

Scorecard - Hydro One Remote Communities Inc.

9/29/2016

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	Trend	Target		
									Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time			100.00%	98.40%	100.00%		90.00%		
		Scheduled Appointments Met On Time									
		Telephone Calls Answered On Time				95.00%	98.70%		65.00%		
	Customer Satisfaction	First Contact Resolution						N/A			
		Billing Accuracy				96.71%	96.46%		98.00%		
		Customer Satisfaction Survey Results						91.4%			
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						69.25%			
		Level of Compliance with Ontario Regulation 22/04 ¹						C		C	
		Serious Electrical Incident Index	Number of General Public Incidents						0		0
			Rate per 10, 100, 1000 km of line						0.000		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²			4.21	6.06	10.08			5.13	
		Average Number of Times that Power to a Customer is Interrupted ²			4.22	3.37	4.39			3.79	
	Asset Management	Distribution System Plan Implementation Progress						113.2%			
	Cost Control	Efficiency Assessment									
		Total Cost per Customer ³									
		Total Cost per Km of Line ³									
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									
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time									
		New Micro-embedded Generation Facilities Connected On Time									
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.62	0.39	0.32	0.46	0.62				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio									
		Profitability: Regulatory Return on Equity	Deemed (included in rates)						Achieved		

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 fixed 5-year (2010 to 2014) average 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 new 2015-2020 Conservation First Framework. This measure is under review and subject to change in the future.

Legend:

5-year trend
 up down flat

Current year
 target met target not met

2015 Scorecard Management Discussion and Analysis (“2015 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 2015 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

Scorecard MD&A - General Overview

Hydro One Remote Communities Inc. (“Remotes”) is an integrated generation and distribution company serving 3,600 customers in 21 off-grid communities. These communities are isolated and scattered across Ontario’s north. As compared to other Ontario distributors Remotes has unique financial, operational and geographical attributes.

Remotes is 100% debt financed and conducts its operations under a cost recovery model to achieve a breakeven result of operations. Any surplus or deficiency in revenues is added to or drawn from the Rural or Remote Rate Protection Variance Account for future disposition by the Ontario Energy Board (“OEB”). Fifteen of the communities are First Nations, which are served under agreements with the federal government. In these communities, the federal government funds capital associated with load growth. Replacement capital, operations, maintenance and administrative costs are funded through Remotes’ revenue requirement.

Due to the lack of grid connection, most of the electricity that Remotes generated is from diesel technology, which is currently the most feasible smaller-scale generation technology for the communities served by Remotes. Remotes also operates two small run of the river hydroelectric plants and, at the end of 2015, had 6 customer/community-owned solar installations connected to its distribution systems. Fuel is Remotes’ single largest cost. Fuel costs are inherently volatile, related to changes in commodity price, method of delivery and volumes required to generate electricity.

Thirteen communities are not accessible by year-round road and can only be reached by aircraft, winter road or, in the case of one community, barge. The size and isolation of Remotes’ service territory means that transportation of fuel, equipment and staff are key cost drivers. Construction and project risk are high due to the lack of transportation infrastructure.

2015 marks Remotes' first scorecard. Because Remotes is an integrated generation company with unique financing and operations, some metrics are not included in the results. The Ontario Energy Board has recognized that Remotes is not directly comparable to other Ontario distributors. In its Decision in proceeding EB-2014-0084, the Board noted that, "Hydro One Remotes is excluded from the Board's benchmarking analysis because of its unique circumstances. As noted in Hydro One Remotes' 2014 Price Cap Incentive Rate application (proceeding EB-2013-0142), Hydro One Remotes is unique in terms of its operating characteristics and cost recovery due to the Rural or Remote Electricity Rate Protection."

Service Quality

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

In 2015, Remotes processed 100 new connection requests for residential and small business low-voltage customers (those with service less than 750 Volts). 100% of these requests were completed within five business days (or as agreed to by the customer and the distributor), The industry target is 90%.

○ **Scheduled Appointments Met On Time**

Because of high transportation costs and uncertainty about flight availability/ability to land, Remotes does not schedule appointments with customers. Work is generally organized through Band Councils or contractors since most customers do not have telephones. As a result, no appointments are missed or rescheduled.

○ **Telephone Calls Answered On Time**

Remotes' billing and customer service staff received 9,952 phone calls from customers in 2015, answering 98.7% of these calls on time, as prescribed in the Ontario Energy Board's (OEB) Distribution System Code (DSC). The DSC requires call centre staff to answer calls within 30 seconds, 65% of the time, whenever the customer reaches an agent either directly or by means of a transfer. Remotes does not use an automated Interactive Voice Response (IVR) system.

Customer Satisfaction

○ **First Contact Resolution**

First Contact Resolution (FCR) reports the success of the distributor in resolving a customer's issue during the first contact. In 2015, Remotes designed a process to track FCR and will report 2016 performance next year. Remotes measures FCR based on the number of issues that can be resolved by the billing agent as compared to those that must be brought to a supervisor for resolution.

- **Billing Accuracy**

In 2015, Remotes issued 40,479 bills, with an accuracy rate of 96.46%. Remotes does not meet the industry standard of 98.00%. This is largely due to the fact that Remotes has not installed smart meters and relies on manual readings. Manual readings are more likely to result in higher planned and unplanned estimates. Remotes generally contracts with local community members to read the meters, and the readings are then faxed to the office and entered into the system by the billing team. If the faxed readings are late, they result in an unplanned estimate. There were 688 unplanned estimates in 2015. Remotes also has approximately 140 seasonal customers whose premises are generally difficult to access in the winter and who are billed quarterly with one physical meter read per year. In 2015, there were 413 planned estimates related to these customers.

- **Customer Satisfaction Survey Results**

Remotes engaged a professional research company with the ability to speak First Nation languages to conduct a random telephone survey of its customers in 2015. When asked “Overall, are you very satisfied, somewhat satisfied, dissatisfied or very dissatisfied with the electricity service you get from Hydro One Remotes,” 91.4% reported being satisfied or very satisfied. The major reasons for satisfaction were that ‘electricity is there when needed’ (64.5%) and ‘good/better services’ (19.5%). Dissatisfied customers said that expensive rates/bills were the major reason for dissatisfaction. As part of the survey, Remotes tested customer awareness of its programs, and asked customers for their opinions on how service could be improved. Actions are being taken to improve awareness of programs to reduce bills (Low-Income Emergency Assistance Program and Ontario Electricity Support Program) and to address the service improvements that customers identified. Along with asking customers service-related questions, information was also sought on the penetration of electric heat and air conditioning and customer access to the internet to help Remotes plan its programs. Remotes conducts biennial surveys of its customers to help it plan work and respond to customer priorities.

Safety

- **Public Safety**

In April 2015, the Electrical Safety Authority (ESA) made recommendations to the OEB for a scorecard public safety measure that includes three main components: A) Public Awareness of Electrical Safety, B) Compliance with Ontario Regulation 22/04, and C) the Serious Electrical Incident Index. Components B and C were reported in previous years and results for *Component A – Public Awareness of Electrical Safety* were tracked for the first time in 2015, for reporting in 2016.

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

In the spring of 2016, Remotes engaged a professional research company with the ability to speak First Nation languages to conduct a random phone survey to gauge electrical safety awareness among people living in its service territory. The survey was designed by the ESA and assessed participants’ safety awareness in six core areas: the likelihood to call before digging, the impacts of touching a power
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line, safe distances when around power lines, safe distances when around downed power lines, danger of tampering with electrical equipment, and actions to be taken when an occupied vehicle is in contact with a power line. For 2015, the Company reported an overall index score of 69.25%. The score was determined by applying the index score to each response in the categories mentioned above, where “best answers” received a score of 1 and “incorrect answers” received a score of 0. Most respondents understood the danger of touching an overhead wire (84%) and tampering with electrical equipment (81.5%), but fewer were able to correctly identify in feet or meters how close they could come to an overhead line (17%). About the same number (18%) said they would call before digging (there are very few underground cables in Remotes’ service territory). To improve the public’s awareness of hazards, an ad campaign was launched on Wawatay radio during the summer of 2016 focusing on proximity to overhead wires. Remotes is also putting up safety hazard posters in central locations in communities, identifying common hazards, and plans an electrical safety poster contest in community schools for fall 2016. Previous (and ongoing) educational efforts included warning signs at hydroelectric and diesel generating stations, school presentations and information on electrical hazards in bill inserts.

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

Remotes was assessed by the ESA as Compliant (C) to Ontario Regulation 22/04. Ontario Regulation 22/04 was introduced in early 2004 following recommendations from the ESA to ensure electrical safety and to track and report the safety records and compliance of electricity distributors. Distribution companies are required to submit declarations of compliance on the design, construction, and maintenance of distribution systems in accordance with the regulation, on an annual basis. An external auditor reviews and submits a final report, along with a signed declaration of compliance by an officer of the company, to the ESA for review and to establish a final result. The performance target for compliance with Ontario Regulation 22/04 is for the distributor to be fully compliant, and is recorded as Compliant (C), Non-Compliant (NC), or Needs Improvement (NI).

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

For 2015, the ESA identified no recordable serious public incidents, resulting in an index value of 0.0 for Remotes. The Serious Electrical Incident Index was designed to track and help improve public electrical safety on the distribution systems over time. Based on the distributor’s total kilometers of line, the measure normalizes serious electrical incidents per 10, 100, or 1,000km of line reporting both the actual number and rate of incidents per kilometer – for Remotes, the index is normalized per 238 km of line. The distributor and any of its contractors or operators are required to report any serious electrical incident within 48 hours to the ESA. A serious electrical incident is defined as any electrical contact or any fire or explosion that caused or may have caused injury or death in any part of the distribution system operating at greater than 750 Volts (except if caused by lightning strikes). Remotes maintains a policy of reporting all public safety incidents to the ESA.

System Reliability

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

For 2015, Remotes reported an average distribution outage duration of 10.08 hours, representing an increase of about 4 hours from 2014. Performance was worse due primarily to an increase in planned outages (76% increase year over year). Planned outages were required to make improvements to the distribution systems, including pole replacement projects, the installation of viper switches (switches which allow us to sectionalize load within the distribution system) and bird protection. Community-wide outages were also required to increase transformer size and other distribution equipment in order to in-service Indigenous and Northern Affairs funded generation upgrades. Equipment failure also contributed to the poorer result. Bad weather prevented staff from flying into the community of Wapekeka to replace a burnt transformer, leading to a longer than normal outage (23.5 hours). We also experienced a longer than normal outage in one of our largest communities, Big Trout Lake (6.4 hours), related to a burnt switch at the station, which was compounded by a delay in securing a plane to the community. Finally, a lightning strike in Sultan resulted in a 26.1 hour outage as staff was not able to fix the problem due to the ongoing lightning storm. Remotes notes that, although not reflected on the scorecard, 2015 showed improvement in overall generation availability across its system. Planned distribution outages are expected to be higher in the next few years and are expected to improve reliability in the longer term. In particular, viper switches will improve cold load pickup related to loss of generation, will help reduce community-wide outages associated with catastrophic failure of a generation unit and will permit sectionalizing load to reduce the impact of community-wide distribution outages. Because the size of the generation in communities can limit the opportunity for new customers to connect to the systems, planned outages related to Indigenous and Northern Affairs Canada funded generation upgrades allow communities to grow and new services to connect to the distribution systems.

○ Average Number of Times that Power to a Customer is Interrupted

Frequency of customer distribution outages was reported at 4.39 outages per customer for 2015, an increase of 30% compared to the previous year. Planned outages are expected to be higher in the next few years as increased work is required on the distribution systems to improve reliability in the longer-term. Planned outages were the major contributor to the increased frequency of interruptions to customers.

Asset Management

○ Distribution System Plan Implementation Progress

For 2015, the company exceeded its planned project expenditures by 13%, reflecting an increase in distribution system improvements. The Distribution System Plan (DSP) implementation progress is a distributor-defined performance metric. For Remotes, the DSP is the Company's forecasted distribution capital expenditures required to maintain and improve the distribution system over the next five years.

Cost Control

The OEB has recognized that Remotes is not directly comparable to other Ontario distributors. In its decision in proceeding EB-2014-0084, the Board noted that, “Hydro One Remotes is excluded from the Board’s benchmarking analysis because of its unique circumstances. As noted in Hydro One Remotes’ 2014 Price Cap Incentive Rate application (proceeding EB-2013-0142), Hydro One Remotes is unique in terms of its operating characteristics and cost recovery due to the Rural or Remote Electricity Rate Protection.”

Conservation & Demand Management

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

The Conservation First Framework is focused on reducing peak demand on the grid and is not related to Remotes’ operations. As such, Remotes is excluded from the province-wide targets. Federal and provincial conservation programs that are designed to meet the unique needs of customers living in isolated communities in the far north are available to customers in Remotes’ service territory. Remotes also has a small conservation program that focuses on energy efficient products and customer education about energy usage.

Connection of Renewable Generation

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

Due to technical challenges associated with integrating renewable generation in isolated distribution systems, the IESO FIT (Feed-in-Tariff) programs are not available to customers in Remotes’ service territory. Remotes does offer a program to allow renewable generation to connect to its distribution systems, but, when they occur, most of the installations are smaller than 10 kW and do not require a Connection Impact Assessment (CIA).

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

No installations were reported in 2015. This metric measures the company’s success in connecting micro-embedded generation facilities (less than 10kW) 95% of the time within a five business day window.

Financial Ratios

Remotes is 100% debt-financed and is operated as a break-even company with no meaningful return on equity. Therefore, given its financial structure, along with its unique operating characteristics, financial ratios are not comparable with those of other Ontario distribution utilities.

Note to Readers of 2015 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.

FORWARD-LOOKING STATEMENTS AND INFORMATION

Words such as "expect," "anticipate," "intend," "attempt," "may," "plan," "will", "can", "believe," "seek," "estimate," and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Some of the factors that could cause such differences include legislative or regulatory developments, an unexpected increase in call centre volumes, financial market conditions, general economic conditions and the weather. We do not intend, and we disclaim any obligation to update any forward-looking statements, except as required by law.