatives identified in Section 2 of this Business Plan.

System Voltage Levels

The extensive 2.4/4.16 kV system in CNPI's Port Colborne, Stevensville (part of Fort Erie) and Gananoque service areas is the lowest distribution voltage level still commonly in use in Ontario, resulting in high distribution system losses as well as capacity constraints during certain system contingencies. The legacy 4.8 kV distribution system in parts of Fort Erie has similar challenges related to losses and contingency options, with additional safety and reliability risks due to the delta-connected nature of this system.

Further, the historical selection of different distribution voltage levels in Fort Erie (4.8 kV and 34.5 kV) and Port Colborne (4.16 kV and 27.6 kV) makes it impractical to standardize system voltages and provide interconnections between these adjacent service areas.

Low Density

In terms of customer density (e.g. customers per km of line and customers per square km of service area), CNPI ranks in the lowest quartile among LDCs in Ontario. From a reliability perspective, the rural portions of CNPI's service area are generally served by longer distribution feeders, which are exposed to a higher number of trees per km than in urban/suburban settings. The distance between substations and the number of radial line segments limits load transfer and restoration options during outages. Voltage conversion programs that are in progress further limit CNPI's contingency options, since

substations or feeders that might otherwise provide an alternate supply to a particular area operate at different voltage levels for a period of time. Ratio banks deployed during voltage conversion efforts are also generally designed without redundancy and are less reliable overall compared to traditional substations.

Land Availability for Substations

CNPI has faced considerable challenges in obtaining suitable land for new substations in its Port Colborne and Gananoque service areas, in terms of availability and proximity to existing feeders and load centres. The expense, uncertainty and timelines associated with expropriation processes have led CNPI to consider alternative solutions to meet requirements for end of life substation replacements.

Storm Damage

CNPI has experienced an increasing frequency of severe storms causing widespread outages and severe damage to its distribution system. A summary of CNPI's Major Event Day ("MED") classifications and the resulting effect on CNPI's reliability statistics is provided in Section 2.3.1.1 of CNPI's DSP.

Economic and Legislative Uncertainty

Subdivision developments in CNPI's service area increased significantly over the 2017-2019 period, before trailing off in 2020 as a result of the COVID-19 pandemic. At this point in time, CNPI is not certain how quickly, or to what level, residential housing activity will ramp up in its service area post-pandemic.

Related to post-pandemic uncertainty is housing activity, CNPI anticipates that infrastructure plans related to roads and bridges could change significantly as the province reopens, particularly if economic recovery and stimulus programs include a focus on increased infrastructure spending.

Further adding to the level of uncertainty in externally driven projects, the recently enacted Building Broadband Faster Act, 2021, and pending regulations under that act, could drive a large volume of joint-use activity, particularly in CNPI's more rural areas.

4 OUTCOMES OF THE RENEWED REGULATORY FRAMEWORK

On October 18, 2012, the OEB issued its "Report of the Board: A Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach." The report set out a comprehensive framework economic regulation of the Ontario distribution sector (the Renewed Regulatory Framework, or "RRF"), which emphasizes the importance of performance outcomes in four key categories:

- Customer Focus
- Operational Effectiveness
- Public Policy Responsiveness
- Financial Performance

The sections below describe how CNPI continues to engage with its customers in order to better understand their needs, expectations and preferences, and how CNPI's core values, customer preferences, and the RRF performance outcomes are integrated and prioritized in its planning activities.

4.1 CUSTOMER FOCUS

Customer and stakeholder education and engagement has long been a central component of CNPI's planning process. CNPI employs a variety of education and engagement approaches that includes customer satisfaction surveys, community outreach/stakeholder sessions, conservation and demand management interactions, and other supporting engagement activities.

CNPI strives to continuously enhance its engagement activities, as well as to seek feedback to understand which engagement and communication channels are considered to be the most effective by its customers. Since its 2017 cost of service application, CNPI has evolved its education and engagement with respect to its distribution system planning process, as described in Section 4.2.

4.2 CUSTOMER ENGAGEMENT

Since 2015, CNPI has augmented its annual telephone-based satisfaction survey with additional questions to gain additional insight into the needs and preferences of its customers. For example, in the 2019 and 2020 telephone survey customers were asked to prioritize investments for various operational issues.

In advance of its 2022 cost of service application, CNPI partnered with UtilityPULSE and co-developed a multi-channel approach to gathering wisdom, insights, information and feedback from customers.

This approach reviewed the results of historical telephone surveys and other customer engagement activities to develop a two-part online survey tailored to CNPI's DSP and the Application. In addition to the primary goal of understanding the needs and preferences of CNPI's customers, these surveys included educational components, and opportunities for customers to share their perspective and/or comments at various points throughout the survey process. The survey process allowed for completion

of either or both parts of the online survey, and provided incentives for participation to increase response rates. Following completion of these surveys, UtilityPULSE prepared a comprehensive report (the "Taking AIM Report"), which is included as Appendix A.

4.3 IDENTIFICATION OF CUSTOMER NEEDS AND PREFERENCES

In CNPI's experience, when customers are asked to rank a broad list of priorities during telephone or online surveys, cost control and reliability always rank in the top two priorities. Regular capital investments in the distribution system and investments in O&M programs such as tree trimming are required to maintain and improve reliability, and size of these programs will ultimately have an effect on CNPI's distribution rates. One of the goals of CNPI's online to provide insight in to CNPI's proposed investment plans to seek customer input on the tradeoff between investment levels, performance outcomes and associated rate increases.

The results of CNPI's online these surveys indicate broad support across all capital investment categories, with anywhere from 61 to 94% of survey respondents supporting investments levels at or above the amounts presented in the surveys. With respect to increased tree trimming to reduced tree-caused outages, the majority of respondents supported increased spending, but at a level less than originally proposed by CNPI. Median support for the overall rate increasing resulting from CNPI's 2022-2026 DSP was slightly below the result that would have resulted from the investment plan and tree trimming increases originally proposed by CNPI.

In response to customer preferences related to rate increases, CNPI kept overall investment levels and tree trimming increases consistent with levels that were supported by the majority of customers.

Further, CNPI ensured that its online surveys were designed to identify and prioritize both overall priorities and customer care priorities. Three key themes emerged as priorities for the majority of CNPI's customers:

- Any category of investment intended to maintain or improve reliability was supported by the majority of customers.
- 81% of customers identified preventing data and system breaches as a priority.
- Reducing CNPI's environmental footprint is a priority for most customers, including increased use of e-billing and other paper-free communication, and education on energy conservation.

Three additional categories of customer care improvements were also identified as priorities:

- Automated outage notification messages and other alerts
- Self-serve options and online forms
- Education on energy conservation

The preferences identified above are consistent with key priorities considered in CNPI's system planning and investment prioritization activities, as well as projects recently undertaken by CNPI.

Chapter 5 of the Taking AIM Report summarizes the levels of customer support for CNPI's investment plans across all investment categories, as well as support for the overall level of investment over the 2022-2026 forecast period.

4.4 OPERATIONAL EFFECTIVENESS

With respect to the RRF outcome of operational effectiveness, distributors are expected to achieve continuous improvement in productivity and cost performance, while delivering on reliability and quality objectives.

CNPI's cost performance, according to the OEB PEG Benchmarking model, shows an improving trend in recent years, following justifiable increases to capital investments in the historical period, both to meet customer and third-party needs, and to align investment programs for greater efficiency as described in Section 2.3. At the same time, CNPI's scorecard shows consistent safety performance and improving system reliability over the most recent five-year period, and CNPI has taken additional steps to address loss of supply reliability trends outside of its control. These metrics are discussed in additional detail in Section 5.

4.5 PUBLIC POLICY RESPONSIVENESS

Distributors are expected to deliver on obligations mandated by government and regulators.

CNPI has consistently delivered on public policy initiatives, for example by exceeding its energy saving targets under the Conservation First Framework in advance of early termination of the program. CNPI has also connected 4 FIT and 201 microFIT projects to its distribution systems processing applications on time and connecting projects without major system expansions.

Since the IESO ceased accepting new applications under the FIT and microFIT programs, and the Conservation First Framework has been discontinued, CNPI anticipates that metrics and targets related to public policy responsiveness will evolve during the 2022-2026 period covered by its DSP.

4.6 FINANCIAL PERFORMANCE

Under the RRF, distributors are expected to achieve improvements in efficiency that are sustainable, while maintaining financial viability and earning a fair return. Historical financial results are discussed in Section 5.7 of this Business Plan.

5 PERFORMANCE METRICS AND TARGETS

On March 5, 2014, the OEB issued its "Report of the Board – Performance Measurement for Electricity Distributors: A Scorecard Approach". The resulting OEB Scorecard contains a set of performance measures and standards to assess distributor performance against the four categories of RRF outcomes identified in Section 4.

This sections that follow address CNPI's performance in relation to each of the OEB Scorecard performance measures over the last five years. Targets for future performance are also discussed, with an emphasis on specific performance measures identified as important to customers and performance measures that have significantly influenced the development of CNPI's 2020-2024 DSP.

Prior to discussing individual OEB Scorecard performance measures, additional context is provided in relation to the OEB's LDC benchmarking efforts in consideration of CNPI's circumstances, as well as CNPI's capital investment plans and operational costs that underpin a number of cost control metrics and financial ratios presented later in this section.

5.1 OEB BENCHMARKING

During the hearing stage of EB-2016-0061, CNPI identified that from a cost benchmarking perspective, changes in accounting methodology relating to shared IT assets had negatively affected its OEB total cost benchmarking results, as a result of the PEG model not including any of the Other Revenue series of accounts.

Starting in 2020, CNPI changed its accounting methodology to record the revenue received from these services as an offset to OM&A, as opposed to other revenue in Account 4375. This approach, consistent with a similar accounting change made by Algoma Power Inc. in its last cost of service application, results in the total costs of the shared IT services being more appropriately reflected in each company's total cost benchmarking results.

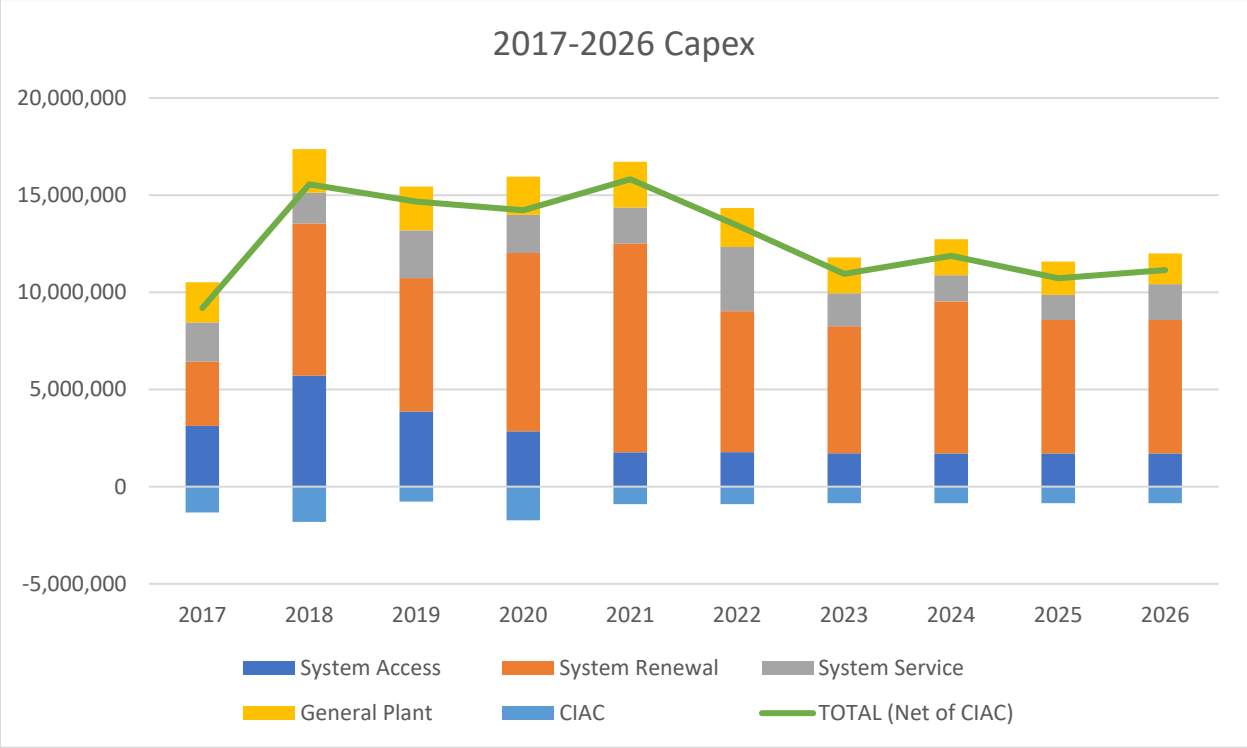
CNPI also notes that the total cost benchmarking model considers gross asset costs, without consideration of Contributions in Aid of Construction (CIAC) that serve to offset the rate impact from investments that are driven by customer connections and third parties. While this issue is common to all LDC's, the impact on benchmarking costs will depend on the quantum of these System Access investments and the amount of CIAC not included in the PEG cost benchmarking model.

The above issues, combined with the discussion of System Access investments in the following section provide important context for fluctuations in CNPI's cost benchmarking results in Section 5.5.2.2.

5.2 CAPITAL INVESTMENTS

The following figure summarizes CNPI's historical actual capital investments, as well as forecasted investments in the 2021 Bridge Year, and the 2022-2026 period covered by its current DSP:

Figure 5: Historical and Forecast Capital Expenditures



CNPI's historical capital investments saw a significant uptick in System Access investments to meet customer and third-party needs. These investments were driven by multiple large subdivision developments, peaking in 2018, combined with an uncharacteristic spike in joint-use and road relation activity in 2018. Forecast investments in this category are less certain for the 2022-2026, relating to the economic and legislative uncertainty discussed in Section 3.5.

CNPI's System Renewal investments to replace end of life assets include an accelerated focus on voltage conversion programs in the 2018-2021 period as compared to the 2017-2021 DSP. The accelerated pace of voltage conversion was initiated to further mitigate safety risk associated with the 4.8 kV delta system, keep voltage conversion efforts aligned with line and substation asset end of life replacement requirements, and to mitigate contingency risk as identified through planning studies. Additionally, the timing of substation investments resulting from land availability challenges (see Section 3.5), asset end of life, and coordination of supply upgrades with Hydro One Networks in response to reliability trends results in System Renewal investments peaking in 2021 before returning to more sustaining levels over the 2022 to 2026 DSP period.

System Service investments to improve system reliability and performance peaked in 2022, as a result of plans to construct a new substation in Stevensville. Apart from this project, System Service investments are trending downward over the 2017-2026 period.

General Plant investments in assets that are not part of the distribution system (e.g. fleet and equipment, land and facilities, IT) are consistent year-over-year, with annual investments for 2017-2021 being within +/- 10% of the 5-year average, and a declining trend over the 2022-2026 period.

CNPI has accelerated historical capital investments as compared to the plan presented in its 2017-2021 DSP as its system planning process has evolved to consider increasingly detailed asset condition assessment information as well as the results of updated reliability and system planning studies. Detailed explanations for changes in strategy, pacing and prioritization over the 2017-2021 period are provided in Section 4.3.1 of the current DSP.

CNPI's target with respect to capital investments in the 2022-2026 period is to complete all of the projects and program-based replacements identified in its DSP. CNPI will however maintain flexibility to reprioritize projects and/or adjust replacement rates based on updates to the inputs to its asset management process.

5.3 OPERATION, MAINTENANCE AND ADMINISTRATION (OM&A) COSTS

The following table summarizes CNPI's historical and forecasted OM&A costs for the 2017-2022 period:

Table 2: Historical and Forecast OM&A Costs

	2017 Board Approved	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Bridge Year	2022 Test Year
Operations	1,792,896	1,773,093	1,811,215	1,921,232	2,076,364	2,077,866	1,989,629
Maintenance	2,020,475	2,154,314	2,155,320	2,058,652	2,139,756	2,069,263	2,135,403
Billing and Collecting	1,865,826	1,707,304	1,861,959	1,579,098	1,498,832	1,807,855	1,775,955
Community Relations	40,150	31,121	34,951	55,763	39,402	105,055	78,761
Administrative and General	4,196,421	3,518,018	4,702,007	4,531,093	3,760,795	3,598,846	3,978,280
Total	**$9,915,768**	**$9,183,850**	**$10,565,452**	**$10,145,838**	**$9,515,149**	**$9,658,884**	**$9,958,029**
%Change (year over year)		-7.4%	15.0%	-4.0%	-6.2%	1.5%	3.1%

The most significant drivers of year over year changes in OM&A costs include:

- Labour costs relating to annual variations in FTE count and average compensation rates, as more fully analyzed in OEB Appendix 2-K. This item is the most significant contributor to 2017 and 2018 year over year variances.

- Changes in shared service allocations primarily related to vacancies and staffing changes over the historical period, and to a lesser extent an updated methodology for the 2022 Test Year.
- Annual variability in bad debt expense.
- Reclassification of revenues and costs related to shared IT assets from Accounts 4375 and 4380 (Other Revenue) to a net credit in Account 5675 (OM&A), starting with approximately $1.06 million in 2020.
- IT costs related to cyber security as well as costs related to third-party hosted solutions which result in decreasing IT capital investment requirements.

The above summary is included to provide context on the major drivers and adjustment that affect CNPI's various cost performance metrics in the following sections of this business plan. A comprehensive OM&A cost driver analysis is provided in Exhibit 4 of the Application.

CNPI's target for the forecast period is to balance inflationary OM&A cost increases with productivity and efficiency improvements, consistent with the price-cap adjustment factors inherent in the OEB's IRM rate-setting framework.

5.4 SCORECARD METRICS – CUSTOMER FOCUS

The OEB Scorecard contains six performance metrics related to the RRF outcome of Customer Focus, divided into categories of Service Quality and Customer Satisfaction.

5.4.1 SERVICE QUALITY

CNPI's historical performance has consistently exceeded OEB targets in all three Service Quality metrics, as summarized in the following charts. CNPI's future target is to maintain performance that meets or exceeds OEB targets and is consistent with historical performance levels.

Figure 6: Services Connected On Time

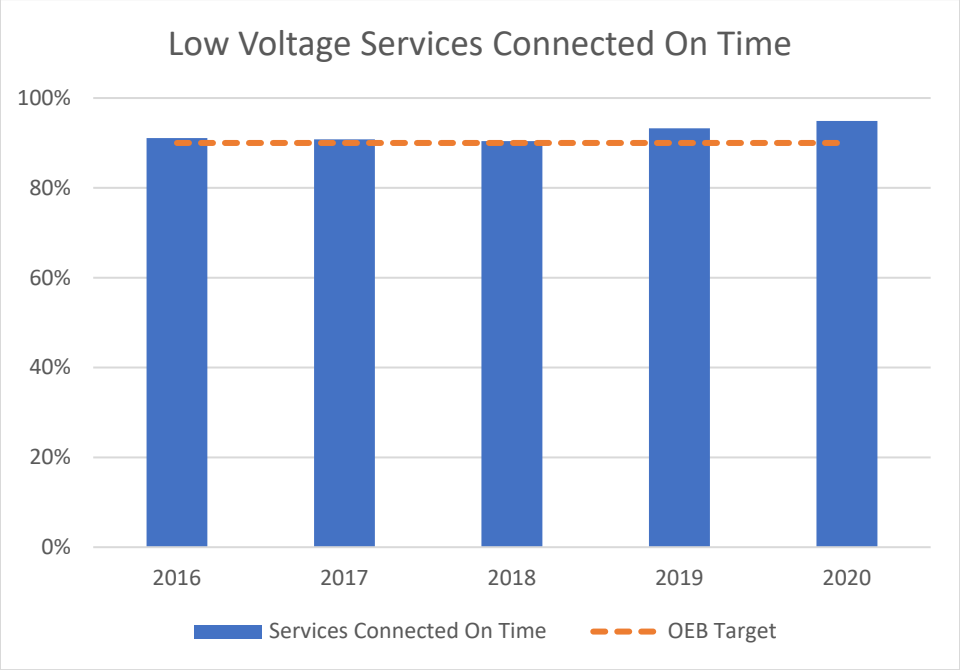


Figure 7: Appointments Met On Time

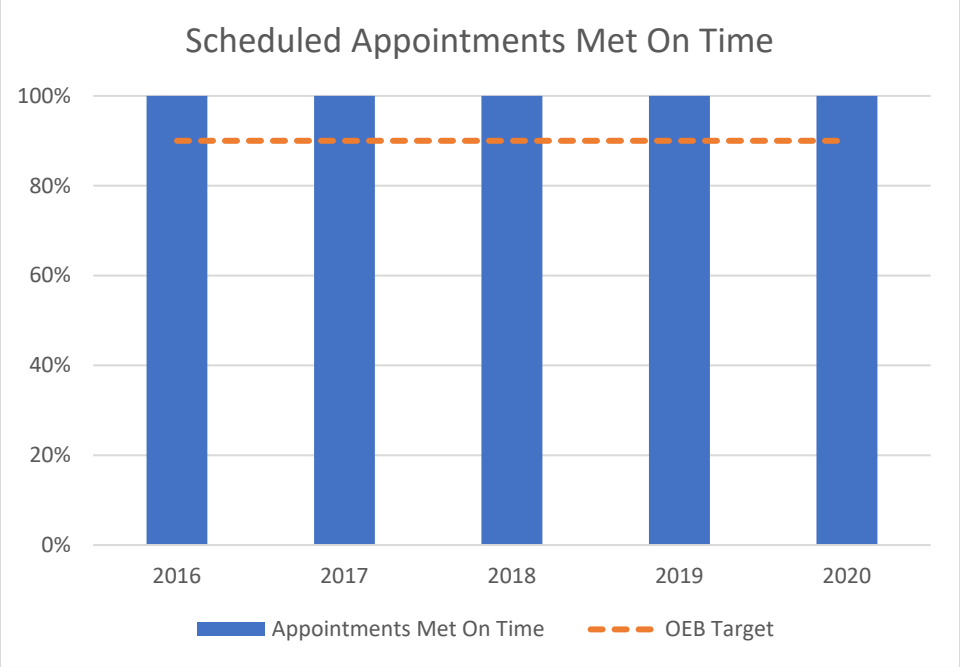
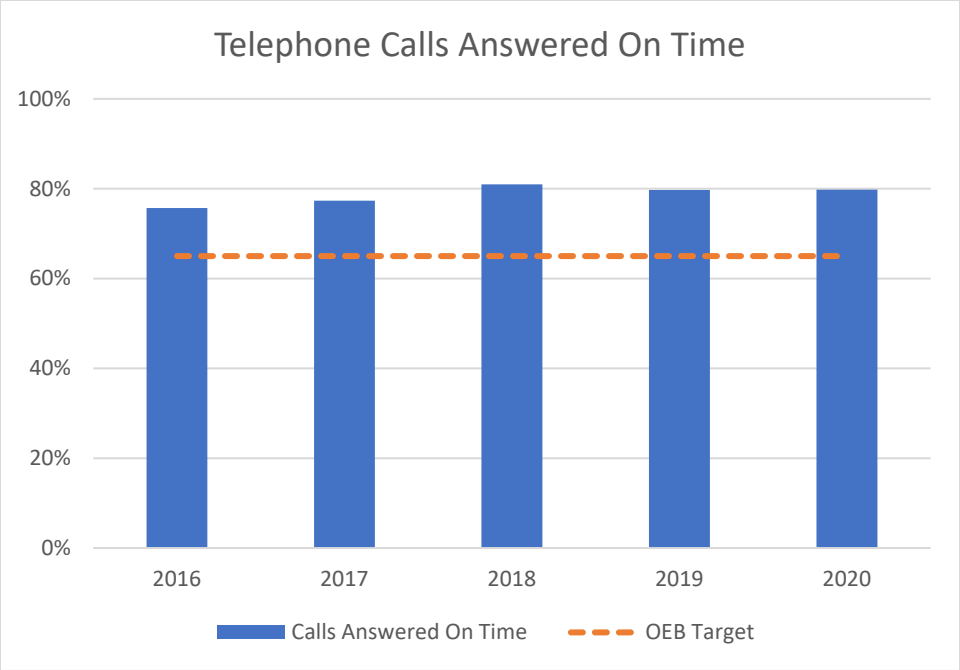


Figure 8: Calls Answered On Time



5.4.2 CUSTOMER SATISFACTION

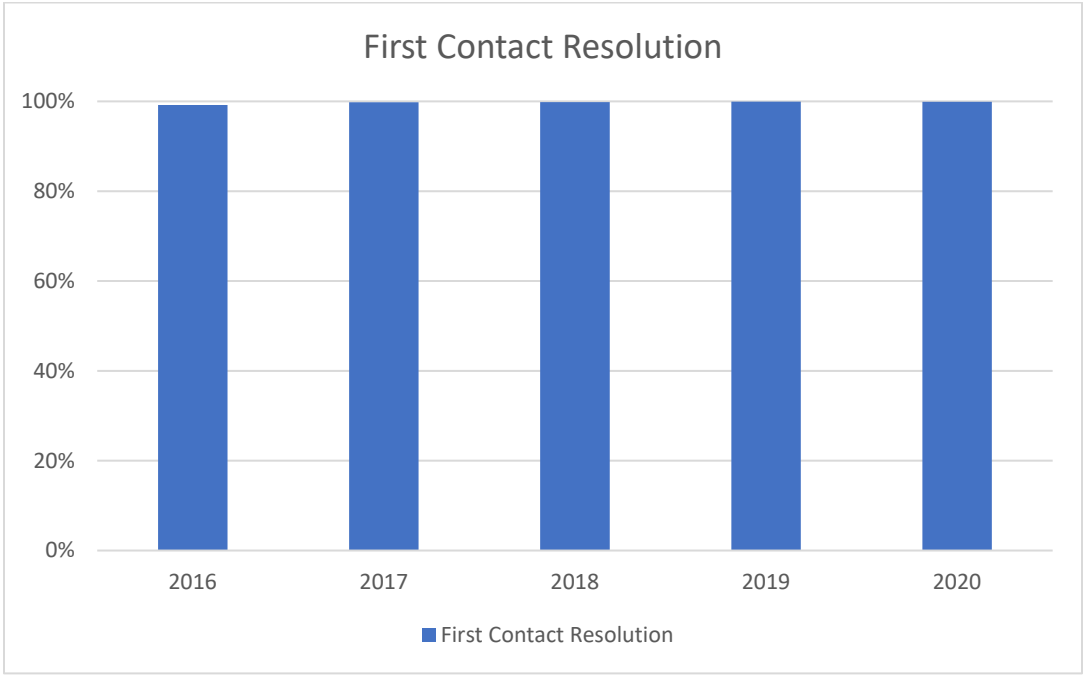
CNPI conducts annual customer satisfaction surveys to better understand and meet the needs of its customers. While the OEB has not set specific targets for customer satisfaction scores, the results in Figure 9 below indicate both an upward trend in CNPI's overall customer satisfaction score and consistently high scores in recent years.

In 2020, CNPI initiated additional customer engagement activities related to its 2020 cost of service application (as described in Section 4.2), with the intent that a more granular understanding of customer preferences would inform the development of its DSP in a way that would meet customer expectations over the 2022-2026 planning period.

Figure 9: Customer Satisfaction Scores

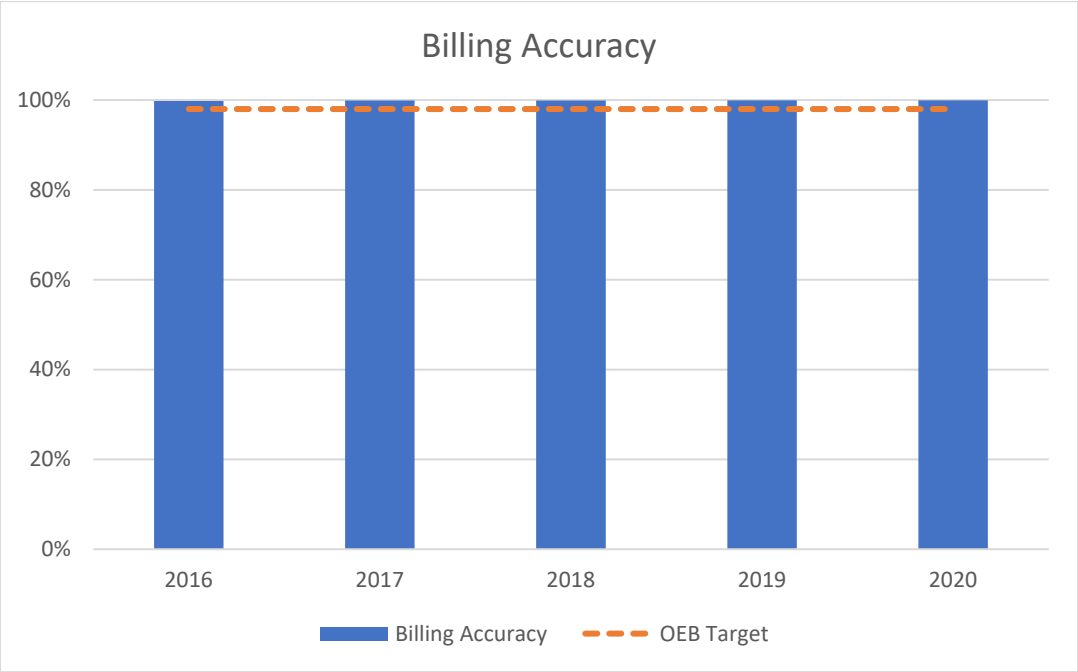
First Contact Resolution is a measure of the percentage of inbound calls that are resolved by the first point of contact (i.e. not escalated to a supervisor or more senior staff member). Less than 1% of calls have historically required escalation, and CNPI expects to continue this level of performance.

Figure 10: First Contact Resolution



The OEB target for Billing Accuracy is 98%. CNPI has consistently exceeded this target, and intends to continue this performance level in future years.

Figure 11: Billing Accuracy



5.5 SCORECARD METRICS – OPERATIONAL EFFECTIVENESS

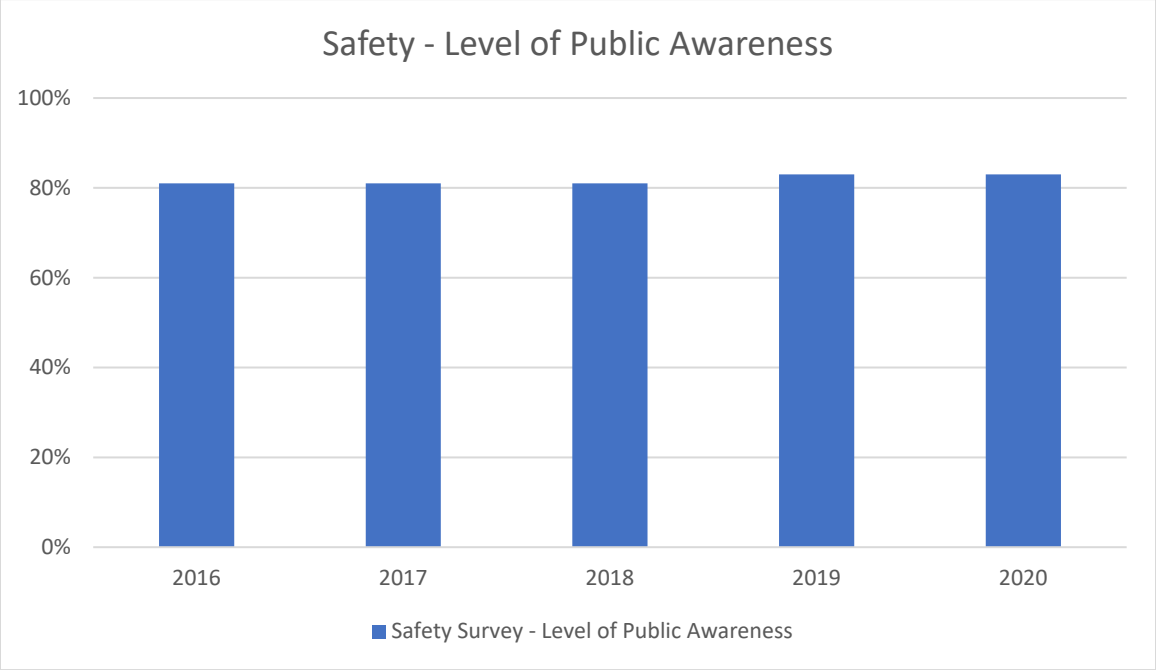
The OEB Scorecard contains ten performance metrics related to the RRF outcome of Operational Effectiveness, divided into categories of Safety, System Reliability, Asset Management and Cost Control.

5.5.1 SAFETY

An unrelenting commitment to safety is entrenched in CNPI's core values and a focus on both worker and public safety will always be included among CNPI's strategic objectives.

UtilityPULSE is engaged to complete bi-annual surveys in relation to "Public Awareness of Electrical Safety". On completion of these surveys, UtilityPULSE generates a "Public Safety Awareness Index Score" for CNPI and other LDC's. CNPI's score from recent surveys have increased from 81% to 83%. CNPI plans to continue to deliver and improve on its public outreach initiatives related to safety, with a goal on improving its Public Safety Awareness Index Score with each survey.

Figure 12: Safety – Level of Public Awareness



Over the 2013-2018 period, CNPI has consistently achieved full compliance with Ontario Regulation 22/04, and has had a single serious electrical incident involving the public. CNPI's target is to continue to achieve full compliance and to have zero serious safety incidents.

5.5.2 SYSTEM RELIABILITY

The OEB Scorecard includes SAIDI and SAIFI performance metrics that provide an indication of the average number of hours and the average number of times that power to a customer is interrupted. Scorecard results are adjusted to focus on outages that are within the LDC's control by removing outages associated with Loss of Supply ("LoS"), and Major Event Days ("MED"). CNPI's target is to achieve adjusted reliability results in any given year that consistently improve upon its historical rolling 5-year average.

In CNPI's experience, while customers are more understanding of outages during major storm events, all outages, regardless of cause or responsibility, ultimately affect customers' perceptions of the reliability of CNPI's system. CNPI therefore regularly reviews SAIDI and SAIFI results and trending for all outages and adjusted values.

The following figures summarize CNPI's historical reliability performance, for all outages, adjusted to remove LoS, and adjusted to remove both LoS and MED (i.e. outages under CNPI's control, consistent with the OEB scorecard). During the 2016 to 2018 period, CNPI undertook significant effort to work with

Hydro One to implement and advance solutions to address the rising impact of loss of supply outages in its Gananoque and Port Colborne service areas, as discussed in detail in the current DSP.

Figure 13: SAIDI Trend

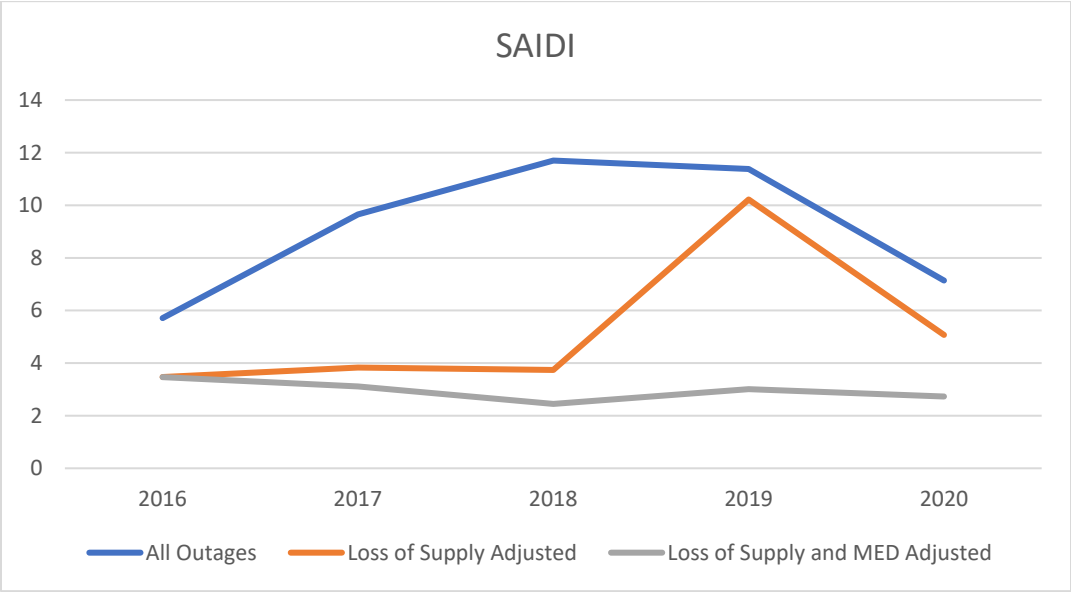
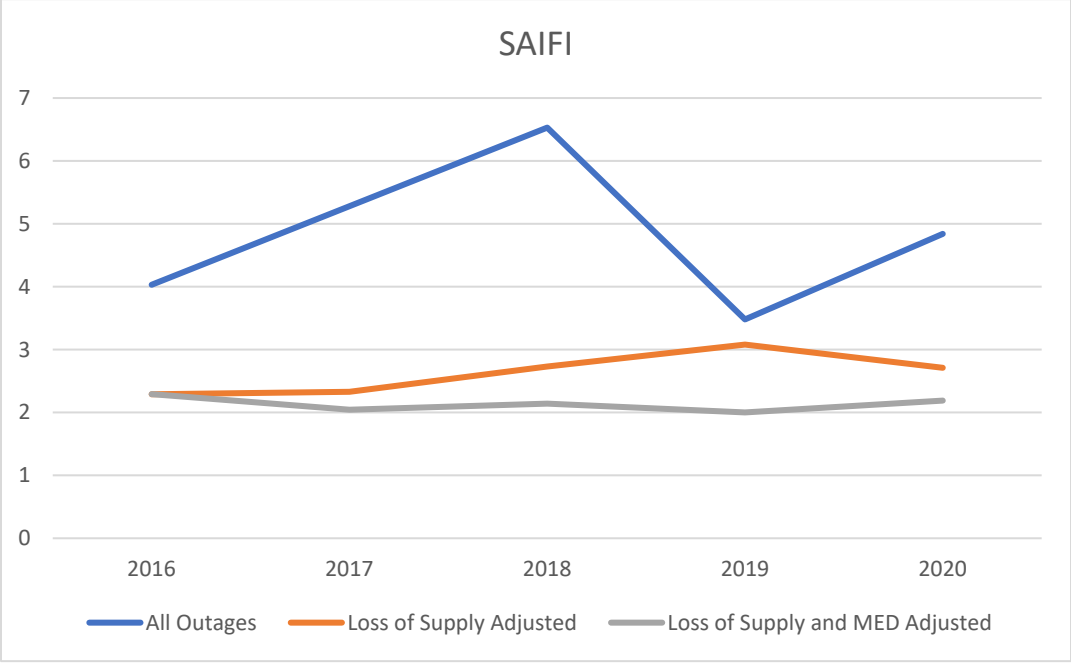


Figure 14: SAIFI Trend



5.5.2.1 ASSET MANAGEMENT

The OEB scorecard contains a statement to describe the extent of an LDC's implementation progress with respect to its DSP. For the historical DSP period (2017-2021), CNPI indicated "In Progress" for 2017 due to certain System Renewal investments being deferred in 2017 in order to respond to an increase in non-discretionary System Access project.

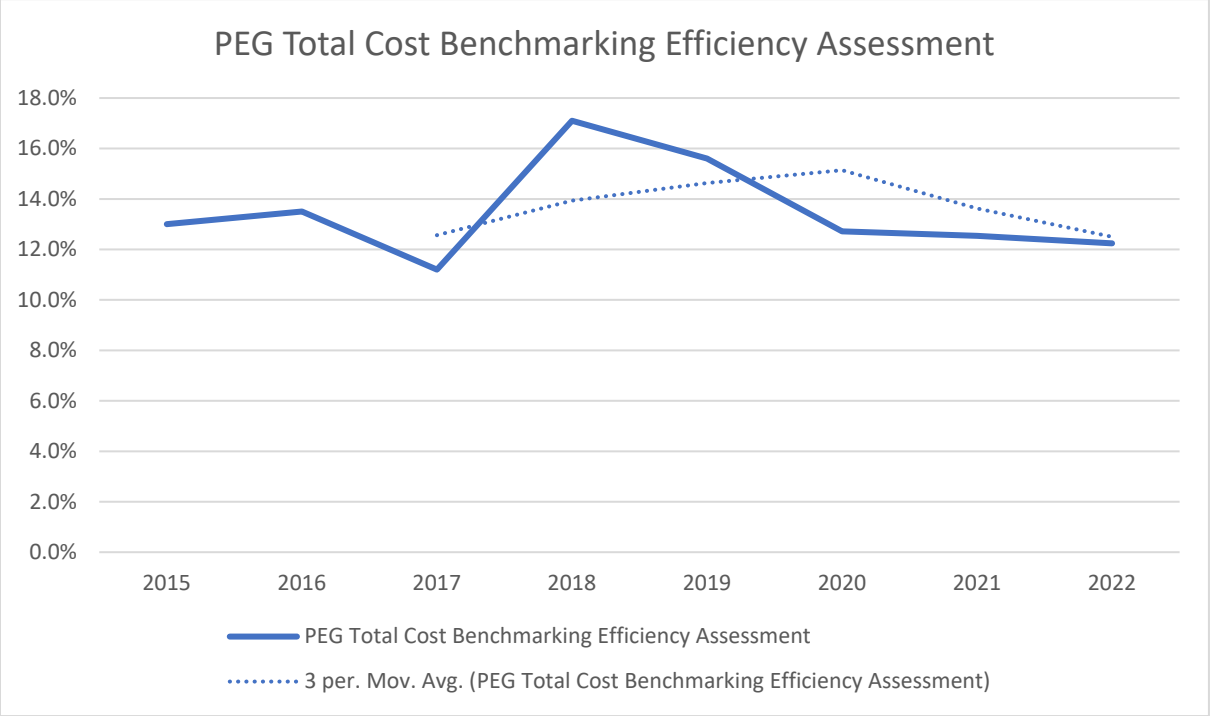
The projects deferred from 2017 were completed in 2018 and all other identified projects were completed over the 2018-2021 period (forecasted completion in the case of 2021 projects). An accelerated pace for voltage conversion efforts, and changes to the scope of certain substation projects resulting from land availability are discussed in Section 5.2 of this document, and various sections of the current DSP.

5.5.2.2 COST CONTROL

Cost control performance metrics included in the OEB Scorecard are driven by the output of the OEB's total cost benchmarking framework, particularly the Total Cost Benchmarking model compiled and updated by Pacific Economics Group (the "PEG Model"). CNPI's historical challenges with the PEG Model are summarized in Section 5.1. As a result of these issues, CNPI has focused on trending and cost drivers in its analysis of historical results and setting of future targets.

The PEG Model calculates each LDC's "Actual Total Cost" by adding the majority of OM&A accounts from the LDC's trial balance, and determining a proxy for capital costs based on historical and current capital additions, an asset price index, an economic depreciation rate, and a rate of return. The PEG Model also calculates a "Predicted Total Cost" for each LDC, using a standard formula that considers business conditions such as number of customers, load, km of line, etc. The percentage difference between actual and predicted cost is the PEG Model measure of cost performance, where lower percentage results indicate greater efficiency. The following chart shows CNPI's cost performance, according to the PEG model:

Figure 15: Total Cost Benchmarking – Efficiency Assessment



Further to the discussion in Section 5.1, two issues have a significant effect on CNPI's historical benchmarking results:

- Prior to 2020, CNPI's actual costs in the PEG model reflect 100% of the capital investments related to providing shared IT services to affiliates using assets owned by CNPI.
- The significant increase in customer and third-party driven investments in the 2017-2019 period resulted in capital investments in the System Access category significantly above typical levels. The PEG model captures the gross costs of these investments, ignoring the corresponding increase in CIAC which serves to offset increases in rate base and ultimately revenue requirement.

The results above show a declining trend from 2018-2022 and CNPI anticipates that this trend will continue into the 2022-2026 forecast period as a result of a moderate declining trend in capital investment levels.

The OEB Scorecard also includes metrics related to total cost per customer and total cost per km of line, as summarized in Table 2.[1] Section 2.3.2 of CNPI's current DSP discusses CNPI's performance with respect to a number of additional OEB cost metrics not included on the scorecard.

[1] "Total cost" in this table is based on PEG model calculations.

Table 3: Scorecard Cost Control Metrics

Cost Efficiency Benchmarking	2017	2018	2019	2020	2021
Efficiency Assessment	4	4	4	4	4
Total Cost per Customer	773	867	893	907	947
Total Cost per km of Line	21,875	24,425	16,421	17,328	18,183
Cost/km Adjusted to Include Secondary	14,186	15,899	16,421	17,328	18,183

5.6 SCORECARD METRICS – PUBLIC POLICY RESPONSIVENESS

The OEB Scorecard contains three performance metrics related to the RRF outcome of Public Policy Responsiveness, divided into categories of Conservation & Demand Management and Connection of Renewable Generation.

CNPI has consistently met or exceeded OEB targets related to completing impact assessments and connecting renewable generation on time. Also, as of December 31, 2019, CNPI achieved 120% of its 28.48 GWh energy savings target under the 2015-2020 Conservation First Framework, despite early termination of that program in March 2019.

Since the IESO ceased accepting new applications under the FIT and microFIT programs, and the Conservation First Framework has been discontinued, CNPI anticipates that metrics and targets related to public policy responsiveness will evolve during the 2022-2026 period covered by its DSP.

5.7 FINANCIAL PERFORMANCE

5.7.1 SCORECARD METRICS – FINANCIAL PERFORMANCE

The following table summarizes CNPI's Scorecard financial ratios for the 2015-2019 period:

Table 4: Scorecard Financial Ratios

	2015	2016	2017	2018	2019
Liquidity: Current Ratio	0.35	0.33	0.36	0.44	0.28
Debt to Equity Ratio	1.72	1.64	2.11	3.03	2.92
Deemed Return on Equity	8.93%	8.93%	8.78%	8.78%	8.78%
Achieved Return on Equity	10.00%	8.97%	10.70%	6.58%	5.84%

CNPI's future target is to achieve its deemed return on equity while maintaining liquidity and leverage ratios that are relatively consistent with historical levels. CNPI notes that the OEB scorecard results focus on CNPI's segmented distribution business, whereas CNPI manages financial metrics such as liquidity and leverage on a consolidated basis with its transmission and distribution divisions. CNPI's audited financial statements, provided as appendices in Exhibit 1 of the Application, provide information on CNPI's consolidated financial position.

5.7.2 REVENUE REQUIREMENT / REVENUE DEFICIENCY

The following table presents CNPI's Revenue Requirement trend from the 2017 Board Approved to 2022 Test Year:

Table 5: Revenue Requirement Trend

Revenue Requirement Component	2017 Board Appr	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Bridge	2022 Test
OM&A Expenses (Incl LEAP)	9,914,002	9,183,850	10,565,452	10,145,838	9,515,149	9,658,884	9,958,029
Amortization/Depreciation	4,767,507	4,529,681	4,467,502	4,669,110	4,861,991	5,309,907	5,625,717
Property Taxes	103,000	85,786	97,531	98,976	99,336	103,000	105,100
Income Taxes (Grossed Up)	521,069	1,011,261	659,734	78,340	28,558	28,289	430,483
Regulated Return on Rate Base:							
Deemed Interest	2,978,570	2,904,141	3,081,842	3,363,802	3,644,018	3,991,020	2,951,625
Return on Deemed Equity	3,147,033	3,068,395	3,256,146	3,554,053	3,850,117	4,216,746	4,388,005
Service Revenue Requirement	**21,431,182**	**20,783,115**	**22,128,206**	**21,910,119**	**21,999,169**	**23,307,846**	**23,458,959**
Revenue Offsets	(2,548,193)	(2,551,248)	(2,644,570)	(1,591,137)	(560,470)	(618,075)	(1,341,251)
Base Revenue Requirement (Excl Transformer Ownership Allowance)	**18,882,989**	**18,231,867**	**19,483,636**	**20,318,982**	**21,438,699**	**22,689,772**	**22,117,708**

CNPI's 2020 cost of service application is intended to set rates that will recover the 2022 base revenue requirement identified in Table 4 above. Table 5 below illustrates that revenues at current rates are insufficient to recover this revenue requirement, resulting in a net revenue deficiency of $1,880,570, confirming the need for CNPI to proceed with its scheduled cost of service application.

Table 6: Calculation of Revenue Deficiency

	Current Rates	Proposed Rates
Revenue Deficiency from Below		$2,558,598
Distribution Revenue	$19,559,110	$19,559,110
Other Operating Revenue Offsets	$1,341,251	$1,341,251
Total Revenue	$20,900,361	$23,458,959
Operating Expenses	$15,688,846	$15,688,846
Deemed Interest Expense	$2,951,625	$2,951,625
Total Cost and Expenses	$18,640,471	$18,640,471
Utility Income Before Income Taxes	$2,259,890	$4,818,488
Tax Adjustments to Accounting Income	($3,194,024)	($3,194,024)
Taxable Income	($934,134)	$1,624,464
Income Tax Rate	26.50%	26.50%
Income Tax on Taxable Income	($247,546)	$430,483
Income Tax Credits	$0	$0
Utility Net Income	$2,507,436	$4,388,005
Utility Rate Base	$131,534,936	$131,534,936
Deemed Equity Portion of Rate Base	$52,613,974	$52,613,974
Income/(Equity Portion of Rate Base)	4.77%	8.34%
Target Return - Equity on Rate Base	8.34%	8.34%
Deficiency/Sufficiency in Return on Equity	-3.57%	0.00%
Indicated Rate of Return	4.15%	5.58%
Requested Rate of Return on Rate Base	5.58%	5.58%
Deficiency/Sufficiency in Rate of Return	-1.43%	0.00%
Target Return on Equity	$4,388,005	$4,388,005
Revenue Deficiency/(Sufficiency)	$1,880,570	$0
Gross Revenue Deficiency/(Sufficiency)	**$2,558,598**	**$0**

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

BP APPENDIX A:
UTILITYPULSE TAKING AIM CUSTOMER ENGAGEMENT REPORT

Taking A.I.M.

(Applied Insights Methodology)

CANADIAN NIAGARA POWER INC. / EASTERN ONTARIO POWER

UtilityPULSE

Executive Summary

An Unprecedented Time

No one predicted a pandemic of this magnitude, nor the impact that it would have on people, their loved ones, or their financial world. Like all Ontarians, Canadian Niagara Power Inc. (CNP) / Eastern Ontario Power (EOP) customers are directly impacted by the pandemic. An online CNP/EOP survey showed that thirty-seven percent (37%) of residential respondents indicated a negative economic impact.

Two things we believe is true about human nature:

1- It is hard to be "future-oriented" when focused on handling the life problems of today

2- When uncertainty is high, people look for organizations, and their people, to help them contain risk.

In the fall 2020 telephone Customer Satisfaction Survey, CNP/EOP took the opportunity to obtain feedback on how their customers felt their utility handled the pandemic crisis. The results show that customers appreciate how Canadian Niagara Power / Eastern Ontario Power has dealt with this unprecedented year so far.

Satisfaction with the information provided,,,	
Top 2 Boxes: 'very + fairly satisfied'	**CNP/EOP**
Reliability of electricity service during COVID-19 pandemic	95%
Communication from your LDC during the COVID-19 pandemic to help keep you informed	80%
Overall performance of your LDC during the COVID-19 pandemic	92%

Base: total respondents, 2020 telephone survey

On the one-hand, CNP/EOP (and most other Ontario LDCs) are seen in a positive manner, a halo effect. CNP/EOP, the organization, and its people responded and adapted to the disrupted changes caused by the pandemic. As such, CNP/EOP didn't add to the customers' everyday concerns and worries – hence the halo effect. On the other-hand, CNP/EOP must continue to demonstrate it listens to its customers, is responsive to changes in customer needs, and, most importantly, cares about keeping costs low.

When the current fog of the pandemic rises, customers will (again) focus their attention on costs, network reliability, outages, system renewal, system modernization, and customer care.

Canadian Niagara Power / Eastern Ontario Power has taken a multi-method approach to engaging customers. The goal was to understand the wide variety of opinions and views about what it takes to be seen as a successfully run LDC. Information, data, and feedback gathered from customer respondents is shaped by concerns/worries they have about the current pandemic environment and their historical interest in keeping costs low. Helping respondents to be "future-oriented" has been significantly exacerbated by the pandemic. A written comment from one customer respondent: "*I think the reliability of the service has greatly improved already and would be comfortable if it maintained at the same price. Cost of living the region is becoming difficult for those who live here. Affordable housing is already an issue without [the] cost of utilities making it worse."*

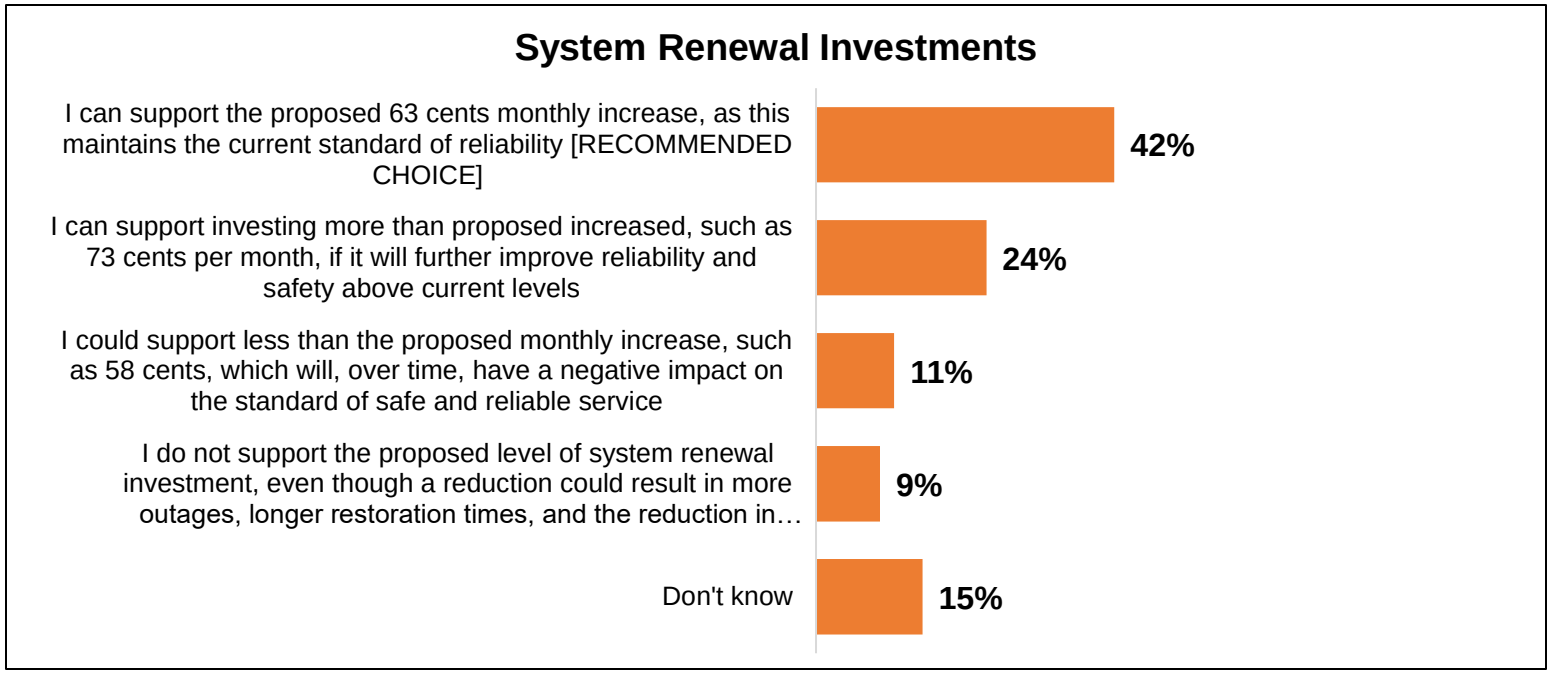
Most organizations and CNP/EOP are not an exception; they want to believe people will make rational decisions. That is, when truthful information and facts are presented, a person will make a rational decision. When this isn't so; decisions are irrational. Findings from CNP's/EOP's Customer Engagement (CE) activities show 5% of online COS DSP survey respondents won't support any increase for any reason. However, 33% of online COS DSP survey customer respondents would support all CNP's / EOP's recommendations or something more than their recommendations for System Access, System Renewal, System Service, General Plant, and Tree Trimming. (See Chapter 5).

	No Increase #	No Increase %	Support CNPEOP's recommendations #	Support CNPEOP's recommendations %
System Access	87	7%	1,166	94%
System Renewal	112	9%	818	66%
System Service	124	10%	756	61%
General Plant	273	22%	818	66%
Tree Trimming	298	24%	471	38%
Support No Increase (in all 5 areas)	62	5%	--	--
Support CNP/EOP recommendations (in all 5 areas)	--	--	260	33%

Base: total respondents, online survey N=1,240

Canadian Niagara Power / Eastern Ontario Power also understands that Customer Engagement activities supporting their Cost of Service application (COS), such as online and telephone surveys, means customer respondents would be asked difficult questions --- all of which have complicated answers. As one respondent said: *"I leave that kind of decision making for the*

experts." It is not surprising then, on average, 12% of customer respondents selected 'Don't know' as their answer regarding the recommendations for investments, which affects costs, in System Renewal, System Service, General Plant, and Tree Trimming. Despite the challenges of running an effective LDC operation, in a separate telephone interview, 84% of the interviewees agree somewhat + agree strongly' with the attribute that Canadian Niagara Power / Eastern Ontario Power *"Efficiently manages the electricity system."*



Base: total respondents, 2021 online survey

What were the Customer Engagement (CE) activities in support of the COS application?

1. Beginning in 2015 and every year following, Canadian Niagara Power / Eastern Ontario Power augmented their regular telephone-based Customer Satisfaction survey with supplemental questions to help gain insights into, or deal with, issues customers care about. For example, in both the 2019 and 2020 telephone surveys, customer respondents prioritized investments for various operational issues. (See Insights from Canadian Niagara Power / Eastern Ontario Power's telephone-based Customer surveys)

2. Canadian Niagara Power / Eastern Ontario Power embraced the Taking A.I.M. process (Applied Insights Methodology) to gather information and feedback from multiple sources. A process that gives customers multiple opportunities to "make their voice count." (See What is Taking A.I.M.)
3. Through a joint onsite investigative type of review, seventy-three (73) CE activities were identified as customer interactive touchpoints that could provide information for the Cost of Service (COS) application. (See Insights from a review of Canadian Niagara Power / Eastern Ontario Power's Customer Engagement Activities)
4. In addition to demographic questions, there were 91 questions contained in the Online Taking A.I.M. COS DSP online surveys. Each Chapter of the online surveys was designed to capture the survey respondent's information, insights, wisdom, or feedback on various subject areas. These areas were: About Canadian Niagara Power / Eastern Ontario Power, The Electricity Industry, Customer Priorities, Billing & Outages, Customer Care Operational Improvements and, Distribution System Plan (DSP) Capital Investments. (See Insights from the Online COS DSP survey for Canadian Niagara Power / Eastern Ontario Power's Cost of Service Application)
5. 1,240 customer respondents participated in the online COS DSP survey containing DSP cost items. 23% of respondents had monthly bills less than $90.00 per month, 60% between $91-150, and 15% over $150 per month.
6. 218 comments (Survey 1) & 412 comments (Survey 2) "Wisdom from Customer" comments were made (See Wisdom from Customers)

7. 204 comments (Survey 1) & 381 comments (Survey 2) "General comments" were captured in the online COS DSP surveys (See General Comments)
8. 15% of the 2020 telephone survey participants stated their annual household income was less than $30,000 per year and 29% indicated their annual household income was between $30-75,000 per year.
9. Timing for 2020, 2019, 2018, 2017, and 2016 Telephone Customer surveys was Q3.
10. Timing for the 2021 Online COS DSP survey with DSP information was Q2 2020 to Q1 2021.

The findings in this report show Canadian Niagara Power / Eastern Ontario Power is a well-respected company (91% telephone), who is trusted and trustworthy (87% online, 91% telephone) and who is seen as an organization that spends money prudently (83% online, 80% telephone). In the UtilityPULSE Credibility and Trust Index, CNP/EOP scored 86%, just above the Ontario benchmark average of 85%.

Data from the Online Taking A.I.M. Survey with information for COS and DSP also shows the majority of respondents support Canadian Niagara Power / Eastern Ontario Power's recommendations as they relate to System Renewal, System Service, General Plant, and Facility investments.

As stated earlier, this pandemic makes it more challenging for customers to look towards the future. Nonetheless, CNP/EOP customers remain focused on reliability and keeping costs low. However, they also expect high standards of operations. Consistent with the findings from 23 consecutive years of UtilityPULSE telephone surveys, the number one suggestion for improvement is "reduce the price." As one respondent said: *"I'm not sure how you can bring the prices down but they are far too high for the average family. I barely have money for groceries right now let alone the utilities it's very stressful and scary."* But that is not all customers want, because 91% of online respondents said that "to continuously improve the safety and reliability of the electricity network" was a 'high priority item for Canadian Niagara Power / Eastern Ontario Power to focus on.

Survey findings tell us that customers are concerned about rising costs, AND they want continuous improvements in the safe, reliable delivery of electricity and in responding to outages. Canadian Niagara Power / Eastern Ontario Power doesn't live in an either/or world, i.e., keep costs low or improve the network; they live in an and/also world. Customers want both, which makes it a challenge to develop a balanced future-oriented plan.

Also, customer respondents can feel challenged when asked whether costs, particularly DSP costs are reasonable. Wrapping their heads around whether an average of $7,200,000 annual System Renewal Budget is about right is not easy. As a customer respondent commented: *"I do not feel qualified to answer this - I trust that the professionals working for Canadian Niagara Power can provide the best ideas for reducing costs and safely and reliably deliver electricity."* The result is a 15% Don't Know response rate.

Our recommendations are:

1- Continue to take a thoughtful approach to capital investments. While keeping them essentially in line with inflation would be supported by the majority of customers, there will be a core of customers who will be unhappy with everything. Decisions are not made rationally by customers; they are made emotionally.

2- Recognize that a majority of online respondents supported Canadian Niagara Power / Eastern Ontario Power's recommended cost increase. However, there are significant numbers of people who won't support any cost increase for any reason. Keeping costs reasonable has to continue to be a priority. Nonetheless, 24% of online respondents supported a cost increase option for System Renewal which was higher than Canadian Niagara Power / Eastern Ontario Power's

recommendation. 15% of respondents supported a cost increase for System Service higher than CNP/EOP recommendation, and 14% supported an increase higher than the General Plant recommendation.

3- Continue being a primary source of information for customers. 88% of telephone survey respondents felt it was important for CNP/EOP to be a primary source regarding various Ontario Government programs.

4- From the perspective of customer care improvements customers would like Canadian Niagara Power / Eastern Ontario Power to undertake, here are the highest-ranking items:
   a. 80% An outage notifications system that automatically sends you a message by phone call, email, or text
   b. 66% Reporting or inquiring about issues through the website
   c. 64% More online features such as being able to compare TOU vs. Tiered rates.

5- Maintain the image of Canadian Niagara Power / Eastern Ontario Power as a high-quality company by communicating frequently and ensuring everyone at CNP/EOP re-enforces the company's six core values such as Respect For People, Safety, and the Environment, and Customer Service.

6- The reliability of electricity service during the pandemic is a source of comfort. Continuing to prudently invest in system renewal, particularly items to improve reliability and outage management, should be a very important focus.

7- Continue to aggressively digitize service as this provides customers with multiple channels to get problems resolved, find information, or get service. The pandemic has reduced the age bias towards the use of technology because people have had to embrace technology.

8- Customers are time-pressed, and they want processes related to getting questions answers or solving problems to be easy and fast. As processes are re-engineered for the digital world, look to reduce the amount of effort, energy, and time customers need to use them.

A couple of key items about this assignment, we believe, should be mentioned. First of all, it was important to CNP/EOP that the survey's language mirrored their belief in the importance of treating customers as human beings. Second, there is a genuine interest in keeping costs reasonable as they produce a balanced-plan for ensuring the LDC meets or exceeds customers' current and future requirements.

Seeking to understand is not the same as seeking permission. Canadian Niagara Power / Eastern Ontario Power's customers may not know a lot about the electricity industry or what Canadian Niagara Power / Eastern Ontario Power as a company is responsible for, but they do know the importance of electricity in their lives. The leadership of Canadian Niagara Power / Eastern Ontario Power encourages employees to remain focused on productivity and their obligation to support the communities they serve. Seeking wisdom, information, insight, and feedback from its customers certainly help ensure the organization's future path meets the needs and wants of its customers. Canadian Niagara Power / Eastern Ontario Power, as an LDC with 29,500 customers, has undertaken many customer engagement activities to understand their customers' concerns and priorities.

Our work with CNP/EOP has shown that your people are customer-focused, and there has been a steady increase in the affinity (loyalty) levels of customers.

Customer Affinity/Loyalty Groups				
	Secure	**Favourable**	**Indifferent**	**At Risk**
		CNP/EOP		
2020	32%	22%	39%	6%
2016	22%	13%	51%	13%

Customers currently are focused on their concerns and worries about the pandemic's impact on their lives. Canadian Niagara Power / Eastern Ontario Power shouldn't expect to get agreement from all of its customers regarding the COS rate application due to their short-term focus. But Canadian Niagara Power / Eastern Ontario Power will get support for what needs to be done because leadership can demonstrate they understand their customers – their needs, wants, and standards.

Sid Ridgley
UtilityPULSE
February 2021

David Malesich
UtilityPULSE

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⁕ Insights from a Review of Canadian Niagara Power's / Eastern Ontario Power's Customer Engagement Activities

As the first step in the TAKING A.I.M. (Applied Insights Methodology) process, UtilityPULSE conducted an onsite review of Canadian Niagara Power's / Easter Ontario Power's Customer Engagement (CE) activities. The review identified seventy-three (73) CE activities as customer interactive touchpoints, which were sorted into the various levels of customer engagement: ❶Informing & information gathering, ❷Gathering feedback, ❸Capturing insights, ❹Gaining wisdom and ❺Customer empowerment.

Based on our experience, for a relatively small LDC, Canadian Niagara Power / Eastern Ontario Power has an extensive list of CE activities and showed an enthusiasm for doing more. For example, we do not know of another Ontario LDC with less than 30,000 customers who conduct an extensive Annual Customer Satisfaction survey through a 3rd party. To our knowledge, LDCs with this level of customers conduct their survey on a bi-annual basis in order to meet OEB requirements only.

Conclusions based on the review of CE activities for the COS/DSP submission:

1- Link to the COS/DSP online surveys would be available on websites
2- Email invites and social media would be used to encourage participation
3- The 2020 telephone survey would continue to ask customer respondents to provide priority ranking on various items as was done in 2019
4- Additional face-to-face type community outreach activities would add to application data
5- Online surveys could and should include costs in $$ when customer respondents make choices about their support level for various options of capital investments such as system renewal
6- Online surveys should make good use of descriptor statements to gauge support for customer care operational changes
7- "Wisdom from Customers" would be a feature of the online surveys, thereby giving respondents the opportunity to provide ideas that could save money or reduce costs
8- Whether telephone or online, every survey must allow the respondent to give suggestions and comments to ensure that customer needs are understood.

❋ Insights from the Book of Online Surveys for Canadian Niagara Power's / Easter Ontario Power's Cost of Service Application

About the respondents:

1- Overall, we conducted two surveys online with different topics covered in each of the surveys. The first survey had 602 completed surveys, while the second with its DSP focus has 1,240 completes.
2- Respondents answered a set of preliminary identifying/demographic questions.
Here respondents identified their:
   a. Postal code
   b. Residential or Commercial customer status
   c. Responsibility level for paying the bill
   d. Identify the average amount of their bill.
3- The first online survey was made available on June 1, 2020, and the second online survey was available starting September 15, 2020. Both surveys were available until February 5, 2021.

The two online surveys contained questions that could be categorized into the following Chapters:

Chapter 1 "Overall market context and CNP/EOP"

Chapter 2 "How the electricity industry works and Canadian Niagara Power's / Eastern Ontario Power's role in it "

Chapter 3 "Help Canadian Niagara Power / Eastern Ontario Power understand our customers' priorities "

Chapter 4 "Getting customer insights about billing and outages"

Chapter 5 "Help us prioritize capital investments in the electricity network"

Chapter 6 "Gathering insights about customer care operations"

Chapter 1 "Overall Market Context and CNP/EOP"

Purpose of this Chapter:

1- To understand the vastly different context and environment in which data was collected
2- To understand Canadian Niagara Power's / Eastern Ontario Power's purpose and values
3- To gauge overall customer satisfaction with Canadian Niagara Power / Eastern Ontario Power as a company
4- To gain insight into the percentage of customer adversely impacted by the COVID-19 Pandemic
5- To gauge perceptions about Canadian Niagara Power / Eastern Ontario Power as they relate to operating effectively

Primary theme(s):

Insights. Findings. Feedback.

An unprecedented year. 2020, the year the world was caught off-guard by the COVID-19 pandemic. Virtually all industries have experienced a fallout from the COVID-19 pandemic, caused by disruptions in global and domestic supply chains and more pointedly because of the interdependent nature of industries and the people behind this crisis. Many Canadian Niagara Power / Eastern Ontario Power customers have been impacted directly, such as reduced work hours or job loss. Residential results were similar between online and telephone surveys.

Economic impact of COVID-19 pandemic		
	Residential	
	Online 2021	Telephone 2020
Closed business (for self-employed)	2%	7%
Reduced hours per week	12%	13%
Reduced salary/pay cut	9%	8%
Lay-off	10%	9%
Lost job	3%	7%
None of the above	61%	73%

Base: total RESIDENTIAL respondents, 2021 online survey and 2020 telephone survey

Economic impact of COVID-19 pandemic	
	Commercial
Closed the business	33%
Laid off employees	48%
Experienced a significant decline in revenue	53%
Business continued during the pandemic	75%
Employees worked from home where practical	33%
None of the above	5%

Base: total COMMERCIAL respondents, 2020 telephone survey

In the 2020 Customer Satisfaction Survey, CNP/EOP took the opportunity to obtain feedback on how their customers felt their utility handled the pandemic crisis and its ability to continue operations during this unprecedented time. The results show that customers appreciate how Canadian Niagara Power / Eastern Ontario Power has handled this unprecedented year so far.

Satisfaction with the information provided	
Top 2 Boxes: 'very + fairly satisfied'	**CNP/EOP**
Reliability of electricity service during COVID-19 pandemic	95%
Communication from your LDC during the COVID-19 pandemic to help keep you informed	80%
Overall performance of your LDC during the COVID-19 pandemic	92%

Base: total respondents, 2020 telephone survey

Satisfaction with Customer Service Representative response during COVID-19	
Top 2 Boxes: 'very + fairly satisfied'	**CNP/EOP**
Knowledgeability of the Customer Service Representative	91%
Professionalism of the Customer Service Representative	89%

Base: total respondents with a problem who contacted their utility during COVID-19, 2020 telephone survey

At the time fieldwork for the overall customer satisfaction survey was conducted, the province was in the pandemic's first wave. Even though the number of infected began to decrease during mid-Summer and restrictions began to loosen, no one could lose sight of the fact that all reports from experts in the medical field indicated a second wave was all but inevitable during the Fall and Winter.

Though no one could predict when that second wave might hit and the severity of the impact this time around, everyone needs to be assured that those in charge will be able to handle that possibility and inevitability when it happens. Customers were asked about their level of trust in the ability of Canadian Niagara Power / Eastern Ontario Power to handle another COVID-19 outbreak, and here is how they responded:

62%	32%	4%	0%
High Level of Trust	Moderate Level of Trust	Low Level of Trust	No Trust at all

How confident are customers in the ability of the LDC to handle another COVID-19 outbreak?	
Top 2 Boxes: 'very + somewhat confident'	**CNP/EOP**
The ability of the local utility to meet their obligation to deliver electricity efficiently and safely	95%
The professionalism of customer service representatives	85%
Being able to reach the local utility if you had any sort of issue	88%
The ability of the local utility to resolve your issue	90%

Base: total respondents, 2020 telephone survey

95%

are confident about the ability of CNP/EOP to meet their obligation to deliver electricity efficiently and safely.

Base: total respondents, 2020 telephone survey

Many citizens across Ontario, including customers of CNP/EOP, have suffered a loss of income because of the pandemic. Paying monthly electricity bills became that much harder because of the challenges posed by the pandemic. Federal and Provincial Governments rallied to assist residents in coping during this crisis with various relief programs.

How worried is the average customer about being able to pay their electricity bill during a second wave of COVID-19?	
	CNP/EOP
Very worried	9%
Somewhat worried	24%
Not very worried	24%
Not at all worried	42%

Base: total respondents, 2020 telephone survey

33%

are worried about being able to pay their electricity bill during a second wave of

Respondents for CNP/EOP were asked: ***"Have you contacted Canadian Niagara Power / Eastern Ontario Power specifically during the COVID-19 pandemic?"***

16% of survey respondents said they had contacted their local LDC during the COVID-19 pandemic

Types of Issues which prompted contact with the LDC during COVID-19	
	CNP/EOP
Loss of service/power/electricity	**34%**
Billing inquiry	**17%**
Understanding pricing	**9%**
General question	**9%**
New service / transfer account	**7%**
Service inquiry	**5%**
Wrong address/change of address	**5%**
Payment deferral	**3%**
Payment issue	**3%**
Understand how the bill is calculated	**2%**

Base: total respondents with a problem who contacted their utility during COVID-19, 2020 telephone survey

In 2011, hydro customers across Ontario were asked in a UtilityPULSE telephone survey how important it would be to have a central source of information about ideas, products, incentives, and services that would help them reduce their use of electricity. At that time, 86% of respondents agreed that a central information source is either very or somewhat important.

Scroll forward to 2020; customers were asked how important it is that Canadian Niagara Power / Eastern Ontario Power be a primary source of information for the Ontario Government's hydro relief programs.

Importance of the LDC acting as a primary source of information for hydro relief programs offered by the Ontario Government		
	Ontario LDCs	**CNP/EOP**
Very important	**58%**	**62%**
Somewhat important	**28%**	**26%**
Neither important or unimportant	**1%**	**0%**
Somewhat not important	**4%**	**3%**
Not important	**7%**	**6%**

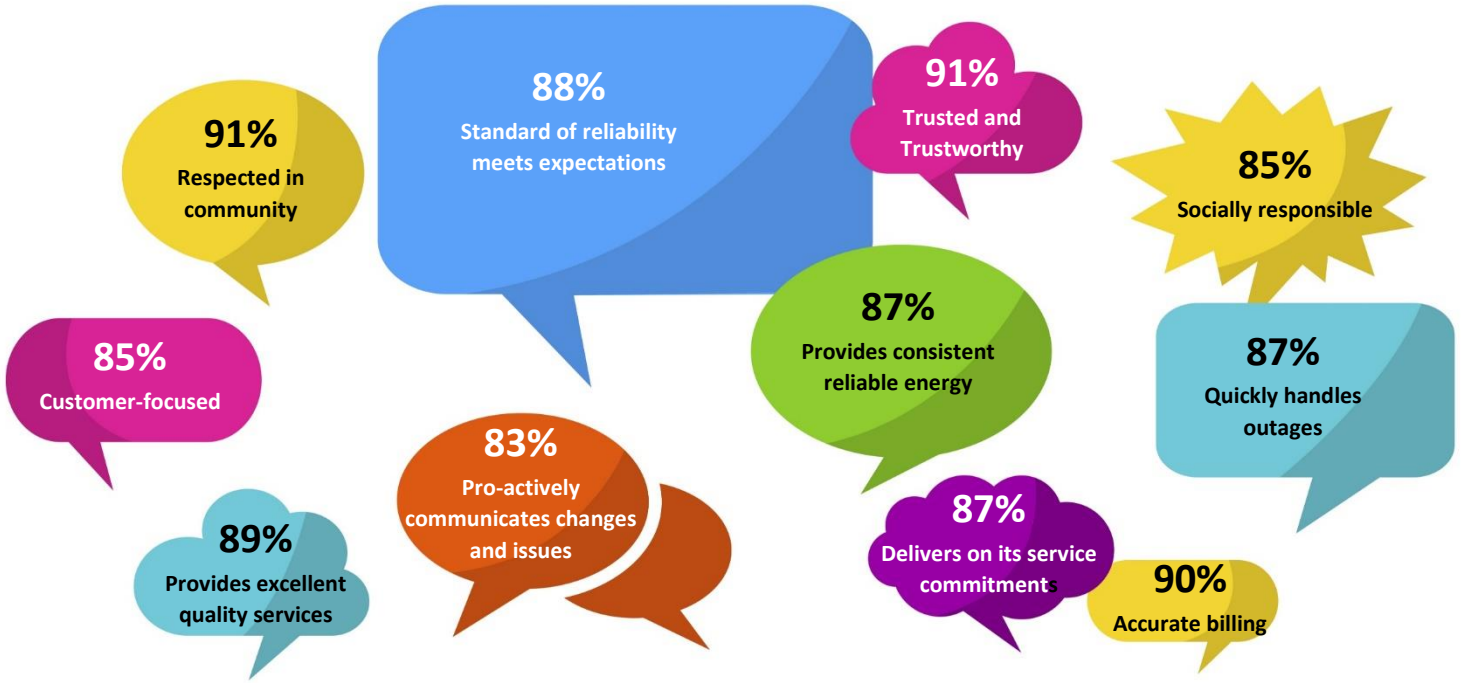
Base: An aggregate of respondents from 2020 participating LDCs / total respondents, 2020 telephone survey

88%

feel it is **important that Canadian Niagara Power / Eastern Ontario Power be a primary source of information** for hydro relief programs offered by the Ontario Government, compared to 86% of respondents from an aggregate of Ontario LDCs.

Base: total respondents, 2020 telephone survey

Top 2 Boxes: 'Very important + somewhat



Base: total respondents, 2020 telephone survey

Satisfaction among customers is strong. Overall, 90% of online respondents and 91% of telephone respondents are 'fairly' or 'very satisfied' with Canadian Niagara Power / Eastern Ontario Power. Respondents of this chapter survey are quite supportive of Canadian Niagara Power / Eastern Ontario Power as companies. This survey also utilized a cross-over technique to compare online results with telephone survey results. There is tremendous consistency between the two methods.

A focus on satisfaction prompts the LDC to continue to evolve in ways that make sense to those who pay the bills. A focus on satisfaction is a focus on effectiveness in the delivery of service to the customer.

The four most recent telephone surveys of residential and small commercial customers show that Canadian Niagara Power / Eastern Ontario Power has been consistently strong in the area of customer satisfaction.

Overall Satisfaction Trending						
	Online 2021	**2020 Tel**	**2019 Tel**	**2018 Tel**	**2017 Tel**	**2016 Tel**
Very satisfied	39%	47%	42%	43%	42%	37%
Fairly satisfied	52%	44%	48%	48%	49%	48%
Neither satisfied or dissatisfied	0%	2%	1%	1%	1%	0%
Fairly dissatisfied	5%	2%	5%	5%	5%	7%
Very dissatisfied	2%	3%	2%	3%	2%	7%

Additionally, beyond just overall satisfaction, Canadian Niagara Power / Eastern Ontario Power garner very positive impressions across a wide range of attributes, including being easy to do business with, meeting customer communication needs, being perceived as a good employer, and is committed to worker and public safety, to name a few.

CNP/EOP ratings have remained consistently strong year-over-year. Results have been consistent across different methodologies.

To what degree do you agree or disagree with the following attributes:						
CNP/EOP	**Online 2021**	**Telephone 2020**	**Telephone 2019**	**Telephone 2018**	**Telephone 2017**	**Telephone 2016**
Keeps its promises to its customers and community	**86%**	**88%**	**88%**	**87%**	**85%**	**81%**
Provides consistent, reliable electricity	**87%**	**87%**	**84%**	**81%**	**87%**	**86%**
Delivers on its service commitments to customers	**86%**	**87%**	**85%**	**84%**	**88%**	**83%**
Is a company that is 'easy to do business with'	**87%**	**84%**	**88%**	**87%**	**86%**	**85%**
Has a standard of reliability that meets expectations	**87%**	**88%**	**85%**	**82%**	**87%**	**85%**
Delivers on its service commitments to customers	**86%**	**87%**	**85%**	**84%**	**88%**	**83%**
Accurate billing	**90%**	**90%**	**89%**	**89%**	**90%**	**88%**
Overall it provides excellent quality services	**86%**	**89%**	**83%**	**82%**	**88%**	**82%**
Quickly handles outages and restores power	**86%**	**87%**	**82%**	**85%**	**85%**	**87%**

Base: total respondents with an opinion: 2021 online surveys and 2016-2020 telephone surveys

To what degree do you agree or disagree with the following attributes:						
CNP/EOP	**Online 2021**	**Telephone 2020**	**Telephone 2019**	**Telephone 2018**	**Telephone 2017**	**Telephone 2016**
The frequency of communications from them meets my needs	**88%**	**--**	**--**	**--**	**--**	**--**
Pro-active communicating changes and issues which may affect customers	**84%**	**83%**	**81%**	**81%**	**85%**	**78%**
Is a trusted and trustworthy company	**87%**	**91%**	**86%**	**84%**	**88%**	**82%**
Deals professionally with customers problems	**87%**	**88%**	**89%**	**88%**	**91%**	**86%**
Is committed to worker and public safety	**89%**	**91%**	**92%**	**90%**	**88%**	**94%**
Operates a cost-effective electricity system	**82%**	**78%**	**73%**	**72%**	**73%**	**65%**
Spends money prudently to keep the electricity system reliable and up-to-date	**83%**	**80%**	**78%**	**80%**	**77%**	**74%**
Is committed to protecting the environment	**86%**	**--**	**--**	**--**	**--**	**84%**
Supports community causes and events	**87%**	**--**	**--**	**--**	**--**	**--**
Is regarded as a good employer	**90%**	**--**	**--**	**--**	**--**	**--**

Base: total respondents with an opinion: 2021 online surveys and 2016-2020 telephone surveys

Chapter 2 "How the electricity industry works and Canadian Niagara Power's / Eastern Ontario Power's role in it"

Purpose of this Chapter:

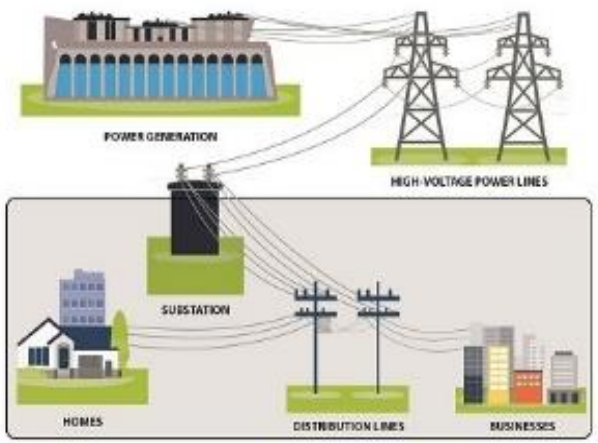
1- To help educate respondents about how the electricity system works in Ontario
2- To provide knowledge as to the role and responsibility of Canadian Niagara Power / Eastern Ontario Power in the electricity sector

Primary theme:

Insights. Findings. Feedback.

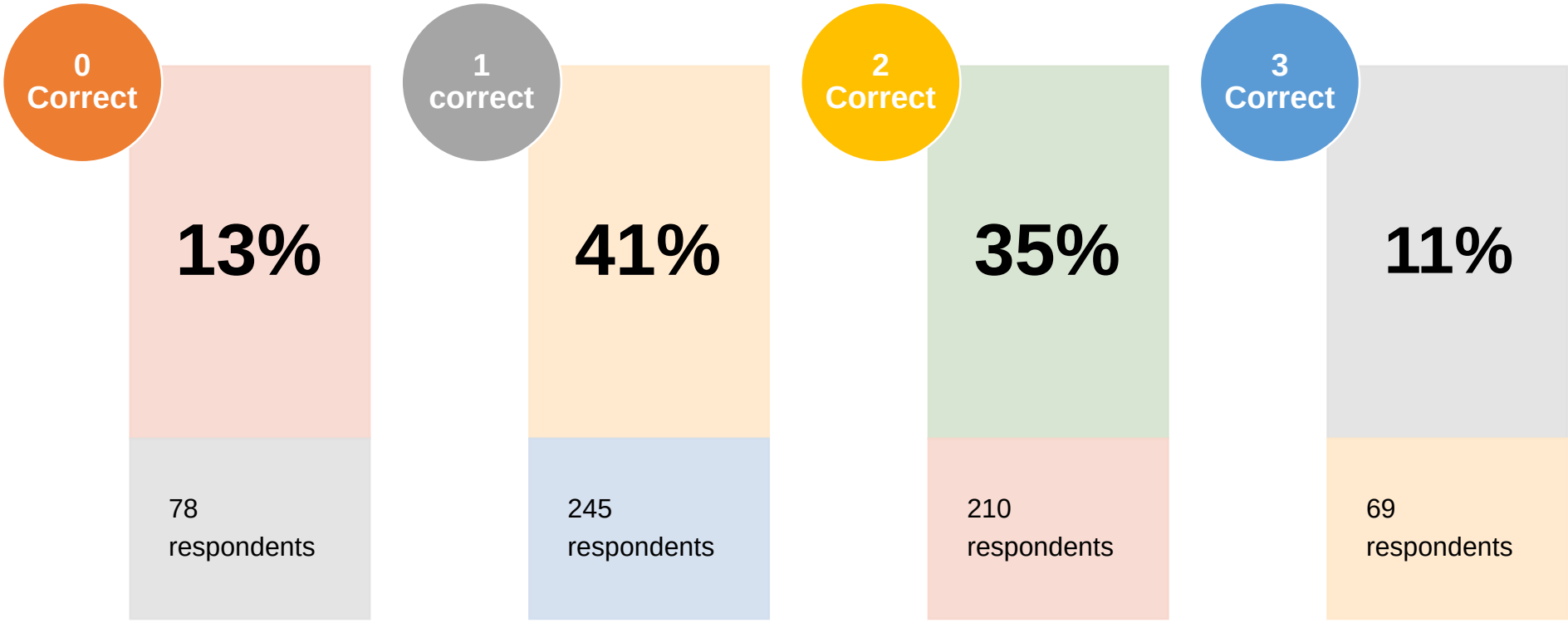
Ontario's electricity system is comprised of 3 main operating components: Electricity Generation, Electricity Delivery, and Electricity Distribution. Canadian Niagara Power / Eastern Ontario Power has the responsibility to distribute electricity from the Substation through its overhead and underground lines to residences and businesses in its territory.

For the following part of the survey, we would like to ask you three short questions about Canadian Niagara Power / Eastern Ontario Power aimed at testing your knowledge. Please try to answer the questions to the best of your ability, and we will provide you with your unique score and the correct answers at the end of the quiz.



Not surprising, 54% of respondents got only one answer correct or less. Knowing that the level of electricity industry and LDC knowledge is low means questions in future chapter surveys need to be shaped, where possible, to re-enforce the role, responsibilities, and scope of Canadian Niagara Power's / Eastern Ontario Power's operations.

When it comes to the percentage of the bill dedicated to CNP/EOP, 37% of respondents picked a lower percentage than the 25% actual. A majority knew that OEB is the organization that approves items shown and changed on electricity bills. 42% picked 4 times when asked the average number of times that power to customers is interrupted (last 3-year average).

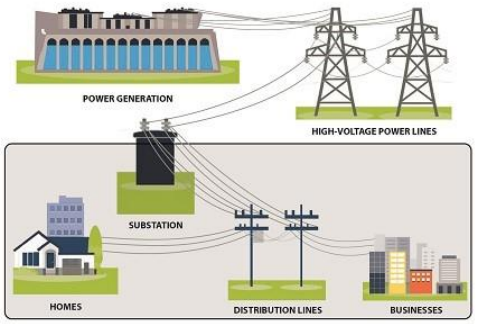


Base: total respondents, 2021 online survey

	 Correct Answer	 % selecting the correct answer
Scope of Operations		
For the average residential customer, approximately what percentage of the bill goes to Canadian Niagara Power / Eastern Ontario Power?	**25%**	35%
Which organization must approve every item shown and charged on your electricity bill?	**Ontario Energy Board (OEB)**	76%
In a typical year, what would be the average number of times power to customers is interrupted (last 3-year average)?	**5 times**	34%

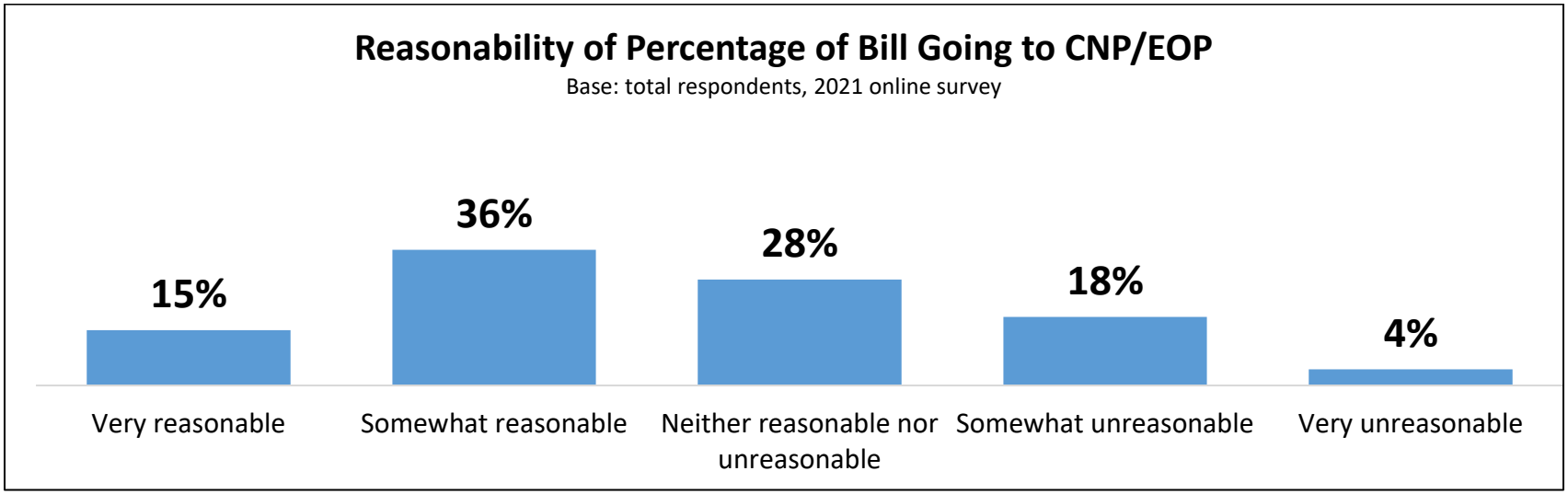
Base: total respondents, 2021 online survey

Respondents were asked*: Ontario's electricity system is comprised of 3 main operating components: Electricity Generation, Electricity Transmission, and Electricity Distribution. We at [Canadian Niagara Power / Eastern Ontario Power] distribute electricity from our sub-stations through [88 / 13] kilometers of underground lines and [765 / 171] kilometers of overhead lines to our customer's homes and businesses.*



Every item on your bill must be approved by the Ontario Energy Board. The charges you see on your electricity bill do not go to [Canadian Niagara Power / Eastern Ontario Power]. For a residential customer using 700 kWh of electricity per month, [Canadian Niagara Power / Eastern Ontario Power] only receives about 22% or $36.76 out of the approximate total bill (before rebates) of $170 to maintain the electricity distribution network, build capacity to support economic growth, protect the network with cybersecurity measures, and so much more.

In your view, how reasonable is the percentage given to [Canadian Niagara Power / Eastern Ontario Power] for building, renewing, maintaining, and protecting the electricity grid serving residential customers?



Fully one-half (50%) of customers said the amount was very or somewhat reasonable. Only 22% said it was unreasonable.

Chapter 3 "Help Canadian Niagara Power / Eastern Ontario Power understand our customers' priorities"

Purpose of this Chapter:

1- To gather input from respondents about the priority level of various items which affect costs
2- To give respondents the opportunity to add to the priority item list when developing the Cost of Service application going to the Ontario Energy Board

Primary theme(s):

Insights. Findings. Feedback.

Meeting expectations while managing costs begins with understanding customer priorities. Customers will act primarily out of self-interest when asked to prioritize or rank the importance of various LDC activities, affecting costs. Canadian Niagara Power / Eastern Ontario Power has a 5-year history with UtilityPULSE for soliciting input regarding what customers think the priorities should be and what is important to them.

Our 20+ years of continuous research for Ontario LDCs tells us that priorities change by demographics and location. For example, rural communities, especially those in northern Ontario, have poor access to the Internet, so investments that are linked to the internet get a low priority rating. Also, some items have an age bias. Investing in the website, for example, is rated very highly by younger respondents. Items such as *"educating customers about energy conservation"* have an income bias, with lower-income respondents rating it higher than respondents with higher household incomes.

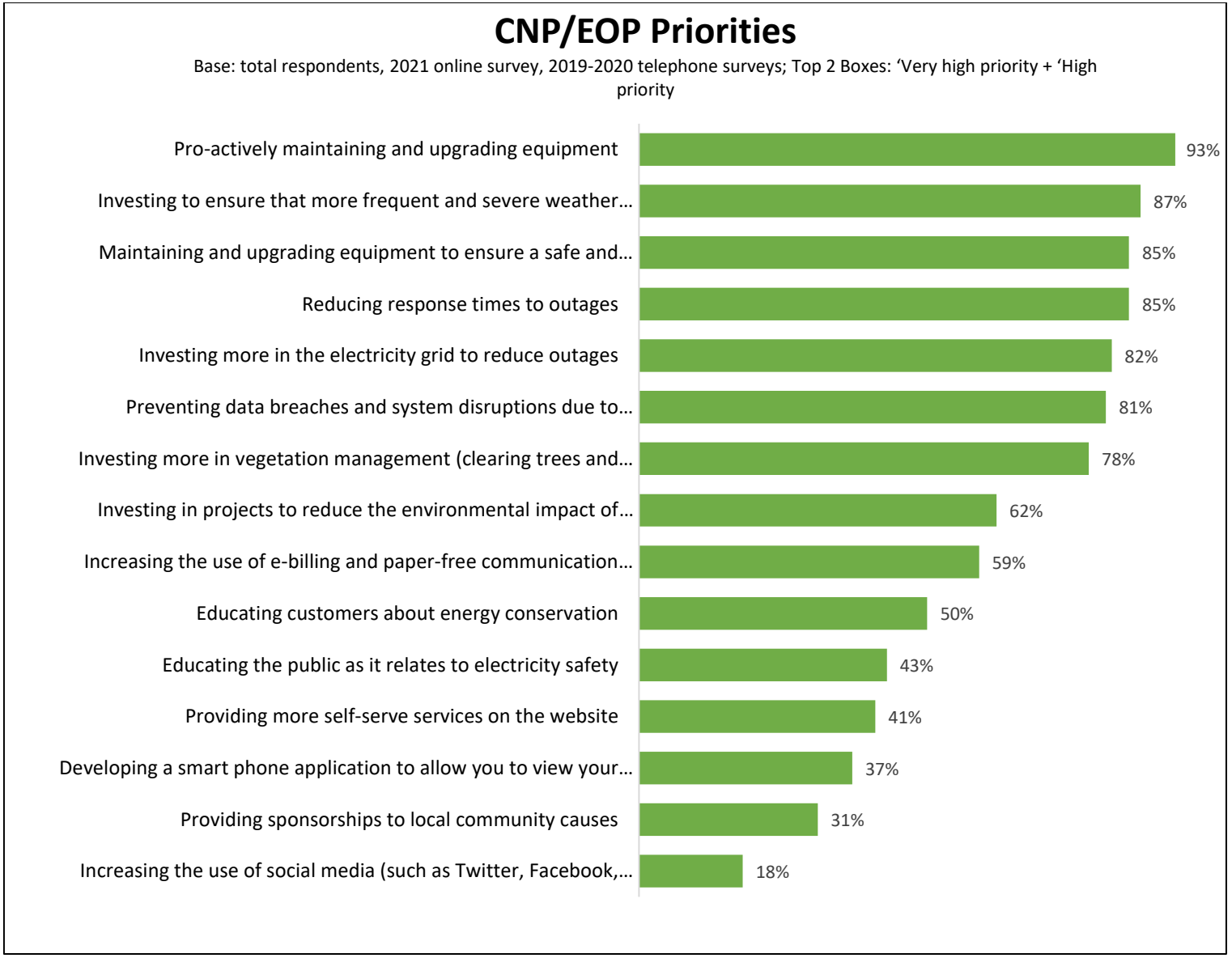
Nonetheless, gathering feedback about what is important helps Canadian Niagara Power / Eastern Ontario Power decision-makers determine where to invest or spend in the operations of the LDC. Holding Canadian Niagara Power / Eastern Ontario Power in high esteem is important as it will mean more support whenever the utility would like to make some changes. However, the company's level of esteem doesn't play a role in what customers think about when assigning priority levels to a number of items that affect reliability, safety, environment, or costs.

The top 5 priorities for Canadian Niagara Power / Eastern Ontario Power (as shown in the chart below) are consistent with previous surveys' findings. It is no surprise that the top 5 ranked out of 20 items are focused on reliability.

1- Pro-actively maintaining and upgrading equipment
2- Investing to ensure that more frequent and severe weather event will cause less damage to the distribution system
3- Maintaining and upgrading equipment to ensure a safe and reliable electricity supply
4- Reducing response times to outages
5- Investing more in the electricity grid to reduce outages.

As you look toward the next 5 years, could you assign a priority level to each of the following items?				
Top 2 Boxes: 'very high + high priority'	**OVERALL SUMMARY**	**Online 2021**	**Telephone 2020**	**Telephone 2019**
Pro-actively maintaining and upgrading equipment	**93%**	**--**	**--**	**93%**
Investing to ensure that more frequent and severe weather events will cause less damage to the distribution system	**87%**	**87%**	**85%**	**--**
Maintaining and upgrading equipment to ensure a safe and reliable electricity supply	**85%**	**85%**	**91%**	**--**
Reducing response times to outages	**85%**	**85%**	**86%**	**88%**
Investing more in the electricity grid to reduce outages	**82%**	**82%**	**85%**	**84%**
Preventing data breaches and system disruptions due to cyberattack	**81%**	**81%**	**82%**	**--**
Investing more in vegetation management (clearing trees and brush around powerlines for increased safety and reliability)	**78%**	**59%**	**78%**	**--**
Investing in projects to reduce the environmental impact of [Canadian Niagara Power's / Eastern Ontario Power's] operations	**62%**	**62%**	**76%**	**71%**
Increasing the use of e-billing and paper-free communication options to reduce environmental impact and improve cost-effectiveness	**59%**	**59%**	**55%**	**--**
Educating customers about energy conservation	**50%**	**50%**	**70%**	**75%**
Educating the public as it relates to electricity safety	**43%**	**43%**	**74%**	**71%**
Providing more self-serve services on the website	**41%**	**41%**	**42%**	**29%**
Developing a smart phone application to allow you to view your electricity use and pay your bill	**37%**	**35%**	**42%**	**33%**
Providing sponsorships to local community causes	**31%**	**31%**	**--**	**--**
Increasing the use of social media (such as Twitter, Facebook, and others)	**18%**	**18%**	**31%**	**--**

Base: total respondents



Base: total respondents

Chapter 4 "Getting customer insights about billing and outages"

Purpose of this Chapter:

1- To determine to what degree customers perceive Canadian Niagara Power / Eastern Ontario Power, as it relates to providing consistent, reliable electricity and handling outages
2- To determine to what degree customers perceive Canadian Niagara Power / Eastern Ontario Power, as it relates to accurately billing its customers
3- To learn more about how many customers are experiencing billing issues and their preferred method(s) for contacting Canadian Niagara Power / Eastern Ontario Power for these issues
4- To gather feedback regarding various subjects such as e-billing
5- To solicit information about the experience and impact of outages as well as Canadian Niagara Power's / Eastern Ontario Power's effectiveness in dealing with blackouts
6- To identify customer respondent's preference, going forward, for improving reliability
7- To gain insight into how much customer respondents might be willing to pay for a higher standard of reliability

Primary theme(s):

Insights. Findings. Feedback.

Blackout (outages) and billing problems, we call them the "Killer B's," the two issues most likely to cause grief to utility customers. Ensuring power reliability has and will continue to be the key operational priority for electric utilities.

Bills and blackouts are a major component of the annual customer satisfaction survey. As such, there is a tremendous amount of comparison data available.

Our 23+ years of research tell us that the perception of LDC competency and value is linked to the frequency and duration of power outages. 86% of online respondents and 87% of telephone respondents with an opinion agree Canadian Niagara Power / Eastern Ontario Power "quickly handles outages and restores power," and 87% online and 88% telephone respondents agree Canadian Niagara Power "has a standard of reliability that meets expectations."

To what degree do you agree or disagree with the following attributes:						
CNP/EOP	**Online 2021**	**Telephone 2020**	**Telephone 2019**	**Telephone 2018**	**Telephone 2017**	**Telephone 2016**
Accurately bills its customers	**90%**	**90%**	**89%**	**89%**	**90%**	**88%**
Has a standard of reliability delivering electricity that meets your expectations	**87%**	**88%**	**85%**	**82%**	**87%**	**85%**
Quickly handles outages and restores power	**86%**	**87%**	**82%**	**85%**	**85%**	**87%**

Base: total respondents with an opinion: 2021 online surveys and 2016-2020 telephone surveys

Bills

It is important to note that customers perceive billing problems much differently than administration. Typically, an LDC views billing problems as a processing issue. Customers, however, view "high bills" as a billing problem. The chart below contains data from the recent online survey and Canadian Niagara Power's / Eastern Ontario Power's telephone survey.

The 2016 spike in percentages of where respondents claimed they had a billing problem coincided with the period when Ontario LDC customers were most angry about the rates they were paying for electricity.

In the past 12 months have you experienced any problems with your electricity bill?						
	Online 2021	Telephone 2020	Telephone 2019	Telephone 2018	Telephone 2017	Telephone 2016
CNP/EOP	5%	7%	6%	10%	10%	29%
Ontario Benchmark	--	6%	9%	9%	15%	25%

Base: total respondents: 2021 online surveys and 2016-2020 telephone surveys
Ontario benchmark is based on telephone interviews of LDC paying customers located throughout the province of Ontario

25% of online customer respondents and 15% of telephone respondents who had a billing issue claimed their billing issue was 'the bill was too high.' 57% of online customer respondents and 67% of telephone respondents said they contacted Canadian Niagara Power / Eastern Ontario about the issue with their bill.

Did you try to contact CNP/EOP about the problem with your bill?						
	Online 2021	Telephone 2020	Telephone 2019	Telephone 2018	Telephone 2017	Telephone 2016
CNP/EOP	57%	67%	33%	--	--	--

Base: total respondents: 2021 online surveys and 2019-2020 telephone surveys

Most indicated their preference is to contact Canadian Niagara Power by telephone when there is an issue with their bill.

It is important to note, the difference between online and telephone respondents is because online respondents have access to the Internet and are more comfortable with technology; as such, we believe the telephone survey results are more indicative of the customer population for Canadian Niagara Power / Eastern Ontario Power in terms of overall contact preferences.

What method did you use to contact CNP/EOP?						
CNP/EOP	**Online 2021**	**Telephone 2020**	**Telephone 2019**	**Telephone 2018**	**Telephone 2017**	**Telephone 2016**
Telephone	**67%**	**93%**	**91%**	**91%**	**87%**	**82%**
Email	**20%**	**4%**	**2%**	**0%**	**2%**	**9%**
Utility website	**6%**	**5%**	**2%**	**3%**	**3%**	**0%**
Social Media	**2%**	**--**	**--**	**--**	**--**	**--**
In-Person	**1%**	**2%**	**1%**	**5%**	**4%**	**9%**
Text	**0%**	**7%**	**2%**	**1%**	**0%**	**0%**

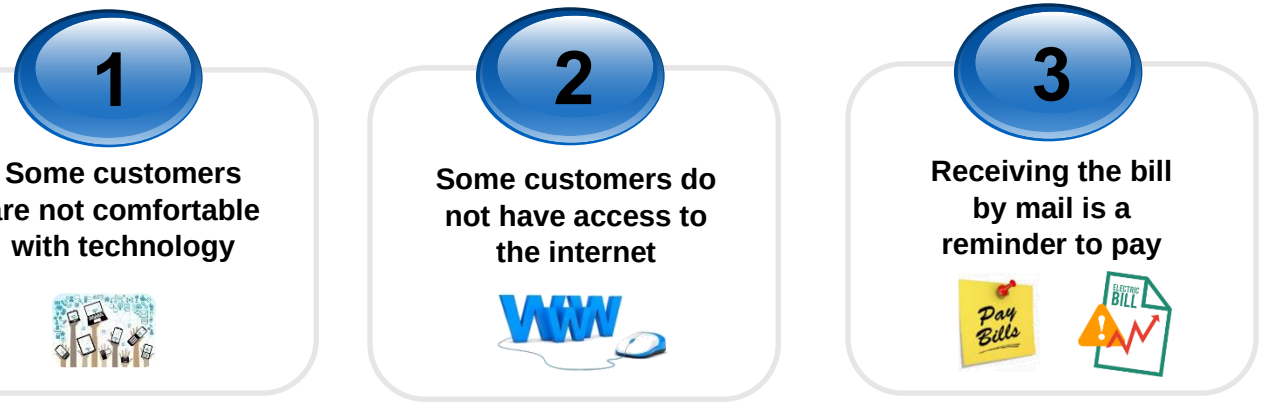
Base: total respondents: 2021 online surveys and 2016-2020 telephone surveys

e-billing is an opportunity area for every LDC in Ontario, Canadian Niagara Power / Eastern Ontario Power are no exceptions.

Take-up rates vary by such factors as urban-rural, economic status, access to high-speed internet and, age. Other than these aforementioned factors, respondents were asked to list their view on the top 3 barriers which get in the way of more customers moving to electronic billing.

In your view what are the top 3 barriers which get in the way of more customers moving to electronic billing?		
CNP/EOP	**Top Mention**	**Top 3 Mentions**
Some customers are not comfortable with technology	**33%**	**73%**
Some customers do not have access to the internet	**26%**	**58%**
Receiving the bill by mail is a reminder to pay	**11%**	**39%**
Security concerns about receiving electronic billing	**8%**	**38%**
Customers are not aware the cost savings of e-billing help offset future cost increases	**10%**	**38%**
It is more convenient to receive the bill by mail	**7%**	**23%**
Customers are unaware of the environmental benefit of e-billing	**3%**	**19%**

Base: total respondents, 2021 online survey



Blackouts/Outages

Outages aggravate customers. It could be said that some outages anger customers. The reality is there will be outages – some will, of course, be weather-related.

Percentage of Respondents indicating they had a Blackout or Outage problem in the last 12 months			
	CNP/EOP	National Benchmark	Ontario Benchmark
2020	58%	40%	43%
2019	65%	44%	45%
2018	65%	39%	44%
2017	55%	37%	38%
2016	49%	46%	46%

Base: total respondents: 2016-2020 telephone surveys
Ontario benchmark is based on telephone interviews of LDC paying customers located throughout the province of Ontario
National benchmark is based on telephone interviews of LDC paying customers located throughout the country

For online survey respondents, Canadian Niagara Power / Eastern Ontario Power asked about the number of weather-related and non-weather-related outages that they had. The data suggests customer respondents experience 1-4 outages per year, of which, weather-related were most often the reason.

How many outages have your experienced that were…		
	Weather-related	Other than weather-related
None	**5%**	**24%**
1-2	**33%**	**54%**
3-4	**38%**	**14%**
4-6	**18%**	**6%**
7-10	**5%**	**1%**
10+	**1%**	**0%**

Base: total respondents, 2021 online survey

Most customers agree that Canadian Niagara Power / Eastern Ontario Power quickly handles outages and restores power, has a standard of reliability that meets expectations, and provides consistent, reliable electricity. Results are similar to Ontario and National benchmarks.

Quickly handles outages and restores power	
Survey Year/Type	**CNP/EOP**
2021 Online	86%
2020 Telephone	87%
2019 Telephone	82%
2018 Telephone	85%
2017 Telephone	85%
2016 Telephone	87%

Base: total respondents: 2021 online surveys and 2016-2020 telephone surveys

Canadian Niagara Power / Eastern Ontario Power has a standard of reliability that meets expectations	
Survey Year/Type	**CNP/EOP**
2021 Online	87%
2020 Telephone	88%
2019 Telephone	85%
2018 Telephone	82%
2017 Telephone	87%
2016 Telephone	85%

Base: total respondents: 2021 online surveys and 2016-2020 telephone surveys

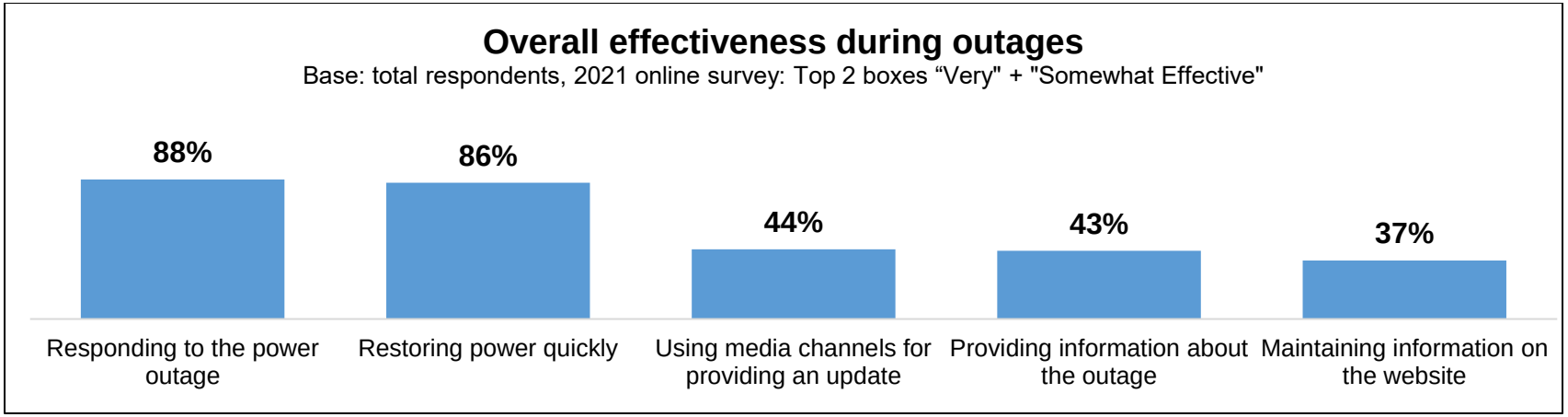
Canadian Niagara Power / Eastern Ontario Power provides consistent, reliable electricity	
Survey Year/Type	**CNP/EOP**
2021 Online	87%
2020 Telephone	87%
2019 Telephone	84%
2018 Telephone	81%
2017 Telephone	87%
2016 Telephone	86%

Base: total respondents: 2021 online surveys and 2016-2020 telephone surveys

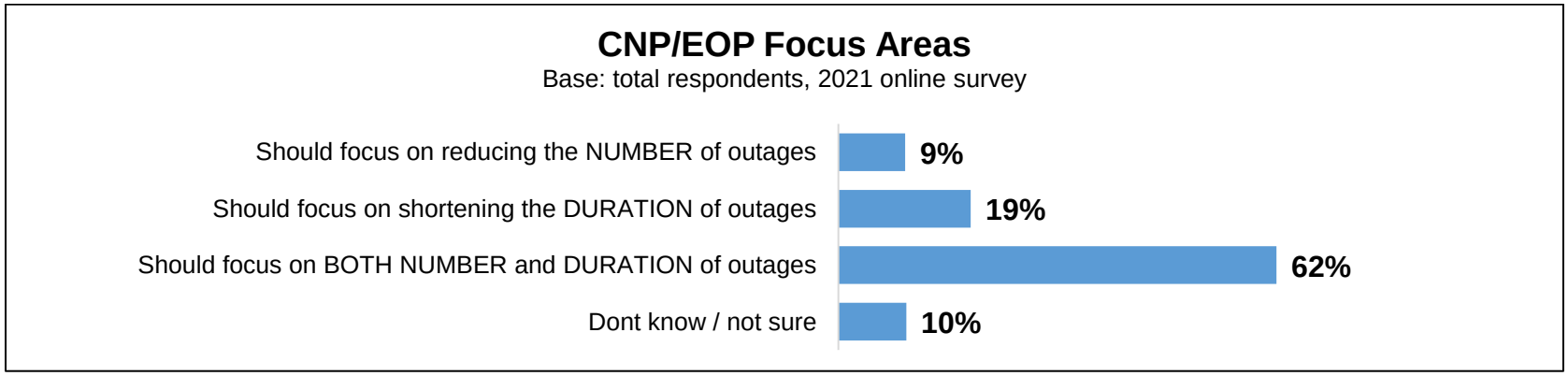
When asked specifically, most felt that Canadian Niagara Power / Eastern Ontario Power was effective in responding to power outages and restoring power quickly. Many did not know about how Canadian Niagara Power / Eastern Ontario Power update their website during outages or how media channels are used for providing updates.

CNP's / EOP's overall effectiveness during outages		
	Top 2 boxes "Very + Somewhat Effective'	**Don't know**
Responding to the power outage	**88%**	**4%**
Restoring power quickly	**86%**	**1%**
Using media channels for providing an update	**44%**	**18%**
Providing information about the outage	**43%**	**12%**
Maintaining information on the website	**37%**	**31%**

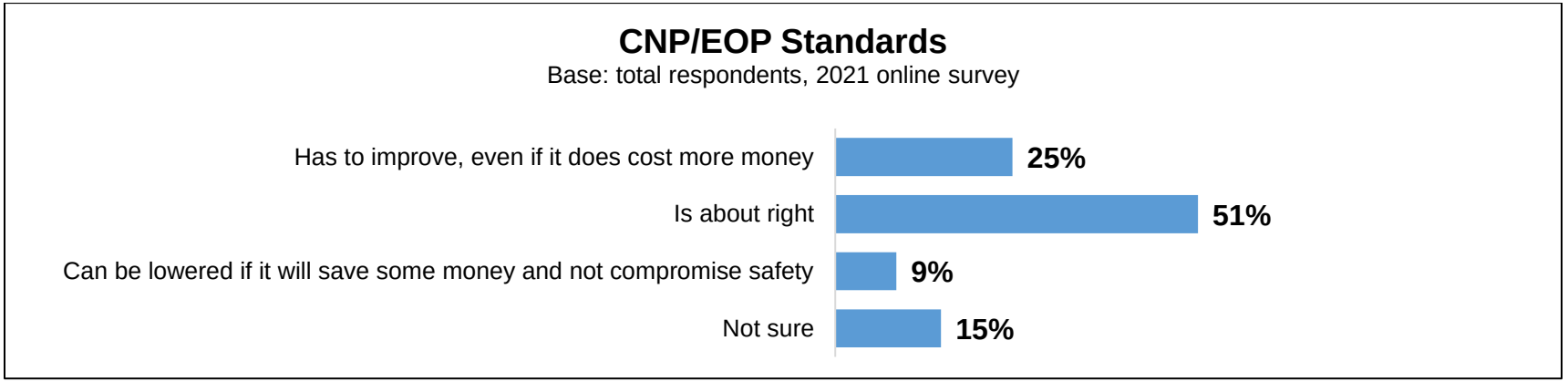
Base: total respondents, 2021 online survey



In recent years, Canadian Niagara Power / Eastern Ontario Power has had a renewed focus on improving reliability. To support this, customers were asked, "Going forward, which of the following statements is closest to your viewpoint?" While 62% of respondents indicated when Canadian Niagara Power / Eastern Ontario Power does tackle outage management the focus should be placed on both frequency and duration of outages, a subsequent question reveals 51% of respondents believe 'the standard of reliability is about right' while fully 25% want standards improved even if it costs more money.



Which of the following statements is closest to your feelings about [Canadian Niagara Power's / Eastern Ontario Power's] standard of reliability?



When asked to what degree customers agree that Canadian Niagara Power / Eastern Ontario Power "has a standard of reliability delivering electricity that meets your expectations," 88% of telephone respondents and 87% of online respondents agreed 'strongly' or 'somewhat' with the statement. When asked about willingness to pay more for increased improvement in reliability the data shows a substantive number of respondents who are not willing to pay any more for any level of improvement. But 68% of respondents are willing to pay something for a 25% improvement in reliability.

Could you tell us how much more money per month you are willing to pay for each of the following improvements in the standard of reliability?			
	10% improvement	25% improvement	50% improvement
$0	49%	31%	27%
Less than $1	36%	34%	16%
$1-3	12%	26%	32%
$3-5	2%	6%	15%
$5+	2%	2%	10%

Base: total respondents, 2021 online survey

Chapter 5 "Help us prioritize capital investments in the electricity network"

Purpose of this Chapter:

1- To gather insight into customer respondent preferences for proposed DSP capital investments
2- To introduce to customer respondents the definitions of terms such as System Access, System Renewal, System Service and General Plant
3- To understand how confident customer respondents are that Canadian Niagara Power / Eastern Ontario Power will use good judgment for prioritizing capital investment projects
4- Note: respondents were given a summary with costs upon completion of this Chapter. With the summary, respondents were also given the opportunity to "go-back" and change their answers.

Primary theme(s):

Insights. Findings. Feedback.

Respondents struggle with answering questions associated with capital investments. They do so because the topic is complex with no easy answers. Customers know a glass of orange juice at $16 is over-priced. Wrapping their heads around whether an average of $7,200,000 annual System Renewal Budget is about right, is not easy.

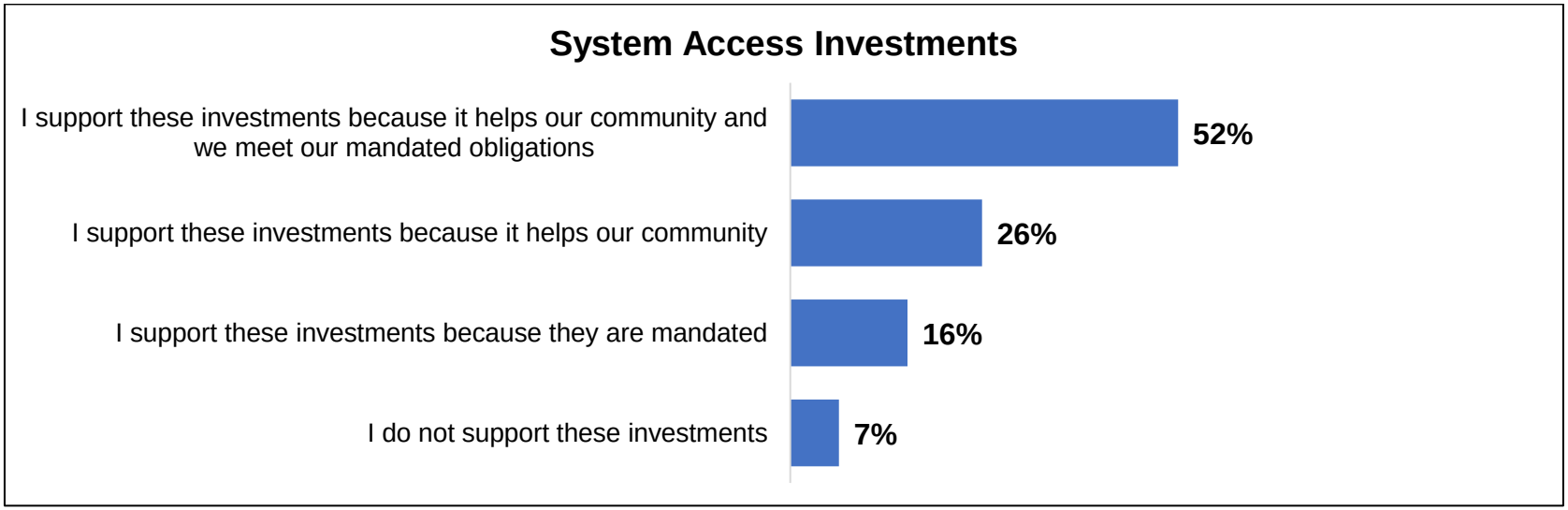
It is important for the reader to note that online respondents were given definitions of various terms being used and the following context:

> Canadian Niagara Power and Eastern Ontario Power are developing a comprehensive 5-year Distribution System Plan ("DSP") which is an important part of the Cost of Service application going to the Ontario Energy Board (OEB).
>
> Canadian Niagara Power and Eastern Ontario Power manage millions of dollars in assets used to safely and reliably deliver electricity to its customers. These assets wear out, have a life span, and at some point need to be replaced.
>
> For Cost of Service planning purposes, the investment plan to be submitted to the Ontario Energy Board separates capital investments into four types. They are:
>
> - **System Access Investments**: Investments required to meet regulatory or legal requirements
> - **System Renewal Investments**: Replacing and/or refurbishing equipment to keep the electricity network operating reliably
> - **System Service Investments**: Investments needed to meet future customer requirements or improve reliability
> - **General Plant Investments**: Investments in land, buildings, trucks, tools & equipment, software and other technology to meet day-to-day business and operations activities

System Access Investments

Respondents were asked: *Canadian Niagara Power and Eastern Ontario Power, along with every Local Distribution Company in Ontario, are mandated to provide all customers with access to the existing electricity distribution grid. This idea behind these projects is to help the community grow (i.e. residential and/or commercial development, fix transportation issues – such as road widening, etc.).*

The average monthly cost increase each year for these types of investments is 8 cents per month for the average customer. Could you tell us which of the following statements is closest to your viewpoint about system access capital investments?



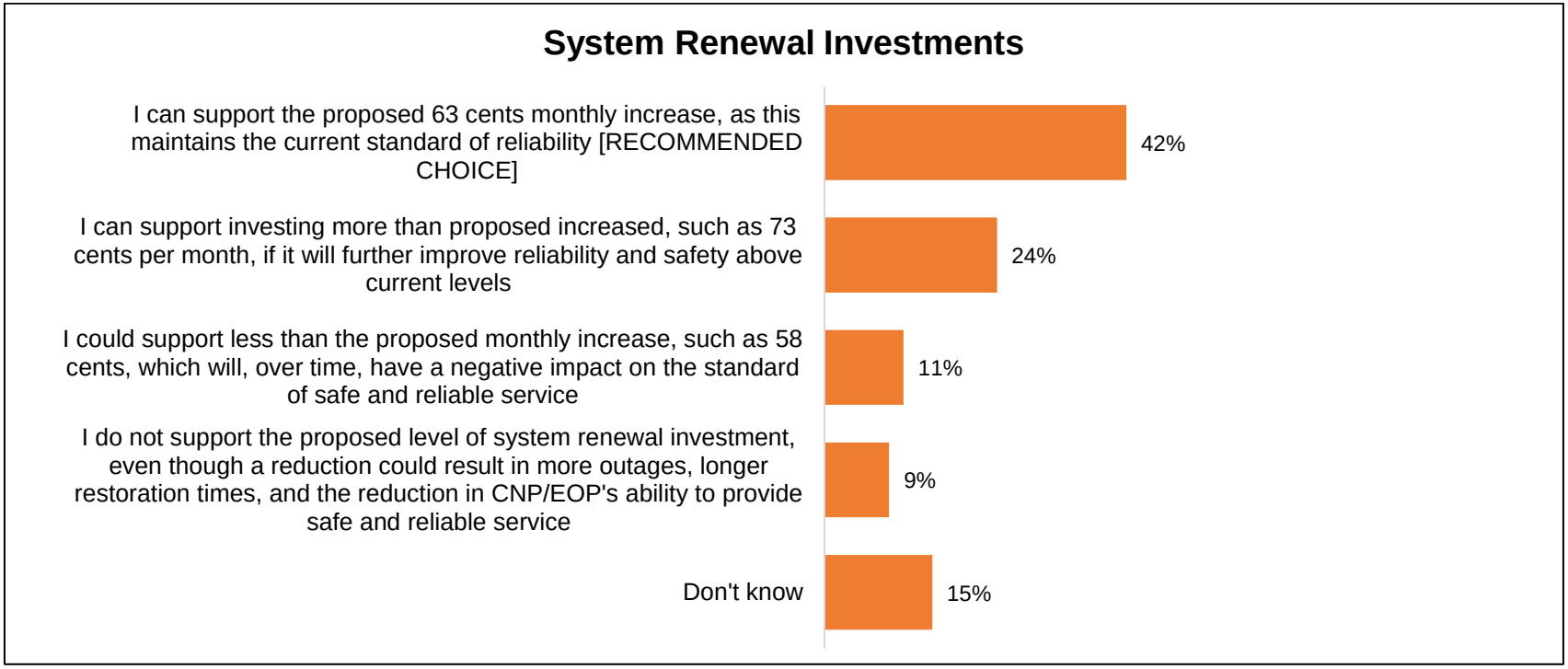
Base: total respondents, 2021 online survey

The data also shows there are customer respondents who are not motivated to support these kinds of investments whether they are mandated or have a higher purpose. 93% of respondents supported CNP's/EOP's recommendation and 7% would not support the investments.

System Renewal Investments

Respondents were asked: *Equipment such as poles, transformers, and other assets do wear out and have to be refurbished or replaced. System Renewal investments involve replacing system assets, or refurbishing assets to extend their useful life, in order to maintain the reliability of the distribution system. This can help reduce outages and increase the reliability and safety of the system.*

Canadian Niagara Power and Eastern Ontario Power plan to invest about $7,200,000 per year on System renewal projects (combined for the Niagara and Gananoque regions). This would result in a proposed increase of 63 cents per month for the average customer each year. What level of monthly increase for an average customers could you support?



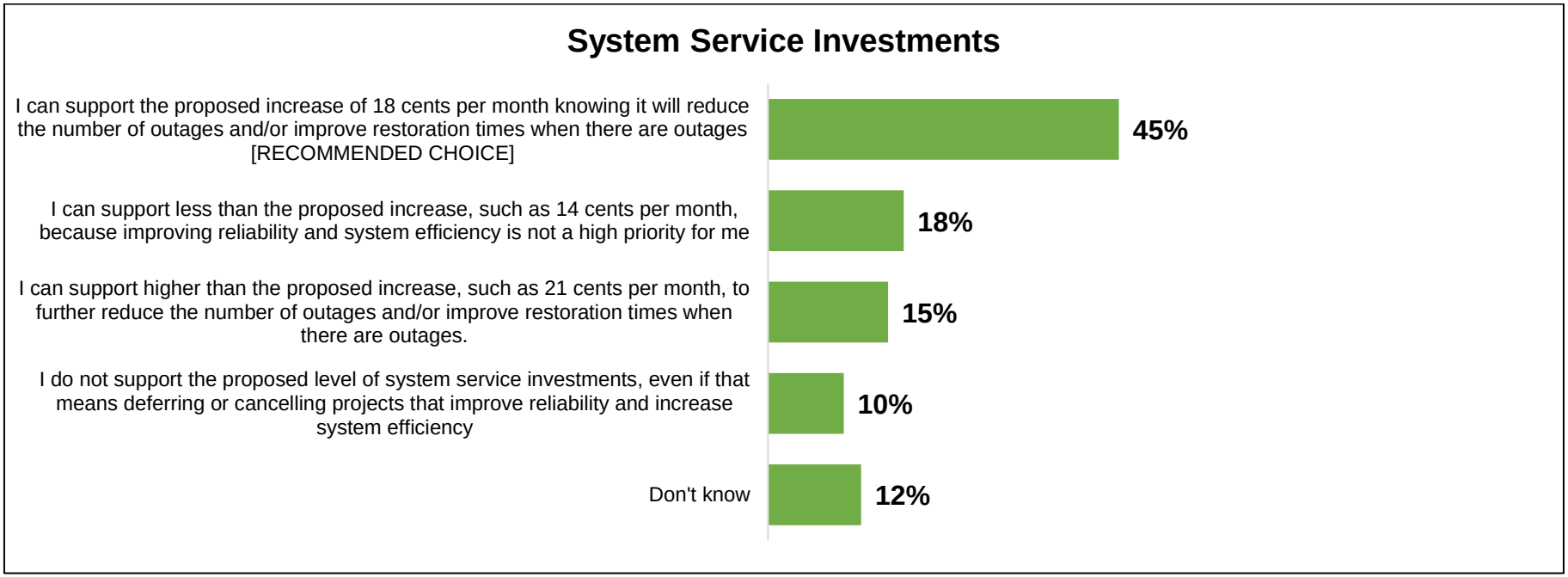
Base: total respondents, 2021 online survey

85% of online customer respondents and 91% of telephone indicated that "Maintaining and upgrading equipment" was a 'Very high or high priority.' Coupled with the above results, there is virtually no support for cutting back on system renewal investments.

System Service Investments

Respondents were asked: *Customers are using more equipment and devices, in their homes and businesses that are sensitive to power interruptions and power quality. System service investments are those required to ensure the electricity network has the capacity and reliability to meet current and future customer needs. These types of investments can involve replacing or adding new equipment which improves reliability by reducing the number of customers affected by future outages and/or improving restoration time for customers that are affected.*

Canadian Niagara Power and Eastern Ontario Power are planning to invest about $2,000,000 per year (on average) on system service capital items (combined for the Niagara and Gananoque regions). This would result in a proposed increase of 18 cents per month for the average customer each year. What level of monthly increase for an average customer could you support?



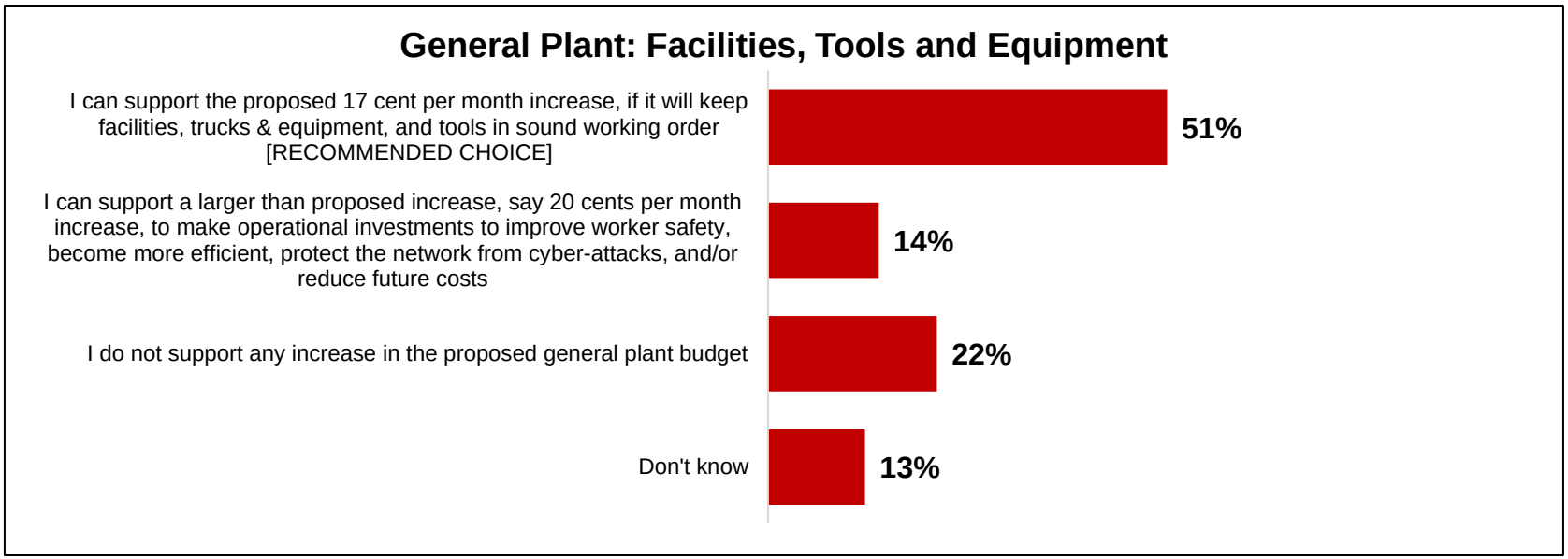
Base: total respondents, 2021 online survey

When it comes to system service investments, 60% of respondents supported Canadian Niagara Power's / Eastern Ontario Power's recommendation or a higher option, 10% wouldn't support an increase, and 12% answered 'Don’t know’.

General Plant Investments

Respondents were asked: *Having the right tools & equipment, efficient workplaces, vehicles, computers and software help your Canadian Niagara Power and Eastern Ontario Power professionals support day to day business and operational needs. Like all electrical and mechanical items, tools, equipment, trucks, etc. do wear out or become out-dated. In addition, modernizing security software to protect against cyber-attacks and improving customer information systems is a high priority for Canadian Niagara Power and Eastern Ontario Power.*

Canadian Niagara Power and Eastern Ontario Power plan to invest about $2,000,000 per year on general plant items (combined for the Niagara and Gananoque regions). This would result in a proposed increase of 17 cents per month for the average customer each year. What level of monthly increase for an average customer could you support?



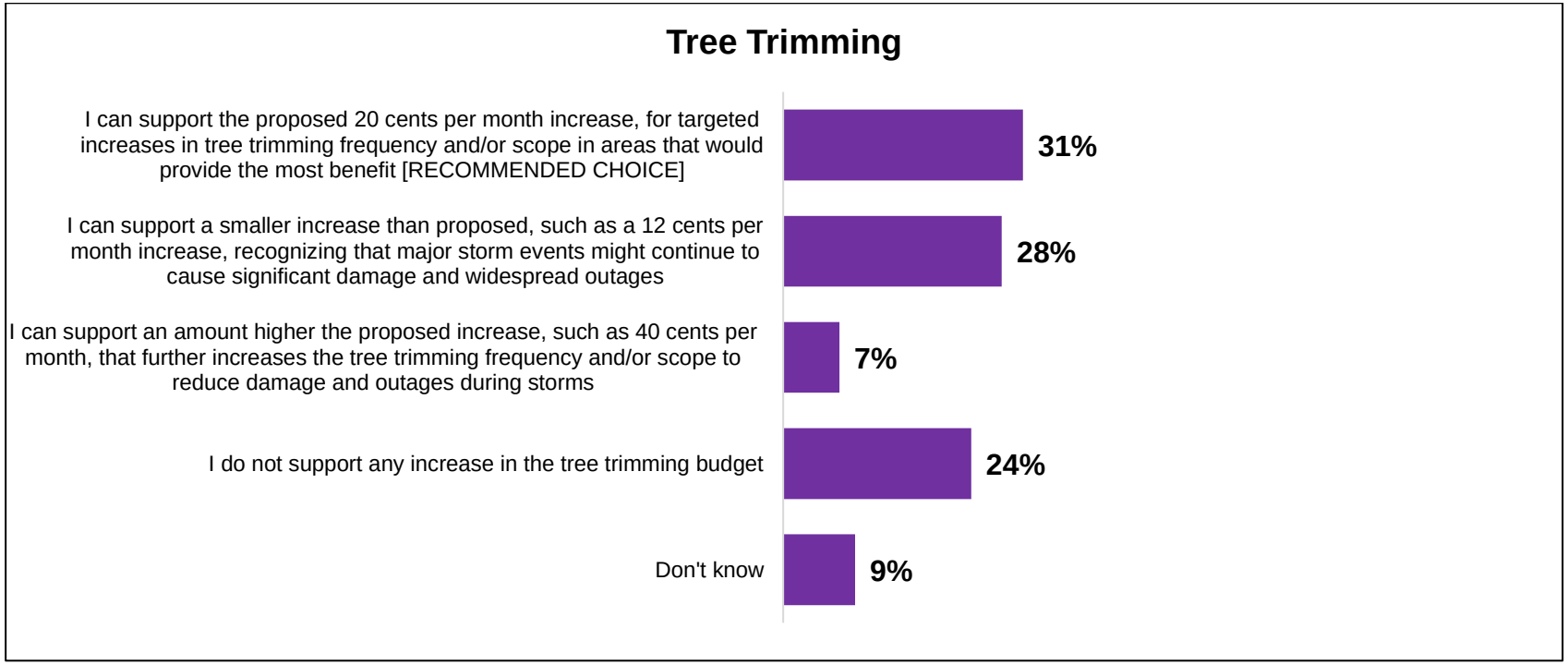
Base: total respondents, 2021 online survey

When it comes to general plant investments, 65% of respondents supported Canadian Niagara Power's / Eastern Ontario Power's recommendation or a higher option, 22% wouldn't support an increase, and 13% answered 'Don't know'.

Tree Trimming

Respondents were asked: *Many service outages and interruptions are caused by tree limbs which fall into power lines causing damage to wires, short circuits and other problems. That creates potential danger for you and your property, danger that can be avoided by not planting tall growing trees under or near electric wires, and by routine tree trimming. As such. Canadian Niagara Power and Eastern Ontario Power trim trees and manage vegetation on to minimize tree contacts with power lines.*

Combined spending on tree trimming for our Niagara and Gananoque distribution systems is approximately $500,000 each year. Increasing the annual spending by 25% to about $600,000 to reduce damage during severe storms would result in a proposed increase of 20 cents per month for the average customer each year. What level of monthly increase for an average customer could you support?

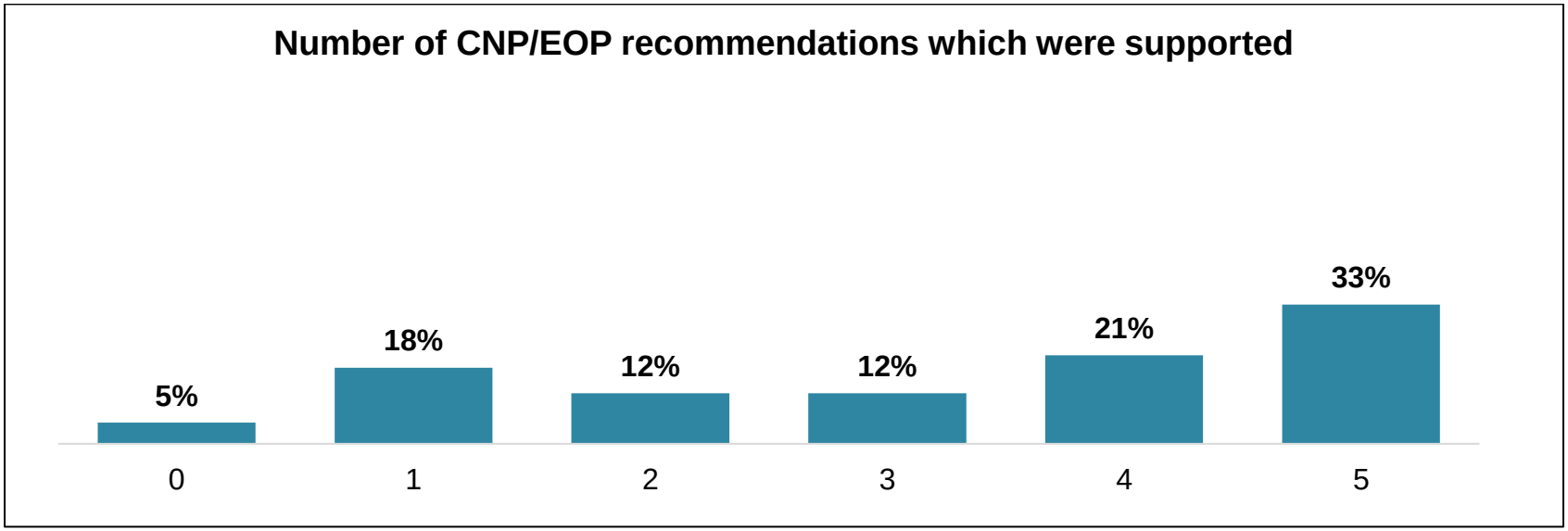


Base: total respondents, 2021 online survey

When it comes to tree trimming, 38% of respondents supported Canadian Niagara Power's / Eastern Ontario Power's recommendation or a higher option, and a further 28% support an increase somewhat less than the proposed figure, 24% wouldn't support an increase, and 9% answered 'Don't know'.

Canadian Niagara Power / Eastern Ontario Power online survey findings show that only 5% of customer respondents do not support any increase for any of the five items (system access, system renewal, system service, general plant, and tree trimming). Recognizing that costs do rise every year, customer respondents who chose not to support any increases are demonstrating, despite negative consequences, their deep concern about costs. We have heard the argument if respondents were more knowledgeable, they would support a rational decision. Unfortunately, decisions are rarely rational; they are emotional.

Nevertheless, 33% supported all 5 of the Canadian Niagara Power / Eastern Ontario Power recommendations.

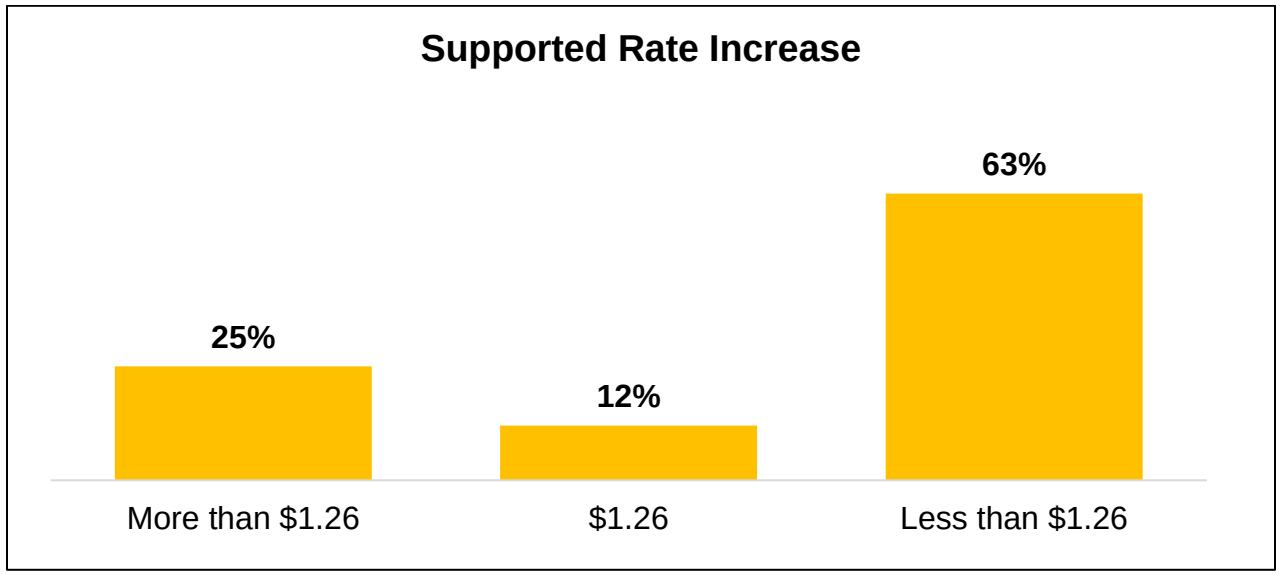


The reality is, customer respondents are being asked difficult questions, all of which have complicated answers. It isn't surprising there were, on average, 12% of customer respondents who selected "Don't know" as their answer.

What is important, despite the numbers of respondents who do not support any increase for any item, a majority of customer respondents supported inflationary level increases. And, there were 14%+ respondents supporting higher than inflationary increases for System Renewal, System Service, and General Plant investments.

Following questions regarding the five key investment choices that can impact rates, customer respondents were show their total bill impact compared to Canadian Niagara Power and Eastern Ontario Power's proposed monthly bill increase of $1.26. 37% supported a rate increase that was equal to or greater than the $1.26 proposed increase. 100% of respondents who supported all five recommendations also supported a $1.26 or higher bill increase.

While 63% did not support the $1.26 increase that is being proposed, on average, customers supported a $1.14 increase based on their responses, which is very close to the overall proposal and only slightly below the proposed increase.



MEDIAN INCREASE SUPPORTED:

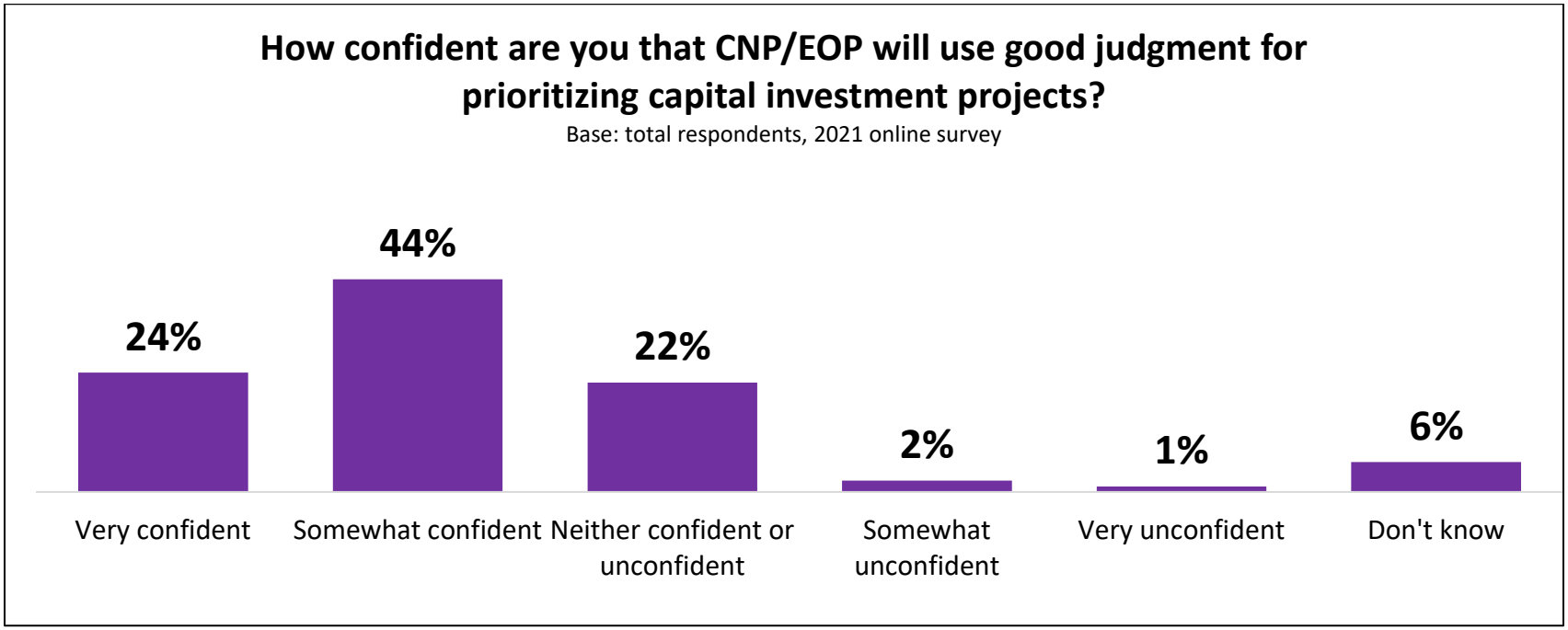
$1.14

An important aspect of ensuring customer needs are being met is to solicit information about how decisions, which affect costs to customers, should be made. When asked, "In your view, what are the top 3 items/priorities that Canadian Niagara Power / Eastern Ontario Power needs to consider as we complete our Cost of Service application?", Keeping costs low is the top priority. Not surprising given the high proportion of customers who have been adversely impacted by COVID-19. Maintaining safe, reliable distribution is also very important to customers. Offering more energy conservation incentives, investing in green technologies, and shortening power restoration times are other key items to consider for the COS application.

COS decision-making considerations	
Top 3 Ranked Mentions	**CNP/EOP**
Keep costs low	**80%**
Maintain safe, reliable distribution of electricity	**54%**
Offer more energy conservation incentives	**37%**
Invest in green energy technologies (energy storage, electric vehicles, etc.)	**33%**
Shorten power restoration times	**32%**
Invest in smart grid technologies (system automation)	**20%**
Improve communications for billing and outages	**12%**
Improve power quality	**11%**
Provide new ways to access and manage account information (apps, online forms, etc.)	**8%**
Improve customer service	**4%**
Other	**2%**

Base: total respondents, 2021 online survey

When asked whether customers are confident that Canadian Niagara Power / Eastern Ontario Power will use good judgement for prioritizing capital investment projects, most were at least somewhat confident in this regard. Very few were not confident and only 6% said they ‘don’t know’.



Chapter 6 "Gathering insights about customer care operations"

Purpose of this Chapter:

1- To gather feedback regarding customer respondent satisfaction levels with the amount of information available for various topics
2- To gain a better understanding of desirable customer care operational improvements
3- To gauge the level of satisfaction with current levels of communication
4- To provide an opportunity for customer respondents to provide open-ended ideas and insights into how the LDC could save money
5- To provide an opportunity for customer respondents to provide any additional thoughts

Primary theme(s):

Insights. Findings. Feedback.

Canadian Niagara Power / Eastern Ontario Power, along with all other Ontario LDCs, is known as an influential brand company because they affect the daily lives of people and businesses. The safe, reliable distribution of electricity to homes and businesses is a job which makes life better, more interesting and meaningful for consumers and customers. However, the company has to consistently demonstrate that it cares about its customers and it can be trusted.

The importance of ensuring that customer care operations are meeting expectations while ensuring there is an effective marketing communications plan cannot be overstated. Customer expectations continue to rise, anticipating what those future expectations are, and when to implement them is a challenge.

Overall views of Canadian Niagara Power / Eastern Ontario Power are positive.

To what degree do you agree or disagree with the following attributes:						
CNP/EOP	**Online 2021**	**Telephone 2020**	**Telephone 2019**	**Telephone 2018**	**Telephone 2017**	**Telephone 2016**
Is a trusted and trustworthy company	**87%**	**91%**	**86%**	**84%**	**88%**	**82%**
Is a socially responsible company	**--**	**85%**	**88%**	**86%**	**83%**	**79%**
Is pro-active in communicating changes and issues which may affect customers	**84%**	**83%**	**81%**	**81%**	**85%**	**78%**
Adapts well to changes in customer expectations	**--**	**80%**	**80%**	**76%**	**81%**	**68%**
Customer-focused and treats customers as if they're valued	**--**	**85%**	**82%**	**83%**	**84%**	**75%**
Is a respected company in the community	**--**	**91%**	**89%**	**87%**	**88%**	**83%**

Base: total respondents with an opinion: 2021 online surveys and 2016-2020 telephone surveys

Customer Care Improvements

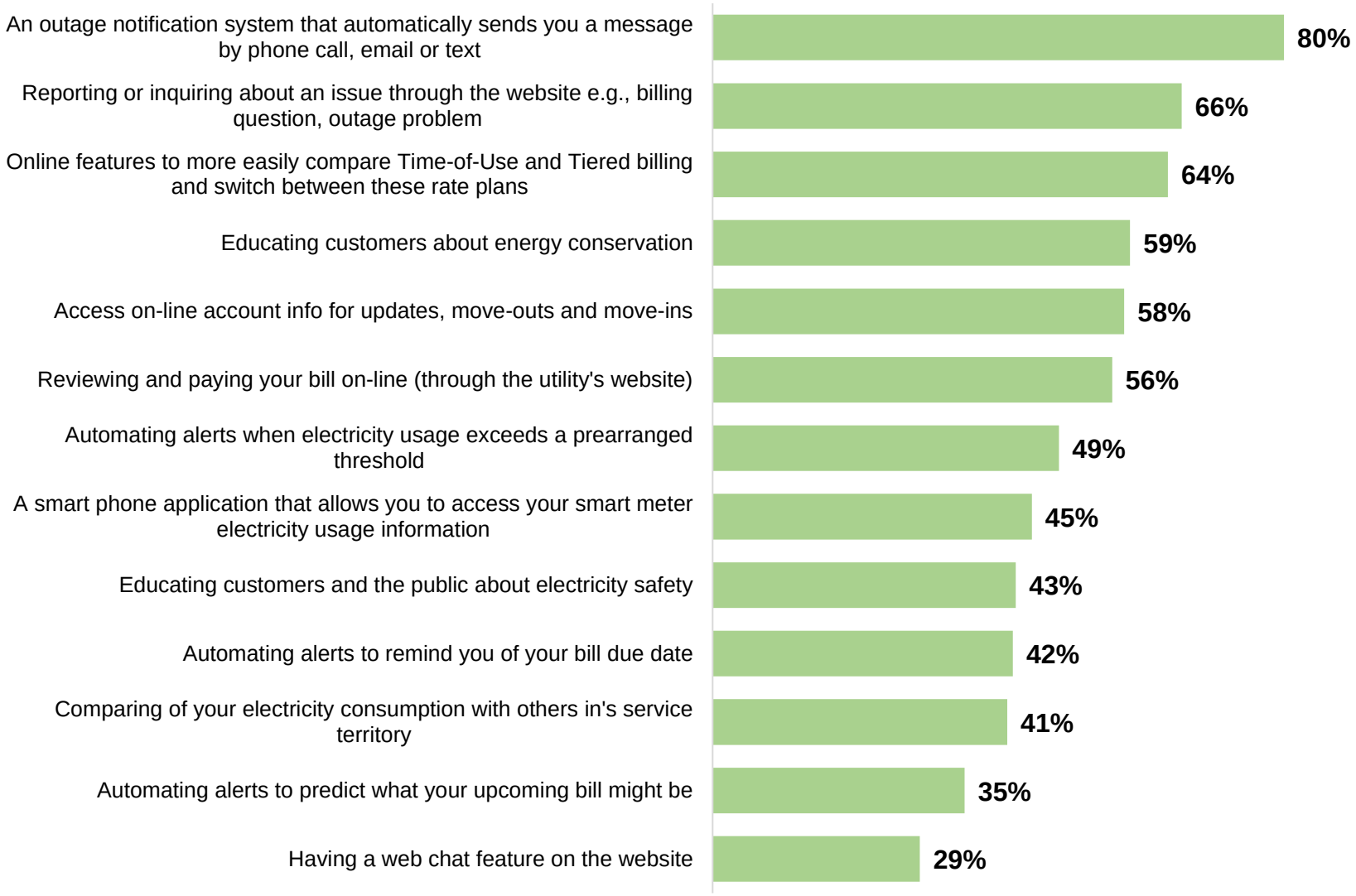
Respondents were asked: *Canadian Niagara Power / Eastern Ontario Power employees are focused on providing excellent customer care and are well aware that customer expectations about service will continue to rise. Thinking about the next 5 years, which of the following improvements would you like us to make?*

Customer care operational improvements over the next 5 years			
	Make this improvement	**Don't make this improvement**	**Don't know**
An outage notification system that automatically sends you a message by phone call, email or text	**80%**	**14%**	**6%**
Reporting or inquiring about an issue through the website e.g., billing question, outage problem	**66%**	**19%**	**15%**
Online features to more easily compare Time-of-Use and Tiered billing and switch between these rate plans	**64%**	**19%**	**17%**
Educating customers about energy conservation	**59%**	**27%**	**15%**
Access on-line account info for updates, move-outs and move-ins	**58%**	**22%**	**20%**
Reviewing and paying your bill online (through the utility's website)	**56%**	**29%**	**15%**
Automating alerts when electricity usage exceeds a prearranged threshold	**49%**	**33%**	**18%**
A smart phone application that allows you to access your smart meter electricity usage information	**45%**	**36%**	**19%**
Educating customers and the public about electricity safety	**43%**	**36%**	**22%**
Automating alerts to remind you of your bill due date	**42%**	**46%**	**12%**
Comparing of your electricity consumption with others in [Canadian Niagara Power / Eastern Ontario Power]'s service territory	**41%**	**39%**	**19%**
Automating alerts to predict what your upcoming bill might be	**35%**	**50%**	**14%**
Having a web chat feature on the website	**29%**	**48%**	**23%**

Base: total respondents, 2021 online survey

Customer care operational improvements over the next 5 years

Base: total respondents, 2021 online survey; 'make this improvement'



Insights from Annual Telephone-Based Customer Surveys 2016-2020

UtilityPULSE conducts an annual telephone survey of Canadian Niagara Power / Eastern Ontario Power customers using a consistent set of core questions and methodology. To gain more insight into customer needs, wants and expectations, the annual survey will contain supplemental questions.

The Fall 2020 telephone survey was derived from interviewing 400 residential and small commercial customers. The primary qualification for being interviewed is, the respondent is the bill payer. Timing for conducting the surveys in each of the years 2016-2020 was in the months of August, September and October.

What follows are pertinent extractions of information derived from customer respondent telephone interviews. National benchmark numbers are derived from conducting interviews with bill-payers across Canada and with results weighted by population. The Ontario benchmark is also based on interviews with bill-payers throughout the province with results weighted by population.

2020 Results Summary	CNP/EOP	National Benchmark	Ontario Benchmark
Customer Experience Performance Rating (CEPr)	86%	86%	86%
Customer Centric Engagement Index (CCEI)	86%	85%	85%
Credibility & Trust Index	86%	85%	85%
UtilityPulse Report Card©	A	A	A

Base: total respondents, 2020 telephone survey

Customer Centric Engagement Index (CCEI) is a measure of the emotional connection between a customer and the organization. CNP/EOP scores well. The Customer Experience Performance Rating (CEPr) rating suggests that a very large majority of customers have a belief that they will have a good to excellent experience dealing with Canadian Niagara Power / Eastern Ontario Power professionals.

CNP/EOP is seen as a credible and trusted entity.

The UtilityPULSE Report Card® is a multi-facetted score, containing proprietary calculations, covering 27 attributes.

CNP/EOP has a history of soliciting feedback and wisdom from customers

In 2016 and 2017 CNP/EOP in addition to the UtilityPULSE Annual Customer Satisfaction survey, questions around access and use of technology were added to the survey.

As customers increasingly demand greater empowerment, utilities seek to improve interactions and relationships in their entire operation by enhancing software capabilities for collaboration, gaining deeper customer and market insight and improving process management. Respondents were asked how important having online access to the following features was to them:

Importance of online access for the following features:		
Top 2 Boxes: 'very + somewhat important'	**CNP/EOP**	**UtilityPULSE Database**
Power outage alerts	82%	81%
Researching information about energy conservation	78%	78%
Reporting or inquiring about an issue	71%	73%
Automated alerts when electricity usage exceeds a prearranged threshold	68%	69%
Review and pay your bill online (through utility's website)	67%	71%
Tools and calculators to help you manage your electricity consumption	64%	64%
Automated alert to remind you of your bill due date	55%	58%
Automated alert to predict your upcoming bill	54%	56%
Comparison of your electricity consumption with your neighbours	53%	51%
Having a web chat feature on the website	51%	47%

Base: total respondents 2016

Access the internet for information				
CNP/EOP	**Overall**	**< $30k**	**$30k < $75k**	**$75k+**
Yes	77%	53%	75%	92%
No	22%	47%	24%	8%
Don't know	0%	0%	1%	0%

Base: total respondents 2017

Access the internet for information				
CNP/EOP	**Overall**	**18-34**	**35-54**	**55+**
Yes	77%	100%	91%	67%
No	22%	0%	8%	31%
Don't know	0%	0%	0%	1%

Base: total respondents 2017

Electric utilities across Canada are increasingly seeing the need to invest in aging infrastructure, new technologies, regulatory requirements, and a skilled workforce. They are addressing these needs to uphold their public service duty, all the while keeping in mind the need to communicate with their customers. Part of communication is the requirement of providing information and/or education to the public to raise the level of understanding surrounding an issue or topic that may be of practical concern to residents.

Consumer information is meant to attune consumers to certain problems [i.e., outage problems, etc.], create awareness and educate [i.e. electricity safety, etc.] or even guide (influence) their behaviour [i.e., energy conservation, etc.].

In 2018, Canadian Niagara Power / Eastern Ontario Power's customers were asked about their preferred or primary method for CNP/EOP to contact them about billing issues are as follows:

Preferred method of communication to receive notice of a billing issue		
	Ontario LDCs	**CNP/EOP**
Telephone	56%	62%
Email	34%	26%
Text	7%	8%
Voice Mail	2%	4%
Don't know	1%	1%

Base: An aggregate of respondents from 2018 participating LDCs / total respondents from the local utility

Respondents were asked which communication channel they most preferred Canadian Niagara Power / Eastern Ontario Power to use during an unplanned outage.

Method of communication Customers prefer their LDC uses during an UNPLANNED OUTAGE							
Recorded Telephone Message	**Email Notice**	**Posted on the Website**	**Social Media**	**Local Radio**	**Local TV**	**Text Message**	**Alert on APP**
							
42%	13%	3%	10%	5%	1%	20%	1%

Base: total respondents 2018

Customers, who are also consumers, have additional needs for information and education. Survey respondents, who are bill payers, were asked about their level of satisfaction with the information provided by Canadian Niagara Power on the following:

Satisfaction with information provided		
Top 2 Boxes: **'very + fairly satisfied'**	**Ontario LDCs**	**CNP/EOP**
The amount of information available to you about energy conservation	82%	81%
The timeliness and relevance of information for things such as planned outages, construction activity, tree trimming.	78%	78%
The electricity safety education provided to the public	74%	76%
The quality of information available when outages occur	73%	66%

Base: An aggregate of respondents from 2018 participating LDCs / total respondents from the local utility

Convenience of Services 2019

Rising customer expectations and demands means customers expect to be able to contact their LDC 24 hours a day, seven days a week using various communication avenues, i.e., telephone, your website, and/or social media. Customers expect flexible and more personalized services. Regardless of the day of the week or time of day, when a customer has a problem, they want to deal with it and have it resolved – when it is convenient for them.

Access to services		
Top 2 Boxes: 'very + somewhat satisfied'	**Ontario LDCs**	**CNP/EOP**
The 24/7 availability of system operators to respond to outages	75%	79%
The availability of call-centre staff Monday to Friday	74%	80%
The online self-serve options for managing your account	61%	53%
The online self-serve options for request services	53%	49%
The ability to walk in for customer service	*	67%

Base: An aggregate of respondents from 2019 participating LDCs / total respondents from the local utility/ (*) not asked

Priority Planning 2019 and 2020

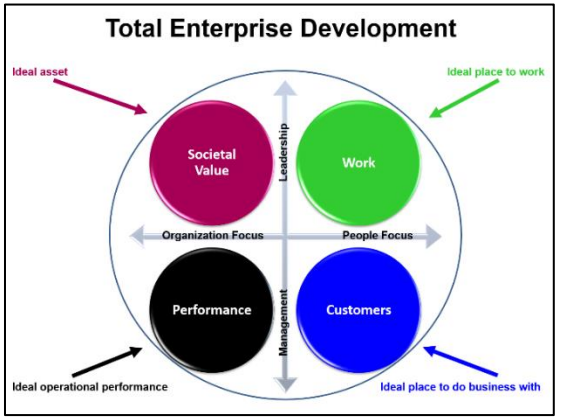
Priority Planning within the next 5 years	
Top 2 Boxes: 'very high + high priority'	**CNP/EOP**
Pro-actively maintaining and upgrading equipment	93%
Reducing response times to outages	88%
Investing more in the electricity grid to reduce outages	84%
Investing more in tree trimming to help reduce the number of outages	80%
Educating customers about energy conservation	75%
Educating the public as it relates to electricity safety	71%
Investing in projects to reduce the environmental impact of the utility's operations	71%
Providing sponsorships to local community causes	51%
Developing a SMART phone application to allow you to view usage and pay your bill	33%
Making better use of social media (such as Twitter, Facebook, etc.)	30%
Providing more self-serve services on the website	29%

Base: An aggregate of respondents from 2019 participating LDCs / total respondents from the local utility

Priority Planning within the next 5 years	
Top 2 Boxes: 'very high + high priority'	**CNP/EOP**
Maintaining and upgrading equipment to ensure a safe and reliable electricity supply	91%
Reducing response times to outages	86%
Investing to ensure that more frequent and severe weather events will cause less damage to distribution system	85%
Investing more in the electricity grid to reduce outages	85%
Preventing data breaches and system disruptions due to cyberattack	82%
Investing more in vegetation management (clearing trees and brush around powerlines)	78%
Investing in projects to reduce the environmental impact of the CNP/EOP's operations	76%
Educating the public as it relates to electricity safety	74%
Educating customers about energy conservation	70%
Providing sponsorships to local community causes	57%
Increasing the use of e-billing and paper-free communication options to reduce environmental impact and improve cost-effectiveness	55%
Developing a SMART phone application to allow you to view electricity usage and pay your bill	42%
Providing more self-serve services on the website	42%
Increasing the use of social media (such as Twitter, Facebook, and others)	31%

Base: total respondents

❋ Managing the whole enterprise from a Customer's perspective



For the 23+ consecutive years, UtilityPULSE has conducted its Annual Customer Satisfaction Survey for LDC clients in Ontario, the number one suggestion made by customer respondents to improve service was "reduce the price." Any other subject is a distant second.

Customer respondents view the performance of their LDC primarily through the lens of costs. Given the emotional roller-coaster LDC customers have gone through over the past few years it is no wonder why customers see costs first and value second. In 2015, 2016 and the early part of 2017, for most residential and small commercial customers, the cost increases for the energy side of their bill could not be reconciled with what was happening in their lives, e.g., 0-2% salary increases, 2% inflation costs, etc.

Successful LDCs and other enterprises know that to keep costs low the total enterprise must be performing at a high level. That is, employees need to be engaged because when they are not, increased costs and poor performance can be the result. Customers need to be engaged, in particular, feel they are valued, if not complaints go up and there is a cost increase to handle the additional volume. Operationally speaking the LDC has to perform at least to the standards in the industry. Also, the LDC has to be seen as socially responsible and as a valuable asset to its owners and the customers it serves.

The UtilityPULSE annual telephone surveys contain various attributes when grouped give some insight into how customers perceive the successfulness of the enterprise. While many attributes could be measured which would provide some insight into Canadian Niagara Power's / Eastern Ontario Power's success, the following represents how a customer respondent could look at their LDC. Customer respondents were asked to what degree they would agree or disagree with the following statements apply to Canadian Niagara Power / Eastern Ontario Power.

Total Enterprise Development	
Ideal place to do business with	**CNP**
Provides information to help customers reduce electricity costs	**84%**
Pro-active in communicating issues that affect customers	**83%**
Quickly deals with issues that affect customers	**87%**
Cost of electricity is reasonable when compared to other utilities	**68%**
Provides good value for your money	**79%**

Base: total respondents with an opinion, 2020 telephone survey

Total Enterprise Development	
Ideal place to work	**CNP**
Deals professionally with customers problems	**88%**
Customer-focused and treats customers as if they're valued	**85%**
Makes electricity safety a top priority for employees and contractors	**91%**
Adapts well to changes in customer expectations	**80%**

Base: total respondents with an opinion, 2020 telephone survey

Total Enterprise Development	
Ideal operational performance	**CNP**
Operates a cost-effective electricity system	**78%**
Efficiently manages the electricity system	**84%**
Delivers on its service commitments to customers	**87%**
Quickly handles outages and restores power	**87%**

Base: total respondents with an opinion, 2020 telephone survey

Total Enterprise Development	
Ideal asset	**CNP**
Is a trusted and trustworthy company	**91%**
Is a socially responsible company	**85%**
Overall the utility provides excellent quality services	**89%**

Base: total respondents with an opinion, 2020 telephone survey

Statistically the results shown above are consistent with those found in the UtilityPULSE Annual Customer Satisfaction Survey. The Fall 2020-Winter 2021 survey interviewed 5,827 Ontarians who are residential or small commercial customers.

❋ Wisdom from Customers:

Customers want their voice to be heard, they do have ideas, and they want to be respected. With this in mind, another feature of Canadian Niagara Power's / Eastern Ontario Power's online surveys was to provide customer respondents an open space to provide comments; this was featured through two closing questions, the first being "Wisdom from Customers."

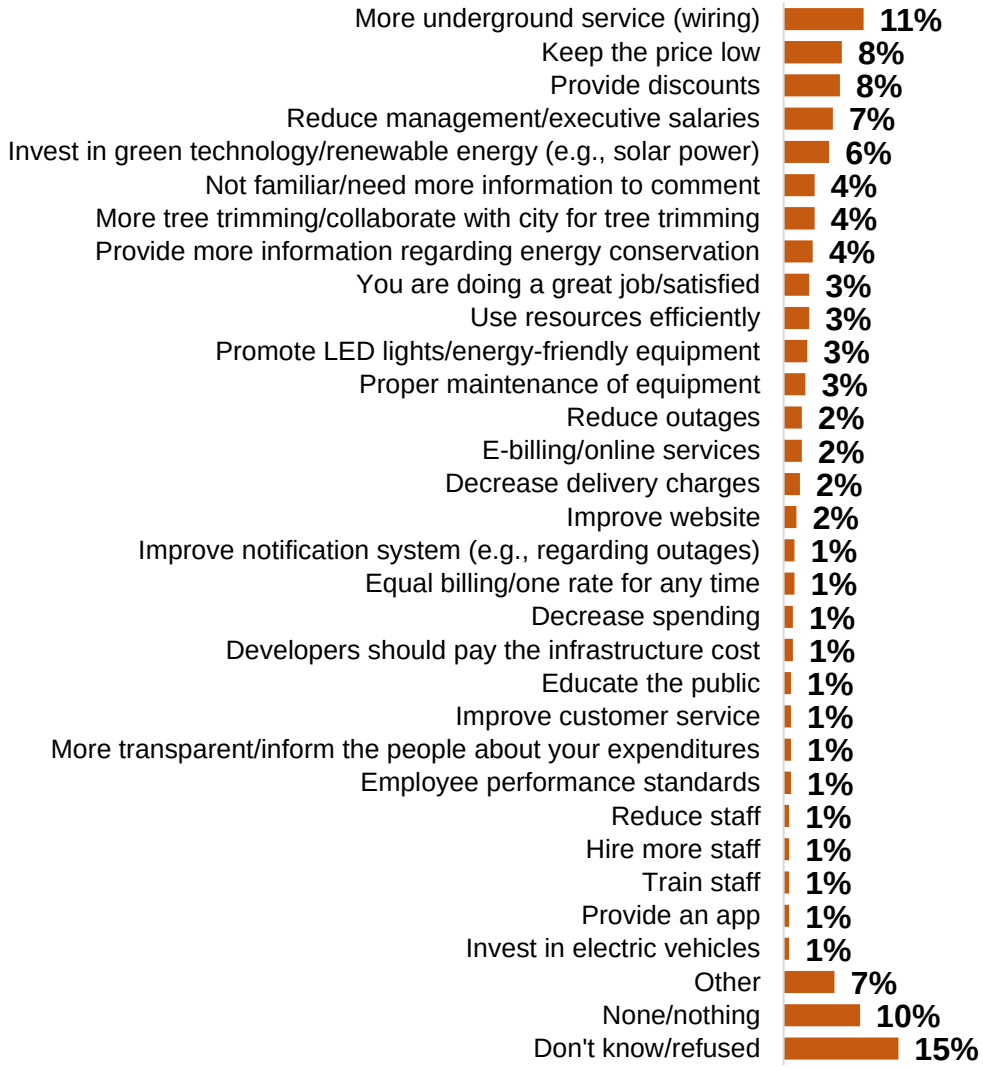
Respondents were asked: **"Canadian Niagara Power / Eastern Ontario Power is always looking for ways to reduce costs to safely and reliably deliver electricity. What ideas, if any, do you have which might help reduce costs without compromising performance?"**

- General Comments from customer respondents: **218 comments (Survey 1) & 412 comments (Survey 2)**

The results below showed a wide range of responses. Top suggestions included more underground service, keeping lower pricing, offering discounts, and a reduction in management salaries.

Ideas to help reduce costs without compromising performance

Base: total respondents with an opinion, 2021 online surveys



VERBATIM COMMENTS

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"More underground service (wiring)"

- Bury more power lines.
- Gradually replace overhead lines to underground in order to reduced storm related power outages.
- Install more underground lines.
- Move as many wires underground as possible, especially in new developments. That has to reduce both weather-related outages and the cost of maintaining trees, etc.
- move more infrastructure underground where it shows it will be long term economically

"Keep the price low"

- keep things as they are with no increase for maintenance. That should come out of general operating revenues.
- lower cost
- Lower cost mostly... it is way too high esp during the pandemic. Over a year now and its not easy anymore.
- Lower the rates
- Make management bonuses contingent on reducing customer costs.

"Provide discounts"

- Bring back incentives for residential & commercial customers to backfeed renewable energy sources into the grid. Do not increase customers bills to pay for storm damage i.e 2019 Halloween storm, insurance should cover the infrastructure repairs & improvements. Not the customers
- Discount for seniors
- Discount times for seniors
- Energy savings incentives. Matching month over month reduction of use with bill credit.
- Make it more widely known that you'll offer a $10 credit for going paperless, and perhaps a small monthly incentive as well...even if it is $1-$2, people will be more willing to switch.

"Reduce management/executive salaries"

- Reduce management and office costs. Reduce Senior management numbers. Place customers before investors.
- Reduce management and OH
- Reduce pay of top tier executives.

- Reduce salary of upper echelon bosses.
- Reduce the compensation packages for the senior executives

“Invest in green technology/renewable energy (e.g., solar power)”

- More initiatives for solar and other forms of self-sufficient energy
- More solar, wind and geo thermal.
- Offer to install solar panels and use extra power to pay for upgrades.
- Provide solar options to suitable properties?
- Sponsor solar robes. At the moment China is reaping all the $$$Build up wind generation. There is only so much water going over the falls.

“Not familiar/need more information to comment”

- Have no knowledge on safety or the delivery of electricity.
- I do not feel qualified to answer this - I trust that the professionals working for Canadian Niagara Power can provide the best ideas for reducing costs and safely and reliably deliver electricity.
- I leave that kind of decision making for the experts
- I think it's a bit ridiculous that your asking how much someone would pay extra for increasing reliability. That is basically your company's job and should be the "current" norm but it has literally been the most unreliable power I have ever had in my life. Throwing more money at you does not boost my confidence in better reliability given the current track record.
- I will leave that up to the experts.

“More tree trimming/collaborate with city for tree trimming”

- Monitor and correct branch risk more frequently. Go underground ASAP.
- More tree trimming including removal of dead trees. This should reduce the number of outages costing staff time and overtime.
- More tree trimming, particularly remove dead trees, to reduce outage costs.
- Requiring the City or home owners to trim trees from owned properties that may cause issues.
- Trim trees, or go underground.

“Provide more information regarding energy conservation”

- Clear explaination of tierd vs. Time of use billing and who may or may not benifits from each plan. More suggestions on how people can reduce energy consumed
- more conservation education to the masses

- Provide people with real examples of how to reduce energy consumption and what X activity results in energy consumption and cost. Also more online account features.
- Stress to customers not to leave lights on unnecessarily all day and night
- Tool to help customers understand what is consuming power. Not sure if there is a usage graph to see what times of day power is being consumed (hourly?)

Other Responses

- ITS SIMPLE. check out tandem computers and their fail safe circuitry. if a circuit board went down, it didnt bring down the whole tandem computer.BUT with your system it seems (i'm a tech guy) one sniff of a problem brings down half of south niagara on lake erie. why dont you think about building technology redundancies in your system. ??thus one tree on a power line wont bring down the whole area. i suggest you employ top engineers from cdn universities to do research in the area of building a future fail safe electricity grid, so that a fault in a condenser on a pole doesnt bring the whole area down. your going to need this tech as the ft erie area grows with lots of new houses, and people come from other countries with way better elec systems. its a joke currently. people shouldnt have to spend .thousands on back up generators.
- Less time, money and energy spent on turbine power alternatives. Stop sending power to the USA then buying it back at a higher rate.
- Make property owners responsible for keeping brush and branches clear of power lines on their own property as long as neighbours will not suffer from their negligence.
- Put GPS in your trucks and monitor how much they idle. Fuel is a large expense and often wasted by staff
- Stop billing me for months in which I have zero usage.
- Study similar size operations elsewhere in Canada or North America for *best practices* ideas to help CNP operations
- Use contractors as opposed to full time staff if work issues overrun capacity.

❋ Additional Comments from Customers:

As outlined in the previous section, customer respondents were provided an open space to provide comments; this was featured through two closing questions (the first discussed in the previous section “Wisdom from Customers”) and the second being, “Make Your Voice Count.”

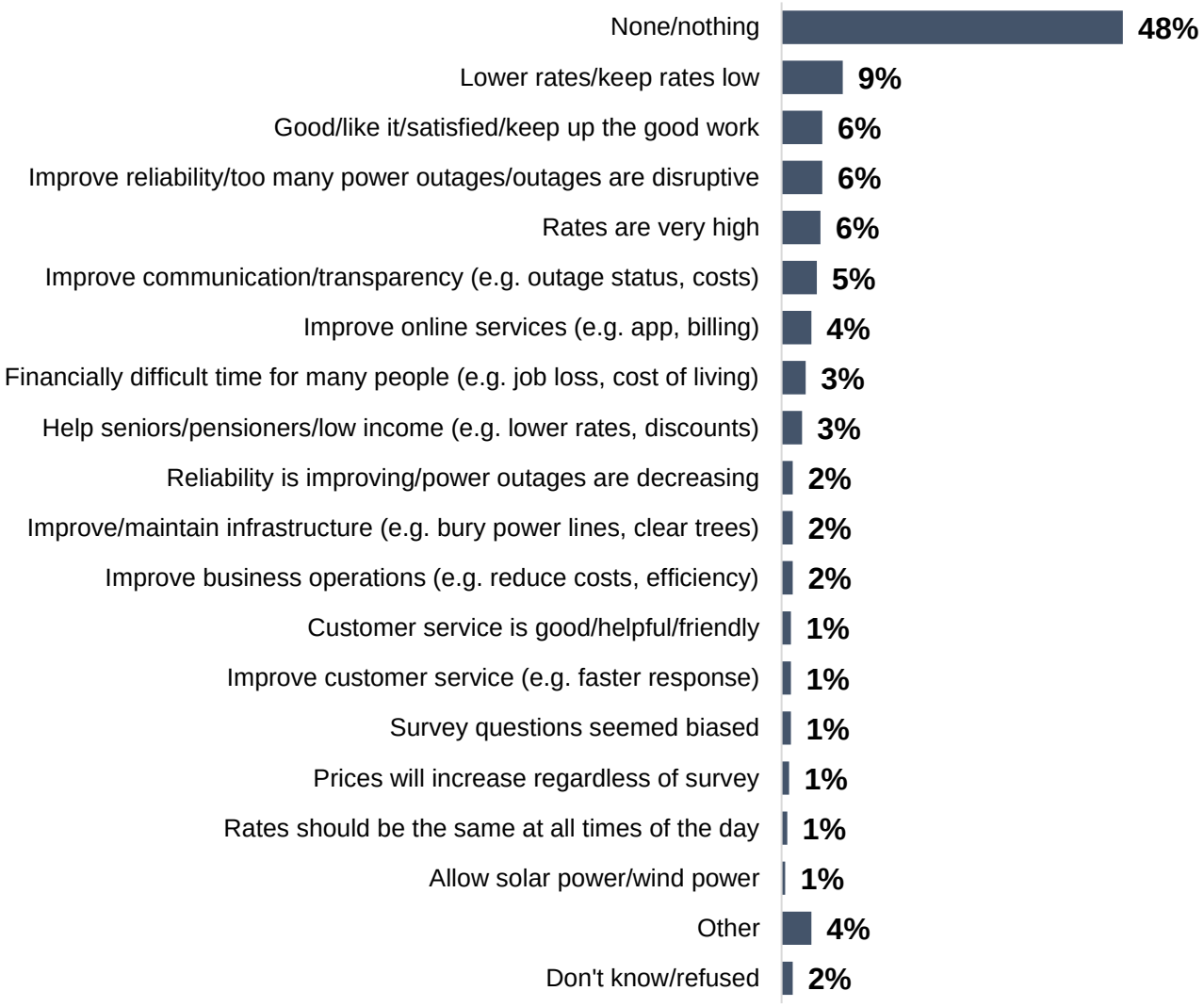
The primary purpose of this second and final open space for customer respondents was to afford them the opportunity to provide comments about Canadian Niagara Power / Eastern Ontario Power and/or the COS rate application. [Q: Do you have any additional comments about Canadian Niagara Power / Eastern Ontario Power or its Cost of Service Rate Application that you would like to share that was addressed in the survey?]

- General Comments from customer respondents: **204 comments (Survey 1) & 381 comments (Survey 2)**

A review of the general comments from customer respondents covered a broad range of topics. 48% did not have any input and top areas of concern included a desire for lower rates, general satisfaction, reliability improvements, and high rates.

Ideas to help reduce costs without compromising performance

Base: total respondents with an opinion, 2021 online surveys



VERBATIM COMMENTS

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"Lower rates/keep rates low"

- I would like my bill to be less possibly a seniors discount .
- Keep cost low.
- Lower prices
- Lower rates never mind these three tiers of off peak mid peak and on peak ridicules..
- No need for a rate increase unless there is an obvious improvement in service.

"Good/like it/satisfied/keep up the good work"

- Keep up the good work
- keep up the good work
- Keep up the good work and please don't raise prices if possible. The Feds are screwing us enough already
- keep up the good work.
- recently we had a major wind storm even though I missed the Buffalo Bills game I appreciate how quickly you restored power ..stay safe

"Improve reliability/too many power outages/outages are disruptive"

- Biggest point for me is you are the end distributor, don't waste money on the fluffy stuff - focus on ensuring reliable service and giving customers honest, timely and informed answers when your service goes down. We want the real answers, not the corporate spin.
- our power goes out way too frequently
- Please make increased efforts to reduce power outages in Crystal Beach especially in Queen's Circle, possibly placing wires underground. Your efforts are much appreciated. Thank you.
- Your website make it difficult to find the latest customer newsletter (which is attached to the bill but isn't always convenient or useful to have like that) and the telephone outage service is very customer-unfriendly -- both the attitude of those answering (sometimes) and the amount of information provided. If there have to be outages, at least make it easy for your customers to find out what's happening and don't make them angrier with you then they already are because of the outage.

“Rates are too high”

- Cost has gotten outrageous
- Even with the Ontario electricity support program the delivery charges are very expensive
- I think the cost is a bit high.
- I'm not sure how you can bring the prices down but they are far too high for the average family. I barely have money for groceries right now let alone the utilities it's very stressful and scary.
- My only comment is that it is difficult for homeowners that rates are high. I know there is good service and not knowing your costs can't really suggest how to reduce rates

“Improve communication/transparency (e.g. status of outage, reason for costs)”

- Delivery fee really? This is just an insult to the customer to hide higher rates. Trying being up front with the costs associated with providing a reliable quality service. We have no choice but to use your service so lets at least make it more palatable by being open about the costs.
- It would have been nice to have the figures as to the increase and change of rates prior to the effective date. I was trying to find info about it when I seen this survey. Where is this information?
- It would help to see what portions or elements of the bill goes to CNP, Hydro One and Generation
- No comments but I do want to point out that I have no way of knowing if my electricity bill is correct. I am trusting the system that is in place is working for billing, and that my bill is a true representation of what I am actually using. Don't break my trust and all is good.
- Please be sure to share the details of what any increases have been invested in.
- The information requested in this survey does not contain any mention of any increases in the personnel costs involved in relation to any of the options presented. This does not, in my opinion, give a clear picture of the overall costs of service and makes it difficult to support some of the issues.

Other Responses

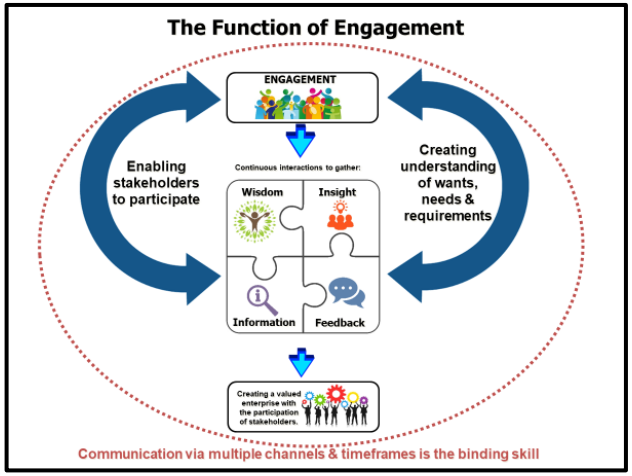
- I am trying to decide whether to do 2 tier or time of day and will be contacting someone to discuss this in the very near future
- It's understandable that during weather events there can be outages. Would like to commend the staff for being able to get service back up quickly. Ideally having a way to report outages easily would be nice as it seems difficult at times to do so outside of calling it in.
- Lower rates or rebates/discounts/programs to make it more affordable
- Make companies and industries more responsible for conserving than the average consumer. We can't afford it.

❋ What is Taking A.I.M. (Applied Insights Methodology)

The purpose of engaging customers is to gather usable findings which help the LDC meet the needs and requirements of customers and other stakeholders while accelerating movement towards becoming a more effective and efficient organization with high levels of customer affinity. The goal is to ensure there is alignment between LDC plans and customer needs and expectations. The function of customer engagement is to create an understanding of wants, needs, and requirements. The key to getting meaningful input is to ensure customer respondents are enabled via multiple opinion & views methodologies.

An output, from Taking A.I.M. for Canadian Niagara Power / Eastern Ontario Power is the production of this report, which we like to call “Canadian Niagara Power / Eastern Ontario Power’s Book on Customer Engagement.”

Unlike a single online or telephone survey, A.I.M. utilizes a multiple touchpoint design to entice participation by customer-respondents who, like just about everyone in Ontario, is time-pressed. This multiple touchpoint design helps to:



1- Keep the time requirements short (long surveys have a high abandon rate)
2- Identify, for the LDC, customer-respondent wants, needs and requirements
3- Clarify customer-respondent priorities
4- Identify the level of support for various capital and operational changes, including the associated costs.

The Taking A.I.M. process helps the LDC to answer the following questions:

1- What are the customer-engagement (CE) activities that we have been doing?
2- What have we learned from those CE activities?
3- When going forward with a COS application which CE activities:
    a. Are best done with internal resources?
    b. Need to be enhanced?
    c. Should be completed by a 3rd party?
4- What are customers saying about what should be priorities?
5- What are the challenges the LDC has identified for producing a successful COS application?
6- What level of community outreach can be achieved in the allocated timelines?
7- What additional value, or synergy, can be achieved through the activities of producing a successful COS application?

One way to improve the effectiveness of various customer engagement activities is to determine the type of information the LDC is trying to gather.

Embedded in the Taking A.I.M. model are five levels of engagement.

For our purposes, the first four levels are: Giving/Getting Information; Gathering Feedback; Capturing Insights; and, Gaining Wisdom from respondents.

Understanding the type of feedback which is desired by the LDC helps ensure any survey work which is done, via telephone or online, is both effective and efficient for customer respondents.

By understanding the type of feedback from customer-respondents the LDC desires, a 5-phase project plan is then developed.

Taking A.I.M. Project Phases

Phase 1: Planning and Preparation (Partially done and is well underway)

- Conduct a review of current CE activities
- Identify ways to get the best from internal resources
- Project administration requirements

Phase 2: Customer Engagement Activities - Fieldwork

- Operationalize CE activities

Phase 2: Online DSP

- Two online survey "rounds" soliciting feedback and comment re: CE/DSP

Phase 2: Telephone Survey

- Capitalize on the Fall 2020 telephone survey of Canadian Niagara Power / Eastern Ontario Power customers

Phase 2: Customer & Community Outreach (this is handled by CNP/EOP personnel)

- Making the best use of activities

Phase 2: Support Activities

- Project administration
- Identify additional sources of data or information which can be used to help validate findings from Canadian Niagara Power surveys, e.g., UtilityPULSE database, Ontario LDC benchmark
- Monitor and report on progress

Phase 3: Discussion, Analysis and Reporting for Internal Use

- Review findings with internal LDC personnel to help the alignment of plans

Phase 4: Report Development for COS/DSP

- Survey data analyzed and reported in useable formats
- Provide 3rd party input into the completion of Appendix 2-AC

Phase 5: Post Project Review & Additional Recommendations

- Lessons learned
- Getting the most from the AIM

To further simplify and integrate various customer engagement online activities, four survey branding elements are used. These branding elements are used as visual cues for customer respondents as they relate to the purpose of their participation. For example, the branding element “Make Your Voice Count” was used on Canadian Niagara Power / Eastern Ontario Power’s Home pages as a link to the online surveys, and to the home screen for various surveys. Individual questions within those surveys would also use the branding elements.

Taking A.I.M. the Online Survey Strategy

UtilityPULSE has been conducting customer research for Ontario's LDC community for over 23 years. Based on this experience we have learned:

1- Long surveys (from a time perspective) have a high abandon rate. It is for this reason the "long" survey is broken down into several smaller surveys in the Taking A.I.M. methodology.

2- Respondents are interested in giving feedback in the subject areas they are interested in, which, in turn, contributes to higher levels of "Don't know" selections. Each of the Taking A.I.M. online survey sections, which we call "chapters" has a different subject focus.

3- Online surveys such as COS/DSP which ask difficult questions that have complicated answers, some individual survey questions as a consequence require an extensive amount of reading. Question design and scaling are impacted.

4- The sequence, and timing of the first online survey provides information which feeds into the second survey to help with the design of questions

5- Question design for online should mimic question design found in other Canadian Niagara Power research, for example, telephone survey. This reduces the impact of one of the variables which can cause differences in findings.

6- Decisions are not made rationally they are made emotionally by human beings. Language used must be respectful and avoid the use of inside industry jargon.

7- While different survey methods can produce different results, having consistency of question design, across multiple platforms, reduces one of the variables which can produce different outcomes.

Each survey has a different purpose and when combined become a wider story of gathering wisdom, information, feedback and insights from customer respondents. The mission and theme for each survey:

Online Survey ONE		Primary Theme
Chapter Survey 1 *"Overall market context and CNP/EOP"*		Wisdom from Customers
Chapter Survey 2 *"How the electricity industry works and Canadian Niagara Power's / Eastern Ontario Power' role in it"*		Test your knowledge
Chapter Survey 3 *"Help Canadian Niagara Power / Eastern Ontario Power understand our customer's priorities"*		Could You Help Us Decide
Chapter Survey 4 *"Getting customer insights about billing and outages"*		Make Your Voice Count

Online Survey TWO		Primary Theme
Chapter Survey 5a *"Help us prioritize capital investments in the electricity network"*		Could You Help Us Decide
Chapter Survey 5b *"COS decision-making considerations – ranked items"*		Make Your Voice Count
Chapter Survey 6 *"Gathering insights about customer care operations"*		Could You Help Us Decide

Methodology

The 2020 findings in this report are based on telephone interviews conducted for Simul Corp. / UtilityPULSE by Logit Group between August 24 - September 22, 2020, with 400 respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by Canadian Niagara Power / Eastern Ontario Power.

The sample of phone numbers chosen was drawn randomly to ensure each business or residential phone number on the list had an equal chance of being included in the poll.

The sample was stratified so that 85% of the interviews were conducted with residential customers and 15% with commercial customers.

In sampling theory, in 19 cases out of 20 (95% of polls in other words), the results based on a random sample of 400 residential and commercial customers will differ by no more than ±4.89 percentage points where opinion is evenly split.

The margin of error for the sub-samples is larger and should be used as directional information only. However, the directional information may have more meaning if historical data and/or Ontario benchmark data shows similar results.

Online Surveys:

In order to write a “book” on customer engagement for Canadian Niagara Power / Eastern Ontario Power, two customized surveys with multiple “chapters,” or sections were developed. Each survey had a different theme, and each survey offered the respondent two opportunities to provide comment.

Customers were invited to participate in the online surveys via advertising efforts, social media messaging, home page website profile, and direct email invitations. Participants were given the opportunity to complete as few or as many of the surveys/chapters they wished to provide feedback. Participation in the first survey was 602 and a total of 1,240 completed the second online survey.

UtilityPULSE

A Division of Simul Corporation

TAKING A.I.M.

(Applied Insights Methodology)

The purpose of this report and investments made in the Taking A.I.M. methodology is to support the COS/DSP application process for Canadian Niagara Power / Eastern Ontario Power. Any other use requires written permission from Simul Corporation.

UtilityPULSE, through polls and surveys, provides executives and managers with customer and employee feedback that assists in making both strategic and operational decisions. We've been conducting an Annual Customer Satisfaction & Loyalty survey for Ontario LDCs since 1999. Utilities participating in the annual survey can augment the core set of questions and compare their own utility performance with an industry benchmark.

All comments and questions should be addressed to:
Sid Ridgley, Simul Corporation
UtilityPULSE division
Tel: 1-905-895-7900
email: sridgley@simulcorp.com

CANADIAN NIAGARA POWER INC.

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BP APPENDIX B:
CNPI 2019 SCORECARD

Scorecard - Canadian Niagara Power Inc.

10/21/2020

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		94.40%	91.10%	90.81%	90.40%	93.27%	down	90.00%	
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	100.00%	flat	90.00%	
		Telephone Calls Answered On Time		76.10%	75.70%	77.33%	80.98%	79.73%	up	65.00%	
	Customer Satisfaction	First Contact Resolution		99.80%	99.20%	99.80%	99.84%	99.94%			
		Billing Accuracy		99.91%	99.81%	99.91%	99.90%	99.92%	up	98.00%	
		Customer Satisfaction Survey Results		94%	85%	91%	91%	91%			
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%	83.00%			
		Level of Compliance with Ontario Regulation 22/04 [1]		NI	C	C	C	C	flat		C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	1	down		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.963	down		0.137
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		2.36	3.47	3.11	2.45	3.01	up		2.26
		Average Number of Times that Power to a Customer is Interrupted [2]		2.78	2.29	2.04	2.14	2.00	up		2.21
	Asset Management	Distribution System Plan Implementation Progress		Completed	Complete	In Progress	Completed	Completed			
	Cost Control	Efficiency Assessment		4	4	4	4	4			
		Total Cost per Customer [3]		$778	$796	$773	$867	$893			
		Total Cost per Km of Line [3]		$21,726	$22,371	$21,875	$24,425	$16,421			
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]		12.30%	51.39%	84.23%	101.00%	120.00%			28.48 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time				100.00%					
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%		flat	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	**Financial Ratios**	Liquidity: Current Ratio (Current Assets/Current Liabilities)		0.35	0.33	0.36	0.44	0.28			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.72	1.64	2.11	3.03	2.92			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.93%	8.93%	8.78%	8.78%	8.78%			
			Achieved	10.00%	8.97%	10.70%	6.58%	5.84%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
4. The CDM measure is based on the now discontinued 2015-2020 Conservation First Framework. 2019 results include savings reported to the IESO up until the end of February 2020.

Legend:

5-year trend
up | down | flat

Current year
target met | target not met

2019 Scorecard Management Discussion and Analysis ("2019 Scorecard MD&A")

The link below provides a document titled "Scorecard - Performance Measure Descriptions" that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard's measures in the 2019 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

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

In 2020, CNPI expects to continue to improve its overall scorecard performance results as compared to previous years. These performance improvements are expected as a result of enhanced system reliability due to CNPI's investment in its distribution system and continued responsiveness to customer feedback.

Service Quality

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

In 2019, CNPI connected 93.2% of the 297 new eligible low-voltage residential and small business customers within the Ontario Energy Board's prescribed five-day timeline. Since 2011, CNPI has consistently exceeded the Ontario Energy Board's performance standard.

- **Scheduled Appointments Met On Time**

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

- **Telephone Calls Answered On Time**

In 2019, customer service representatives answered 79.7% of CNPI's 33,897 calls within 30 seconds. This exceeds the Ontario Energy Board's mandated 65% target. CNPI continues to offer and promote self-serve options and utilizes social media to engage and inform customers in an effort to offer customers additional channels to interact with the Company.

Customer Satisfaction

- **First Contact Resolution**

CNPI measured First Contact Resolution by tracking the number of escalated calls as a percentage of total calls taken by the customer contact center. In 2019, only 0.06% of calls were escalated.

- **Billing Accuracy**

For 2019, CNPI issued approximately 357,358 invoices and 99.92% were accurate. This is above the industry standard of 98%.

- **Customer Satisfaction Survey Results**

CNPI conducts its customer satisfaction surveys through a third-party survey provider, UtilityPULSE, consistent with many other LDCs in the province. Phone numbers were randomly selected so that 85 per cent of the interviews were conducted with residential customers and 15 per cent with general service customers. The 2019 satisfaction score of 91% is the near the Ontario benchmark of 92%.

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

Safety

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

In 2019, UtilityPulse was also engaged to complete surveys in relation to "Public Awareness of Electrical Safety". On completion of this survey, UtilityPulse generated a "Public Safety Awareness Index Score" for CNPI and other LDC's. Province-wide scores ranged from 80% to 85%, with both average and median Index Scores of 83%. CNPI's score of 83% suggests that members of the public are generally well-informed about the safety hazards associated with electrical distribution systems, but also that further education and engagement would be beneficial. This survey on "Public Awareness of Electrical Safety" is completed on a two-year cycle and will be completed again by CNPI in 2021.

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

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

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

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

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

System Reliability

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

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

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

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

CNPI's customers experienced a slight decrease in the average number of electrical service disruptions in 2019 compared to 2018. The 2019 result represents the lowest outage frequency in the 2015-2019 period, and marks the third straight year where outage frequency is better than the OEB target.

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

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

Asset Management

- **Distribution System Plan Implementation Progress**

CNPI completed the majority of planned 2019 capital projects in accordance with its Distribution System Plan, with emphasis on continuing voltage conversion and substation rebuild work to improve the safety and reliability of its distribution system. CNPI has also continued to invest in system expansions to accommodate requests for new services, due to new subdivision development above historical levels. All maintenance activity as defined in the Distribution Asset Management Plan was completed in 2019.

Cost Control

- **Efficiency Assessment**

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

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

- **Total Cost per Customer**

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

Over the 2015 to 2019 period covered by the scorecard, CNPI faced both inflationary cost increases, as well as cost increases associated with investments in programs for asset replacement, system improvement, and vegetation management that are sustainable in the long term. In contrast, CNPI's customer count increased by only 2.6% over the entire five year period, with a result that cost increases are not offset by customer growth.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the total kilometers of line that CNPI operates to serve its customers. CNPI's 2019 result is $16,421 per km of line, a 32% decrease over 2018. This decrease is due to changes in OEB reporting requirements used to calculate this parameter. In 2019, CNPI started reporting on the length of its low-voltage secondary lines, in addition to the length or higher-voltage primary lines reported in prior years. This increased the total line length used in the calculation from 1,038 km in 2018, to 1,602 km in 2019.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

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

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

Connection of Renewable Generation

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

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

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

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

Financial Ratios

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

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

changed from prior year. Going forward, the liquidity ratio is expected to be maintained at a level greater than 1, indicating that CNPI can pay its short term debts and financial obligations.

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

The Ontario Energy Board uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5. The Scorecard reports the total debt to equity ratio for CNPI's segmented distribution business as 2.92 for 2019 (2018 3.03). CNPI however manages its capital structure on a consolidated basis that includes both its transmission and distribution divisions. On this basis, the 2019 leverage debt to equity ratio based on CNPI's audited financial statements, adjusted to include due to related parties, is 1.56 (2018 1.54), which has not significantly changed from prior year. Going forward, the leverage ratio is expected to be maintained at a level near the 1.5 deemed capital mix noted above.

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

CNPI's 2019 distribution rates were approved by the Ontario Energy Board as part of its 4th Generation Incentive Rate-Setting application. CNPI's last Cost of Service application was for rates effective January 1, 2017 and this included an expected (deemed) regulatory return on equity of 8.78%. The Ontario Energy Board allows a distributor to earn within +/- 3% of the expected return on equity.

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

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

Note to Readers of 2019 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.

CANADIAN NIAGARA POWER INC.

A FORTIS ONTARIO Company

APPENDIX 1-C:
LIST OF APPROVALS (OEB APPENDIX 2-A)

File Number:	EB-2021-0011
Exhibit:	1
Tab:	
Schedule:	
Page:	
Date:	30-Jun-21

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.

Canadian Niagara Power Inc. is seeking the following approvals in this application:

1		Approval to charge distribution rates effective January 1, 2022 to recover a base revenue requirement of $22,117,708, as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8.
2		Approval of the Distribution System Plan included in Exhibit 2.
3		Approval to adjust the Retail Transmission Rates – Network and Connection as calculated in Exhibit 8.
4		Continued approval of CNPI's existing Standby Charge on an interim basis, as described in Exhibits 7 and 8.
5		Approval to continue to charge various Regulatory Charges and the Smart Meter Entity Charge identified in Exhibit 8, as amended by the Board from time to time.
6		Approval to continue the Retail Service Charges, Specific Service Charges, Transformer Allowance and Primary Metering Allowance, identified in Exhibit 8.

7		Approval of inflationary adjustments to certain Retail Service Charges and Specific Service Charges as calculated in Exhibit 8.
8		Approval of Low Voltage Service Charges, as calculated in Exhibit 8.
9		Approval of the proposed loss factors as calculated in Exhibit 8.
10		Approval of the rate riders for disposition of the Deferral and Variance Accounts, including LRAMVA, as detailed in Exhibit 9.
11		Such other approvals that CNPI may request and that the OEB accepts.

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

APPENDIX 1-D:
EXECUTIVE CERTIFICATION

STATEMENT OF CERTIFICATION

As Vice President Finance and Chief Financial Officer of Canadian Niagara Power Inc., I certify that, to the best of my knowledge, the evidence filed in this Application is accurate, complete, and consistent with the Ontario Energy Board's Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications, issued on May 14, 2020.

I further certify that the evidence does not include any personal information, as that phrase is defined in the Freedom of Information and Protection of Privacy Act, of another person who is not a party to the proceeding.

Glen King
Vice President Finance and Chief Financial Officer
Dated at Fort Erie, Ontario, this 30th day of June, 2021

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

APPENDIX 1-E:
SERVICE AREA MAPS

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Crowland TS

JBL

KF

FF

Port Colborne TS

JF

CF

SF

STATION 17

STATION 18

GilmoreDS

STATION 12

STATION 19

Lake Erie

Legend

- Substation
- 19.9/34.5kV - Three Phase
- 19.9/34.5kV - Single Phase
- 16/27.6kV - Single Phase
- 16/27.6kV - Three Phase
- 13.8kV - Three Phase
- 7.6/13.2kV - Single Phase
- 4.8kV - Delta, Three Phase
- 4.8kV - Delta, Two Phase
- 4.8/8.32kV - Three Phase
- 4.8/8.32kV - Single Phase
- 2.4/4.16kV - Single Phase
- 2.4/4.16kV - Three Phase

0 1 2 4 Kilometers

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

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Legend

- 16/27.6kV Three Phase
- 16/27.6kV Single Phase
- 2.4/4.16kV Single Phase
- 2.4/4.16kV Three Phase
- 44kV Three Phase
- Source

Buck Lake

Loughborough Lake

EOP Main Substation

Herbert Sub

Gananoque Sub

Kingston

Wolfe Island Ferry

Wolfe Island

Bayfield Bay

Feather Bed Shoal

0 1.75 3.5 7 Kilometers

Eastern Ontario Power EOP

Legend

- 16/27.6kV Three Phase
- 16/27.6kV Single Phase
- 2.4/4.16kV Single Phase
- 2.4/4.16kV Three Phase
- 44kV Three Phase
- Source
- **Proposed Ratio Bank**

EOP Main Substation

Herbert Sub

Gananoque Sub

Gananoque River

Stocking Hill Creek

MacDonald-Cartier Fwy

King St W

King St E

Bay Park

Kinsmen Community Park

Gananoque Recreation Park

0 0.2 0.4 0.8 Kilometers

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

APPENDIX 1-F:
CUSTOMER ENGAGEMENT ACTIVITIES
(OEB APPENDIX 2-C)

File Number:	EB-2021-0011
Exhibit:	1
Tab:	
Schedule:	
Page:	
Date:	30-Jun-21

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.
3rd Party Customer Engagement Investments		
Taking A.I.M. (Appled Insights Methodology): UtilityPULSE facilitated review of Customer Engagement activities 2020	The purpose of this session was to: - Conduct a review of current Customer Egagement (CE) activities - Leverage CE activities for gathering feedback - Identify ways to get the best from internal resources - Ensure understanding of requirements to support COS/DSP application	Clarification of roles and responsibilities between internal resources, corporate resources and third party resources as they relate to various customer engagement activities. Project time-table was also established. UtilityPULSE also lead a discussion about current industry & customer trends. Action was taken to leverage CNPI/EOP's investment in the annual telephone customer survey to capture additional customer feedback. Topic areas for online surveys were identified.
Taking AIM (Applied Insights Methodology): CNPI/EOP's COS DSP online survey #1 of 2 [2020] - Chapter 1 "About your Canadian Niagara Power/Eastern Ontario Power"; Chapter 2 "Understanding Customer's Priorities"; Chapter 3 "How the electricity industry works and CNPI/EOP's role in it"; Chapter 4 "Getting customer insights about Billing and Outages"	Chapter survey 1 is designed to gauge the level of respondent disposition, i.e., positive or negative, towards CNPI/EOP as a company. Respondents would be introduced to important concepts such as: Make Your Voice Count and Wisdom from Customers. This was a Level 1 (Informing & Information Gathering), Level 2 (Gathering Feedback) & Level 3 (Capturing insights) engagement survey which is about raising awareness, providing education, and Capturing perceptions. The primary goal of the Taking A.I.M. process is to break down a large complex topics into smaller more manageable pieces. Respondents also had the opportunity to make comment on any subject.	Top 2 box satisfaction from online respondents was 91% which match the 2020 telephone survey of 91% CNPI/EOP is very highly rated as a trusted and trustworthy company and for dealing professionally with customers. 82% of respondents rated "investing more in the electricity grid to reduce outages" and 86% "Maintaining and upgrading equipment" as a Very high or High priority. Findings from the online survey #1 were compared with other sources of data i.e., the 2020 telephone to determine to what degree, if any, numerical results should be adjusted. No adjustments were made or needed to online survey data. Results are used to shape future customer service improvements and as input to the DSP.
Taking AIM (Applied Insights Methodology): CNPI/EOP's COS DSP #2 online survey - "Help us determine which capital investments and operational changes you can support"	This online survey is about specific DSP topics, specifically investments in system renewal and system service. This survey is a Level 3 and Level 4 engagement survey. It provides respondents with options and produces a "cost" for those options	Results from the Taking A.I.M. COS/DSP survey showed 66% of respondents supported the recommended $ increase (24% could support something higher, 42% supported the recommendation). 11% could support something less, 9% wouldn't support any increase and 15% Didn't know. Keeping costs low, maintain safe, reliable distribution of electricity and shorten power restoration times were the top 3 priorities. The DSP plan reflects these priorities.
Residential & Small Business Customer Survey 2020 (telephone)	The primary purpose of the Annual Customer Satisfaction survey is to gather information about satisfaction, customer affinity, feelings about outages and bills. Respondents are given an open-ended question to provide suggestions for improvement. For Fall 2020 additional questions around COVID-19 impact on customers and CNPI'/EOP's response were added to the core survey. Also respondents were asked to provide a priority rating for 16 operational items.	Questions about customer priorities were replicated in online surveys. (See Taking A.I.M. Surveys #1 & #2) Feedback and insights are used to shape the COS 5 year plan. The top four priorities in the telephone survey were: Maintaining and upgrading equpment to ensure a safe and reliable electricity supply; reducing response times to outages; Investing to ensure that more frequent and servere weather events will cause less damage to distribution system; and, Investing more in the electricity grid to reduce outages.
Residential & Small Business Customer Survey 2019 (telephone)	In addition to the primary purpose of the Annual Customer Satisfaction survey, feedback regarding preferred method of communication to receive notice of billing issues and unplanned outages was collected. Also feedback on priority planning for 11 operational items was collected.	Pro-actively maintaining and upgrading equipment was shown to be a high priority item with survey respondents. A new position, Energy Analyst was created in early 2020 to support system planning and asset management. Additional investment in wildlife guards was made to help reduce outages. In order to provide better information/communication with customers, forged strong relationship with Hydro One to work together and keep each other informed on projects.

Residential & Small Business Customer Survey 2018 (telephone)	In addition to the primary purpose of the Annual Customer Satisfaction survey, feedback regarding preferred method of communication to receive notice of billing issues, unplanned outages and general company news was collected.	Survey feedback showed that satisfaction with the quality of information available when outages occurred was low, and Customer feedback regarding online self-serve options was lower than desired, which created a need to review the existing Online Customer Portal. A decision was made to replaced two systems with one for managing the Online Customer Portal. Also, additional investments were made in distribution automation - technology that can determine the location of the cause of an outage and automate switching to restore some customers before crews arrive.
Residential & Small Business Customer Survey 2017 (telephone)	In addition to the primary purpose of the Annual Customer Satisfaction survey, questions about technology e.g., customer attitude towards technology, their current use of technology, and importance rating for having online access to 10 items.	Appointed Manager Customer Engagement with strong IT skills with the responsibility to ensure customer-facing processes are aligned with customer expectations.
Residential & Small Business Customer Survey 2016 (telephone)	In addition to the primary purpose of the Annual Customer Satisfaction survey, questions about effect of technology on customers were asked.	The growing use of technology and heightened need for customer communications help to establish a need for a dedicated Manager of Customer Engagement.
Electricity Safety Awareness Survey 2016, 2018, 2020	This is a standardized survey to engage consumers in Oshawa Power community about electricity safety conducted bi-annually.	CNPI/EOP scored 83% which equalled the benchmark score from the UtilityPULSE survey covering 41% of Ontario population. Results are used to help shape agenda for various external meetings such as those with contractors and others. One of CNPI/EOP's core company values is "Safety and the Environment."
Electricity Safety Awareness - Youth	Improve safety awareness with youth	CNPI/EOP conducts safety awareness sessions in public shools.
Electricity Safety Awareness - Communities	Improve safety awareness	CNPI participates in the City of Colborne and Town of Fort Erie safety days which includes hosting a Q&A session.
Customer and Community Engagement - Gaining Wisdom by Participating with People		
Enhancing Trust & Credibility through Stakeholder Empowerment	Making it easier for customers to get information or resolve issues is the goal of Level 5 engagement.	Feedback from customers is used to shape/sequence the introduction of features in the new Online Customer Portal.
- Consulting with Hydro One regarding regional planning issues	Maintaining reliable service of supply is valued by customers. CNPI/EOP have forged a strong working relationship with HydroOne.	CNPI/EOP's operational plan is adjusted based on identified needs. On an annual basis both the Transmission Report/Plan and Distribution System Report/Plan is provided to Hydro One to assist them in their planning processes.
- Working with others to educate and promote conservation (CDM)	Prior to the CDM framework being shut down in March 2019, meetings were held with various community groups to promote energy conservation.	Materials provided were adjusted as necessary for customers. the community meetings. A key employee with extensive CDM experience and strong relationship with Large Commercial customers was re-deployed as an energy analyst to support system planning and large customer conservation initiatives.
- Working with the Electrical Safety Authority	Improve electricity safety knowledge by working with the Electrical Safety Authority	CNPI/EOP used the ESA quarterly calendar to distribute safety messages
- Forming partnerships, alliances - Outsourcing	Reducing costs and improving service is achieved through partnerships and buying arrangements.	Cost savings and service improvements have been made by outsourcing resources for line construction. The goal was to reduce the number of setups and teardowns when larger projects required multiple days to complete.
- Forming partnerships, alliances - Industry associations	Actively participates in associations such as The Utilities Standards Forum (USF)	Benefits from being a part of USF: -Detailed discussions on emerging topics from the OEB and IESO on industry changes -The group develops templates and best practice guides which are used.
- Community engagement - Supply reliability	Improving supply reliability - significant engagement with the Town of Gananoque and Hydro One to focus on cost-effective solutions for improving reliability	Joint venture between HydroOne and EOP to rebuild 6.4 kilometers of a joint use line.
- Community engagement - Supply/sub-station rebuild	Dealing with issues of supply outages to Port Colborne. Extensive discussions with Town of Port Colborne and Hydro One	Multi-year project announced by Hydro One with construction to start in 2020. CNPI coordinated the required rebuilds and relocations of feeders in the area and made additional investments.

- Community engagement - Municipalities	Active engagement with town representatives from Port Colborne, Fort Erie and Gananoque to discuss and highlight projects regarding supply reliability and gain a better understanding of issues which are important to them.	Updating understanding about city/town needs & issues. Time is take to highlight capital projects designed to improve reliability and other projects of interest to the communities. Increased investments in wildlife guards and distribution automation were made to help address supply and restoration issues. One of CNPI/EOP's core company values is: "Community Involvement" - each of us has an obligation to support the communities that support us.
- Community engagement - Contractors	Contractor orientation	These meetings, held virtually in 2020, have attendees consisting of electricians, home builders, and third party contractors such as Bell, Cogeco. The result is a better understanding about how parties can work better together.
- Engaging customers - Social Media	Through CNPI/EOP posts of information to its base of "social media" users	Twitter and Facebook social media postings were made to encourage participation in the CNPI/EOP's online surveys.
Gathering Feedback via Consultation		
- Annual Customer Satisfaction Survey via UtilityPULSE	Gauging customer satisfaction levels, issues with outages and/or billing, and giving respondents an "open space" for comment is the purpose of the annual survey. CNPI/EOP's ratings are compared to an Ontario benchmark and a National benchmark.	CNPI/EOP's core survey contains supplemental questions to help determine what kinds of change could/should be made. See Taking A.I.M. report for more details. For Fall 2019 and 2020, CNPI/EOP included supplemental questions to gain a better understanding of customer priorities. Results from the most recent five annual surveys are used to influence how best to address changing expectations and standards of service.
- Internal committee meetings with other Fortis LDCs	Sharing of best practices with the goal to be more efficient.	This has lead to changes in succession planning and talent management within the customer service group to better recognize the enhanced skillset needed to handle increasingly complex customer interactions.
- Collecting, tracking and reviewing key customer service/care metrics	Customers demand fast, professional service	CNPI/EOP standards are often higher than those mandated by the OEB. In the 2020 Taking A.I.M. online Survey #1 and the Annual Customer Satisfaction survey (telephone), Respondents gave CNPI/EOP an 87% rating on the attribute "deals professionally with customers problems".
- Key account management - Large Commercial Customers	Power quality and reliability, outage restoration	Customer surveys conducted by UtilityPULSE in 2016 & 2017 showed this class of customers has different expectations. In 2017, large commercial customers were given a separate telephone number which moved the caller to the front of the line when dealing with outages, power quality, and fluctuation issues. This special telephone number is available to the large commercial customer 24/7. This change is designed to speed resolutions of issues. Though the CDM program was cancelled in 2019, professional relationships are maintained though assigned an experienced energy analyst. This energy analyst helps large commercial customers understand some of the options available to a business to reduce electricity consumption.
- Special meetings/projects - Gananoque substation replacement	Replace old substation to improve reliability and long-term costs without having to go through an expensive expropriation process	Working with the town and EOP engineers, developed a smaller pad-mounted transformer deployed strategically through the town which overcame the issue of lack of suitable land while improving reliability.
- Internal Townhall type meetings	Raise awareness of the importance of the customer and to provide employees with an opportunity to ask questions	Customer satisfaction and other survey information is shared with staff which re-enforces one of CNPI/EOP's core company values "Customer Service" - everyone has customers. Determine your customer's needs by listening…
Informing & Information Gathering		
- Operations system changes - Accessing information	Customers will, at their own time and convenience, want to get information quickly and easily. The website is one way to get information on a number of items 24/7.	The websites will be rebuilt an deployed in 2021. The newly rolled out customer portal is also live in 2021.
- Operations system changes - Accessing personal account information	Customers want easy access to information	CNPI/EOP implemented a new Online Customer Portal, which replaced two systems, and improves access to information. Future expansion of the capabilities of the Online Customer Portal are guided by feedback from customers.
- Operations system changes - First call resolution	Improve first-call resolution and reduce customer callbacks; and reduce the need to escalate customer complaints	Installed new phone system which allows for Supervisor, Customer Service to coach CSRs through a feature called “whisper” to create first call resolution vs. transferring or having customer callbacks.

- Operations system changes - Call response	Manage day-to-day customer issues through internal meetings	Employees share experience and ideas about handling customer "issues of the day" more efficiently
- Community engagement - Charity	Customers want to know their electricity distributor is connected to the community	Staff from CNPI and EOP contribute to local charities such as the United Way and Food banks, as well as local City/Town community events
Operational responses to Customer issues		
-Staff training	Making it easier for customers to get information or resolve issues is the goal. Customers expect that the person contacted is very knowledgeable.	CNPI/EOP new hires are typically started in jobs which give the person the opportunity to learn about the industry, the company and what customers are worried about. Job sharing, mentoring and coaching help prepare new hires for the demanding CSR jobs.
- Customer care process efficientcy	Customers value consistency from those who help them solve problems	CNPI/EOP have documented Business Process Procedures which are updated as needed. These BPP are used to help CSRs be consistent in their handling of customer issues.
-Succession Planning	Meeting the needs of an increasingly complex industry	Job descriptions were re-written to reflect the increase in skills and competencies that CSRs require. New hires can now see a progression in their careers. In 2017 qualifications for new hires was increased to ensure that those who interact with customers can handle increasingly complex issues.
- COVID-19 Impacts	The focus is on ensuring that customers are not operationally impacted by the COVID-19 pandemic and, that they are provided information in a professional and timely manner regarding changes in TOU rates, relief programs, and more. The annual telephone customer satisfaction survey showed that 27% of residential respondents were adversly affected by COVID-19. Respondents gave CNPI/EOP at 94% trusted rating for being able to handle another outbreak. 98% of respondents said it was very or somewhat important that CNPI/EOP act as a primary source of information about various programs.	CNPI/EOP employees adopted a "do what it takes to look after the customer" when the pandemic became official. Within about 3 days, most people were working from home. •CNP/EOP recognized a need to focus on our customers and the communities we serve, as part of our overall pandemic response. •Focus on customer communications – identified options for interaction with CNP/EOP and alternate ways to pay bills. •Changed payment reminder and notification processes to let customers know what support mechanisms might be available, and to communicate CNP/EOP willingness to work with the customer •Able to maintain call centre performance while customer service staff worked from home. •Implemented flexible payment arrangements beyond OEB requirements •Significant marketing communications of OEB and Government efforts toward rate relief, rule changes, assistance with arrears, etc. •Temporarily suspended late payment charges in the spring when widespread lockdowns were in place •Significant protocols and precautions put in place for office staff unable to work from home and for field staff, to ensure that essential operations, maintenance and construction activity could continue to be completed, and system reliability maintained •Continued to meet timelines for new customer connections •Focused on managing outages for those Working at Home and mindfulness of Business needs and impact to restaurants, etc. during peak time periods that could impact their operations and customer traffic.

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

CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

APPENDIX 1-G:
RECENT NEWSLETTER

CONNECTING YOU TO **ENERGY INFORMATION YOU CAN USE**

BILLING | **SAFETY**

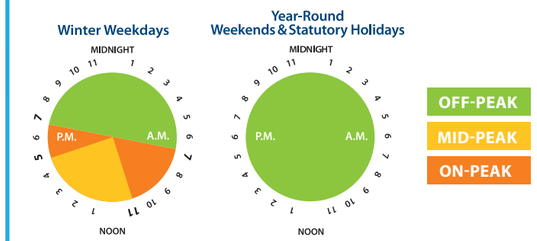
ONTARIO'S SYSTEM-WIDE ELECTRICITY SUPPLY MIX: 2019 DATA

Electricity Retailing – Disclosure to Consumers, O. Reg. 416/99, requires retailers to disclose to consumers the Ontario system-wide electricity supply mix in the manner established by the Ontario Energy Board. The Board's Directive for the Disclosure of Information to Consumers by Electricity Retailers under Ontario Regulation 416/99 prescribes the manner and timing requirements for this disclosure. The Directive applies to all retailers, including distributors that provide standard supply service.

Under O. Reg. 416/99 the Ministry of Energy is responsible for providing Ontario's electricity supply mix data for electricity suppliers. The following label discloses the system-wide electricity supply mix data for 2019. This data must be used by electricity suppliers for the purposes of complying with the disclosure obligations of O. Reg. 416/99 and the Directive. This data should be considered current until further notice.

TIME-OF-USE

The provincial Time-of-Use winter rate period is in effect November 1, 2020 – April 30, 2021. For current pricing go to:
oeb.ca/rates-and-your-bill/electricity-rates



ELECTRICITY FACTS

ELECTRICITY SOURCES	*ONTARIO'S ELECTRICITY MIX*
Nuclear Energy	**58.2%**
Water Power	**24.0%**
Natural Gas*	**06.1%**
Wind	**08.2%**
Solar PV	**02.4%**
Bioenergy**	**00.5%**
Non-Contracted***	**00.6%**

** Includes Lennox, dual fuel (ng/bio) consistent with IESO.*
*** IESO's embedded generation data set merges biomass and gas.*
**** Non-Contracted represents a variety of fuel types that the IESO is unable to categorize due to a lack of information from Local Distribution Companies (LDCs).* **Note:** *Figures may not add to 100% due to rounding.*

POWER IS **PERSONAL**

If you're a Time-of-Use (TOU) customer, you now have a choice. You can choose to switch to Tiered prices.

TOU
The price depends on when you use electricity. You can help manage your electricity costs by shifting your usage to lower price periods when possible.

Tiered
With Tiered pricing, you can use a certain amount of electricity at a lower price. Once you exceed that limit, a higher price applies.

Considering a switch? Use your own electricity usage information from your bill and our calculator to see side-by-side, what your total bill would look like under TOU and Tiered prices.

Visit oeb.ca/calculator.

Choose the price plan that's right for you.
Because **power is personal.**

We're here to help:
1-877-632-2727 | TTY: 1-844-621-9977
publicinformation@oeb.ca | oeb.ca;
or visit your utility's website for more information on the choices available to you.

ONTARIO ENERGY BOARD

LEGISLATION **CORNER**

ENABLING CUSTOMERS TO OPT OUT OF TIME-OF-USE PRICING

The Ontario government is now providing a choice for consumers on the Regulated Price Plan (RPP) who pay time-of-use (TOU) prices. This initiative will allow RPP TOU customers to opt out of TOU pricing in favour of tiered prices starting November 1, 2020.

This option will be available to anyone in Ontario that currently has a communicating TOU meter. If you would like further details on the program, please visit The Ontario Energy Board's website on www.oeb.ca/choice. Election forms are available on your local utility's website.

Did you know? *Your utility offers an Equal Payment Plan to their residential, seasonal, and small general services. Contact your utility for more information.*

Did you know? *By request, deposits will be refunded to designated low-income customers. Please contact customer service for more information.*

CALL BEFORE YOU DIG!
CONTACT ONTARIO ONE CALL TO REQUEST YOUR FREE LOCATE. ON1CALL.COM • 1-800-400-2255

FALL | WINTER 2020

CANADIAN NIAGARA POWER INC. A FORTIS ONTARIO Company | Eastern Ontario Power A FORTIS ONTARIO Company | Algoma Power Inc. A FORTIS ONTARIO Company

making connections

CONNECTING YOU TO ENERGY INFORMATION YOU CAN USE

IN YOUR COMMUNITY

MAKING YOUR VOICE COUNT - ONLINE SURVEY

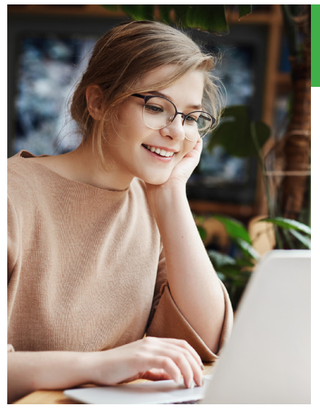
Canadian Niagara Power and Eastern Ontario Power want to ensure their Customer's Voices Count with an online survey as each utility develops a new 5 year plan as part of our upcoming rate application. All customers who complete the survey will receive a $10.00 credit on their account or donation to the United Way – your choice! The input from CNPI & EOP customers will provide insight into our customer's viewpoints which aids the prioritizing of future initiatives. To complete survey, please visit your utility's website below:

CNPI customers - online survey at http://ow.ly/OwVU50Bm8yE or visit your utility website @ www.cnpower.com

EOP customers – online survey at http://ow.ly/2zZn50Bmbgq or visit your utility website @ www.easternontariopower.com

Hurry, survey is only available until December 31, 2020.

MAKE YOUR VOICE COUNT



OUR **NEW** CUSTOMER PORTAL IS HERE!!

The enhancements our customers have requested have arrived. We have a more inclusive and customer friendly dashboard for you to manage your bills, payments, view your consumption history, and more! All customers who sign up for e-billing at our new portal by March 31, 2021 will automatically be entered in a draw to **WIN 1 OF 2 ENERGY STAR APPLIANCES OF YOUR CHOICE** (max. $1500.00 value). Please visit our website for details.

To sign up, go to your utility's website or to this link to sign up today
myaccount.cnpower.com/app/login.jsp

For customers already on e-billing, you will need to log into our new portal to register. Once you register, your old e-billing account will be deleted.

As always, our Customer Service personnel are available to assist you during regular business hours. Please contact your utility if you have any questions.

TO REPORT A POWER OUTAGE OR A FALLEN LINE CALL OUR 24 HOUR EMERGENCY SERVICE:

Canadian Niagara Power:
Fort Erie & Port Colborne 1.844.501.9473 (WIRE)
Eastern Ontario Power 1.844.601.9473 (WIRE)
Algoma Power 1.844.901.9473 (WIRE)

LIKE YOUR UTILITY'S FACEBOOK PAGE and stay informed about what is happening in the electric industry, programs, funding, and contests.

THE BEST WAY FOR YOU TO ACCESS INFORMATION when larger unplanned outages occur — follow your local utility: **@APIpower, @CNPpower, @EOPpower**

fortisontario.com cnpower.com | easternontariopower.com | algomapower.com

YOUR SAFETY MINUTE

STORM DAMAGE:

With wind, ice or snow storms in Ontario, the likelihood of trees coming down on and near power lines is a reality. Power lines on the ground can be energized. In storm situations, electrical hazards likely exist and must be recognized. Trimming or cutting trees in proximity to power lines is unsafe and can be life threatening. It is important to know that there may be hazards that you are unaware of when power lines are in contact with trees. You may want to get your property "back to normal" as soon as possible, however it is imperative to proceed with caution. Contact your electrical utility prior to entering an area where trees are in contact with power lines. Utility crews must deem the area electrically safe prior to entry. Call First!!

CREW SAFETY:

When our crews are working to restore power their safety and their focus is imperative. Customers should contact their local utility about concerns with respect to conditions on or with electrical powerline equipment. Please refrain from approaching crews while they are working to restore power.

YOUR OPINON MATTERS: Your utility's annual Customer Service Telephone Survey is underway this fall. FortisOntario has Utility PULSE contacting a sample group for each of its utilities. This survey provides valuable insight into what matters most to our customers and supports future enhancements. We thank our customers who participate.

COVID-19 IS STILL A FACT IN THE FALL OF 2020. PLEASE BE ADVISED THAT:
Your utility's office will remain closed
Crews in the field require a minimum of 2 metres from approaching people to ensure their safety

SPACE KEEPS YOU SAFE!

Trimming and removing trees near powerlines is a hazardous activity with potentially tragic consequences. For your safety always **keep at least 3 metres (10 feet) of space** between the powerlines and yourself, your tools and your equipment.

Consider the use of prefessional tree service and call your utility for guidance before trimming and removing trees near powerlines on your property. For the sake of your family, don't be the cause of a tragic accident.

For the sake of your neighbours, don't be the cause of an unplanned outage.

Again remember to follow these tips:

- Keep 3 metres/10 feet of space
- Call your utility first
- Use a professional tree service

TIMELY INFORMATION ABOUT **YOUR BILLS/DEPOSITS:**

Your due date is now 25 days after you have been billed (statement date). This extra time to pay a bill has been welcomed by our customers. This change also means that there will be times where your payment is not applied before the next bill is created (statement date). For these times you will notice a balance forwarded on your bill even when paid by the due date. Check the statement date on the bill and compare when you paid your last bill.

Deposits will be waived for small general, residential, and seasonal customers who agree to be on our Equal Payment Plan or who agree to directly pay bills from a financial institution. Deposits are not required for all customers who pay on the due date for each bill.

Contact our customer service department with any inquiries about these features.

SAVINGS WHILE **WORKING FROM HOME**

WITH COVID-19 BEING A REALITY, MANY HAVE A NEW ROUTINE OF WORKING FROM OUR HOME. NOW'S A GOOD TIME TO THINK ABOUT WAYS TO KEEP OUR HOME ENERGY CONSUMPTION (AND UTILITY BILLS) TO A MINIMUM. WORKING FROM HOME IS GENERALLY CONSIDERED TO HAVE MANY ENVIRONMENTAL BENEFITS, LIKE REDUCING THE NUMBER OF PEOPLE DRIVING TO WORK, AND CUTTING DOWN ON OFFICE BUILDING ENERGY NEEDS. BUT WORKING FROM HOME ALSO MEANS YOU WILL BE USING MORE ENERGY AT HOME THAN YOU USUALLY WOULD.

Here are our top tips to increase the energy efficiency of your home office:

Turn off the lights!
Chances are, your home has more natural light than your office. Make the most of it by opening your curtains during the day and switching off your lights. The bonus? Natural light is known to be good for your mental health and productivity.

Grab a blanket
It may not be smart, or even casual. But when you're working from home it doesn't really matter. By keeping a blanket handy while you work you can avoid cranking up the heat to keep warm. Just make sure to hide it on your lap when video-conferencing with your boss!

Unplug all distractions
You'd be surprised at how many distractions are hiding in your home. The good news is that by unplugging everything you're not using for work including the printer, any chargers lying around the house, TVs and other screens, you'll be doing the planet and your productivity a favour. Cutting down on a little vampire energy every day will go a long way.

Manage your time efficiently
Some people prefer working from home rather than going to the office because they can focus on their work without the distractions of the office – coffee breaks, noisy coworkers, endless in-person meetings. Getting your work done faster means you free up time for other things – like going outside or reading. Don't forget to turn off your computer and any other work-related technology when you stop working!

Use energy-efficient equipment
When it comes to energy efficiency, labels are important. Where possible, make sure you are using ENERGY STAR qualified products (find a list of them here) as these will guarantee you are getting the highest energy efficiency from your equipment. Another great option if you're looking for new equipment with lower energy consumption is to use refurbished equipment. It's both cheaper and greener.

Check your energy-saving settings
Most computers these days have built-in settings to help you save energy. Check your system preferences and set them to low power or energy-saving mode where possible.

Smart power strips
A small investment will give you high energy saving returns. By plugging all your work-related equipment into a smart power strip you can ensure that you won't be drawing power when you're not at work while leaving you the option of keeping your most essential devices "always on".

CANADIAN NIAGARA POWER INC.

A FORTIS ONTARIO Company

APPENDIX 1-H:
2019 AUDITED FINANCIAL STATEMENTS

Financial statements of
Canadian Niagara Power Inc.

December 31, 2019

Deloitte LLP
25 Corporate Park Drive
3rd floor
St. Catharines ON L2S 3W2
Canada

Tel: 905-323-6000
Fax: 905-323-6001
www.deloitte.ca

Independent Auditors' Report

To the Shareholder of
Canadian Niagara Power Inc.

Opinion

We have audited the financial statements of Canadian Niagara Power Inc. (the "Corporation"), which comprise the balance sheet as at December 31, 2019, and the statements of earnings and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises ("ASPE").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Corporation 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 the financial statements in accordance with ASPE, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 GAAS 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 GAAS, 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 Corporation'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 Corporation'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 Corporation 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 12, 2020

Canadian Niagara Power Inc.

Balance sheet

As at December 31, 2019

(In thousands of dollars)

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash		**—**	4,766
Accounts receivable	11	**10,354**	10,213
Income taxes receivable		**542**	243
Materials and supplies		**123**	70
Regulatory assets	13	**1,102**	30
Prepaid expenses		**553**	637
		12,674	15,959
Utility capital assets, net	2	**139,086**	129,500
Intangible assets, net	3	**9,275**	9,740
Accrued pension benefit asset	4	**6,671**	4,488
Regulatory assets	13	**10,853**	10,086
Goodwill		**7,232**	7,232
		185,791	177,005
Liabilities			
Current liabilities			
Bank indebtedness		**257**	—
Accounts payable and accrued liabilities	11	**8,299**	10,118
Customer deposits	11	**409**	314
Regulatory liabilities	13	**—**	837
Due to related parties	6	**9,883**	6,298
		18,848	17,567
Long-term customer deposits	11	**1,735**	1,158
Long-term debt	7, 11 and 12	**74,699**	74,688
Future tax liabilities	5	**10,504**	9,110
Accrued other retirement benefit liability	4	**6,278**	6,217
Contributions in aid of construction		**15,219**	14,939
Regulatory liabilities	13	**3,980**	717
		131,263	124,396
Shareholder's equity			
Capital stock	8	**23,900**	23,900
Retained earnings		**30,628**	28,709
		54,528	52,609
		185,791	177,005

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

Approved by the Board

_____, Director

_____, Director

Canadian Niagara Power Inc.

Statement of earnings and retained earnings

Year ended December 31, 2019
(In thousands of dollars)

	Notes	2019 $	2018 $
Revenue			
Sale of energy		**56,307**	53,777
Distribution		**19,079**	19,167
Transmission		**4,484**	5,036
Other		**1,909**	2,425
		81,779	80,405
Expenses			
Cost of power purchased		**56,307**	53,777
Operating		**12,013**	12,506
Amortization	9	**5,485**	5,269
		73,805	71,552
Operating earnings before the following		**7,974**	8,853
Other regulatory adjustment	13	**(535)**	—
Interest expense	6,7 and 11	**(3,434)**	(3,590)
Earnings before income taxes		**4,005**	5,263
Provision for income taxes	5	**86**	945
Net earnings for the year		**3,919**	4,318
Retained earnings, beginning of year		**28,709**	29,391
Dividends paid	6	**(2,000)**	(5,000)
Retained earnings, end of year		**30,628**	28,709

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

Canadian Niagara Power Inc.

Statement of cash flows

Year ended December 31, 2019
(In thousands of dollars)

	Notes	2019 $	2018 $
Operating activities			
Net earnings for the year		**3,919**	4,318
Add (deduct) items not involving cash			
Amortization	9	**5,801**	5,620
Amortization of debt issuance costs		**11**	23
Future income taxes		**1,394**	641
Loss on sale of utility capital assets		**177**	33
Accrued pension benefits		**(2,183)**	1,336
Accrued other retirement benefits		**61**	(1,440)
Customer deposits		**577**	777
Long-term regulatory assets and liabilities		**2,496**	(563)
		12,253	10,745
Net change in non-cash working capital balances related to operations	10	**(457)**	(3,725)
		11,796	7,020
Investing activities			
Additions to utility capital assets		**(14,816)**	(17,166)
Additions to intangible assets		**(816)**	(957)
Proceeds on sale of utility capital assets		**69**	87
		(15,563)	(18,036)
Financing activities			
Short-term loan payable		**—**	(4,000)
Increase in contributions in aid of construction		**744**	1,812
Dividends		**(2,000)**	(5,000)
Repayment of promissory note due to parent		**—**	(26,500)
Increase in long-term debt		**—**	75,000
Repayment of long-term debt		**—**	(30,000)
Long-term debt issue costs		**—**	(316)
		(1,256)	10,996
Net decrease in cash during the year		**(5,023)**	(20)
Cash, beginning of year		**4,766**	4,786
(Bank indebtedness) cash, end of year		**(257)**	4,766

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

1. Basis of accounting and summary of significant accounting policies

Incorporation

Canadian Niagara Power Inc. (the "Corporation" or "CNPI"), a wholly owned subsidiary of FortisOntario Inc. (the "parent company") (formerly Canadian Niagara Power Company, Limited), was incorporated on February 17, 1999 to comply with the Electricity Act, 1998 (Ontario) (the "Act"). The Act requires that the electric power transmission and distribution businesses, previously carried out by the parent company, be carried out by a separate legal entity. Effective March 31, 1999, the Corporation purchased the electric power transmission and distribution assets of its parent company and commenced operations. On January 1, 2004, the Corporation was amalgamated with Eastern Ontario Power Inc. and continued as Canadian Niagara Power Inc. The business of the Corporation is the transmission and distribution of electricity to customers within Ontario. The business is regulated by the Ontario Energy Board ("OEB").

These financial statements include the operating results of the Fort Erie, Port Colborne and Eastern Ontario Power (Gananoque) distribution centres and the Fort Erie transmission centre.

(a) Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"), as per Part II of the CPA Handbook - Accounting, which constitutes generally accepted accounting principles for non-publicly accountable enterprises in Canada.

(b) Significant accounting policies

Regulation

CNPI distribution

The distribution rates of CNPI are based upon Cost of Service ("CoS") rate regulation by the OEB. Earnings are regulated on the basis of a rate of return on rate base plus a recovery of all allowable distribution costs.

Beginning with electricity distribution rates effective in 2016, decoupling of electricity distribution rates for the Residential customer class was introduced; complete decoupling has been approved in 2020 rates.

On August 14, 2017, CNPI filed an application with the OEB seeking approval to change electricity distribution rates, effective January 1, 2018, based on 4th Generation Incentive Rate Making ("4GIRM"). A Decision and Order was issued December 14, 2017 that approved the net price cap index adjustment for CNPI of 0.75% (i.e. 1.2% inflation – (0% productivity + 0.45% stretch)). The 0.75% adjustment was applied to distribution rates (fixed and variable charges) uniformly across all customer classes.

On August 13, 2018, CNPI filed an application with the OEB seeking approval to change electricity distribution rates, effective January 1, 2019, based on 4GIRM. A Decision and Order was issued December 13, 2018 that approved the net price cap index adjustment for CNPI of 1.05% (i.e. 1.5% – (0% + 0.45%)). The 1.05% adjustment was applied to distribution rates (fixed and variable charges) uniformly across all customer classes.

1. Basis of accounting and summary of significant accounting policies (continued)

Incorporation (continued)

(b) Significant accounting policies (continued)

Regulation (continued)

CNPI distribution (continued)

On August 12, 2019, CNPI filed an application with the OEB seeking approval to change electricity distribution rates, effective January 1, 2020, based on 4GIRM. A Decision and Order was issued December 12, 2019 that approved the net price cap index adjustment for CNPI of 1.55% (i.e. 2.0% – (0% + 0.45%)). The 1.55% adjustment will be applied to distribution rates (fixed and variable charges) uniformly across all customer classes.

CNPI transmission

The transmission rates of CNPI are based upon CoS rate regulation by the OEB. Earnings are regulated on the basis of a rate of return on rate base plus a recovery of all allowable transmission costs.

On November 17, 2014, CNPI submitted a Revenue Requirement Application for its Transmission business. The Application sought approval of CNPI's 2015 and 2016 Transmission Revenue Requirement.

On June 25, 2015, the OEB issued its Decision and Order. The Decision and Order approved final revenue requirements of $4,246 and $4,647 for 2015 and 2016 respectively, and provided a 9.3% ROE with a 60%/40% debt equity structure.

Setting of the Uniform Transmission Rates for the 2018-2020 rate years continues to include CNPI's approved 2016 revenue requirement of $4,647.

Materials and supplies

Materials and supplies are recorded at average cost. Materials and supplies expensed to operating expenses in 2019 were $106 ($69 in 2018).

Utility capital assets and capitalization policy

Nature of distribution and transmission assets

Distribution assets

Distribution assets are those used to distribute electricity at lower voltages (generally below 50 kilovolts). These assets include poles, towers and fixtures, low-voltage wires, transformers, overhead and underground conductors, street lighting, meters, metering equipment and other related equipment.

Transmission assets

Transmission assets are those used to transmit electricity at higher voltages (generally at 50 kilovolts and above). These assets include poles, wires and conductors, substations, support structures and other related equipment.

1. Basis of accounting and summary of significant accounting policies (continued)

Incorporation (continued)

(b) Significant accounting policies (continued)

Service life range and average remaining service life of utility capital assets

The service life range and average remaining service life of the utility capital assets are as follows:

	Service life range (years)	Average remaining service life (years)
Distribution	10 to 50	35.2
Transmission	20 to 50	31.8
Other	5 to 50	10.1

Utility capital assets are stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the utility capital assets using the straight-line method at a composite rate of 2.5% (2.5% in 2018).

Contributions in aid of construction represent funding of utility capital assets contributed by customers. These accounts are being reduced annually by an amount equal to the charge for amortization provided on the contributed portion of the assets involved.

Capitalization policy

The Corporation's capitalization policy is in accordance with the OEB's requirements to use a "modified IFRS" accounting basis.

Intangible assets

Intangible assets are stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the intangible assets using the straight-line method.

The service life range and average remaining service life of the intangible assets are as follows:

	Service life range (years)	Average remaining service life (years)
Software costs	5 to 10	3.9
Land and transmission rights	40	22.7
Other	45 to 50	33.7

1. Basis of accounting and summary of significant accounting policies (continued)

Incorporation (continued)

(b) Significant accounting policies (continued)

Asset retirement obligations

ASPE requires the recognition of an asset retirement obligation in the period during which a legal obligation associated with the retirement of a tangible long-lived asset is incurred and when a reasonable estimate of this amount can be made.

The Corporation has determined that there are asset retirement obligations associated with some parts of its transmission and distribution systems; however, none of these are material or require recognition under Section 3110 of the CPA Handbook.

Goodwill

Goodwill represents the excess of the acquisition cost of the shares of the Corporation, and Eastern Ontario Power Inc. (amalgamated with the Corporation on January 1, 2004) over the assigned value of identifiable net assets acquired, as well as the excess of the purchase price of the remaining utility capital assets of Port Colborne Hydro Inc. ("PCHI") over the fair value of these assets.

ASPE requires that goodwill shall be tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the reporting unit to which the goodwill is assigned may exceed the fair value of the reporting unit. Any impairment in value is charged to earnings during the year.

Other assets

Other assets are amortized over their useful lives.

Revenue recognition

Revenue from the sale, transmission and distribution of electricity is recognized on the accrual basis. Electricity is metered upon delivery to customers and is recognized as revenue using approved rates when consumed. Meters are read periodically and bills are issued to customers based on these readings. At the end of the year a certain amount of consumed electricity will not have been billed. Electricity that is consumed but not yet billed to the customers is estimated and accrued as revenue in the current year. Unbilled revenue included in accounts receivable as at December 31, 2019 is $5,586 ($5,584 in 2018).

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Gains and losses on translation are included in the statement of earnings and retained earnings. Revenue and expenses are translated at the exchange rate prevailing on the transaction date.

1. Basis of accounting and summary of significant accounting policies (continued)

Incorporation (continued)

(b) Significant accounting policies (continued)

Employee benefit plans

Effective January 1, 2014, the Corporation adopted the new CPA Handbook Section 3462, *Employee Future Benefits*, for its accounting of pension benefits and other retirement benefits. As allowed under new Section 3462, the Corporation made an accounting policy choice to measure its defined benefit plan obligations using the funding valuation approach. This approach uses the most recent completed actuarial valuations prepared for funding purposes as the basis of measuring defined benefit plan obligations. Even though other retirement benefits are not funded, Section 3462 allows that such liabilities can be measured on a basis consistent with funded plans. As well, the Corporation is using a roll-forward technique in the years between valuations to estimate the defined benefit obligations. Pension plan assets are valued at fair value as of the balance sheet date.

In 2013, the Corporation made an application to the OEB to continue to account for pension and other retirement benefits under the former Section 3461. In December 2013, the OEB issued a Decision and Order approving the establishment of specific variance accounts as of January 1, 2013 to recognize the difference in expense between Sections 3461 and 3462 as long-term regulatory assets or liabilities for 2013 and future years, which will be disposed of in future cost of service proceedings, subject to the OEB's prudence review at that time.

Income taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the temporary differences between the tax and accounting bases of assets and liabilities. Future tax assets and liabilities are measured using the enacted and substantively enacted tax rates and laws expected to apply to taxable income in the period in which the temporary differences are expected to be recovered or settled. The Corporation recognizes regulatory assets related to future income tax liabilities in the amount of future income taxes expected to be recovered from customers in future electricity rates.

Use of estimates

The preparation of financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. Utility capital assets

Utility capital assets consist of the following:

	Cost $	Accumulated amortization $	2019 Net book value $
Transmission	**35,048**	**15,525**	**19,523**
Distribution	**165,004**	**51,099**	**113,905**
Other	**16,752**	**11,094**	**5,658**
	216,804	**77,718**	**139,086**

	Cost $	Accumulated amortization $	2018 Net book value $
Transmission	34,880	14,927	19,953
Distribution	152,794	48,618	104,176
Other	16,411	11,040	5,371
	204,085	74,585	129,500

The amounts above include assets under construction of $8,341 ($6,929 in 2018) which are not subject to amortization.

3. Intangible assets

Intangible assets consist of the following:

	Cost $	Accumulated amortization $	2019 Net book value $
Software costs	**13,643**	**9,563**	**4,080**
Land and transmission rights	**8,669**	**3,798**	**4,871**
Other	**443**	**119**	**324**
	22,755	**13,480**	**9,275**

	Cost $	Accumulated amortization $	2018 Net book value $
Software costs	12,828	8,508	4,320
Land and transmission rights	8,667	3,582	5,085
Other	443	108	335
	21,938	12,198	9,740

4. Employee future benefits

The Corporation is a participating employer with its parent company in a defined benefit pension plan and a defined benefit plan providing other retirement benefits. The Corporation also maintains a defined contribution pension plan providing pension benefits and makes contributions to the Ontario Municipal Employees' Retirement Plan ("OMERS") plan on behalf of some of its employees. OMERS is a multi-employer defined benefit pension plan providing pension benefits and is accounted for as a defined contribution pension plan.

Information about the Corporation's defined benefit plans is as follows:

	Pension benefit plan		Other retirement plan	
	2019	2018	**2019**	2018
	$	$	**$**	$
Accrued benefit obligation				
Balance, beginning of year	**17,133**	16,362	**6,217**	7,657
Current service costs	**302**	374	**58**	88
Finance costs	**865**	777	**314**	364
Benefits paid	**(710)**	(741)	**(360)**	(414)
Actuarial (gains) losses	**(83)**	361	**49**	(1,478)
Balance, end of year	**17,507**	17,133	**6,278**	6,217
Plan assets				
Fair value, beginning of year	**21,621**	22,186	**—**	—
Interest income	**1,092**	1,054	**—**	—
Return on plan assets	**2,175**	(878)	**—**	—
Contributions	**—**	—	**360**	414
Benefits paid	**(710)**	(741)	**(360)**	(414)
Fair value, end of year	**24,178**	21,621	**—**	—
Funded status – plan surplus (deficit)	**6,671**	4,488	**(6,278)**	(6,217)

The measurement date for the plan assets and the accrued benefit obligation is December 31, 2019. The effective date of the most recent actuarial valuation was as of December 31, 2017 and the date of the next required valuation for funding purposes is as of December 31, 2020, and will be completed by September 2021.

The defined benefit pension plan assets held at the measurement date are represented by the following categories:

	%
Canadian equity funds	**8**
Foreign equity funds	**32**
Canadian fixed income funds	**58**
Cash	**2**

4. Employee future benefits (continued)

	Pension benefit plan		Other retirement plan	
	2019	2018	**2019**	2018
	$	$	**$**	$
Significant assumptions used				
Discount rate - beginning of year	**5.05%**	4.75%	**5.05%**	4.75%
Discount rate - end of year	**5.05%**	5.05%	**5.05%**	5.05%
Rate of compensation increase	**3.50%**	3.50%	**—**	—
Initial health care trend rate	**—**	—	**5.17%**	5.22%
Average remaining service life of active employees (years)	**4**	5	**15**	15
Net benefit expense for the year				
Current service costs	**302**	374	**58**	88
Finance costs	**(227)**	(277)	**314**	364
Remeasurement costs	**(2,258)**	1,239	**49**	(1,478)
Regulatory adjustments	**2,249**	(1,202)	**5**	1,637
Net benefit expense	**66**	134	**426**	611

The total expense for the Corporation's defined contribution pension plan for the year amounted to $329 ($294 in 2018). The pension cost associated with the OMERS plan was $173 ($172 in 2018).

5. Income taxes

The provision for income taxes consists of the following:

	2019	2018
	$	$
Current income taxes	**62**	836
Current income tax adjustments from prior years	**(32)**	162
	30	998
Future income taxes	**1,362**	755
Future income tax adjustments from prior years	**32**	(114)
	1,394	641
Future income taxes transferred to regulatory assets	**(1,338)**	(694)
	86	945

During the year, the Corporation recorded $1,338 ($694 in 2018) in regulatory assets and a corresponding decrease to future income tax expense, for the amount of future income taxes expected to be recovered from customers in future electricity rates.

5. Income taxes (continued)

Future income taxes are provided for temporary differences. Net future tax liabilities consist of the following:

	2019	2018
	$	$
Future tax liabilities (assets)		
Utility capital assets	**8,341**	7,280
Employee future benefits	**(546)**	(511)
Regulatory assets	**2,680**	2,325
Other assets	**29**	16
Net future tax liabilities	**10,504**	9,110

6. Related party transactions

During the year, the Corporation entered into the following transactions with related parties:

	2019	2018
	$	$
Receipts		
Administrative services to		
FortisOntario Inc.	**122**	108
Cornwall Street Railway, Light and Power Company Limited	**1,417**	1,327
Algoma Power Inc.	**2,089**	1,952
Reimbursement of expenses paid on behalf of and services provided to		
FortisOntario Inc.	**649**	839
Algoma Power Inc.	**1,202**	1,132
Cornwall Street Railway, Light and Power Company Limited	**1,471**	772
CH Energy Group Inc.	**—**	13
Maritime Electric Company Limited	**171**	112
Payments		
Management fees paid to FortisOntario Inc.	**975**	811
Rent paid to FortisOntario Inc.	**579**	568
Interest expense paid to FortisOntario Inc.	**181**	784
Dividends paid to FortisOntario Inc.	**2,000**	5,000
Reimbursement for expenses paid on behalf of and services provided from		
FortisOntario Inc.	**4,354**	4,659
Cornwall Street Railway, Light and Power Company Limited	**392**	497
Fortis BC Inc.	**9**	—

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. Related party transactions (continued)

As at December 31, the amounts due to related parties are as follows:

	2019 **$**	2018 $
FortisOntario Inc.	**9,883**	6,298

Details of relationships with related parties are as follows:

- Fortis Inc. owns a 100% interest in the capital stock of FortisOntario Inc.
- FortisOntario Inc. owns a 100% interest in the capital stock of the Corporation
- Cornwall Street Railway, Light and Power Company Limited is a wholly owned subsidiary of FortisOntario Inc.
- Algoma Power Inc. is a wholly owned subsidiary of FortisOntario Inc.
- CH Energy Group Inc. is a wholly-owned subsidiary of Fortis Inc.
- Maritime Electric Company Limited is a wholly-owned subsidiary of FortisWest Inc., which is itself a wholly-owned subsidiary of Fortis Inc.
- Fortis BC Inc. is a wholly owned subsidiary of Fortis Inc.

7. Long-term debt

Long-term debt consists of the following:

	2019 **$**	2018 $
4.102% senior unsecured notes due August 14, 2048	**75,000**	75,000
Unamortized debt issue costs	**(301)**	(312)
	74,699	74,688

The senior unsecured notes bear interest at 4.102% and are repayable at maturity on August 14, 2048. Interest expense on long-term debt for the year was $3,077 ($2,489 in 2018).

The Corporation incurred debt issue costs in 2018 of $316 that are being amortized over the term of the loan. As at December 31, 2019, the accumulated amortization amounted to $15 ($4 in 2018).

The Corporation’s long-term debt obligations and credit facility agreements have covenants that restrict the issuance of additional debt such that debt cannot exceed 75% of their capital structures as defined in the agreements. As at December 31, 2019, the Corporation was in compliance with its debt covenants (compliance in 2018).

8. Capital stock

The authorized and issued capital stock consists of 23,900,001 common shares without par value.

9. Amortization

Amortization consists of the following:

	2019 $	2018 $
Amortization of utility capital assets	**4,956**	4,772
Amortization of contributions in aid of construction	**(433)**	(396)
Amortization of intangible assets	**1,278**	1,244
	5,801	5,620
Vehicle amortization allocated	**(316)**	(351)
	5,485	5,269

Vehicle amortization is allocated to utility capital assets and operating expenses on a vehicle time per-use basis.

10. Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

	2019 $	2018 $
Accounts receivable	**(141)**	529
Income taxes receivable/payable	**(299)**	(254)
Materials and supplies	**(53)**	28
Prepaid expenses	**84**	(28)
Accounts payable and accrued liabilities	**(1,819)**	341
Customer deposits	**95**	47
Regulatory assets/liabilities	**(1,909)**	844
Due to related parties	**3,585**	(5,232)
	(457)	(3,725)

Supplemental cash flow information:

	2019 $	2018 $
Interest paid	**3,418**	3,160
Income taxes paid	**604**	1,242

11. Financial risk management

The Corporation is primarily exposed to credit risk, liquidity risk and market risk as a result of holding financial instruments in the normal course of business.

Credit risk - Risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument.

Liquidity risk - Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Market risk - Risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices.

Credit risk

For cash, trade and other accounts receivable due from customers, the Corporation's credit risk is limited to the carrying value on the balance sheet.

The Corporation is exposed to credit risk from its distribution customers but has various policies to minimize this risk. These policies include requiring customer deposits, performing disconnections and using third party collection agencies for overdue accounts. The Corporation has a large and diversified distribution customer base, which minimizes the concentration of this risk.

The aging of the Corporation's trade and other receivables due from customers is as follows:

	2019	2018
	$	$
Not past due	**9,760**	9,362
Past due 0-30 days	**300**	260
Past due 31-60 days	**137**	222
Past due 61 days and over	**457**	620
	10,654	10,464
Less: allowance for doubtful accounts	**(300)**	(251)
	10,354	10,213

Liquidity risk

Liquidity risk to the Corporation is minimized. Financing of regulated capital and other expenditures is done through internally generated funds. These funds are a result of allowable rate regulated returns and recoveries under the OEB rate regulation mechanism.

The Corporation's parent company is a wholly owned by Fortis Inc., a large investor owned utility that has had the ability to raise sufficient and cost-effective financing. However, the ability to arrange financing on a go forward basis is subject to numerous factors including the results of operations and financial position of Fortis Inc. and its subsidiaries, conditions in the capital and bank credit markets, ratings assigned by rating agencies and general economic conditions.

To mitigate any liquidity risk, the Corporation is a party to a committed revolving credit facility and letters of credit facilities totaling $40,000, of which $25,700 ($25,700 in 2018) is unused. This credit agreement is shared among the subsidiaries of FortisOntario Inc. and is renewed on an annual basis.

The facility is guaranteed by the parent company and bears interest at the bankers' acceptance rate plus 1.20% in the case of bankers' acceptances and at the bank's prime lending rate plus 0.20% in the case of bank loans.

11. Financial risk management (continued)

Liquidity risk (continued)

The following is an analysis of the contractual maturities of the Corporation's financial liabilities as at December 31, 2019:

	< 1 year $	**1-3 years $**	**4-5 years $**	**> 5 years $**	**Total $**
Accounts payable and accrued liabilites	**8,299**	**—**	**—**	**—**	**8,299**
Customer deposits	**409**	**705**	**1,030**	**—**	**2,144**
Long-term debt	**—**	**—**	**—**	**75,000**	**75,000**
	8,708	**705**	**1,030**	**75,000**	**85,443**

The following is an analysis of the contractual maturities of the Corporation's financial liabilities as at December 31, 2018:

	< 1 year $	1-3 years $	4-5 years $	> 5 years $	Total $
Accounts payable and accrued liabilites	9,916	—	—	—	9,916
Government remittances payable	202	—	—	—	202
Customer deposits	314	532	626	—	1,472
Long-term debt	—	—	—	75,000	75,000
	10,432	532	626	75,000	86,590

Interest rate risk

Long-term debt is at fixed interest rates thereby minimizing cash flow and interest rate fluctuation exposure. The Corporation is primarily subject to risks associated with fluctuating interest rates on its short-term borrowings. As of December 31, 2019, the Corporation's short-term borrowings are nil (nil in 2018).

12. Capital management

The Corporation manages its capital to approximate the deemed capital structure reflected in the utility's customer rates. Effective January 1, 2017, the distribution rates are based on a deemed capital structure of 60% debt and 40% equity. The Corporation's capital structure consists of third party debt, affiliated debt and common equity but excludes unamortized debt issue costs.

The managed capital is as follows:

	2019 $	**Actual %**	2018 $	Actual %
Debt	**75,000**	**58**	75,000	59
Equity	**54,528**	**42**	52,609	41
	129,528	**100**	127,609	100

13. Regulatory assets and liabilities

Regulatory assets and regulatory liabilities arise as a result of regulatory requirements.

The Corporation pays the cost of power on behalf of its customers and recovers these costs through retail billings to its customers. The cost of power includes charges for transmission, wholesale market operations and the power itself from Ontario's Independent Electricity System Operator. The balance of the retail settlement variance account represents the costs that have not been recovered from, or settled through, customers as of the balance sheet date. The OEB's Distribution Rate Handbook and Accounting Procedures Handbook allow these costs to be deferred and recovered through future rate adjustments, as discussed in note 1. In the absence of rate regulation, these costs would be expensed in the period that they are incurred.

The OEB has the general power to include or exclude costs, revenues, gains or losses in the rates of a specific period, resulting in the timing of revenue and expense recognition that may differ in the Corporation's regulated operations from those otherwise expected in non-regulated businesses. This change in timing gives rise to the recognition of regulatory assets and liabilities. The Corporation continually assesses the likelihood of recovery of its regulatory assets and believes that its regulatory assets and liabilities will be factored into the setting of future rates as discussed in Note 1. If future recovery through rates is no longer considered probable, the appropriate carrying amount will be written off in the period that the assessment is made.

In 2019, the OEB directed all regulated utilities to recognize a regulatory liability for any cash tax savings related to the new accelerated capital cost allowance rules enacted by the federal government in late 2018. The timing, and ultimate disposition amount, of these savings is at this point unknown. The Corporation has recognized a long-term regulatory liability in the amount of $537 and "Other regulatory adjustment" of $535 on the statement of earnings and retained earnings, which is the tax savings amount for 2019, and regulatory interest income of $2.

Regulatory assets and liabilities are not subject to a regulatory return; however, the balances include an accrual for interest recovery/payable as permitted by the regulators.

	Remaining recovery period	**2019 $**	2018 $
Current regulatory assets			
Amounts approved	1 year	**1,102**	30
Long-term regulatory assets			
Retail settlement and other variance accounts	2 years	**483**	1,296
Future income taxes to be recovered from customers	life of assets	**10,112**	8,774
Other	2 plus years	**258**	16
		10,853	10,086
Current regulatory liabilities			
Amounts approved	1 year	**—**	837
Long-term regulatory liabilities			
Retail settlement and other variance accounts	2 years	**988**	349
Tax expense variances related to accelerated capital cost allowance	2 plus years	**537**	—
Pension and other retirement benefits	EARSL	**2,455**	198
Other		**—**	170
		3,980	717

14. Segmented information

(a) Earnings

	CNPI distribution $	CNPI transmission $	2019 Total $
Revenue	**77,297**	**4,482**	**81,779**
Purchased power	**56,307**	**—**	**56,307**
Operating expenses	**10,115**	**1,898**	**12,013**
Amortization	**4,646**	**839**	**5,485**
Operating earnings	**6,229**	**1,745**	**7,974**
Other regulatory adjustment	**535**	**—**	**535**
Interest expense	**2,800**	**634**	**3,434**
Income taxes	**78**	**8**	**86**
Net earnings	**2,816**	**1,103**	**3,919**

	CNPI distribution $	CNPI transmission $	2018 Total $
Revenue	75,366	5,039	80,405
Purchased power	53,777	—	53,777
Operating expenses	10,524	1,982	12,506
Amortization	4,444	825	5,269
Operating earnings	6,621	2,232	8,853
Interest expense	2,857	733	3,590
Income taxes	659	286	945
Net earnings	3,105	1,213	4,318

(b) Utility capital assets

	CNPI distribution $	CNPI transmission $	2019 Total $
Cost	**181,455**	**35,349**	**216,804**
Accumulated amortization	**62,097**	**15,621**	**77,718**
	119,358	**19,728**	**139,086**

	CNPI distribution $	CNPI transmission $	2018 Total $
Cost	168,903	35,182	204,085
Accumulated amortization	59,583	15,002	74,585
	109,320	20,180	129,500

15. Comparative figures

Certain figures for 2018 have been reclassified to conform to the presentation adopted in 2019.

CANADIAN NIAGARA POWER INC.

A FORTIS ONTARIO Company

APPENDIX 1-H:
2020 AUDITED FINANCIAL STATEMENTS

Financial statements of
Canadian Niagara Power Inc.

December 31, 2020

Deloitte LLP
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Suite 301
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Canada

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Independent Auditor's Report

To the Shareholder of
Canadian Niagara Power Inc.

Opinion

We have audited the financial statements of Canadian Niagara Power Inc. (the "Corporation"), which comprise the balance sheet as at December 31, 2020, and the statements of earnings and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises ("ASPE").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Corporation 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 the financial statements in accordance with ASPE, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 GAAS 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 GAAS, 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 Corporation'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 Corporation'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 Corporation 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 11, 2021

Canadian Niagara Power Inc.

Balance sheet

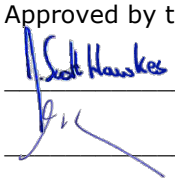
As at December 31, 2020

(In thousands of dollars)

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash		**4,486**	—
Accounts receivable	11	**11,942**	10,354
Income taxes receivable		**386**	542
Materials and supplies		**158**	123
Regulatory assets	13	**572**	1,102
Prepaid expenses		**573**	553
		18,117	12,674
Utility capital assets, net	2	**149,308**	139,086
Intangible assets, net	3	**9,263**	9,275
Accrued pension benefit asset	4	**7,574**	6,671
Regulatory assets	13	**11,854**	10,853
Goodwill		**7,232**	7,232
		203,348	185,791
Liabilities			
Current liabilities			
Bank indebtedness		**—**	257
Accounts payable and accrued liabilities	11	**11,335**	8,299
Customer deposits	11	**188**	409
Regulatory liabilities	13	**409**	—
Due to related parties	6	**18,603**	9,883
		30,535	18,848
Long-term customer deposits	11	**1,529**	1,735
Long-term debt	7, 11 and 12	**74,709**	74,699
Future tax liabilities	5	**12,002**	10,504
Accrued other retirement benefit liability	4	**7,395**	6,278
Contributions in aid of construction		**16,469**	15,219
Regulatory liabilities	13	**4,143**	3,980
		146,782	131,263
Shareholder's equity			
Capital stock	8	**23,900**	23,900
Retained earnings		**32,666**	30,628
		56,566	54,528
		203,348	185,791

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

Approved by the Board



_____, Director

_____, Director

Canadian Niagara Power Inc.

Statement of earnings and retained earnings

Year ended December 31, 2020

(In thousands of dollars)

	Notes	2020 $	2019 $
Revenue			
Sale of energy		**65,596**	56,307
Distribution		**19,553**	19,079
Transmission		**4,724**	4,484
Other		**1,826**	1,909
		91,699	81,779
Expenses			
Cost of power purchased		**65,596**	56,307
Operating		**12,472**	12,013
Amortization	9	**5,681**	5,485
		83,749	73,805
Operating earnings before the following		**7,950**	7,974
Other regulatory adjustment	13	**(437)**	(535)
Interest expense	6,7 and 11	**(3,457)**	(3,434)
Earnings before income taxes		**4,056**	4,005
Provision for income taxes	5	**18**	86
Net earnings for the year		**4,038**	3,919
Retained earnings, beginning of year		**30,628**	28,709
Dividends paid	6	**(2,000)**	(2,000)
Retained earnings, end of year		**32,666**	30,628

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

Canadian Niagara Power Inc.

Statement of cash flows

Year ended December 31, 2020

(In thousands of dollars)

	Notes	2020 $	2019 $
Operating activities			
Net earnings for the year		**4,038**	3,919
Add (deduct) items not involving cash			
Amortization	9	**6,033**	5,801
Amortization of debt issuance costs		**11**	11
Future income taxes		**1,498**	1,394
Loss on sale of utility capital assets		**1**	177
Accrued pension benefits		**(903)**	(2,183)
Accrued other retirement benefits		**1,117**	61
Customer deposits		**(206)**	577
Long-term regulatory assets and liabilities		**(838)**	2,496
		10,751	12,253
Net change in non-cash working capital balances related to operations	10	**10,987**	(457)
		21,738	11,796
Investing activities			
Additions to utility capital assets		**(15,610)**	(14,816)
Additions to intangible assets		**(1,225)**	(816)
Proceeds on sale of utility capital assets		**111**	69
		(16,724)	(15,563)
Financing activities			
Increase in contributions in aid of construction		**1,729**	744
Dividends		**(2,000)**	(2,000)
		(271)	(1,256)
Net increase (decrease) in cash during the year		**4,743**	(5,023)
(Bank indebtedness) cash, beginning of year		**(257)**	4,766
Cash (bank indebtedness), end of year		**4,486**	(257)

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

1. Basis of accounting and summary of significant accounting policies

Incorporation

Canadian Niagara Power Inc. (the "Corporation" or "CNPI"), a wholly owned subsidiary of FortisOntario Inc. (the "parent company") (formerly Canadian Niagara Power Company, Limited), was incorporated on February 17, 1999 to comply with the Electricity Act, 1998 (Ontario) (the "Act"). The Act requires that the electric power transmission and distribution businesses, previously carried out by the parent company, be carried out by a separate legal entity. Effective March 31, 1999, the Corporation purchased the electric power transmission and distribution assets of its parent company and commenced operations. On January 1, 2004, the Corporation was amalgamated with Eastern Ontario Power Inc. and continued as Canadian Niagara Power Inc. The business of the Corporation is the transmission and distribution of electricity to customers within Ontario. The business is regulated by the Ontario Energy Board ("OEB").

These financial statements include the operating results of the Fort Erie, Port Colborne and Eastern Ontario Power (Gananoque) distribution centres and the Fort Erie transmission centre.

(a) Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"), as per Part II of the CPA Handbook - Accounting, which constitutes generally accepted accounting principles for non-publicly accountable enterprises in Canada.

(b) Significant accounting policies

Regulation

CNPI distribution

The distribution rates of CNPI are based upon Cost of Service ("CoS") rate regulation by the OEB. Earnings are regulated on the basis of a rate of return on rate base plus a recovery of all allowable distribution costs.

Beginning with electricity distribution rates effective in 2016, decoupling of electricity distribution rates for the Residential customer class was introduced; complete decoupling has been approved in 2020 rates.

On August 13, 2018, CNPI filed an application with the OEB seeking approval to change electricity distribution rates, effective January 1, 2019, based on 4th Generation Incentive Rate Making ("4GIRM"). A Decision and Order was issued December 13, 2018 that approved the net price cap index adjustment for CNPI of 1.05% (i.e. 1.5% – (0% + 0.45%)). The 1.05% adjustment was applied to distribution rates (fixed and variable charges) uniformly across all customer classes.

On August 12, 2019, CNPI filed an application with the OEB seeking approval to change electricity distribution rates, effective January 1, 2020, based on 4GIRM. A Decision and Order was issued December 12, 2019 that approved the net price cap index adjustment for CNPI of 1.55% (i.e. 2.0% – (0% + 0.45%)). The 1.55% adjustment will be applied to distribution rates (fixed and variable charges) uniformly across all customer classes.

1. Basis of accounting and summary of significant accounting policies (continued)

Incorporation (continued)

(b) Significant accounting policies (continued)

Regulation (continued)

CNPI distribution (continued)

On August 7, 2020, CNPI filed an application with the OEB seeking approval to change electricity distribution rates, effective January 1, 2021, based on 4GIRM. A Decision and Order was issued December 10, 2020 (revised on December 17, 2020), that approved the net price cap index adjustment for CNPI of 1.75% (i.e. 2.2% - (0% + 0.45%)). The 1.75% adjustment will be applied to distribution rates (fixed and variable charges) uniformly across all customer classes. The Decision and Order also approved CNPI requests to recover $320 in 2016-2019 lost revenue from energy conservation programs (LRAMVA) and $262 in 2019 extraordinary event costs related to a severe windstorm (Z-Factor).

CNPI transmission

The transmission rates of CNPI are based upon CoS rate regulation by the OEB. Earnings are regulated on the basis of a rate of return on rate base plus a recovery of all allowable transmission costs.

On November 17, 2014, CNPI submitted a Revenue Requirement Application for its Transmission business. The Application sought approval of CNPI's 2015 and 2016 Transmission Revenue Requirement.

On June 25, 2015, the OEB issued its Decision and Order. The Decision and Order approved final revenue requirements of $4,246 and $4,647 for 2015 and 2016 respectively, and provided a 9.3% ROE with a 60%/40% debt equity structure.

Setting of the Uniform Transmission Rates ("UTR") for the 2017-2020 rate years continues to include CNPI's approved 2016 revenue requirement of $4,647. Due to delays between the OEB-approved effective dates and the OEB-approved implementation dates for UTR in both 2017 and 2020, CNPI recorded foregone transmission revenue in deferral accounts for recovery in future years. A Decision and Order was issued December 17, 2020 that added $428 to CNPI's 2021 transmission revenue requirement in order to recover 2017 and 2020 foregone revenue plus interest.

Materials and supplies

Materials and supplies are recorded at average cost. Materials and supplies expensed to operating expenses in 2020 were $115 ($106 in 2019).

Utility capital assets and capitalization policy

Nature of distribution and transmission assets

Distribution assets

Distribution assets are those used to distribute electricity at lower voltages (generally below 50 kilovolts). These assets include poles, towers and fixtures, low-voltage wires, transformers, overhead and underground conductors, street lighting, meters, metering equipment and other related equipment.

1. Basis of accounting and summary of significant accounting policies (continued)

Incorporation (continued)

(b) Significant accounting policies (continued)

Utility capital assets and transmission assets (continued)

Nature of distribution and transmission assets (continued)

Transmission assets

Transmission assets are those used to transmit electricity at higher voltages (generally at 50 kilovolts and above). These assets include poles, wires and conductors, substations, support structures and other related equipment.

Service life range and average remaining service life of utility capital assets

The service life range and average remaining service life of the utility capital assets are as follows:

	Service life range (years)	Average remaining service life (years)
Distribution	10 to 50	35.1
Transmission	20 to 50	32.3
Other	5 to 50	9.4

Utility capital assets are stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the utility capital assets using the straight-line method at a composite rate of 2.5% (2.5% in 2019).

Contributions in aid of construction represent funding of utility capital assets contributed by customers. These accounts are being reduced annually by an amount equal to the charge for amortization provided on the contributed portion of the assets involved.

Capitalization policy

The Corporation's capitalization policy is in accordance with the OEB's requirements to use a "modified IFRS" accounting basis.

Intangible assets

Intangible assets are stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the intangible assets using the straight-line method.

The service life range and average remaining service life of the intangible assets are as follows:

	Service life range (years)	Average remaining service life (years)
Software costs	5 to 10	4.2
Land and transmission rights	40	21.7
Other	45 to 50	32.8

1. Basis of accounting and summary of significant accounting policies (continued)

Incorporation (continued)

(b) Significant accounting policies (continued)

Asset retirement obligations

ASPE requires the recognition of an asset retirement obligation in the period during which a legal obligation associated with the retirement of a tangible long-lived asset is incurred and when a reasonable estimate of this amount can be made.

The Corporation has determined that there are asset retirement obligations associated with some parts of its transmission and distribution systems; however, none of these are material or require recognition under Section 3110 of the CPA Handbook.

Goodwill

Goodwill represents the excess of the acquisition cost of the shares of the Corporation, and Eastern Ontario Power Inc. (amalgamated with the Corporation on January 1, 2004) over the assigned value of identifiable net assets acquired, as well as the excess of the purchase price of the remaining utility capital assets of Port Colborne Hydro Inc. ("PCHI") over the fair value of these assets.

ASPE requires that goodwill shall be tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the reporting unit to which the goodwill is assigned may exceed the fair value of the reporting unit. Any impairment in value is charged to earnings during the year.

Other assets

Other assets are amortized over their useful lives.

Revenue recognition

Revenue from the sale, transmission and distribution of electricity is recognized on the accrual basis. Electricity is metered upon delivery to customers and is recognized as revenue using approved rates when consumed. Meters are read periodically and bills are issued to customers based on these readings. At the end of the year a certain amount of consumed electricity will not have been billed. Electricity that is consumed but not yet billed to the customers is estimated and accrued as revenue in the current year. Unbilled revenue included in accounts receivable as at December 31, 2020 is $5,873 ($5,586 in 2019).

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Gains and losses on translation are included in the statement of earnings and retained earnings. Revenue and expenses are translated at the exchange rate prevailing on the transaction date.

1. Basis of accounting and summary of significant accounting policies (continued)

Incorporation (continued)

(b) Significant accounting policies (continued)

Employee benefit plans

Effective January 1, 2014, the Corporation adopted the new CPA Handbook Section 3462, *Employee Future Benefits*, for its accounting of pension benefits and other retirement benefits. As allowed under new Section 3462, the Corporation made an accounting policy choice to measure its defined benefit plan obligations using the funding valuation approach. This approach uses the most recent completed actuarial valuations prepared for funding purposes as the basis of measuring defined benefit plan obligations. Even though other retirement benefits are not funded, Section 3462 allows that such liabilities can be measured on a basis consistent with funded plans. As well, the Corporation is using a roll-forward technique in the years between valuations to estimate the defined benefit obligations. Pension plan assets are valued at fair value as of the balance sheet date.

In 2013, the Corporation made an application to the OEB to continue to account for pension and other retirement benefits under the former Section 3461. In December 2013, the OEB issued a Decision and Order approving the establishment of specific variance accounts as of January 1, 2013 to recognize the difference in expense between Sections 3461 and 3462 as long-term regulatory assets or liabilities for 2013 and future years, which will be disposed of in future cost of service proceedings, subject to the OEB's prudence review at that time.

Income taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the temporary differences between the tax and accounting bases of assets and liabilities. Future tax assets and liabilities are measured using the enacted and substantively enacted tax rates and laws expected to apply to taxable income in the period in which the temporary differences are expected to be recovered or settled. The Corporation recognizes regulatory assets related to future income tax liabilities in the amount of future income taxes expected to be recovered from customers in future electricity rates.

Use of estimates

The preparation of financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. Utility capital assets

Utility capital assets consist of the following:

	Cost $	Accumulated amortization $	2020 Net book value $
Transmission	**35,929**	**16,142**	**19,787**
Distribution	**178,022**	**54,331**	**123,691**
Other	**17,635**	**11,805**	**5,830**
	231,586	**82,278**	**149,308**

	Cost $	Accumulated amortization $	2019 Net book value $
Transmission	35,048	15,525	19,523
Distribution	165,004	51,099	113,905
Other	16,752	11,094	5,658
	216,804	77,718	139,086

The amounts above include assets under construction of $9,551 ($8,341 in 2019) which are not subject to amortization.

3. Intangible assets

Intangible assets consist of the following:

	Cost $	Accumulated amortization $	2020 Net book value $
Software costs	**14,863**	**10,574**	**4,289**
Land and transmission rights	**8,673**	**4,013**	**4,660**
Other	**443**	**129**	**314**
	23,979	**14,716**	**9,263**

	Cost $	Accumulated amortization $	2019 Net book value $
Software costs	13,643	9,563	4,080
Land and transmission rights	8,669	3,798	4,871
Other	443	119	324
	22,755	13,480	9,275

4. Employee future benefits

The Corporation is a participating employer with its parent company in a defined benefit pension plan and a defined benefit plan providing other retirement benefits. The Corporation also maintains a defined contribution pension plan providing pension benefits and makes contributions to the Ontario Municipal Employees' Retirement Plan ("OMERS") plan on behalf of some of its employees. OMERS is a multi-employer defined benefit pension plan providing pension benefits and is accounted for as a defined contribution pension plan.

Information about the Corporation's defined benefit plans is as follows:

	Pension benefit plan		Other retirement plan	
	2020	2019	**2020**	2019
	$	$	**$**	$
Accrued benefit obligation				
Balance, beginning of year	**17,507**	17,133	**6,278**	6,217
Current service costs	**317**	302	**61**	58
Finance costs	**884**	865	**317**	314
Benefits paid	**(769)**	(710)	**(321)**	(360)
Actuarial losses (gains)	**640**	(83)	**1,060**	49
Balance, end of year	**18,579**	17,507	**7,395**	6,278
Plan assets				
Fair value, beginning of year	**24,178**	21,621	**—**	—
Interest income	**1,221**	1,092	**—**	—
Return on plan assets	**1,523**	2,175	**—**	—
Contributions	**—**	—	**321**	360
Benefits paid	**(769)**	(710)	**(321)**	(360)
Fair value, end of year	**26,153**	24,178	**—**	—
Funded status – plan surplus (deficit)	**7,574**	6,671	**(7,395)**	(6,278)

The measurement date for the plan assets and the accrued benefit obligation is December 31, 2020. The effective date of the most recent actuarial valuation was as of December 31, 2019 and the date of the next required valuation for funding purposes is as of December 31, 2022, and will be completed by September 2023.

The defined benefit pension plan assets held at the measurement date are represented by the following categories:

	%
Canadian equity funds	**8**
Foreign equity funds	**33**
Canadian fixed income funds	**56**
Cash	**3**

4. Employee future benefits (continued)

	Pension benefit plan		Other retirement plan	
	2020	2019	**2020**	2019
	$	$	**$**	$
Significant assumptions used				
Discount rate - beginning of year	**5.05%**	5.05%	**5.05%**	5.05%
Discount rate - end of year	**4.55%**	5.05%	**4.55%**	5.05%
Rate of compensation increase	**3.50%**	3.50%	**—**	—
Initial health care trend rate	**—**	—	**5.10%**	5.17%
Average remaining service life of active employees (years)	**4**	4	**15**	15
Net benefit expense for the year				
Current service costs	**317**	302	**61**	58
Finance costs	**(337)**	(227)	**317**	314
Remeasurement costs	**(883)**	(2,258)	**1,060**	49
Regulatory adjustments	**940**	2,249	**(967)**	5
Net benefit expense	**37**	66	**471**	426

The total expense for the Corporation's defined contribution pension plan for the year amounted to $358 ($329 in 2019). The pension cost associated with the OMERS plan was $169 ($173 in 2019).

5. Income taxes

The provision for income taxes consists of the following:

	2020	2019
	$	$
Current income taxes (recovered)	**(24)**	62
Current income tax adjustments from prior years	**(10)**	(32)
	(34)	30
Future income taxes	**1,488**	1,362
Future income tax adjustments from prior years	**10**	32
	1,498	1,394
Future income taxes transferred to regulatory assets	**(1,446)**	(1,338)
	18	86

During the year, the Corporation recorded $1,446 ($1,338 in 2019) in regulatory assets and a corresponding decrease to future income tax expense, for the amount of future income taxes expected to be recovered from customers in future electricity rates.

5. Income taxes (continued)

Future income taxes are provided for temporary differences. Net future tax liabilities consist of the following:

	2020	2019
	$	$
Future tax liabilities (assets)		
Utility capital assets	**9,490**	8,341
Employee future benefits	**(594)**	(546)
Regulatory assets	**3,062**	2,680
Other assets	**44**	29
Net future tax liabilities	**12,002**	10,504

6. Related party transactions

During the year, the Corporation entered into the following transactions with related parties:

	2020	2019
	$	$
Receipts		
Administrative services to		
FortisOntario Inc.	**134**	122
Cornwall Street Railway, Light and Power Company Limited	**1,499**	1,417
Algoma Power Inc.	**2,220**	2,089
Reimbursement of expenses paid on behalf of and services provided to		
FortisOntario Inc.	**1,180**	649
Algoma Power Inc.	**2,333**	1,202
Cornwall Street Railway, Light and Power Company Limited	**222**	1,471
CH Energy Group Inc.	**55**	—
Maritime Electric Company Limited	**—**	171
Payments		
Management fees paid to FortisOntario Inc.	**938**	975
Rent paid to FortisOntario Inc.	**591**	579
Interest expense paid to FortisOntario Inc.	**209**	181
Dividends paid to FortisOntario Inc.	**2,000**	2,000
Reimbursement for expenses paid on behalf of and services provided from		
FortisOntario Inc.	**4,738**	4,354
Cornwall Street Railway, Light and Power Company Limited	**378**	392
Maritime Electric Company Limited	**2**	—
FortisBC Inc.	**4**	9

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. Related party transactions (continued)

As at December 31, the amounts due to related parties are as follows:

	2020 $	2019 $
FortisOntario Inc.	**18,601**	9,883
FortisBC Inc.	**2**	—
	18,603	9,883

Details of relationships with related parties are as follows:

- Fortis Inc. owns a 100% interest in the capital stock of FortisOntario Inc.
- FortisOntario Inc. owns a 100% interest in the capital stock of the Corporation
- Cornwall Street Railway, Light and Power Company Limited is a wholly owned subsidiary of FortisOntario Inc.
- Algoma Power Inc. is a wholly owned subsidiary of FortisOntario Inc.
- CH Energy Group Inc. is a wholly-owned subsidiary of Fortis Inc.
- Maritime Electric Company Limited is a wholly-owned subsidiary Fortis Inc.
- FortisBC Inc. is a wholly owned subsidiary of Fortis Inc.

7. Long-term debt

Long-term debt consists of the following:

	2020 $	2019 $
4.102% senior unsecured notes due August 14, 2048	**75,000**	75,000
Unamortized debt issue costs	**(291)**	(301)
	74,709	74,699

The senior unsecured notes bear interest at 4.102% and are repayable at maturity on August 14, 2048. Interest expense on long-term debt for the year was $3,077 ($3,077 in 2019).

The Corporation incurred debt issue costs in 2018 of $316 that are being amortized over the term of the loan. As at December 31, 2020, the accumulated amortization amounted to $25 ($15 in 2019).

The Corporation's long-term debt obligations and credit facility agreements have covenants that restrict the issuance of additional debt such that debt cannot exceed 75% of their capital structures as defined in the agreements. As at December 31, 2020, the Corporation was in compliance with its debt covenants (compliance in 2019).

8. Capital stock

The authorized and issued capital stock consists of 23,900,001 common shares without par value.

9. Amortization

Amortization consists of the following:

	2020	2019
	$	$
Amortization of utility capital assets	**5,260**	4,956
Amortization of contributions in aid of construction	**(463)**	(433)
Amortization of intangible assets	**1,236**	1,278
	6,033	5,801
Vehicle amortization allocated	**(352)**	(316)
	5,681	5,485

Vehicle amortization is allocated to utility capital assets and operating expenses on a vehicle time per-use basis.

10. Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

	2020	2019
	$	$
Accounts receivable	**(1,588)**	(141)
Income taxes receivable/payable	**156**	(299)
Materials and supplies	**(35)**	(53)
Prepaid expenses	**(20)**	84
Accounts payable and accrued liabilities	**3,036**	(1,819)
Customer deposits	**(221)**	95
Regulatory assets/liabilities	**939**	(1,909)
Due to related parties	**8,720**	3,585
	10,987	(457)

Supplemental cash flow information:

	2020	2019
	$	$
Interest paid	**3,446**	3,418
Income taxes paid	**276**	604

11. Financial risk management

The Corporation is primarily exposed to credit risk, liquidity risk and market risk as a result of holding financial instruments in the normal course of business.

Credit risk - Risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument.

Liquidity risk - Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Market risk and interest rate risk- Risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices.

Credit risk

For cash, trade and other accounts receivable due from customers, the Corporation's credit risk is limited to the carrying value on the balance sheet.

The Corporation is exposed to credit risk from its distribution customers but has various policies to minimize this risk. These policies include requiring customer deposits, performing disconnections and using third party collection agencies for overdue accounts. The Corporation has a large and diversified distribution customer base, which minimizes the concentration of this risk.

The aging of the Corporation's trade and other receivables due from customers is as follows:

	2020	2019
	$	$
Not past due	**11,267**	9,760
Past due 0-30 days	**296**	300
Past due 31-60 days	**132**	137
Past due 61 days and over	**548**	457
	12,243	10,654
Less: allowance for doubtful accounts	**(301)**	(300)
	11,942	10,354

Liquidity risk

Liquidity risk to the Corporation is minimized. Financing of regulated capital and other expenditures is done through internally generated funds. These funds are a result of allowable rate regulated returns and recoveries under the OEB rate regulation mechanism.

The Corporation's parent company is a wholly owned by Fortis Inc., a large investor owned utility that has had the ability to raise sufficient and cost-effective financing. However, the ability to arrange financing on a go forward basis is subject to numerous factors including the results of operations and financial position of Fortis Inc. and its subsidiaries, conditions in the capital and bank credit markets, ratings assigned by rating agencies and general economic conditions.

To mitigate any liquidity risk, the Corporation is a party to a committed revolving credit facility and letters of credit facilities totaling $40,000, of which $25,700 ($25,700 in 2019) is unused. This credit agreement is shared among the subsidiaries of FortisOntario Inc. and is renewed on an annual basis.

The facility is guaranteed by the parent company and bears interest at the bankers' acceptance rate plus 1.20% in the case of bankers' acceptances and at the bank's prime lending rate plus 0.20% in the case of bank loans.

11. Financial risk management (continued)

Liquidity risk (continued)

The following is an analysis of the contractual maturities of the Corporation's financial liabilities as at December 31, 2020:

	< 1 year $	**1-3 years $**	**4-5 years $**	**> 5 years $**	**Total $**
Accounts payable and accrued liabilites	**11,335**	**—**	**—**	**—**	**11,335**
Customer deposits	**188**	**932**	**597**	**—**	**1,717**
Long-term debt	**—**	**—**	**—**	**75,000**	**75,000**
	11,523	**932**	**597**	**75,000**	**88,052**

The following is an analysis of the contractual maturities of the Corporation's financial liabilities as at December 31, 2019:

	< 1 year $	1-3 years $	4-5 years $	> 5 years $	Total $
Accounts payable and accrued liabilites	8,299	—	—	—	8,299
Customer deposits	409	705	1,030	—	2,144
Long-term debt	—	—	—	75,000	75,000
	8,708	705	1,030	75,000	85,443

Market risk

Interest rate risk

Long-term debt is at fixed interest rates thereby minimizing cash flow and interest rate fluctuation exposure. The Corporation is primarily subject to risks associated with fluctuating interest rates on its short-term borrowings. As of December 31, 2020, the Corporation's short-term borrowings are nil (nil in 2019).

12. Capital management

The Corporation manages its capital to approximate the deemed capital structure reflected in the utility's customer rates. Effective January 1, 2017, the distribution rates are based on a deemed capital structure of 60% debt and 40% equity. The Corporation's capital structure consists of third party debt, affiliated debt and common equity but excludes unamortized debt issue costs.

The managed capital is as follows:

	2020 $	**Actual %**	2019 $	Actual %
Debt	**75,000**	**57**	75,000	58
Equity	**56,566**	**43**	54,528	42
	131,566	**100**	129,528	100

13. Regulatory assets and liabilities

Regulatory assets and regulatory liabilities arise as a result of regulatory requirements.

The Corporation pays the cost of power on behalf of its customers and recovers these costs through retail billings to its customers. The cost of power includes charges for transmission, wholesale market operations and the power itself from Ontario's Independent Electricity System Operator. The balance of the retail settlement variance account represents the costs that have not been recovered from, or settled through, customers as of the balance sheet date. The OEB's Distribution Rate Handbook and Accounting Procedures Handbook allow these costs to be deferred and recovered through future rate adjustments, as discussed in note 1. In the absence of rate regulation, these costs would be expensed in the period that they are incurred.

The OEB has the general power to include or exclude costs, revenues, gains or losses in the rates of a specific period, resulting in the timing of revenue and expense recognition that may differ in the Corporation's regulated operations from those otherwise expected in non-regulated businesses. This change in timing gives rise to the recognition of regulatory assets and liabilities. The Corporation continually assesses the likelihood of recovery of its regulatory assets and believes that its regulatory assets and liabilities will be factored into the setting of future rates as discussed in Note 1. If future recovery through rates is no longer considered probable, the appropriate carrying amount will be written off in the period that the assessment is made.

In 2019, the OEB directed all regulated utilities to recognize a regulatory liability for any cash tax savings related to the new accelerated capital cost allowance rules enacted by the federal government in late 2018. The timing, and ultimate disposition amount, of these savings is at this point unknown. The Corporation has recognized a long-term regulatory liability in the amount of $446 ($537 in 2019) and "Other regulatory adjustment" of $437 ($535 in 2019) on the statement of earnings and retained earnings, which is the tax savings amount for 2020, and regulatory interest income of $9 ($2 in 2019).

Regulatory assets and liabilities are not subject to a regulatory return; however, the balances include an accrual for interest recovery/payable as permitted by the regulators.

	Remaining recovery period	**2020 $**	2019 $
Current regulatory assets			
Amounts approved	1 year	**572**	1,102
Long-term regulatory assets			
Amounts approved	4 years	**81**	—
Retail settlement and other variance accounts	2 years	**215**	483
Future income taxes to be recovered from customers	life of assets	**11,558**	10,112
Other	2 plus years	**—**	258
		11,854	10,853
Current regulatory liabilities			
Amounts approved	1 year	**409**	—
Long-term regulatory liabilities			
Retail settlement and other variance accounts	2 years	**739**	988
Tax expense variances related to accelerated capital cost allowance	2 plus years	**983**	537
Pension and other retirement benefits	EARSL	**2,421**	2,455
		4,143	3,980

14. Segmented information

(a) Earnings

	CNPI distribution $	CNPI transmission $	2020 Total $
Revenue	**86,971**	**4,728**	**91,699**
Purchased power	**65,596**	**—**	**65,596**
Operating expenses	**10,544**	**1,928**	**12,472**
Amortization	**4,838**	**843**	**5,681**
Operating earnings	**5,993**	**1,957**	**7,950**
Other regulatory adjustment	**417**	**20**	**437**
Interest expense	**2,869**	**588**	**3,457**
Income taxes	**29**	**(11)**	**18**
Net earnings	**2,678**	**1,360**	**4,038**

	CNPI distribution $	CNPI transmission $	2019 Total $
Revenue	77,297	4,482	81,779
Purchased power	56,307	—	56,307
Operating expenses	10,115	1,898	12,013
Amortization	4,646	839	5,485
Operating earnings	6,229	1,745	7,974
Other regulatory adjustment	535	—	535
Interest expense	2,800	634	3,434
Income taxes	78	8	86
Net earnings	2,816	1,103	3,919

(b) Utility capital assets

	CNPI distribution $	CNPI transmission $	2020 Total $
Cost	**195,356**	**36,230**	**231,586**
Accumulated amortization	**66,019**	**16,259**	**82,278**
	129,337	**19,971**	**149,308**

	CNPI distribution $	CNPI transmission $	2019 Total $
Cost	181,455	35,349	216,804
Accumulated amortization	62,097	15,621	77,718
	119,358	19,728	139,086

15. Pandemic response

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Corporation in future periods.

CANADIAN NIAGARA POWER INC.

A FORTIS ONTARIO Company

APPENDIX 1-H:
RECONCILIATION – AFS TO RRR FILING

CANADIAN NIAGARA POWER INC
($000's)

BALANCE SHEET VARIANCES	2017 AUDITED FINANCIAL STATEMENTS("AFS")	2017 2.1.7 RRR	VARIANCE	2.1.7 RRR OEB Accts Mapped	EXPLANATION
Goodwill	7,232	7,232	0	**2060**	
Capital Assets - Distribution	152,947	152,947	0	**1805 to 1875, 1905 to 1990, 2055**	
Net Intangibles - Distribution	4,921	4,921	(0)	**1606 to 1612, 2120**	
Contributions and Grants - Distribution	(13,336)	(13,336)	-	**1995**	
Accumulated Amortization of Assets - Distribution	(55,761)	(55,761)	0	**2105**	
Net Balance Sheet Variance			0		
INCOME STATEMENT VARIANCES					
Sales of Electricity		55,997		**4006 to 4076**	
Distribution Services Revenue		19,112		**4080 to 4090**	
Other Operating Revenue		720		**4205 to 4245**	
Other Revenue		1,730		**4305 to 4415**	
Revenue	77,483	77,559	76		Other operating revenue (costs) grouped with expenses in AFS
Power Supply Expenses (Working Capital)		55,997		**4705 to 4751**	
Operation and Maintenance (Working Capital)		3,927		**5005 to 5195**	
Billing and Collection (Working Capital)		1,738		**5305 to 5425**	
Administrative and General Expenses (Working Capital)		3,489		**5605 to 5695**	
Operating Expenses	65,165	65,152	(13)		Other revenue (costs), donations and property taxes grouped with expenses in AFS
Amortization of Assets	4,530	4,506	(24)	**5705 to 5740**	MIST meter disposition
Donations	-	27	27	**6205**	Donations grouped with operating expenses in AFS
Interest Expense	2,652	2,652	0	**6005 to 6045**	
Income Tax Expense	1,011	1,097	86	**6105 to 6115**	Property taxes grouped with operating expenses in AFS
Profit (Loss)	4,125	4,125	0		
Net Income Statement Variance			0		

CANADIAN NIAGARA POWER INC
($000's)

BALANCE SHEET VARIANCES	2018 AUDITED FINANCIAL STATEMENTS("AFS")	2018 2.1.7 RRR	VARIANCE	2.1.7 RRR OEB Accts Mapped	EXPLANATION
Goodwill	7,232	7,232	0	**2060**	
Capital Assets - Distribution	168,903	182,060	13,157	**1805 to 1875, 1905 to 1990, 2055**	
Intangibles - Distribution	13,582	426	(13,156)	**1606 to 1612**	
Net Contributions - Distribution	(14,746)	(14,746)	(0)	**1995**	
Accumulated Amortization of Assets - Distribution	(68,322)	(68,322)	(0)	**2105, 2120**	
Net Capital Assets	106,649	106,650	1		
INCOME STATEMENT VARIANCES					
Sales of Electricity		53,777		**4006 to 4076**	
Distribution Services Revenue		19,180		**4080 to 4090**	
Other Operating Revenue		995		**4205 to 4245**	
Other Revenue		1,550		**4305 to 4415**	
Revenue	75,366	75,502	136		Other operating revenue (costs) grouped with expenses in AFS
Power Supply Expenses (Working Capital)		53,777		**4705 to 4751**	
Operation and Maintenance (Working Capital)		3,967		**5005 to 5195**	
Billing and Collection (Working Capital)		1,897		**5305 to 5425**	
Administrative and General Expenses (Working Capital)		4,673		**5605 to 5695**	
Operating Expenses	64,301	64,313	12		Other revenue (costs), donations and property taxes grouped with expenses in AFS
Amortization of Assets	4,444	4,444	(0)	**5705 to 5740**	
Donations	-	27	27	**6205**	Donations grouped with operating expenses in AFS
Interest Expense	2,857	2,856	(1)	**6005 to 6045**	
Income Tax Expense	659	757	98	**6105 to 6115**	Property taxes grouped with operating expenses in AFS
Profit (Loss)	3,105	3,105	(0)		
Net Income Statement Variance			(0)		

CANADIAN NIAGARA POWER INC.
($000's)

BALANCE SHEET VARIANCES	2019 AUDITED FINANCIAL STATEMENTS("AFS")	2019 2.1.7 RRR	VARIANCE	2.1.7 RRR OEB Accts Mapped	EXPLANATION
Goodwill	7,232	7,232	0	**2060**	
Capital Assets - Distribution	181,455	195,427	13,972	**1805 to 1875, 1905 to 1990, 2055**	
Intangibles - Distribution	14,399	426	(13,973)	**1606 to 1612**	
Net Contributions - Distribution	(15,057)	(15,057)	(0)	**1995**	
Accumulated Amortization of Assets - Distribution	(71,909)	(71,909)	0	**2105, 2120**	
Net Capital Assets	116,120	116,120	(0)		
INCOME STATEMENT VARIANCES					
Sales of Electricity		56,307		**4006 to 4076**	
Distribution Services Revenue		19,091		**4080 to 4090**	
Other Operating Revenue		626		**4205 to 4245**	
Other Revenue		866		**4305 to 4415**	
Revenue	77,297	76,890	(407)		Other operating revenue (costs) grouped with expenses in AFS, and regulatory debits grouped with regulatory adjustments on AFS
Power Supply Expenses (Working Capital)		56,307		**4705 to 4751**	
Operation and Maintenance (Working Capital)		3,980		**5005 to 5195**	
Billing and Collection (Working Capital)		1,635		**5305 to 5425**	
Administrative and General Expenses (Working Capital)		4,504		**5605 to 5695**	
Operating Expenses	66,421	66,425	4		Other revenue (costs), donations and property taxes grouped with expenses in AFS
Amortization of Assets	4,646	4,645	(1)	**5705 to 5740**	
Regulatory Adjustments	535	-	(535)		Accounting policy changes
Donations		26	26	**6205**	Donations grouped with operating expenses in AFS
Interest Expense	2,800	2,800	0	**6005 to 6045**	
Income Tax Expense	78	177	99	**6105 to 6115**	Property taxes grouped with operating expenses in AFS
Profit (Loss)	2,817	2,817	(0)		
Net Income Statement Variance			(0)		

CANADIAN NIAGARA POWER INC.
($000's)

BALANCE SHEET VARIANCES	2020 AUDITED FINANCIAL STATEMENTS("AFS")	2020 2.1.7 RRR	VARIANCE	2.1.7 RRR OEB Accts Mapped	EXPLANATION
Goodwill	7,232	7,232	0	**2060**	
Capital Assets - Distribution	195,356	210,552	15,196	**1805 to 1875, 1905 to 1990, 2055**	
Intangibles - Distribution	15,623	426	(15,197)	**1606 to 1612**	
Net Contributions - Distribution	(16,312)	(16,312)	(0)	**1995**	
Accumulated Amortization of Assets - Distribution	(76,860)	(76,859)	1	**2105, 2120**	
Net Capital Assets	125,039	125,039	0		
INCOME STATEMENT VARIANCES					
Sales of Electricity		65,596		**4006 to 4076**	
Distribution Services Revenue		19,563		**4080 to 4090**	
Other Operating Revenue		538		**4205 to 4245**	
Other Revenue		(76)		**4305 to 4415**	
Revenue	86,971	85,621	(1,350)		Other operating revenue (costs) grouped with expenses in AFS, and regulatory debits grouped with regulatory adjustments on AFS; Fixed asset fee recoveries grouped with expenses in 2.1.7
Power Supply Expenses (Working Capital)		65,596		**4705 to 4751**	
Operation and Maintenance (Working Capital)		4,216		**5005 to 5195**	
Billing and Collection (Working Capital)		1,538		**5305 to 5425**	
Administrative and General Expenses (Working Capital)		3,733		**5605 to 5695**	
Operating Expenses	76,140	75,083	(1,057)		Other revenue (costs), donations and property taxes grouped with expenses in AFS; Fixed asset fee recoveries grouped with expenses in 2.1.7
Amortization of Assets	4,838	4,838	0	**5705 to 5740**	
Regulatory Adjustments	(417)	-	417		Accounting policy changes
Donations		27	27	**6205**	Donations grouped with operating expenses in AFS
Interest Expense	2,869	2,869	0	**6005 to 6045**	
Income Tax Expense	29	17	(12)	**6105 to 6115**	Property taxes grouped with operating expenses in AFS; Reclassification of taxable losses between CNPI Distribution and Transmission in 2.1.7
Profit (Loss)	2,678	2,787	109		Variance relates to the reclassification of taxable losses between CNPI Distribution and Transmission in 2.1.7
Net Income Statement Variance			109		See note above.