

Scorecard - Espanola Regional Hydro Distribution Corporation

9/23/2020

Performance Outcomes	Performance Categories	Measures	2015	2016	2017	2018	2019	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%	98.18%	100.00%	98.55%		90.00%	
		Telephone Calls Answered On Time	76.10%	76.20%	72.62%	70.67%	63.04%		65.00%	
	Customer Satisfaction	First Contact Resolution	99.8%	99.17 %	99.60%	99.73%	99.23%			
		Billing Accuracy	99.93%	99.95%	99.95%	99.89%	99.98%		98.00%	
		Customer Satisfaction Survey Results	89%	87 %	87 %	87%	91.00			
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%	85.00%			
		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		
	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	0.27	0.55	0.35	0.16	0.35			0.67
		Average Number of Times that Power to a Customer is Interrupted ²	0.07	1.10	0.10	0.06	0.17			0.33
	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 ³	\$658	\$670	\$661	\$683	\$758			
Total Cost per Km of Line ³		\$15,465	\$15,702	\$15,421	\$16,003	\$17,789				
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%	131.00%			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%				90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.47	1.34	1.17	1.22	0.83			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.30	1.22	1.17	1.12	-22.35			
		Profitability: Regulatory Deemed (included in rates)	9.12%	9.12%	9.12%	9.12%	9.12%			
		Return on Equity Achieved	15.91%	6.29%	2.45%	4.12%	-9.46%			

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](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.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 performance targets in 2019, with the exception of telephone calls answered on time and financial targets.

ERHDC had a strong performance in Operational Effectiveness in 2019. Not only has ERHDC exceeded the 5-year rolling average distributor target in both reliability performance metrics, for a sixth year in a row, ERHDC had zero public incidents in relation to safety. For the eighth 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.

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, CDM results, and financial ratios confirm ERHDC’s continued strong performance in 2019.

Service Quality

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

In 2019, ERHDC connected 12 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 2019, ERHDC scheduled 69 appointments with customers to complete customer requested work (e.g. meter installs/removals, service disconnects/reconnects, meter locates etc.) ERHDC achieved 98.55% which exceeded the OEB target of 90%.

- **Telephone Calls Answered on Time**

In 2019, ERHDC's Customer Care Department received 3,617 calls from its customers. Of those calls, a Customer Care Representative answered the call in 30 seconds or less, 63.04% of the time. This is a decrease from the 2018 results, and ERHDC just missed the OEB target of 65%. The main contributing factor to the missed target was staff turnover which resulted in new staff having longer average talk times with customers. The extra time on the phones with customers then lead to calls waiting in the queue. ERHDC has a fully trained team in place and has seen significant improvement for 2020. ERHDC will continue to monitor this performance measure to identify opportunities for improvement.

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 2019, ERHDC had 3,617 calls, of which 21 contacts were escalated to a higher level of management. This resulted in a First Contact Resolution percentage of 99.23%. 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 39,559 bills for the period from January 1, 2019 – December 31, 2019 and achieved an accuracy of 99.98%. 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 2019, ERHDC used a leading market research organization, UtilityPULSE, to conduct a bi-annual customer satisfaction survey. The survey included questions focused on the key areas of: power quality and reliability; price; billing and payment; communication; customer service experience; and corporate image. The survey result yielded an 91% satisfaction level. The next survey will be conducted in 2021.

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 nine 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, 2019. The utility has not had a serious electrical incident to report in the last six years. For 2019, 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 0.35 in 2019 was below the target of 0.67. There are ongoing efforts to maintain reliability including vegetation management practices and the proactive replacement of aging infrastructure.

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

The System Average Interruption Frequency Index (SAIFI) of .17 in 2019 was below the target of 0.33. Consistent with SAIDI, there are ongoing efforts to maintain reliability including vegetation management practices and the proactive replacement of aging infrastructure.

Asset Management

- **Distribution System Plan Implementation Progress**

Although ERHDC has employed some degree of distribution system planning for several years, it began drafting its first formal DSP in 2015-2016 with the intention of filing the DSP with the OEB as part of a 2017 Cost of Service Application. Activity was halted however in 2017 with the announcement of the pending sale of ERHDC to North Bay Hydro.

Now that the sale is complete, ERHDC will be updating its DSP in preparation for its 2021 Cost of Service Application. Due to future amalgamation in 2022, the OEB has accepted that the DSP will only cover 2021, rather than a full five-year DSP. The DSP will outline how ERHDC will develop, manage, and maintain its distribution system equipment to provide a safe, reliable, efficient, and cost-effective distribution system.

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	7
2	Actual costs are 10% to 25% below predicted costs	More Efficient	17
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	29
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 2019, for the eighth consecutive year, ERHDC was 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 21.7% between 2017 and 2019.

- **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 2019 is \$758 per customer which is a 11% increase over 2018. ERHDC had increased costs in 2019 due to higher administrative costs from the sale of ERHDC to North Bay Hydro.

Overall, ERHDC's Total Cost per Customer has increased on average by 3.80% per annum over the period 2015 through 2019. 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 2019 rate is \$17,789 per Km of line, a 11% increase over 2018. As mentioned above, this increase is due to increased administration expenses related to the sale.

ERHDC 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 3.76% since 2015 with the increase in capital and operating costs.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

In the early part of the 2019 year the Provincial government transitioned away from the local delivery of conservation program to a central delivery system. While we continued to deliver the program above the program targets, these targets were now not part of the program for local utilities and became a single provincial target. During this transition we have continued to support customers through program knowledge and conservation awareness, while closing out any applications that were still in process during this transition. We continuously work closely with the town and local school board on applications for new school that is going to be built in the area and facility improvements throughout the town.

For our residential customers we have seen significant uptake in the provincially funded Affordability Fund program. This program helps customers reduce their consumption of electricity through the use of energy efficient appliances and in some instances heating/cooling. ERHDC is committed to helping its customers understand their energy usage by offering programs that enable them to become more energy efficient.

ERHDC had a conservation target of 2.41 Gigawatt hours. Results for 2019 show progress of 131.00% towards that target.

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 2019, 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 2019, 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 1.22 in 2019 to 0.83 in 2019. Until ERHDC amalgamates with North Bay Hydro, it will continue to see increases in its debt to equity ratios and reduced ratios tied to liquidity due to financing structure. However, with the proposed amalgamation in 2022 this situation will be temporary, and the liquidity ratio will continue to be low until the amalgamation occurs.

- **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 -22.35 in 2019 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.

- **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 -9.46% for the year end as a result of the net and comprehensive loss realized in 2019. ERHDC's last Cost of Service approval for a rate increase was in 2012. For the past few years, the ROE has been below the OEB deemed 9.12% primarily due to unfavourable distribution revenue as ERHDC has not rebased its rates since 2012 and not had an IRM increase since May 1, 2015. In addition, consumption volumes are below those projected in the 2012 Cost of Service rate application. For 2019, ERHDC additionally experienced higher administrative costs associated with the sale of ERHDC and additional audit and financing expenses.

ERHDC expects the financial targets to remain low for the next few years until approval of the 2021 Cost of Service Rate Application for an increase in rates and the future amalgamation with North Bay Hydro in 2022.

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.