

Scorecard - Alectra Utilities Corporation

Performance Outcomes	Performance Categories	Measures	2014	2015	2016	2017	2018	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	98.43%	99.54%	99.60%	97.02%	94.70%		90.00%		
		Scheduled Appointments Met On Time	98.91%	95.69%	99.46%	99.28%	99.62%		90.00%		
		Telephone Calls Answered On Time	77.57%	80.40%	80.40%	79.14%	77.98%		65.00%		
	Customer Satisfaction	First Contact Resolution			81.79%	79.78%	81%	85.4%			
		Billing Accuracy		99.37%	99.53%	99.52%	99.62%	99.57%		98.00%	
		Customer Satisfaction Survey Results		88.23%	90.86%	90.86%	88%	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			78.29%	78.29%	81.00%	81.00%			
		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	6	7	6	9	13			5
			Rate per 10, 100, 1000 km of line	0.312	0.359	0.305	0.453	0.657			0.259
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.86	1.03	0.82	0.83	1.08			0.93	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.22	1.23	1.07	1.12	1.37			1.25	
	Asset Management	Distribution System Plan Implementation Progress	100.40%	108.8%	95.8%	95.5%	88.5%				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer <sup>3</sup>	\$637	\$674	\$678	\$679	\$682				
		Total Cost per Km of Line <sup>3</sup>	\$30,836	\$32,881	\$33,185	\$33,717	\$33,949				
<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).	Conservation & Demand Management	Net Cumulative Energy Savings <sup>4</sup>		14.74%	34.70%	62.21%	81.00%			1,604.54 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	97.48%	98.24%	90.91%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time	96.07%	94.42%	96.95%	98.34%	96.74%		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)	1.01	0.96	0.89	1.18	0.94				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.29	1.30	1.36	1.26	1.16				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.17%	9.06%	9.04%	8.90%	8.94%			
			Achieved	9.07%	7.68%	7.77%	8.43%	7.66%			

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

## 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 April 2016, Enersource Hydro Mississauga Inc. (“Enersource”), Horizon Utilities Corporation (“Horizon Utilities”), and PowerStream Inc. (“PowerStream”) filed an application (the “MAADs Application”; EB-2016-0025) pursuant to the Handbook to Electricity Distributor and Transmitter Consolidations (the “MAADs Handbook”) seeking approval to amalgamate to form Alectra Inc., and for Alectra Inc. to purchase and amalgamate with Hydro One Brampton Networks Inc. (“Hydro One Brampton”) under section 86 of the *Ontario Energy Board Act, 1998*. Alectra Inc. is the parent of Alectra Utilities Corporation (“Alectra Utilities”).

On December 8, 2016, the Ontario Energy Board (“OEB”) issued its Decision and Order in respect of the MAADs Application. In the MAADs Decision, the OEB granted the requested approvals. It also approved a rebasing deferral period of 10 years. On January 31, 2017, Alectra Utilities was incorporated under the *Business Corporations Act* (Ontario) by amalgamation of the legacy utilities: PowerStream; Enersource; and Horizon Utilities. On February 28, 2017, the Corporation acquired 100% of the shares of Hydro One Brampton.

For the 2017 reporting year, Alectra Utilities filed its first set of RRR data and Scorecard Management Discussion and Analysis (“Scorecard MD&A”) as a merged entity. Alectra Utilities presents its second annual Scorecard MD&A for 2018. The utility scorecard measures a utility’s performance over time and presents the five most recent years of available data for each performance measure.

Alectra Utilities delivered outstanding results in 2018 in the Customer Focus and Public Policy Responsiveness performance measures, exceeding the industry standards in each of these Scorecard industry measures. As a customer-focused utility, Alectra Utilities understands that its success is connected to its ability to anticipate and meet the continually evolving needs of residential and business customers in the communities it serves.

Alectra Utilities has experienced declining results in the Serious Electrical Incidents and System Reliability performance measures. Since 2014, legacy utilities and now Alectra Utilities have experienced a trend of worsening system reliability driven by a growing number of underground cable failures and the increasing impacts of adverse weather conditions. Alectra Utilities has put in place investments plans to mitigate this negative reliability trend through underground system rehabilitation and renewal, as well as renewal in specific overhead systems prone to failure and outages due to adverse weather conditions.

Alectra Utilities serves over 990,000 customers across an 1,800 sq. km service territory spanning 15 communities including Alliston, Aurora, Barrie, Beeton, Brampton, Bradford, Hamilton, Markham, Mississauga, Penetanguishene, Richmond Hill, St. Catharines, Thornton, Tottenham and Vaughan.

## Service Quality

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

The OEB's Distribution System Code ("DSC") requires electricity distributors to complete a connection for new service under 750 volts within five days after all applicable service conditions are satisfied. This service quality standard must be met at least 90% of the time on an annual basis. In 2018, Alectra Utilities connected 94.7% of 12,438 eligible low-voltage residential and small business customers to its system within the five-day timeline.

### **Scheduled Appointments Met On Time**

The OEB's DSC requires that electricity distributors offer to schedule an appointment within a window of time that is no greater than four hours. The electricity distributor must arrive for the appointment within the scheduled timeframe 90% of the time. Of 19,805 appointments scheduled in 2018 requiring the presence of the customer, Alectra Utilities met 99.62% of these appointments with its customers within this timeframe. The work requested by customers in this category includes: connect or reconnect services; meter reads; and other necessary work as requested by customers. As shown on the Scorecard, Alectra Utilities received a green "target met" with an upward arrow indicating improvement of the five-year average, mainly attributable to strong customer-focused business processes and improvements with scheduling practices.

## Telephone Calls Answered On Time

The OEB's DSC requires that electricity distributors answer calls within 30 seconds, 65% of the time. The performance of this measurement is influenced by the volume of customer calls that are received by the call centre and are driven by factors such as billing inquiries, customer move in and outs, news about the electricity market in the media, conservation and demand management programs and power outages.

In 2018, Alectra Utilities' Customer Service Representatives ("CSR") received 727,400 calls from its customers, as compared to 771,885 calls in 2017. This represents a 6% decrease in call volumes. Alectra Utilities' CSRs answered 77.98% of incoming calls within 30 seconds. This performance exceeds the OEB mandated target of 65%.

## Customer Satisfaction

### First Contact Resolution

The OEB does not provide a specific metric for First Contact Resolution ("FCR"), which is a customer query resolved in a single call, thereby eliminating the need for the customer to follow up with a second call. The OEB instructed all electricity distributors to review and develop a number of customer satisfaction measurements for reporting starting in 2015.

The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for this item, in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure. In 2018, Alectra Utilities resolved 85.4% of calls on first contact, which is an improvement of 4.4% compared to the 2017 result of 81.0%.

In determining FCR results, Alectra Utilities assesses the number of calls addressed at first contact and also utilizes customer surveys regarding the quality of service received based on the last time a customer contacted the utility.

## **Billing Accuracy**

The Billing Accuracy customer satisfaction metric is defined as the number of accurate bills issued expressed as a percentage of the total number of bills issued. A bill is considered accurate if it has not been subject to any adjustments, meter reading estimates, or a bill cancellation with a re-bill. In 2018, Alectra Utilities issued more than 11 million customer bills and achieved billing accuracy performance of 99.57%. This result exceeds the prescribed OEB target of 98%.

## **Customer Satisfaction Survey Results**

Electricity distributors are required to measure and report customer satisfaction results at least every other year. At this time, the OEB is allowing electricity distributors the discretion as to how they implement this measure.

Customer Satisfaction is a key area of focus for Alectra Utilities. In the fourth quarter of 2018, Alectra Utilities completed its second customer satisfaction survey as a merged entity, and achieved a score of 91%. The provider, Simul Corporation, conducts its UtilityPulse survey for other Ontario and Canadian utilities, as well. The survey asks customers about a wide range of topics, including the following: overall satisfaction; service reliability; customer service; billing experience; and corporate image. The data is incorporated into Alectra Utilities' planning processes, ensuring that the distributor's practices evolve to meet customers' changing needs and expectations.

## **Safety**

### **Public Safety**

The OEB's Public Safety metric was new for the Scorecard in 2014. It was developed for the OEB by the Electrical Safety Authority ("ESA"), after public consultation. The OEB, through the ESA recommendation, has developed the three component metrics of (a) Public Awareness of Electrical Safety, (b) Compliance with Ontario Regulation 22/04, and (c) Serious Electrical Incident Index. Details of these components and how Alectra Utilities performed in each component can be found, below. Safety is a core value and is always a top priority at Alectra Utilities, both as an employer and as a responsible operator within the community. Alectra Utilities' commitment to public and employee safety is clearly demonstrated through its stringent safety protocols and training.

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

The ESA and OEB developed a standard survey methodology to determine the Public Awareness of Electrical Safety component of the Safety Performance Category of the OEB Scorecard. This is the fourth year for compiling data to measure the level of awareness of key electrical safety precautions among the public within the electricity distributor's service territory in the province of Ontario. Results are based on a telephone survey (Random Digit Dialing) among 601 members of the general public, 18 years of age or older, within Alectra Utilities' service territory.

The six core measurement questions correspond to the six most frequent incidents involving utility equipment in Ontario over the last decade. Alectra Utilities' Public Safety Awareness Score, identified in the most recent Survey issued in 'Winter' 2018, was 81%. This score is used for the Level of Public Awareness Score for the 2017 and 2018 reporting periods, since it is a bi-annual metric. The OEB has indicated that the performance target for this metric will be established after three years of data has been gathered.

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

The metric measuring Ontario Regulation 22/04 (the "Regulation") exists to assess an LDC's compliance with the ESA's standard for safety performance-based requirements for the design, construction and maintenance of electrical distribution systems. Alectra Utilities received a rating of 'compliant', the highest rating possible, for its performance in 2018. This rating is based upon Alectra Utilities' performance in the following areas: Regulation 22/04 Audit; Declaration of Compliance; Due Diligence Inspections; Public Safety Concerns; and Compliance Investigations.

Across the period 2014 through 2018, Alectra Utilities had zero non-compliance issues identified in the annual Regulation 22/04 Audit, confirming that the company's commitment to safety is effective and that it is compliant with the Regulation.

Annual Due Diligence Inspections of the LDC's electrical distribution installations are completed by ESA with a primary focus on ensuring the construction in the field is in accordance with a plan, work instruction, and standard design compliant with Regulation 22/04.

All Public Safety Concerns issued to the LDC by ESA are reviewed for compliance against Ontario Regulation 22/04, corrected in a timely fashion should these concerns fall outside the established Regulation.

As background, the Regulation requires an audit and declaration of compliance that measures the appropriateness of processes in place

to comply with the safety standards set out in the Regulation and determines whether the distributor correctly follows its processes. The audit is an independent review and examination of records and activities to: (i) assess the adequacy of system controls; (ii) ensure compliance with established policies and procedures; and (iii) recommend necessary changes in controls, policies, or procedures to meet objectives.

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

The Serious Electrical Incident Index measures the number and rate of serious electrical incidents occurring across the distributor's assets per 1,000 kms of line. Section 12 of Ontario Regulation 22/04 defines a "serious electrical incident" as:

- (a) any electrical contact that caused death or critical injury to a person;
- (b) any inadvertent contact with any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person; or
- (c) any fire or explosion in any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person, except a fire or explosion caused by lightning strike.

The OEB set a target of five (5) Serious Electrical Incidents for Alectra Utilities in 2018. To promote a continued focus on Serious Electrical Incidents, the target is calculated as 70% of the five-year rolling average of such incidents. Alectra Utilities' goal is to have zero "serious electrical incidents" annually.

Alectra Utilities experienced thirteen (13) "serious electrical incidents" in the 2018 reporting period which was outside of the five year average and did not meet the target number of incidents of five (5) and rate per 1,000 km of line prescribed by the OEB. Six of the thirteen incidents were initiated as a result of items beyond the control of Alectra Utilities. The remaining seven incidents were a result of equipment failures; two of which were as a result of adverse weather conditions. Alectra Utilities reviews these incidents and makes appropriate adjustments to system renewal and maintenance activities as required. Alectra Utilities expects that focus on these initiatives will assist in reducing the risk of serious electrical incidents on the system, and has already taken steps to address the majority of the issues that resulted in these incidents.

## System Reliability

### Average Number of Hours that Power to a Customer is Interrupted

In 2018, Alectra Utilities' average number of hours that power to a customer was interrupted was 1.08 hours (64.8 minutes). This represents a 15.6 minutes (0.26 hours) increase compared to 0.83 hours in 2017. Since 2014, legacy utilities and now Alectra Utilities has experienced a trend of worsening system reliability driven by a growing number of underground cable failures and the increasing impacts of adverse weather conditions. Alectra Utilities experienced a significant increase in outage duration interruptions as a result of a high number of wind and ice storms. However, the 5-year reliability performance trend of 0.92 was still below the OEB's distributor-specific target of 0.93 hours for the average number of hours that power to a customer was interrupted. Alectra Utilities has put investments plans in place to mitigate this negative reliability trend through underground system rehabilitation and renewal. It is also investing in renewal in specific overhead systems prone to failure and outages due to adverse weather conditions.

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

In 2018, Alectra Utilities' average number of times that power to a customer was interrupted was 1.37 interruptions. This represents an increase compared to 2017 (1.12 interruptions), primarily attributed to underground cable failures and increasing impacts of adverse weather conditions. Alectra Utilities was below the OEB's distributor-specific target of 1.25 for the 5-year reliability performance of this metric. In order to mitigate this negative reliability trend, Alectra Utilities has taken steps to address deteriorated and failing assets, by implementing additional system ties as well as automated devices to reduce the number of customers affected by outages.

## Asset Management

### Distribution System Plan Implementation Progress

The Distribution System Plan ("DSP") Implementation Progress measure was initiated by the OEB in 2013. The OEB does not require all distributors to use the same approach to measure DSP Implementation progress. Until the OEB establishes a definition for this measure, utilities may define the measure in the manner that best fits their situation. However, the OEB requires that a distributor report on this metric to indicate whether its work continues to be "on track" relative to its DSP. Alectra Utilities has OEB-reviewed DSPs for each of its predecessor companies: Horizon Utilities (2015-2019); Hydro One Brampton (2015-2019); PowerStream (2016-2020); and Enersource (2018-2022). Alectra Utilities measures the progress of its DSP Implementation by comparing actual total capital expenditures to the total

amount of planned capital expenditures. The measure indicates that Alectra Utilities' actual capital expenditures were 88.5% of its plan in 2018. The relative under-investment in 2018 System Renewal and System Service projects is due to the fact that Incremental Capital Module ("ICM") funding has not been available for many of the company's planned capital investments. The OEB has determined that the ICM is unable to accommodate many of the investments needed to maintain Alectra Utilities' distribution system. The 2018 variance is largely due to deferred 2018 System Renewal and System Service projects as a result of lack of available incremental funding.

## Cost Control

### Efficiency Assessment

The total costs for Ontario distributors are evaluated by the Pacific Economics Group LLC ("PEG") on behalf of the OEB to produce a single efficiency ranking. Distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. Distributors with larger negative differences between actual and predicted costs are considered better cost performers and therefore eligible for lower stretch factors. The following outlines the five groups to which the distributors can be allocated and their definitions:

- 1) Cohort I (Stretch Factor = 0.0%) – Actual costs are 25% or more below predicted costs
- 2) Cohort II (Stretch Factor = 0.15%) – Actual costs are 10% to 25% or more below predicted costs
- 3) Cohort III (Stretch Factor = 0.30%) – Actual costs are within +/- 10% of predicted costs
- 4) Cohort IV (Stretch Factor = 0.45%) – Actual costs are 10% to 25% or more above predicted costs
- 5) Cohort V (Stretch Factor = 0.60%) – Actual costs are 25% or more above predicted costs

In 2018, Alectra Utilities maintained its placement in Cohort III having achieved actual costs that were within 10% of predicted costs.

### Total Cost per Customer

Total cost per customer and per kilometer are computed by PEG based on an econometric model that adjusts distributors' costs reported in the financial statements in order to benchmark distributors' cost performance. They are based on, but do not represent, Alectra Utilities' costs as identified in its financial statements. Total costs refer to operating and capital costs and include costs to operate, maintain, administer and renew distribution system, buildings, and related underlying systems and processes.

In 2018, total cost per customer increased slightly to \$682 compared to \$679 in 2017. The marginal increase in both, total costs and the total number of customers relative to 2018, results in relatively stable total cost per customer.

### **Total Cost per Km of Line**

In 2018, total cost per kilometer of line increased to \$33,949 compared to \$33,717 in 2017, due to a slight increase in total costs.

## **Conservation & Demand Management**

- **Net Cumulative Energy Savings** – 1326.7 GWh

Alectra Utilities achieved 222 GWh of Net Energy Savings in 2018 that will contribute towards the Company's six-year target of 1,604.55 GWh.

Net cumulative savings achieved in four years of the Conservation First Framework are 1326.7 GWh, which will persist to 2020 (82.69% six-year cumulative target).

## **Connection of Renewable Generation**

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

Electricity distributors are required to conduct Renewable Generation Connection Impact Assessments ("CIAs") within 60 days of receiving a complete application from a customer (or 90 days if an expansion of the distribution system is required to accommodate the generation). In 2018, Alectra Utilities completed 10 out of 10 CIAs within the required timeframe specified by the OEB.

### **New Micro-Embedded Generation Facilities Connected On Time**

Alectra Utilities successfully connected 96.74% of all New Micro-embedded Generation Facilities in 2018 within the required timeframe set out by the OEB. These connections are for Feed in Tariff projects of less than 10 kW (micro-FIT). The OEB requires 90% of these projects

to be completed within five days of receiving authorization from the ESA. Alectra Utilities' performance exceeds the OEB's industry target of 90%.

## Financial Ratios

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

The OEB requires distributors to report their Current Ratio because it is one of a number of common measures of the financial health of a distributor. The Current Ratio indicates whether or not the distributor has enough resources (assets) to pay its debts (liabilities) over the next 12 months. A Current Ratio of 1.0 means all current assets can cover all current liabilities.

Alectra Utilities' current ratio decreased from 1.18 in 2017 to 0.94 in 2018 primarily due to the higher short term debt due to the Corporation's investment in its capital program.

### **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). The debt to equity ratio measures the extent to which assets are financed by debt and equity in an entity. A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure.

Alectra Utilities total debt to equity ratio decreased from 1.26 in 2017 to 1.16 in 2018. Alectra Utilities' strong financial position is further supported by the recent Standard & Poor's and DBRS Rating Services rating of "A" for Alectra Inc., the parent company of Alectra Utilities.

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

The OEB requires all distributors to report their Return on Equity ("ROE") earned through OEB approved distribution rates as another common measure of the financial health of the distributor. The OEB allows a distributor to earn within +/- 3% of the expected ROE. 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. Alectra Utilities' deemed ROE is based on the deemed ROE for each of its predecessor companies, that was

approved as part of each utilities' last rebasing application (Enersource 8.93%, Brampton 9.3%, PowerStream 8.78%), or Custom Incentive Regulation update (Horizon Utilities 9.0%), in the case of Horizon Utilities. The deemed ROE for each of the predecessor utilities was weighted using OEB-approved rate base to calculate a deemed ROE for Alectra Utilities of 8.94% for 2018.

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

The OEB requires all distributors to report their ROE earned through OEB approved distribution rates as another common measure of the financial health of the distributor. The OEB, however, allows a distributor to earn within plus or minus 3% of the deemed ROE. 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. Alectra Utilities achieved a ROE in 2018 of 7.66%, which is within the +/- 3% range allowed by the OEB.

## **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.