

Scorecard - Espanola Regional Hydro Distribution Corporation

Performance Outcomes	Performance Categories	Measures	2016	2017	2018	2019	2020	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b> 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%	98.18%	100.00%	98.55%	97.10%		90.00%		
		Telephone Calls Answered On Time	76.20%	72.62%	70.67%	63.04%	68.04%		65.00%		
	Customer Satisfaction	First Contact Resolution	99.17 %	99.60	99.73	99.23	99.7				
		Billing Accuracy	99.95%	99.95%	99.89%	99.98%	99.94%		98.00%		
		Customer Satisfaction Survey Results	87 %	87 %	87%	91.00	91				
<b>Operational Effectiveness</b> 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%	84.00%	84.00%	85.00%	85.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	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 <sup>2</sup>	0.55	0.35	0.16	0.35	0.21			0.34	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.10	0.10	0.06	0.17	0.06			0.30	
	Asset Management	Distribution System Plan Implementation Progress	On Track	On Track	On Track	On Track	on track				
	Cost Control	Efficiency Assessment	2	2	2	2	2				
		Total Cost per Customer <sup>3</sup>	\$670	\$661	\$683	\$758	\$716				
		Total Cost per Km of Line <sup>3</sup>	\$15,702	\$15,421	\$16,003	\$17,789	\$23,597				
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	0.00%								
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%					90.00%		
<b>Financial Performance</b> Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.34	1.17	1.22	0.83	1.01				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.22	1.17	1.12	-22.35	-7.99				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.12%	9.12%	9.12%	9.12%			
			Achieved	6.29%	2.45%	4.12%	-9.46%	-6.45%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).  
 2. 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.

**Legend:**

5-year trend  
 up down flat

Current year  
 target met target not met

## 2020 Scorecard Management Discussion and Analysis (“2020 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 2020Scorecard MD&A:

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

### Scorecard MD&A - General Overview

In 2019, North Bay (Espanola) Acquisition Inc. acquired Espanola Regional Hydro Distribution Corporation and amalgamated under the name Espanola Regional Hydro Distribution Corporation (“ERHDC”).

ERHDC exceeded all customer focus performance targets in 2020. ERHDC increased telephone calls answer on time to 68% in 2020. Given the transition of employees working from home during the Covid-19 pandemic, ERHDC is pleased with this result of meeting the industry target of 65%. ERHDC maintained a significantly high performance in all other customer focus areas.

ERHDC had a strong performance in Operational Effectiveness in 2020. Not only has ERHDC exceeded the 5-year rolling average distributor target in both reliability performance metrics, for a seventh year in a row, ERHDC had zero public incidents in relation to safety. For the ninth consecutive year, ERHDC 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 Pacific Economics Group LLC (PEG) model.

In 2019, due to the acquisition being fully financed, ERHDC incurred significant increases in its debt to equity ratios and reduced ratios tied to liquidity. With the proposed future amalgamation with North Bay Hydro Distribution Inc. (North Bay Hydro) in 2022 this situation will be temporary, but until the amalgamation is approved and completed, ERHDC will continue to operate as an independent LDC. Once amalgamated, the New North Bay Hydro will have strong liquidity and debt service ratios as well as more optimal debt to equity ratios with financial capacity for any necessary borrowing. As a result, the 2020 financial ratios saw a similar outcome of to that of 2019. ERHDC received approval from the OEB to increase distribution rates effective May 1, 2021 which will result in better financial ratios for the upcoming 2021 fiscal year.

ERHDC will continue working towards maintaining its high-level of customer satisfaction and operational effectiveness. The details provided in this report on service quality, customer satisfaction, safety, system reliability, asset management, cost control, and financial ratios confirm ERHDC’s continued strong performance in 2020.

## Service Quality

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

In 2020, ERHDC connected 21 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 2020, ERHDC scheduled 67 appointments with customers to complete customer requested work (e.g. meter installs/removals, service disconnects/reconnects, meter locates etc.) ERHDC achieved 97.10% which exceeded the OEB target of 90%.

- **Telephone Calls Answered on Time**

In 2020, ERHDC's Customer Care Department received 3,645 calls from its customers. Of those calls, a Customer Care Representative answered the call in 30 seconds or less, 68.04% of the time. ERHDC achieved the OEB target of 65%.

## Customer Satisfaction

- **First Contact Resolution**

ERHDC'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 2020, ERHDC had 3,645 calls, of which 11 contacts were escalated to a higher level of management. This resulted in a First Contact Resolution percentage of 99.70%. 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**

ERHDC issued 39,660 bills for the period from January 1, 2020 – December 31, 2020 and achieved an accuracy of 99.94%. This compares favorably to the prescribed OEB target of 98%. ERHDC continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

In 2020, ERHDC did not conduct a survey. The survey is completed every 2 years with the most recent one completed in 2019 with a score of 91%. The next survey will be conducted in 2021 and will be done by UtilityPULSE. The survey will include questions focused on the key areas of: power quality and reliability; price; billing and payment; communication; customer service experience; and corporate image.

## Safety

The Public Safety measure 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.

- **Public Safety**

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

The Public Awareness of Electrical Safety measure is determined by public survey. The purpose of the survey is to monitor the effort and impact LDC's are having on improving public electrical safety for the Distribution Network. This public safety survey is intended to be conducted every two years. The questions on the survey are standardized across the province.

ERHDC's third safety awareness survey was conducted in early 2020 and resulted in a score of 85%. This was a 1% improvement over the previous Safety survey.

- **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 ten years, ERHDC was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). ERHDC attributes this continued success to our strong commitment to safety, and adherence to company policies and procedures. ERHDC's target for this metric is to

remain fully compliant with Ontario Regulation 22/04.

- **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. ERHDC had no serious electrical incidents to report for the period January 1 through December 31, 2020. The utility has not had a serious electrical incident to report in the last seven years. For 2020, the results are zero incidents with a rate of 0.0 per 100 km of line.

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

## System Reliability

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

The System Average Interruption Duration Index (SAIDI) of 0.21 in 2020 was below the target of 0.34. There are ongoing efforts to maintain reliability including vegetation management practices and the proactive inspection and replacement of aging infrastructure.

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

The System Average Interruption Frequency Index (SAIFI) of .06 in 2020 was below the target of 0.30. Consistent with SAIDI, there are ongoing efforts to maintain reliability including vegetation management practices and the proactive inspection and replacement of aging infrastructure.

## Asset Management

- **Distribution System Plan Implementation Progress**

ERHDC completed a 1 year DSP with its 2021 Cost of Service Application. ERHDC remains on track with the implementation of that DSP in 2021.

## 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 standardize costs to facilitate more accurate cost comparisons among distributors by accounting for differences such as the 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 2019:

Group	Demarcation Points for Relative Cost Performance	Group Ranking	# of Ontario LDC's in Group
1	Actual costs are 25% or more below predicted costs	Most Efficient	9
2	Actual costs are 10% to 25% below predicted costs	More Efficient	17
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	27
4	Actual costs are 10% to 25% above predicted costs	Less Efficient	4
5	Actual costs are 25% or more above predicted costs	Least Efficient	2

In 2020, for the ninth consecutive year, ERHDC was again placed in Group 2, attesting to its ability to keep costs in line with predictions. efficiency performance based on the PEG model was under the predicted costs by 22.5% between 2018 and 2020.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of ERHDC'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 ERHDC serves. The cost performance result for 2020 is \$716 per customer which is a 5.6% decrease over 2019. ERHDC had increased costs in 2019 due to higher administrative costs from the sale of ERHDC to North Bay Hydro. In 2020, costs came back down more in line with years prior to 2019.

Overall, ERHDC's Total Cost per Customer has increased on average by 1.02% per annum over the period 2016 through 2020. ERHDC will continue to replace distribution assets proactively in a manner that balances system risks and customer rate impacts. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on

ERHDC'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. ERHDC's 2020 rate is \$23,597 per Km of line. In 2020, ERHDC completed an internal audit of Km of line as part of the DSP and 2021 Cost of service application. This resulted in an update of 141 km of line in 2019 to 101 km of line in 2020.

## 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 2020, 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**

In 2020, ERHDC did not receive any requests to connect any new micro-embedded generation facilities.

## 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.

ERHDC's current ratio went from 0.83 in 2019 to 1.01 in 2020. Until ERHDC amalgamates with North Bay Hydro, it will continue to see fluctuations in its debt to equity ratios and ratios tied to liquidity due to financing structure.

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

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. 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.

ERHDC has a debt to equity ratio of negative -7.99 in 2020 which is below the deemed capital structure. As noted above, the financing structure is temporary, and the leverage ratio tied to liquidity will continue to be low until the amalgamation occurs. ERHDC received approval for new rates effective May 1, 2021. This will increase distribution revenues and help alleviate the debt to equity ratio over the next 5 years.

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

ERHDC'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 revenues and costs structure by the OEB.

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

ERHDC's ROE is a negative -6.45% for the year end as a result of unfavorable distribution revenue and increased OM&A costs. ERHDC received approval from the OEB for increased distribution rates effective May 1, 2021 as part of its 2021 Cost of Service rate application. These new rates will better align ERHDC's distribution revenues and costs to achieve a better ROE for 2021.

## Note to Readers of 2020 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.