

Scorecard - Hydro One Remote Communities Inc.

8/31/2022

| Performance Outcomes | Performance Categories | Measures | 2017 | 2018 | 2019 | 2020 | 2021 | 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 | 90.59% | 95.33% | 100.00% | 100.00% | 100.00% | | 90.00% | | |
| | | Scheduled Appointments Met On Time | | | | | | | | 90.00% | |
| | | Telephone Calls Answered On Time | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | | | 65.00% | |
| | Customer Satisfaction | First Contact Resolution | 100 | 100% | 100% | 100% | 100% | | | | |
| | | Billing Accuracy | 97.89% | 97.90% | 96.88% | 94.28% | 89.35% | | | 98.00% | |
| | | Customer Satisfaction Survey Results | 90 | 90% | 93% | 93% | 96% | | | | |
| 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 | 70.40% | 70.40% | 72.38% | 72.38% | 73.93% | | | | |
| | | Level of Compliance with Ontario Regulation 22/04 ¹ | NI | 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 | 7.55 | 4.94 | 6.58 | 8.27 | 6.72 | | | | 7.40 |
| | | Average Number of Times that Power to a Customer is Interrupted ² | 3.98 | 2.02 | 3.69 | 3.42 | 3.33 | | | | 4.18 |
| | Asset Management | Distribution System Plan Implementation Progress | 83% | 100% | 98% | 108% | 88% | | | | |
| | 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). | Connection of Renewable Generation | Renewable Generation Connection Impact Assessments Completed On Time ⁴ | | | | 100.00% | | | | | |
| | | New Micro-embedded Generation Facilities Connected On Time | | | | | | | | 90.00% | |
| Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable. | Financial Ratios | Liquidity: Current Ratio (Current Assets/Current Liabilities) | 1.80 | 1.00 | 0.98 | 1.02 | 0.75 | | | | |
| | | 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. 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. Value displayed for 2021 reflects data from the first quarter, as the filing requirement was subsequently removed from the Reporting and Record-keeping Requirements (RRR).

Legend:

5-year trend

up down flat

Current year

target met target not met

Fiscal 2021 Scorecard Management Discussion and Analysis (“2021 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 2021 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

Hydro One Remote Communities Inc. (Remotes) is an integrated generation and distribution company in northern Ontario serving 4,368 customers in 21 off-grid communities and distributes to one community connected to the Province’s electricity grid. The communities served by Remotes are isolated and scattered across the far North of Ontario. 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 break-even 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). Seventeen 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 in all but one community, most of the electricity that Remotes distributes is produced utilizing diesel combustion engines 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 2021 had 18 customer/community-owned solar installations connected to its distribution systems. Diesel fuel is Remotes’ single largest cost. Fuel costs are inherently volatile and related to changes in commodity price, method of delivery and volumes required to generate sufficient electricity to meet customer needs. The

feasibility of using further renewable technologies is continually examined as new technologies evolve, but diesel is currently the most reliable and cost-effective technology.

Fourteen communities are not accessible by year-round road and can be reached only by aircraft, winter road or in the case of two communities, also by barge. The size and isolation of Remotes' service territory means that the transportation and accommodation of staff, fuel and equipment is a key driver of Remotes' costs. The use and viability of winter roads to reach these communities is a major cost variable within Remotes' operations. Construction and project risk is high, due to the lack of transportation infrastructure.

Since Remotes is an integrated generation company with unique financing and operations, some metrics are not included in the Scorecard results. The OEB has recognized that Remotes is not directly comparable to other Ontario distributors. In its Decision in EB-2014-0084, the OEB 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 (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 2021, Remotes processed 101 new connection requests for residential and small business low-voltage customers (those with service less than 750 Volts), which is similar to the previous year. 100% of these requests were completed within five business days or as agreed to by the customer and the distributor, exceeding the industry target of 90%. Despite COVID-19 pandemic challenges, services connected on time results were comparable to 2020.

○ **Scheduled Appointments Met On Time**

Due to 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 are not directly in control of or responsible for housing connections. As a result, no appointments are missed or rescheduled.

- **Telephone Calls Answered On Time**

Remotes' billing and customer service staff received 5,228 phone calls from customers in 2021 and answered 100% of these calls on time, as prescribed in the OEB Distribution System Code (DSC). Sections 7.6.2 and 7.6.3 of the DSC require call centre staff to answer calls within 30 seconds, 65% of the time, on a yearly basis, 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 and therefore does not report the abandoned call metric. Overall call volume was up from 2020 as a result of the resumption of collection activities.

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. 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. In 2021, 100% of calls were resolved by the billing agents and customer service staff without a supervisor's intervention, similar to the prior year.

- **Billing Accuracy**

Remotes issued 48,977 bills in 2021 with an accuracy rate of 89.35%, a decrease compared to previous years due to difficulty in getting meter reads in several communities due to COVID-19 restrictions and community safety protocols. Historically, Remotes does not meet the industry standard of 98.00%. This is largely because Remotes has not installed a smart meter network due to limited communication infrastructure in its service territory and therefore 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. Readings are then faxed or emailed to the office and entered into the system by the billing team. If the readings are late or not performed, they result in an unplanned estimate. There were 5,218 unplanned estimates in 2021 due to difficulty in getting meter reads in several communities because of on-going COVID restrictions and community safety protocols, which was generally resolved in early 2022. Remotes has also continued with at least quarterly physical meter readings for seasonal customers, but there are a number of seasonal customers whose meters are inaccessible at certain times of the year, making the industry standard difficult to attain.

- **Customer Satisfaction Survey Results**

Remotes conducts biennial surveys of its customers to plan work and respond to customer priorities. Remotes engaged a professional research company with the ability to speak First Nation languages to conduct a random telephone survey of its customers in 2022 for 2021 reporting. When asked “Overall, are you very satisfied, satisfied, dissatisfied or very dissatisfied with the electricity service you get from Hydro One Remotes?” 96% reported being satisfied or very satisfied. The main reason for the positive satisfaction rating was consistent reliability and supply of electricity.

Safety

- **Public Safety**

In April 2015, the Electrical Safety Authority (ESA) made recommendations to the OEB for a scorecard of public safety measure that includes three main components: A) Public Awareness of Electrical Safety, B) Compliance with Ontario Regulation 22/04 under the *Electricity Act, 1998*, 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 for fiscal 2015 performance.

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

In the spring of 2022, Remotes engaged a professional research company 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 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 2021, the Company reported an overall index score of 73.93%, up slightly from prior years. Most respondents understood the danger of touching an overhead wire (87%). However, many customers did not generally recognize the risk of underground wires, since there are very few underground services in Remotes’ service territory. Remotes has undertaken educational efforts that include: warning signs at hydroelectric and diesel generating stations; radio ads; school or community presentations and information on electrical hazards in bill inserts; and expects to continue such efforts in the future.

- **Component B – Compliance with Ontario Regulation 22/04, made under the *Electricity Act, 1998***

Ontario Regulation 22/04 was introduced in early 2004 following recommendations from the ESA to enhance electrical safety for the people of Ontario. The Regulation sets the basis for the requirements for the safe operation of the distribution system in Ontario. Distribution companies are required to be audited yearly on the design, construction, and maintenance of distribution systems in accordance with the Regulation. An external auditor performs the audit. A final report, along with a signed declaration of compliance to the regulation for all sections that are not covered by the audit, is provided to the ESA. The performance target for compliance with the Regulation is for the distributor to be fully compliant, and is recorded as Compliant (C), Non-Compliant (NC), or Needs Improvement (NI). For 2021, Remotes met the performance target and received a Compliant (C) score.

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

For 2021, 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 1,000 km of line, reporting both the actual number and rate of incidents per kilometer – for Remotes, the index is normalized per 260 km of line. The distributor and any of its contractors or operators are required to report any serious electrical incident to the ESA within 48 hours. 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 Interrupted¹**

For 2021, Remotes reported an average outage duration of 6.72 hours, which is 1.55 hours better than 2020 (8.27) and 0.68 hours better than the OEB target of 7.40. The stronger performance over the previous year was due to less impactful adverse weather events. The performance over the OEB target improved due to decreased scheduled outages and defective equipment, offset by an increase in tree contacts. The metric represents the average duration of customer interruptions, as the ratio of total customer hours of interruption to the total number of customers served and expressed as the average time in hours over the reporting period.

- **Average Number of Times that Power to a Customer is Interrupted¹**

The frequency of customer outages was reported at 3.33 outages per customer in 2021, which is 0.09 outages per customer better than in 2020 (3.42). 2021 performance is better than the OEB target of 4.18 largely due to decreased scheduled outages. This metric represents the average frequency of customer interruptions, as the ratio of total number of customer interruptions to the total number of customers served and expressed as the average number of customer interruptions over the reporting period.

For the above two metrics, the impacts due to force majeure events and loss of supply events are excluded.

Asset Management

- **Distribution System Plan Implementation Progress**

The Distribution System Plan (DSP) implementation progress is a distributor-defined performance metric. In 2017, Remotes filed its first formal DSP with the OEB. The metric currently used is Operation Maintenance and Administration (OM&A) and Capital spending to plan for both generation and distribution. In 2021, the target was not met due to decreased spend on OM&A projects, some of which were impacted by the COVID pandemic, as \$31.2M was spent compared to a plan of \$35.5M (88%). In 2020, \$32.4M was spent, compared to a plan of \$30.1M (108%). Unlike previous years, the most recent DSP expanded capital metrics beyond more traditional distribution capital spending.

¹ The distributor specific target for Hydro One Remotes is located on the OEB Scorecard and is based on the currently approved Distribution System Plan.

Cost Control

The OEB has recognized that Remotes is not directly comparable to other Ontario distributors. In its decision in EB-2014-0084, the OEB noted, “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 (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.”

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, provincial renewable programs have not been available to customers in Remotes’ service territory. Remotes offers a program to allow renewable generation to connect to its distribution systems, but most of the installations are small and most do not require a Connection Impact Assessment (CIA).

○ New Micro-embedded Generation Facilities Connected on Time

This metric measures the company’s success in connecting micro-embedded generation facilities (10kW or less) 90% of the time within a five business-day window, or at such later date as agreed to by a micro-embedded generator and the distributor, of the generator informing the distributor that it has satisfied all applicable service conditions and received all necessary approvals, as per sections 6.2.7 and 6.2.7A of the DSC. No new micro-embedded generation facilities were connected to Remotes’ distribution systems during 2021.

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 Fiscal 2021 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.

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 and information. Such statements include, but are not limited to, references to educational efforts, and industry and internal targets. 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 the scope and duration of the COVID-19 pandemic and related developments including government and the company’s response and mitigation measures, legislative or regulatory developments, government policy and program developments, an unexpected increase in call centre volumes, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management’s best judgment on the reporting date of the performance scorecard, and could be markedly different in the future. We do not intend, and we disclaim any obligation, to update any forward-looking statements, except as required by law.