

Scorecard - Alectra Utilities Corporation

8/16/2024

| Performance Outcomes | Performance Categories | Measures | 2019 | 2020 | 2021 | 2022 | 2023 | 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 | 92.59% | 90.34% | 90.40% | 90.78% | 90.62% | | 90.00% | | |
| | | Scheduled Appointments Met On Time | 98.75% | 98.44% | 99.30% | 98.56% | 98.98% | | 90.00% | | |
| | | Telephone Calls Answered On Time | 75.78% | 66.93% | 70.70% | 70.69% | 53.35% | | 65.00% | | |
| | Customer Satisfaction | First Contact Resolution | 85.1% | 82.73% | 83.47% | 81.10% | 79.86% | | | | |
| | | Billing Accuracy | 99.58% | 99.50% | 99.58% | 99.71% | 99.60% | | 98.00% | | |
| | | Customer Satisfaction Survey Results | 93% | 93.00% | 92.00% | 94.00% | 94.00% | | | | |
| 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 | 82.00% | 82.00% | 82.00% | 82.00% | 83.00% | | | | |
| | | Level of Compliance with Ontario Regulation 22/04 ¹ | C | C | C | C | C | | | C | |
| | | Serious Electrical Incident Index | Number of General Public Incidents | 20 | 25 | 11 | 32 | 30 | | | 21 |
| | | | Rate per 10, 100, 1000 km of line | 0.950 | 0.504 | 0.222 | 0.617 | 0.591 | | | 0.408 |
| | System Reliability | Average Number of Hours that Power to a Customer is Interrupted ² | 1.07 | 0.95 | 0.98 | 0.88 | 0.83 | | | 0.98 | |
| | | Average Number of Times that Power to a Customer is Interrupted ² | 1.26 | 1.18 | 1.15 | 1.07 | 1.06 | | | 1.34 | |
| | Asset Management | Distribution System Plan Implementation Progress | 114% | 94.65% | 90.26% | 87.77% | 100.42% | | | | |
| | Cost Control | Efficiency Assessment | 3 | 3 | 3 | 3 | 3 | | | | |
| | | Total Cost per Customer ³ | \$716 | \$686 | \$691 | \$753 | \$871 | | | | |
| | | Total Cost per Km of Line ³ | \$15,212 | \$14,730 | \$14,252 | \$15,952 | \$18,459 | | | | |
| 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 | New Micro-embedded Generation Facilities Connected On Time | 78.26% | 98.39% | 100.00% | 93.26% | 98.43% | | 90.00% | | |
| Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable. | Financial Ratios | Liquidity: Current Ratio (Current Assets/Current Liabilities) | 0.82 | 0.67 | 0.65 | 0.72 | 0.51 | | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 1.16 | 1.20 | 1.13 | 1.21 | 1.24 | | | | |
| | | Profitability: Regulatory Return on Equity | Deemed (included in rates) | 8.95% | 8.95% | 8.95% | 8.95% | 8.95% | | | |
| | | | Achieved | 7.21% | 4.80% | 6.18% | 6.70% | 7.55% | | | |

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

2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor 's reported information.

Legend:

5-year trend
 up down flat

Current year
 target met target not met

2023 Scorecard Management Discussion and Analysis (“2023 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 2023 Scorecard MD&A:

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

Scorecard MD&A – General Overview

Alectra Utilities (“Alectra”) serves over 1 million customers across a service territory of approximately 1,900 sq. km spanning 17 communities including: Alliston, Aurora, Barrie, Beeton, Brampton, Bradford, Guelph, Hamilton, Markham, Mississauga, Penetanguishene, Richmond Hill, Rockwood, St. Catharine’s, Thornton, Tottenham, and Vaughan. Alectra strives to meet customer expectations in delivering safe, reliable electricity and quality service at a reasonable cost.

The annual scorecard summarizes utility performance outcomes over the most recent five-year period in key areas that are valued most by customers. In 2023, Alectra improved upon its 2022 performance and exceeded performance targets related to Connection and Renewable Generation and System Reliability through the increased use of automation. Alectra also demonstrated strong performance in the asset management and financial management categories. These results illustrate Alectra’s commitment to investing in infrastructure renewal and modernization.

Additionally, Alectra demonstrated strong performance under most metrics within the customer satisfaction and service quality categories in 2023, namely the connection of new services in a timely manner, attending appointments as scheduled, and billing accuracy. Surveys pertaining to Customer Satisfaction and Public Safety Awareness exhibit consistent and favourable results. Telephone accessibility is recognized as an opportunity for focused improvement.

Alectra strives for continuous improvement by focusing on providing quality customer service and controlling costs while increasing operating efficiencies in order to deliver reliable service to its customers.

Service Quality

New Residential/Small Business Services Connected on Time

The OEB's Distribution System Code ("DSC") requires that electricity distributors complete a connection for new service under 750 volts within five days of the date all applicable service conditions are satisfied, or a later date agreed to by both customer and distributor. This service quality standard must be met at least 90% of the time on an annual basis. In 2023, Alectra connected 90.62% of 9,182 eligible low-voltage residential and small business customers to its system within the five-day timeline. Alectra manages the day-to-day activities of its field crews to ensure that this service quality measure and customers' needs are met.

Scheduled Appointments Met on Time

The 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 at least 90% of the time. Of 18,068 appointments scheduled in 2023, where the presence of the customer was required, Alectra was within the permitted timeframe 98.98% of the time. The services provided in this category include connection or reconnection of services, locates, meter reads, power isolations, and other necessary work as requested by customers or required by Alectra.

Telephone Calls Answered on Time

The DSC requires that electricity distributors answer calls within 30 seconds at least 65% of the time on an annual basis. Utility performance is influenced by the volume of customer calls that are received by Alectra's Call Centre and is driven by factors including, but not limited to, arrears management and collection activities, billing and rate inquiries, customer move ins and outs, news about the electricity market in the media, conservation and demand management programs and power outages.

In 2023, Alectra's Customer Service Representatives (CSRs) received 606,388 customer calls, a 14% increase from the previous year. CSRs answered 53.35% of all calls within 30 seconds in 2023, falling short of the OEB target of 65%. The call volume increase was higher than forecasted and primarily attributed to arrears management and collections activities.

Alectra has responded to telephone accessibility challenges by enhancing Contact Centre resource support through outside service providers and redesigning the Interactive Voice Response (IVR) menus to streamline call flows and more efficiently route calls to the appropriate agents.

Alectra continuously monitors call statistics and workforce availability to best align staffing levels to call arrival rates. Furthermore, Alectra has effectively reduced call volumes through the introduction of targeted messaging to reference self-service options on its website, such as

forms for customer move requests (start/stop service), preauthorized payment registration, and rate plan changes, which accounted for approximately 50% of these customer transactions.

Customer Satisfaction

First Contact Resolution

First Contact Resolution (“FCR”) refers to the ability to resolve a customer query within a single call, thereby eliminating the need for a customer to follow up with further calls. The OEB does not prescribe a specific methodology for this metric; rather, distributors are permitted discretion in measuring and reporting this item.

Alectra determines FCR results through transactional customer surveys that probe the quality of service received by customers at the time they contact the utility. Alectra uses the survey results to identify customer service improvement and training opportunities with the intention of increasing first contact resolution in the future.

In 2023, Alectra resolved 79.86% of calls on first contact, which is slightly lower than that 2022 result of 81.10%.

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 to a bill cancellation and re-bill.

In 2023, Alectra issued over 13 million customer bills and achieved a billing accuracy performance measure of 99.60%. This result exceeds the prescribed OEB target of 98%. Alectra’s sustained attention to business processes contributed to a billing accuracy measure of over 99.50% in each of the last five years. The utility continues to carefully monitor billing accuracy results to identify opportunities for further improvement.

Customer Satisfaction Survey Results

Electricity distributors are required to measure customer satisfaction results at least once every other year. The OEB allows electricity distributors discretion in the creation and reporting of customer satisfaction surveys.

Simul Corporation conducted a UtilityPulse survey on Alectra’s behalf in November 2022. The survey asks customers about a wide range of topics, including the following items: overall satisfaction; service reliability; customer service; billing experience; and corporate image. The data and feedback from the survey are incorporated into Alectra’s planning processes, ensuring that Alectra’s practices evolve to meet customers’ needs and expectations.

Alectra achieved a score of 94.00% for overall customer satisfaction, which is 4% higher than the provincial average. 90% of customers agree that Alectra provides consistent, reliable energy, which is 5% higher than the provincial average. 87% of customers agree that Alectra quickly handles outages and restores power, which is 5% higher than the provincial average. In addition, 86% of customers agree that Alectra is a trusted and trustworthy company, which is 6% higher than the provincial average.

Safety

Public Safety

The Public Safety metric was developed for the OEB with the assistance of the Electrical Safety Authority (“ESA”). The OEB has developed three component metrics that consist of: (a) Public Awareness of Electrical Safety, (b) Compliance with Ontario Regulation 22/04, and (c) a Serious Electrical Incident Index. Details of Alectra’s performance in each of these component areas are discussed below.

Safety is a core value and is always a top priority for Alectra, both as an employer and as a responsible operator within the community. Alectra’s commitment to public and employee safety is 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 level of awareness of key electrical safety precautions among the public. Results are based on a combination of telephone interviews and web-based surveys conducted among over 1,000 members of the general public who are 18 years of age or older within Alectra’s service territory.

The six core measurement questions correspond to the six most frequent incidents involving utility equipment in Ontario over the last decade. Alectra’s Public Safety Awareness Score, as indicated in the most recent biennial survey issued in March 2024 was 83.00%, a marginal improvement over the score of 82.00% achieved on Alectra’s prior survey, conducted in 2022. There is currently no established performance

target for this metric, however, the OEB has indicated that one may be established in the future.

Component B – Compliance with Ontario Regulation 22/04

The metric measuring Ontario Regulation 22/04 exists to assess compliance with the ESA's standard for safety requirements in the design, construction, and maintenance of electrical distribution systems. Alectra received a rating of 'compliant', the highest rating possible, for its performance in 2023. This rating is based upon an assessment of Alectra's performance in the following areas: Regulation 22/04 Audit; Declaration of Compliance; Due Diligence Inspections; Public Safety Concerns; and Compliance Investigations.

For the last five years, Alectra has had zero non-compliance issues identified in the annual Regulation 22/04 Audit, confirming that the company's commitment to safety is effective. 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, if necessary.

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

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

Component C – Serious Electrical Incident Index

The Serious Electrical Incident Index measures the number and rate of serious electrical incidents that have occurred per 1,000 kilometers of line. A serious electrical incident is defined as any electrical contact or any fire or explosion that caused, or had the potential to cause, critical injury or death in any part of the distribution system operating at greater than 750 Volts (except as caused by lightning strikes).

The OEB set a target of 21 Serious Electrical Incidents for Alectra for the 2023 reporting period. The target is calculated and established as 70% of the five-year rolling average of such incidents. For Alectra, this results in a target equal to 0.408 incidents per every 1,000 kilometers of line that Alectra operates.

For the 2023 reporting period, Alectra experienced 30 incidents that met the serious electrical incident criteria (actual or potential electrical

contact). This translates to 0.591 incidents per every 1,000 kilometers of line. Nine (9) of the thirty (30) incidents occurred because of events beyond the control of Alectra such as motor vehicle accidents, and animal and inadvertent contacts. Seven (7) incidents resulted from trees or tree branches falling on conductors, ten (10) from equipment failures, and four (4) incidents resulted from adverse weather events that resulted in overhead conductors coming down to the ground and a pedestrian falling into a sub-surface vault.

Alectra routinely reviews these incidents and makes appropriate adjustments to system renewal and maintenance activities to reduce the risk of serious electrical events on the system, to the extent possible within Alectra's control.

System Reliability

Average Number of Hours that Power to a Customer is Interrupted

In 2023, the average number of hours that power to a customer was interrupted (excluding loss of supply and major event days) was 0.83 hours, compared to 0.88 hours in 2022. Shorter average outage durations have occurred in 2023 primarily as a result of Alectra's increased and enhanced use of automated devices in system restoration efforts.

Average Number of Times that Power to a Customer is Interrupted

In 2023, the average number of times that power to a customer was interrupted was 1.06, compared to 1.07 occurrences in 2022. Performance improvements are attributed to a reduction in the quantity of customer interruptions stemming from defective equipment.

Asset Management

Distribution System Plan Implementation Progress

Beginning with the 2020 reporting year, Alectra updated the methodology used to measure and report the Distribution System Plan ("DSP") implementation progress, consistent with the defined outcomes and performance measures described in its 2020-2024 DSP. In May 2019, Alectra submitted its first consolidated DSP to the OEB. The DSP Implementation measure is calculated and reported based on a balance of financial and operational achievements relative to plans established in the DSP.

In 2023, the performance level for this metric was 100.42%, which represents an improvement from the previous years' performance of 87.77%.

Alectra's 2023 operational achievements were accomplished through greater levels of distribution automation coupled with a focused effort on asset replacement to address reliability issues. Performance exceeded targets with respect to System Average Interruption Duration (SAIDI) excluding Major Event Day (MED) events, System Average Interruption Frequency (SAIFI) excluding MEDs, and Customer Hours of Interruption.

Exceptional performance with respect to operational measures offset lower completion of 2023 planned capital work. Alectra had to defer planned system expansion investments in system service as proposed in the DSP for 2023 due to funding constraints.

Cost Control

Efficiency Assessment

A total cost efficiency evaluation is conducted annually by Pacific Economics Group LLC ("PEG") on behalf of the OEB for all electricity distributors in the province. Distributors are then divided into five groups based on an assessment of their total cost efficiency, which is measured as the magnitude of the difference between their actual and predicted costs. Distributors with larger negative differences between actual and predicted costs are considered better cost performers. The results are used to group distributors into Cohorts with specific stretch factor assignments, which are then applied to annual rate adjustments. The Cohorts and associated stretch factor assignments are defined as follows:

- 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

Alectra maintained its placement in Cohort III in 2023, having achieved actual costs that were within 10% of predicted costs (-9.7%). The efficiency assessment does not consider additional merger related benefits.

Total Cost per Customer

Total costs refer to combined operating and capital costs and include costs to operate, maintain, administer, and renew the distribution system, buildings, and related systems and processes necessary to operate the distribution system. Total cost is computed by PEG using an econometric model that benchmarks distributors' cost performance and facilitates comparability across the sector. The costs reported on the scorecard are the costs resulting from PEG's econometric model. As a result, they are based on, but do not exactly equal, costs reported in financial statements.

The total cost per customer is calculated as the sum of capital and operating costs divided by the total number of customers that Alectra serves. In 2023, Alectra's total cost per customer is calculated at \$871 per customer, representing an increase of \$118 over the previous year. Alectra's capital expenditures were significantly higher than in previous years, due to larger capital spending for specific projects in 2023. Alectra's operating costs increased by 3% in 2023 which is below the annual rate of inflation. Alectra continues to implement productivity improvement initiatives in order to drive cost efficiencies.

Total Cost per Km of Line

The total cost per Km of Line is calculated as the sum of capital and operating costs divided by the kilometers of line that Alectra operates to serve its customers. In 2023, the total cost per kilometer of line increased to \$18,459, a 16% increase over 2022 (\$15,952 per km), and below the average for the sector (\$18,719 per km). The same cost drivers that apply to the total cost per customer apply to the total cost per km of line.

Connection of Renewable Generation

New Micro-Embedded Generation Facilities Connected on Time

Alectra successfully connected 98.43% of all New Micro-embedded Generation Facilities in 2023 within the required timeframe established 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.

Financial Ratios

Liquidity: Current Ratio (Current Assets/Current Liabilities)

The Current Ratio is one of several common measures used to determine the financial health of a distributor. The Current Ratio indicates whether the distributor has enough resources (assets) to pay its debts (liabilities) over the next 12 months. A Current Ratio of 1.0 indicates that current assets are equal to the value of current liabilities.

Alectra's current ratio decreased from 0.72 in 2022 to 0.51 in 2023 primarily due to the reclassification of promissory notes to short-term debt due to their upcoming 2024 maturity.

Leverage: Total Debt (including both short-term and long-term debt) to Equity Ratio

The debt-to-equity ratio measures the extent to which assets are financed by debt and equity for an entity. The OEB uses a deemed capital structure of 60% debt and 40% equity for electricity distributors when establishing rates, representing 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 debt-to-equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure.

Alectra's total debt to equity ratio increased marginally from 1.21 in 2022 to 1.24 in 2023 primarily due to the same relative proportions of debt and equity being used to finance balance sheet growth.

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

The Return on Equity ("ROE") earned through OEB approved distribution rates is another common measure indicating the financial health of the distributor. If a distributor performs outside of a range of +/- 3% of the deemed ROE, this may trigger a review of the distributor's revenue and cost structures. Alectra's deemed ROE was constructed and approved based on the deemed ROE for each of its predecessor companies' last rebasing application (Enersource 8.93%, Brampton 9.3%, PowerStream 8.78%, Guelph Hydro 9.19%) or Custom Incentive Regulation (Horizon Utilities 9.0%). These rates were combined using a weighted average of the OEB-approved rate base for each predecessor to calculate a deemed ROE for Alectra of 8.95%.

Profitability: Regulatory Return on Equity – Achieved

Alectra achieved a ROE of 7.55% in 2023, which is within the +/- 3% range allowed by the OEB (relative to 8.95%).

Note to Readers of 2023 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. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions, and weather. For these reasons, the information on future performance is intended to be management's best judgement as at the time of reporting.