

Scorecard - Alectra Utilities Corporation

9/28/2021

Performance Outcomes	Performance Categories	Measures	2016	2017	2018	2019	2020	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	99.59%	97.02%	94.57%	92.59%	90.34%		90.00%		
		Scheduled Appointments Met On Time	99.47%	99.31%	99.31%	98.75%	98.44%		90.00%		
		Telephone Calls Answered On Time	80.61%	79.52%	77.67%	75.78%	66.93%		65.00%		
	Customer Satisfaction	First Contact Resolution	80.86%	81.73%	86.18%	85.1%	82.73%				
		Billing Accuracy	99.56%	99.64%	99.59%	99.58%	99.50%		98.00%		
		Customer Satisfaction Survey Results	90.76%	88.05%	90.89%	93%	93.00%				
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	78.59%	81.27%	81.27%	82.00%	82.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	6	9	13	20	25			19
			Rate per 10, 100, 1000 km of line	0.289	0.429	0.621	0.950	0.504			0.375
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.83	0.80	1.04	1.07	0.95			0.98	
		Average Number of Times that Power to a Customer is Interrupted ²	1.09	1.11	1.33	1.26	1.18			1.34	
	Asset Management	Distribution System Plan Implementation Progress	96.16%	95.82%	89.01%	114%	94.65%				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer ³	\$675	\$676	\$681	\$716	\$686				
Total Cost per Km of Line ³		\$33,014	\$33,523	\$33,860	\$15,212	\$14,730					
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	91.89%	100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time	97.11%	98.40%	96.87%	78.26%	98.39%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.93	1.22	0.95	0.82	0.67				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.37	1.26	1.17	1.16	1.20				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.06%	8.91%	8.95%	8.95%	8.95%			
			Achieved	7.91%	8.49%	7.69%	7.21%	4.80%			

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. The CDM measure is based on the now discontinued 2015-2020 Conservation First Framework. 2019 results include savings reported to the IESO up until the end of February 2020.

Legend:

5-year trend
 up down flat

Current year
 target met target not met

2020 Scorecard Management Discussion and Analysis (“2020 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 2020 Scorecard MD&A:

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

Scorecard MD&A – General Overview

The utility scorecard measures a utility’s performance over time and presents the five most recent years of available data for each performance measure.

On March 17, 2020, the Government of Ontario declared a province-wide state of emergency, to protect the public and help contain the spread of the COVID-19 virus. The COVID-19 pandemic has had widespread economic and societal impacts across Ontario. Throughout the pandemic Alectra Utilities has continued to deliver strong performance against service quality targets established by the Ontario Energy Board (OEB). In addition, Alectra Utilities’ most recent Customer Satisfaction Survey results signal that Alectra has been meeting the needs of its customers.

In 2020, Alectra Utilities’ reliability performance improved relative to 2019. This is a notable outcome as Alectra Utilities (and its predecessors) have generally experienced declining system reliability, primarily driven by a growing number of cable failures and an increasing impact due to adverse weather conditions. In recent years, Alectra Utilities has developed investment plans to mitigate these, through rehabilitation and renewal of both underground systems that have degraded and overhead systems prone to failure due to adverse weather conditions.

Alectra Utilities serves over 1 million customers across a service territory of 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.

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 2020, Alectra Utilities connected 90.3% of 7,006 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 10,701 appointments scheduled in 2020 requiring the presence of the customer, Alectra Utilities met 98.4% of these appointments within this timeframe. The services provided in this category includes connection or reconnection of services, meter reads, and other necessary work as requested by customers.

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 ins and outs, news about the electricity market in the media, conservation and demand management programs and power outages, among other things.

In 2020, Alectra Utilities' Customer Service Representatives ("CSR") received 612,466 calls from its customers, as compared to 769,870 calls in 2019. This represents a 20% reduction in call volumes. This was offset, however, by a 13% increase in call handle time due to the complexity of enquiries and level of customer support required. It should be noted that as a result of the COVID-19 pandemic, CSR's adjusted to working from home, and the transition was handled smoothly. Over the course of the year, CSRs answered 66.9% of incoming calls within 30 seconds, exceeding the OEB mandated target of 65%.

Customer Satisfaction

First Contact Resolution

First Contact Resolution 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 provide a specific methodology for the determination of First Contact Resolution (“FCR”); rather, distributors are permitted discretion as to how they report this measure.

Alectra Utilities calculates FCR results by assessing both the number of calls addressed at first contact and also customer surveys that address the quality of service received by customers at the time they contact the utility.

In 2020, Alectra Utilities resolved 82.7% of calls on first contact, which is a 2.4% decrease relative to the result of 85.1% reported in 2019.

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 with a re-bill. In 2020, Alectra Utilities issued almost 13 million customer bills and achieved billing accuracy performance of 99.5%. 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 once every other year. The OEB allows electricity distributors discretion in the creation of customer satisfaction surveys and the ultimate reporting of results.

Alectra retained Simul Corporation to conduct its UtilityPulse survey, which is the same survey used among other utilities across Ontario and Canada. 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 Utilities’ planning processes, ensuring that Alectra’s practices evolve to meet customers’ needs and expectations. In Fall 2019, Alectra Utilities completed its last customer satisfaction survey and achieved a score of 93%. The next survey is scheduled for Fall 2021.

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 for Alectra Utilities' performance in each of these component areas is discussed below.

Safety is a core value and is always a top priority for Alectra Utilities, both as an employer and as a responsible operator within the community. Alectra Utilities' 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 Public Awareness of Electrical Safety component. Results are based on a telephone survey (Random Digit Dialing) among 803 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 indicated in the most recent Survey, issued in early 2020, was 82%. As this score is measured bi-annually, this score is reported for the Level of Public Awareness Score for each of the 2019 and 2020 reporting periods. 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 (the "Regulation") exists to assess compliance with the ESA's standard for safety requirements in the design, construction, and maintenance of electrical distribution systems. Alectra Utilities received a rating of 'compliant', the highest rating possible, for its performance in 2020. This rating is based upon an assessment of Alectra Utilities' performance in the following areas: Regulation 22/04 Audit; Declaration of Compliance; Due Diligence Inspections; Public Safety Concerns; and Compliance Investigations.

Throughout the period from 2016 through 2020, 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 remains compliant with the Regulation.

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.

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

In addition, 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 these 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 occurred 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 19 Serious Electrical Incidents for Alectra Utilities in 2020. The target is calculated and established 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 25 “serious electrical incidents” in the 2020 reporting period, which was higher than the target number of incidents as prescribed by the OEB. Six incidents occurred because of items beyond the control of Alectra Utilities such as motor vehicle accidents, animal, and inadvertent contacts. Twelve incidents were as a result of equipment failures, and the remaining seven incidents were a result of adverse weather events that caused overhead conductors to come down in a public space. Alectra Utilities reviews these incidents and makes appropriate adjustments to its system renewal and maintenance activities within existing capital funding constraints in an effort to reduce the risk of further serious electrical incidents on the system.

System Reliability

Average Number of Hours that Power to a Customer is Interrupted

In 2020, Alectra Utilities' average number of hours that power to a customer was interrupted (excluding loss of supply and major event days) was 0.95 hours (57 minutes). This result was 0.12 hours (7.2 minutes) lower than the 1.07 hours (64.2 minutes) experienced in 2019. The 2020 reliability performance improved relative to 2019 performance due to fewer adverse weather-related and tree contact outage events, somewhat offset by higher number of defective equipment failures. Underground cable and accessories continue to be the leading contributor, accounting for more than 45% of all defective equipment outages experienced in 2020.

Average Number of Times that Power to a Customer is Interrupted

In 2020, the average number of times that power to a customer was interrupted was 1.18. This result represents an improvement over 2019 results, where the average number of interruptions was 1.26. The improvement was primarily attributed to fewer outage events caused by adverse weather. The leading causes of the interruptions in 2020 were: defective underground cables and foreign interference outages, which includes both vehicle and animal contact, as well as scheduled outage events. In order to further improve this metric, Alectra Utilities has developed plans for additional system ties, as well as investment in automated devices to reduce the number of customers affected by potential outages.

Asset Management

Distribution System Plan Implementation Progress

Alectra Utilities has updated the methodology it uses to measure and report the Distribution System Plan ("DSP") implementation progress as per the defined outcomes and performance measures described in the 2020-2024 DSP. In May 2019, Alectra Utilities submitted to the OEB its first consolidated DSP. The 2020 DSP Implementation measure is reported based on a balance of both financial and operational achievements relative to targets set in the DSP. In 2020, Alectra Utilities achieved the operational measures, which include maintaining overall reliability performance levels set out in the DSP. However, Alectra Utilities did not complete all the planned capital work outlined in its DSP due to a lack of 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 factor assignments. The 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

In 2020, Alectra Utilities maintained its placement in Cohort III having achieved actual costs that were within 10% of predicted costs. The efficiency assessment does not consider additional merger related benefits.

Total Cost per Customer

Total cost per customer and per kilometer are computed by PEG based on an econometric model that attempts to benchmark distributors’ cost performance for comparability. As the costs are the product of an econometric model, they are based on, but do not exactly equal, the costs reported in financial statements. Total costs refer to 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.

In 2020, total cost per customer decreased to \$686 from \$716 in 2019. This is consistent with the total cost decreases across the industry.

Total Cost per Km of Line

In 2020, total cost per kilometer of line decreased to \$14,730 compared to \$15,212 in 2019, due to a decrease in total costs.

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 2020, Alectra Utilities completed 13 out of 13 CIAs within the required timeframe specified by the OEB.

New Micro-Embedded Generation Facilities Connected On Time

Alectra Utilities successfully connected 98.4% of all New Micro-embedded Generation Facilities in 2020 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 OEB requires distributors to report their Current Ratio as it is one of a number of common measures used to determine 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 indicates that current assets are equal to the value of current liabilities.

Alectra Utilities' current ratio decreased from 0.82 in 2019 to 0.67 in 2020, primarily due to higher short-term borrowings.

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 capital mix represents 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 for 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 increased from 1.16 in 2019 to 1.20 in 2020. 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, this may trigger a review of the distributor's revenue and cost structures. 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%, Guelph Hydro 9.19%), or Custom Incentive Regulation (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 8.95% for 2020.

Profitability: Regulatory Return on Equity – Achieved

Alectra Utilities achieved a ROE of 4.80% in 2020, which is outside of the +/- 3% range allowed by the OEB (relative to 8.95%). The under-earned ROE is mainly attributable to the increase in operating and bad debt expenses as a result of the pandemic.