

Scorecard - Hvdro One Remote Communities Inc.

| 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 | 98.40% | 100.00% | 100.00% | 90.59% | 95.33% | | 90.00% | | |
| | | Scheduled Appointments Met On Time | | | | | | | | 90.00% | |
| | | Telephone Calls Answered On Time | 95.00% | 98.70% | 100.00% | 100.00% | 100.00% | | 65.00% | | |
| | Customer Satisfaction | First Contact Resolution | | | N/A | 100 | 100 | 100% | | | |
| | | Billing Accuracy | 96.71% | 96.46% | 97.27% | 97.89% | 97.90% | | 98.00% | | |
| | | Customer Satisfaction Survey Results | | 91.4% | 91 | 90 | 90% | | | | |
| | | | | | | | | | | | |
| 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% | 69.25% | 70.40% | 70.40% | | | | |
| | | Level of Compliance with Ontario Regulation 22/04 ¹ | | C | C | NI | 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 | |
| | System Reliability | Average Number of Hours that Power to a Customer is Interrupted ² | 6.06 | 10.08 | 9.11 | 7.55 | 4.94 | | | 7.40 | |
| | | Average Number of Times that Power to a Customer is Interrupted ² | 3.37 | 4.39 | 4.95 | 3.98 | 2.02 | | | 4.18 | |
| | Asset Management | Distribution System Plan Implementation Progress | | 113.2% | 160% | 83% | 100% | | | | |
| | 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 | | | | | | | | GWh | |
| | Connection of Renewable Generation | Renewable Generation Connection Impact Assessments Completed On Time | | | | | | | | | |
| New Micro-embedded Generation Facilities Connected On Time | | | | | 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) | 0.46 | 0.62 | 1.98 | 1.80 | 1.00 | | | | |
| | | 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 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

Fiscal 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

Hydro One Remote Communities Inc. (Remotes) is an integrated generation and distribution company serving 3,669 customers in 21 off-grid communities. In December 2018, Remotes began servicing approximately 425 customers in the community of Pikangikum, Remotes’ first community connected to the Province’s electricity grid. The communities served by Remotes are isolated and scattered across northern 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). 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 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 2018 had 16 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.

Thirteen communities are not accessible by year-round road and can be reached only by aircraft, winter road or in the case of one community also by 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.

Because 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 2018, Remotes processed 107 new connection requests for residential and small business low-voltage customers (those with service less than 750 Volts). 102 or 95.33% of these requests were completed within five business days or as agreed to by the customer and the distributor. The industry target is 90%. Results were more favourable in 2018 due to an unusually high volume of connection requests in 2017.

○ **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 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 6,071 phone calls from customers in 2018 and answered 100% of these calls on time, as prescribed in the OEB Distribution System Code (DSC). Section 7.6.3 of the DSC requires 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. Prior to 2014, Remotes did not have a phone system that recorded the time to answer calls.

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 2018, 100% of calls were resolved by the billing agents and customer service staff without a supervisor's intervention.

- **Billing Accuracy**

In 2018, Remotes issued 42,012 bills, with an accuracy rate of 97.90%, similar to previous years. 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 communications 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 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 882 unplanned estimates in 2018, a slight increase over previous years. In 2016, Remotes implemented quarterly physical meter readings for seasonal customers, and continues to show improvement in reducing planned estimates for those customers. However, 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 help it 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 2017. When asked “Overall, are you very satisfied, somewhat satisfied, dissatisfied or very dissatisfied with the electricity service you get from Hydro One Remotes?” 90% reported being satisfied or very satisfied. The major reason for satisfaction was that ‘electricity is there when needed’ (51.1%). Dissatisfied customers said that expensive rates/bills were the major reason for dissatisfaction.

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 in 2015, for reporting in 2016.

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

In the spring of 2018, 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 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 2018, the Company reported an overall index score of 70.40%, comparable to prior years. 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 (85%) and tampering with electrical equipment (81%). Some improvements were noted in both how close they could come to an overhead line

and whether they would call before digging, but there are very few underground cables in Remotes' service territory. Remotes has undertaken educational efforts that include: warning signs at hydroelectric and diesel generating stations; radio ads; school presentations and information on electrical hazards in bill inserts; and, Remotes will continue to do so in the future.

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

O. Reg. 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 O. Reg. 22/04 is for the distributor to be fully compliant, and the distributor is recorded as Compliant (C), Non-Compliant (NC), or Needs Improvement (NI). In 2018, Remotes was assessed by the ESA as Compliant in compliance with O. Reg. 22/04.

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

For 2018, 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 kilometre – for Remotes, the index is normalized per 265 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 Interrupted

In 2018, SAIDI performance improved compared to 2017 and 2016. Due to the nature of Remotes' systems, planned outages continue to be required to replace equipment and make improvements, but overall, planned outages contributed less to SAIDI than in 2017. Outages caused by defective equipment also contributed less in 2018. The year 2018 showed continued improvement in overall generation availability across its system. Planned distribution outages are expected to remain high in the next few years but are expected to improve reliability over time as improvements are made.

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

In 2018, SAIFI performance improved compared to 2017 and 2016. Due to the nature of Remotes' systems, planned outages continue to be required to replace equipment and make improvements. The year 2018 showed continued improvement in overall generation availability across its system. Planned distribution outages are expected to remain high in the next few years but are expected to improve reliability.

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 2018, the target was met, as \$29.9M was spent compared to a plan of \$30.0M (100%). In 2017, \$27.5M was spent, compared to a plan of \$33.1M (83%). In previous years, the metric was confined to distribution capital spending.

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 2018 Scorecard MD&A

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."

Conservation & Demand Management

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

The Conservation First Framework is focusing 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 Feed-In Tariff (FIT) programs are not 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 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) 95% of the time within a five-business day window. No new micro-embedded generation facilities were connected to Remotes' distribution systems during 2018.

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 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. 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, 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.