

Scorecard - Espanola Regional Hydro Distribution Corporation

9/29/2019

Performance Outcomes	Performance Categories	Measures	2014	2015	2016	2017	2018	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%	100.00%	100.00%	100.00%	100.00%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	98.18%	100.00%		90.00%		
		Telephone Calls Answered On Time	77.30%	76.10%	76.20%	72.62%	70.67%		65.00%		
	Customer Satisfaction	First Contact Resolution	100%	99.8	99.17 %	99.60	99.73				
		Billing Accuracy	99.83%	99.93%	99.95%	99.95%	99.89%		98.00%		
		Customer Satisfaction Survey Results		89%	87 %	87 %	87%				
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		85.00%	85.00%	84.00%	84.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0			0
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.000			0.000	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.21	0.27	0.55	0.35	0.16			0.67	
		Average Number of Times that Power to a Customer is Interrupted ²	0.13	0.07	1.10	0.10	0.06			0.33	
	Asset Management	Distribution System Plan Implementation Progress	In progress	On Track	On Track	On Track	On Track				
	Cost Control	Efficiency Assessment	2	2	2	2	2				
		Total Cost per Customer ³	\$602	\$658	\$670	\$661	\$683				
Total Cost per Km of Line ³		\$14,388	\$15,465	\$15,702	\$15,421	\$16,003					
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings ⁴		20.83%	35.54%	80.32%	99.00%			2.41 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		0.00%	0.00%						
		New Micro-embedded Generation Facilities Connected On Time	100.00%		100.00%	100.00%			90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.83	1.47	1.34	1.17	1.22				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.10	1.30	1.22	1.17	1.12				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.12%	9.12%	9.12%	9.12%			
			Achieved	28.00%	15.91%	6.29%	2.45%	4.12%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

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

Legend:

5-year trend
 up down flat

Current year
 target met target not met

Appendix A – 2018 Scorecard Management Discussion and Analysis (“2018 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 2018 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

In 2018, Espanola Regional Hydro (“ERH”) had a successful year in meeting and exceeding all the performance targets for the measures which have been established by the Ontario Energy Board (OEB) in this scorecard.

ERH had a strong performance in Operational Effectiveness in 2018. Not only has ERH exceeded the 5-year rolling average distributor target in both reliability performance metrics, ERH has also, for a fifth year in a row, had zero public incidents in relation to safety.

For the fifth year in a row, ERH has maintained an efficiency assessment rating of Group 2 which is defined as having actual costs between 10% and 25% below predicted costs under the PEG model.

In 2019, ERH will continue working towards maintaining its high level of customer satisfaction and operational effectiveness.

Service Quality

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

In 2018, ERH connected 11 eligible low-voltage residential and small business customers (connections under 750 volts) to its distribution system, with 100% of these connections completed within the five-day timeline prescribed by the Ontario Energy Board (OEB). This score exceeds the OEB mandated threshold of 90%.

- **Scheduled Appointments Met on Time**

In 2018, ERH scheduled 66 appointments with customers to complete customer requested work (e.g. meter installs/removals, service disconnects/reconnects, meter locates etc.) ERH exceeded the OEB target of 90% by meeting this performance measure 100% of the time.

- **Telephone Calls Answered on Time**

In 2018, ERH's Customer Care Department received 3,368 calls from its customers. Of those calls, a Customer Care Representative answered the call in 30 seconds or less, 70.67% of the time. Although a slight decrease from the 2017 results, ERH exceeded the OEB target of 65%. ERH will continue to monitor this performance measure to identify opportunities for improvement.

Customer Satisfaction

- **First Contact Resolution**

ERH's First Contact Resolution was measured by tracking the number of electric related calls that were escalated to a Senior Customer Care Representative, Supervisor, or Manager. This was accomplished by tracking two specific call types in our Customer Information System (CIS), which are queried to provide the number of customer concerns that were escalated.

In 2018, ERH had 3,368 calls, of which, 9 contacts were escalated to a higher level of management. This resulted in a First Contact Resolution percentage of 99.73%.

However, it should be noted that First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

- **Billing Accuracy**

ERH issued approximately 39,502 bills for the period from January 1, 2018 – December 31, 2018 and achieved an accuracy of 99.89%. This compares favorably to the prescribed OEB target of 98%. ERH continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

ERH conducted the last Customer Satisfaction Survey in 2016. The survey result yielded an 87% satisfaction level. The next survey will be conducted in 2019 with results being recorded on the 2019 Scorecard.

Safety

- **Public Safety**

The Public Awareness of Electrical Safety measure (Component A) was introduced by the OEB in 2015 and focuses on the safety of the distribution system from a customer's point of view. The Electrical Safety Authority (ESA) provides an assessment as it pertains to Component B – Compliance with Ontario Regulation 22/04 and Component C – Serious Electrical Incident Index.

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

A representative sample of ERH's service territory population was surveyed in 2017 to gauge the public's awareness level of key electrical safety concepts related to distribution assets. The purpose of the survey was to provide a benchmark level concerning the public's electrical safety awareness and to identify opportunities where additional education and outreach may be required.

Results of the survey were analyzed in 2018 for opportunities to improve existing customer care processes and identify any public safety communication needs. ERH is pleased to report it received an index score of 84% on the 2017 survey. The ESA prescribed public safety awareness survey will be scheduled in 2019.

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

Ontario Regulation 22/04 establishes objective based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, and specifications, and the inspection of construction before they are put in service.

Component B is comprised of an External Audit, a Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns, and Compliance Investigations. All these elements are evaluated as a whole to determine the status of compliance. Over the past eight years, ERH was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). ERH attributes this continued success to our strong commitment to safety, and adherence to company policies and procedures.

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

Section 12 of Ontario Regulation 22/04 specifies the requirement to report to the ESA any serious electrical incidents of which they become aware within 48 hours after the occurrence. ERH had no serious electrical incidents during the 2018 reporting period. The results are zero incidents with a rate of 0.0 per 100 km of line. The utility has not had a serious electrical incident to report in the last

six years. Over the past several years ERH has made and continues to make significant maintenance and capital infrastructure investments to enhance system safety and reliability. ERH remains strongly committed to both the safety of staff and the general public and regularly provides customers with electrical safety information via its website and bill inserts.

System Reliability

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

The System Average Interruption Duration Index (SAIDI) of 0.16 in 2018 was below the target of 0.67. There are ongoing efforts to improve reliability including replacing aging infrastructure and improving vegetation management.

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

The System Average Interruption Frequency Index (SAIFI) of .06 in 2018 was below the target of 0.33. Consistent with SAIDI, there are ongoing efforts to improve reliability including replacing aging infrastructure and improving vegetation management.

Asset Management

- **Distribution System Plan Implementation Progress**

Although Espanola Regional Hydro Distribution Corporation (ERHDC) has employed some degree of distribution system planning for several years, it began drafting its first formal Distribution System Plan (DSP), meeting all OEB Chapter 5 Filing Requirements, in 2015-2016 with the intention of filing the DSP with the OEB as part of the 2017 Cost of Service Application. Activity was halted however in 2017 with the announcement of the pending sale of ERHDC to North Bay Hydro and the possibility of associated changes to the long-term plans.

Subsequently, North Bay (Espanola) Acquisition Inc. (the Applicant), a wholly owned subsidiary of North Bay Hydro Holdings Limited, filed an Application with the OEB on January 16, 2019. The Application requested leave for the Applicant to purchase Espanola Regional Hydro Holdings Corporation and Espanola Regional Hydro Distribution Corporation, amalgamate, and operate the amalgamated company under the name of Espanola Regional Hydro Distribution Corporation (New ERHDC). The application proposed that New ERHDC would file its cost of service application for rates effective May 1, 2021. Accordingly, the Distribution System Plan would be filed in conjunction with the cost of service application.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC (PEG) on behalf of the OEB to produce a single efficiency ranking. The PEG econometrics model attempts to standardizes costs to facilitate more accurate cost comparisons among distributors by accounting for differences such as number of customers, treatment of high and low voltage costs, kWh deliveries, capacity, customer growth, length of lines, etc. All Ontario electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual costs versus the PEG model predicted costs. The following table summarizes the distribution of all distributors across the 5 groupings for 2018.

Group	Demarcation Points for Relative Cost Performance	Group Ranking	# of Ontario LDCs in Group
1	Actual costs are 25% or more below predicted costs	Most Efficient	6
2	Actual costs are 10% to 25% below predicted costs	More Efficient	19
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	26
4	Actual costs are 10% to 25% above predicted costs	Less Efficient	9
5	Actual costs are 25% or more above predicted costs	Least Efficient	3

In 2018, for the seventh year in a row, ERH was placed in Group 2, where a Group 2 distributor is defined as having actual costs between 10% and 25% below predicted costs under the PEG model. ERH's efficiency performance based on the PEG model was under the predicted costs by 22.9% between 2016 and 2018.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of ERH's capital and operating costs, including certain adjustments to make the costs more comparable between distributors (i.e. under the PEG econometrics model) and dividing this cost figure by the total number of customers that ERH serves. The cost performance result for 2018 is \$683 per customer which is a 3.33% increase over 2017.

Overall, ERH's Total Cost per Customer has increased on average by 3.28% per annum over the period 2014 through 2018. ERH will continue to replace distribution assets proactively in a manner that balances system risks and customer rate impacts. Customer

engagement initiatives that commenced in 2016 will continue in order to ensure customers have an opportunity to share their viewpoint on ERH's capital spending plans.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The Total Cost is divided by the kilometers of line that the company operates to serve its customers. ERH's 2018 rate is \$16,003 per Km of line, a 3.77% increase over 2017.

ERH continues to experience a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Such a low growth rate has reduced the ability to fund capital renewal and increasing operating costs through customer growth. As a result, total cost per Km of line has increased an average of 2.75% since 2014 with the increase in capital and operating costs.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

ERH is 99.00% towards its 2020 target. This is a positive testament to the channel partner outreach that has been happening throughout the program. We have also been working with the local township to decrease the consumption at its facilities including the local hospital.

On the residential side we continue to engage customers out in the community through public outreach events. We reach out to customers at these events to discuss conservation, give tips on how to reduce their consumption and hear stories from people about how they conserve hydro.

Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of receiving authorization for their project from the Electrical Safety Authority.

For the year 2018 no CIA requests were received. However, ERHDC maintains its internal processes to ensure all applications are processed within the prescribed timelines when they are received.

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

Like 2017, interest in Micro-embedded Generation was extremely limited in 2018 relative to previous years. In fact, ERHDC received no applications and provided no offers to connect.

Financial Ratios

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

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short-term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being “liquid”. The higher the number, the more “liquid” and the larger the margin of safety to cover the company’s short-term debts and financial obligations.

ERH’s current ratio increased from 1.17 in 2017 to 1.22 in 2018. ERH is in a good position to cover the company’s short-term debts and financial obligations.

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

The OEB uses a deemed capital structure of 60% debt and 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt to equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring. ERH has a debt to equity ratio of 1.12 in 2018 which is below the deemed capital structure.

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

ERH’s current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.12%. the OEB allows a distributor to earn within +/- 3 percentage points of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor’s revenue and cost structure by the OEB.

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

ERH’s regulatory return on equity achieved in 2018 was 4.12%, which is below the OEB allowed range by 6.67%. The low achieved regulatory return on equity is primarily due to unfavourable distribution revenue as ERH has not rebased its rates since 2012. ERH is

currently involved in merging with North Bay Hydro and is expected to complete a Cost of Service Rate Application to rebase its rates for May 1, 2021.

Note to Readers of 2018 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.