Scorecard - EPCOR Electricity Distribution Ontario Inc.

9/29/2019

Performance Outcomes	Performance Categories	Measures		2014	2015	2016	2017	2018	Trend	Target: Industry	Target: 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		100.00%	100.00%	100.00%	100.00%	95.92%		90.00%	
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
		Telephone Calls Answered On Time		70.90%	73.70%	68.90%	81.92%	80.94%		65.00%	
	Customer Satisfaction	First Contact Resolution		99%	99.68	99.06	99.17	99.43%			
		Billing Accuracy		99.94%	99.98%	99.96%	99.97%	99.98%		98.00%	
		Customer Satisfaction Survey Results		A	A	71.8	71.8	73.0%			
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			84.00%	84.00%	83.30%	83.30%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C			C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		0.03	2.36	1.54	1.51	0.50			0.46
		Average Number of Times that Power to a Customer is Interrupted [2]		0.63	0.88	0.84	0.84	0.20			0.62
	Asset Management	Distribution System Plan Implementation Progress		In progress	In progress	90.75	82.04	55.64%			
	Cost Control	Efficiency Assessment		3	2	2	2	2			
		Total Cost per Customer [3]		$512	$528	$541	$512	$536			
		Total Cost per Km of Line [3]		$24,260	$24,739	$26,084	$25,314	$25,755			
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]			9.71%	25.02%	68.98%	147.00%			16.86 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		100.00%							
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%	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)		1.10	1.40	1.29	1.34	1.19			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.27	1.41	1.26	1.31	1.88			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	8.98%			
			Achieved	11.21%	10.86%	10.03%	11.65%	11.94%			

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

Scorecard MD&A - General Overview

EPCOR Electricity Distribution Ontario Inc. (previously known as Collus PowerStream Corp.) has successfully achieved productivity and efficiency objectives to better serve our customers. For the last four years, the Corporation achieved an efficiency assessment of 2 which was assigned based on a three-year average of actual less predicted costs from a benchmarking study commissioned by the Ontario Energy Board. Utilities that average between 10% and 25% below predicted costs are assigned this efficiency factor.

In 2018, the Corporation exceeded all performance targets except for the System Average Interruption Duration Index (SAIDI), which is located in the system reliability section of the scorecard. The metric was only slightly (0.04) over the target limit with a result of 0.50 and a target of 0.46. The metrics used to set the targets of 0.46 for SAIDI as well as 0.62 for the System Average Interruption Frequency Index (SAIFI) are based on the average of EPCOR's reported 2010 to 2014 results. In 2015, the Corporation installed a new smart grid technology system that accurately tracks outage time precisely to the second. Prior to this, SAIDI and SAIFI tracking was completed manually and may have resulted in underreported outage duration and frequency, and as a result lower LDC targets. In addition, during 2015 and continuing into 2017, the Corporation saw a significant increase in the number and duration of scheduled outages. This included a major fibreoptic installation project initiated by Bell Canada (Bell) throughout the utility's service territory. A sizable portion of utility distribution assets were upgraded from capital contributions from Bell, which is a positive advantage to the utility from the Bell project. Significant improvement in the system reliability measures were achieved in 2018 compared to the last few years, which is largely the result of the completion of the Bell project, the absence of any major weather events, continued improvement to the distribution system, and tree trimming and vegetation management programs.

Aging distribution infrastructure continues to be the primary challenge facing utilities today. Like most utilities in Ontario, EPCOR must replace aging infrastructure at an accelerated pace to meet this challenge. In addition, vegetation control, including tree trimming activities, were continued in the year to reduce the vulnerability of the distribution system to external uncontrollable events, such as weather.

EPCOR continues to focus on providing excellent customer service. We offer "Customer Connect" to assist our customers with interactive information that enables them to better monitor and control their electricity consumption and provides access to their billing history and other reports. The Corporation makes every effort to engage its customers on a regular basis to ensure we are aware of customer needs and continue to offer reasonable rates. EPCOR remains committed to providing its customers with the most reliable service at the least possible cost. EPCOR will continue its efforts to improve its overall scorecard performance results in the coming years. This performance improvement is expected because of continued intelligent investment in our infrastructure and how we respond to customer needs.

Service Quality

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

In 2018, EPCOR connected 319 low-voltage connections under 750 volts. 11 were commercial / small business and 308 were residential. EPCOR considers “New Services Connected on Time” as an important form of customer engagement as it is the utilities first opportunity to meet and/or exceed its customer’s expectations, which in turn affects the level of customer satisfaction within a utility’s territory. EPCOR connected 95.9% of the requests on time, which significantly exceeds Ontario Energy Board (OEB) mandated target of 90% for this measure. EPCOR expects this trend to continue into the foreseeable future. The standard has decreased over previous years as a result of the institution of an improved and verifiable process to track this information, rather than an actual decline in service quality.

- **Scheduled Appointments Met On Time**

EPCOR had requests to schedule 186 appointments to complete work requested by its customers where a customer/representative was required in 2018. This represents a decrease of approximately 18% over 2017. EPCOR considers “Scheduled Appointments Met” as an important form of customer engagement as customer presence is required for all types of appointments. Consistent with prior years, EPCOR met 100% of these appointments on time, which significantly exceeds the Ontario Energy Board’s mandated target of 90%. EPCOR expects this trend to continue into the foreseeable future.

- **Telephone Calls Answered On Time**

In 2018, EPCOR received 15,290 qualified incoming calls from its customers (an average of 61 calls per business day). The number of qualified incoming calls answered within 30 seconds was 12,376. Customer service representatives answered 81% of eligible calls in 30 seconds or less, which exceeds the Ontario Energy Board mandated target of 65%. This is consistent with results from 2017. EPCOR considers “Telephone Calls” to be an important communication tool for identifying and responding to its customers’ needs and preferences. EPCOR expects to maintain or improve the service level of this metric in 2019.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution was introduced by the Ontario Energy Board in 2014 as a measure of a distributor's effectiveness at satisfactorily addressing customer complaints. EPCOR defines "First Contact Resolution" as the number of customer inquiries expressed as a percentage of all inquiries where escalation to an alternate contact at the utility, typically a supervisor or a manager, was requird. EPCOR considers the ability to address customer inquiries quickly and accurately to be an essential component of customer satisfaction. For the year 2018, EPCOR received 12,376 inquiries from its customers, of which 99% were successfully resolved during first contact. EPCOR expects this trend to continue in 2019.

- **Billing Accuracy**

Billing Accuracy was introduced by the Ontario Energy Board in 2014, and is defined as the number of accurate bills issued expressed as a percentage of total bills issued. EPCOR considers timely and accurate billing to be an essential component of customer satisfaction. For 2018, EPCOR issued 208,459 customer bills resulting in billing accuracy of 99.98%, which exceeds the Ontario Energy Board mandated target of 98%. EPCOR expects this trend to continue in 2019.

- **Customer Satisfaction Survey Results**

The Customer Satisfaction Survey was introduced by the Ontario Energy Board for the 2014 year. Distributors are required to conduct their survey on a biennial basis. There has not yet been a target set by the OEB for the industry. EPCOR considers this customer satisfaction survey to be a useful tool for engaging the customer to get a better understanding of their wants and needs with respect to the provision of electricity services and for identifying areas that may require improvement.

For the two-year reporting period 2017/2018, the Corporation retained RedHead Media Solutions Inc. to conduct their individual survey and received a customer satisfaction index score of 73.0% overall. This is a 1.2% increase from the 2016/2017 survey of 71.8%. The 'Request for Proposal (RFP)' for the survey was prepared by Cornerstone Hydro Electric Concepts Inc. (CHEC) and 13 of its then 15-member Local Distribution Companies (LDCs) in Ontario participated with RedHead Media Solutions. This statistical survey, with a 95% confidence level, canvassed a number of key areas including power quality and reliability, price, billing and payment, communications, and the overall customer service experience. The survey is comprised of approximately 400 randomly selected interviews of customers among the low volume customer base (residential customers and general service under 50kW customers. For the 2014/2015 reporting period, the Corporation engaged Utility Pulse to conduct their individual utility specific customer satisfaction survey with a 95% confidence level and received a rating of "A" on its customer satisfaction survey.

Safety

- **Public Safety**

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

In 2015 a new scorecard measure began for public awareness of electrical safety. Distributors are expected to demonstrate the impact of their public education efforts through biennial surveying of adults residing in their service territory. The performance target for public awareness of electrical safety will be established once three years of data is gathered from the distributors. EPCOR's ESA Public Safety Awareness Index Score is for 2017/2018 is 83.3%. The question scoring and index methodologies were prescribed by the ESA/OEB. The survey has standardized questions for a statistically representative sample of a distributor's service territory's population. EPCOR demonstrated a strong dedication to public awareness for electrical safety through various public awareness sessions such as education sessions for elementary students, attendance at public events and specific electrical training for emergency workers. With a heightened focus on Health, Safety and the Environment that accompanied the new EPCOR ownership and its resources, it is expected, that this trend will continue to improve into the foreseeable future.

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

In 2018 EPCOR was fully compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and the adherence to our company procedures & policies. This trend is expected to continue into the foreseeable future.

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

In 2018 EPCOR had ZERO fatalities and ZERO serious incidents within its service territory. This trend is expected to continue into the foreseeable future.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

In 2018 EPCOR continued to provide reliable service to customers showing an improvement in the number of hours in which its customers experienced interrupted power from the previous year (a reduction from 1.51 hours in 2017 to 0.50 hours in 2018).

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

In 2018 EPCOR reduced the number of times in which its customers experienced interrupted power showing an improvement in the number of times that power to a Customer was interrupted from the previous year (a reduction from 0.84 times in 2017 to 0.20 times 2018).

Significant improvement in the system reliability measures were achieved in 2018 compared to the last few years, which is largely the result of the completion of the Bell fiber installation project, the absence of any major weather events, continued improvement to the distribution system, and tree trimming and vegetation management programs.

The metrics used to set the target of 0.46 and 0.62 respectively are based on the average of EPCOR's reported 2010 to 2014 results. In 2015, EPCOR installed new smart grid technology system that accurately tracks outage time precisely to the second. Prior to this, SAIDI and SAIFI tracking was completed manually and may have resulted in underreported outage duration and frequency, and as a result lower LDC targets.

Asset Management

- **Distribution System Plan Implementation Progress**

The Distribution System Plan (DSP) Implementation Progress is a performance measure instituted by the Ontario Energy Board beginning in 2013. The OEB has not yet set a target for this measure. Distributors are permitted to use discretion as to how they implement the measure, which they must describe in this analysis and be a measure they believe most effectively reflects performance in Distribution System Plan Implementation. Consistent with other new measures, utilities were given an opportunity to define this measure in the manner that best fits their organization.

The DSP Implementation Progress measure is intended to assess EPCOR's effectiveness at planning and implementing capital expenditures, which are required to maintain and expand the utility's electricity system to serve its current and future customers. The plan is available on the company website.

EPCOR has used its five-year Draft Distribution System Plan for 2018 to 2022 for the calculation of this measure, which outlines forecasted capital expenditures over five years. The Corporation defines this measure as the tracking of actual capital projects completed compared to planned capital projects, expressed as a percentage. For 2018, EPCOR completed 55.64% (2017 – 82.04%) of the capital projects planned for the year plus a number of projects carried forward from the previous year.

This measure has declined in 2018 for a few reasons. There was a large bucket truck budgeted that did not arrive until 2019 because of manufacturer delays. If received on time the percentage complete would have been 67.80%. There was a construction project that was not started because of circumstances beyond the control of the utility, which involved co-ordination with Hydro One and a local town and county prior to construction start. If this project was also completed the percentage would increase to 76.14%. The purchase of the Corporation by EPCOR on October 1, 2018 resulted in additional training and set-up during the fall which temporarily impacted the construction plan.

EPCOR expects with the finalization and approval of the 2019 to 2023 DSP, that going-forward the trend will show an increase in project completion targets in the future. A robust capital expenditure versus budget reporting system is currently in place to monitor progress and achieve this goal.

Cost Control

- **Efficiency Assessment**

On an annual basis, each utility in Ontario is assigned an efficiency ranking based on its three-year average performance. To determine a ranking, electrical distributors are divided into five groups based on the magnitude of the difference between their actual costs and predicted costs. For 2013 and 2014, EPCOR was placed in Cohort 3 in terms of efficiency. Cohort 3 is considered average and is defined as having actual costs within +/- 10% of predicted costs. For 2015 to 2018, EPCOR demonstrated improvement and was placed in Cohort 2 by the OEB. Cohort 2 is considered above average and is defined as having actual costs less than 10-25% of predicted costs.

EPCOR achieved a three-year average for 2016 to 2018 of 17.0% (2015 to 2017 - 15.3%) less than predicted costs. The Corporation's three-year average ranking has improved by 1.7%. For specifically the 2018 year, the result was 19.3% (2017 - 18.4%) less than predicted costs, which is a 0.90% improvement. Our goal is to maintain our position within Cohort 2 into future years.

- **Total Cost per Customer**

Total cost is calculated as the sum of a distributor's capital costs and OM&A costs, (including certain adjustments to make the costs more comparable between distributors, per reporting period) and dividing this cost figure by the total number of customers that EPCOR serves. Similar to most distributors in the province, EPCOR has experienced pressure on its total costs required to deliver quality and reliable services to customers. Province wide programs such as Time of Use pricing, growth in wage and benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. In 2018, EPCOR had a 4.7% increase over the prior year, however 2017 saw a decrease of 5.4%, so the corporation is still currently lower than the 2016 results. The average increase has been 1.18% per year, which demonstrates effective cost control by the utility.

The total cost performance result for 2018 is $536 per customer, which is a 4.7% increase over the 2017 result.
The total cost performance result for 2017 is $512 per customer, which is a 5.4% decrease over the 2016 result.
The total cost performance result for 2016 is $541 per customer, which is a 2.5% increase over the 2015 result.
The total cost performance result for 2015 is $528 per customer, which is a 3.1% increase over the 2014 result.
The total cost performance result for 2014 is $512 per customer, which is a 2.4% increase over the 2013 result.

The customer count history that forms the base of this calculation is as follows:
2018 - 17,408 (Increase of 236)
2017 - 17,172 (Increase of 308)
2016 - 16,864 (Increase of 281)
2015 - 16,583 (Increase of 157)
2014 - 16,426 (Increase of 166)

Note that 2017 reflects the highest customer count increase and is a direct factor in the decline of cost per customer for that year.

Going forward, utility costs are expected to keep pace with economic fluctuations; however, EPCOR will continue to implement productivity and efficiency improvements to help offset some of the costs associated with distribution system enhancements, while maintaining the reliability and quality of its distribution system and its service to customers. Our service territory also expects to see moderate continued growth in customer numbers which will help maintain the Total Cost per Customer results.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. Based on this, EPCOR's rate is $25,755 (2017 - $25,314) per km of line, which is a $441 or 1.74% increase (2017 - 2.95% or $770 decrease) over the previous year result. EPCOR's growth rate for its territory is considered to be relatively moderate. A moderate growth rate helps to contribute to the Corporation's ability to fund future capital projects and operating costs. The cost per km of line is expected to slowly increase as capital and operating costs also increase. EPCOR will continue to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

The 2018 results reported in the OEB Scorecard (24.8 GWh, or 147% of the 6-year cumulative target of 16.9 GWh) is based on the final program forecast for 2020.

This is a change from the previous years calculation methodology which was based on the IESO's formal evaluation of projects that were:

1. Completed by December 31st and
2. Paid by March 31 of the following year (the evaluation cut-off date).

Until the cancellation of the Conservation First Framework, EPCOR was able to engage with customers to successfully progress towards the program target.

EPCOR was part of a joint CDM plan with PowerStream Inc, up until mid-2017. PowerStream entered into a merger in 2017 with other local distributors, to form Alectra Utilities. A revised joint CDM Plan (involving EPCOR, Alectra Utilities, and Erie Thames PowerLines) was filed in 2018 which projected accelerating results year-over-year and a strong project pipeline which was on pace to surpass the 2020 framework target.

Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIA's) on all renewable generation connections within 60 days of receiving authorization from the Electrical Safety Authority. EPCOR has developed and implemented an internal procedure to ensure compliance with this regulation.

In 2018, EPCOR did not receive any CIA's applications.

- **New Micro-embedded Generation Facilities Connected On Time**

Micro-embedded generation facilities consist of solar, wind, or other clean energy projects of less than 10 kW that are typically installed by homeowners, farms or small businesses. In 2018, EPCOR connected 11 new micro-embedded generation facilities totaling 79.63 kW within its territory. 100% of these projects were connected within the prescribed timeframe of five (5) business days, which exceeds the Ontario Energy Board's mandated target of 90% for this measure. The FIT/MicroFit programs provided EPCOR with the opportunity to work closely with its customers and their contractors to ensure the customer's needs were met and/or exceeded.

Financial Ratios

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

As an indicator of financial health, the current ratio measures a company's ability to pay its short-term debts and financial obligations. Typically, a current ratio between 1 and 1.5 is considered good. If the current ratio is below 1, then a company may have problems meeting its current financial obligations. If the current ratio is too high (higher than 1.5) then the company may be inefficient at using its current assets or its short-term financing facilities. The current ratio decreased from 1.34 to 1.19 in 2018, but still remains in a good position. The average over the past five years is 1.26. The corporation forecasts cash flow needs arising from the capital planned during the year and borrows funds to maintain the current ratio at a healthy level. The Corporation expects to maintain a strong current ratio in the optimal range into the foreseeable future.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The debt to equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. The Ontario Energy Board uses a capital structure of 60% debt and 40% equity (a debt to equity ratio of 60/40 or 1.5:1) when setting rates for an electricity utility. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments, while a low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that may be had through increased financial debt. In 2018, EPCOR's debt to equity ratio was 1.88, which has increased by 0.57 over the prior year. The capital structure is 65% debt and 35% equity at the end of the year.

There are three reasons that the ratio has increased over the prior year:

1) A $2,665,975 dividend was paid out to the Town of Collingwood and Alectra when the Corporation was sold to EPCOR on October 1, 2018. The dividend reduced equity from approximately $11m at the end of 2017 to $9.5m at the end of 2018. The purpose of the dividend was to remove all cash in the corporation before it was purchased by EPCOR.
2) Long-term loans have increased from $14.5m to $16.1m for the purpose of cash flow for planned capital additions.
3) Short-term loans have increased from $0m to $1.8m to replenish the cash balance which was reduced to $0 at the date of close.

The Corporation expects its debt to equity ratio to improve back to 60/40 levels as retained earnings begin to increase the equity of the corporation back up to previous levels.

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

Return on equity (ROE) measures the rate of return on shareholder equity.   ROE demonstrates an organization's profitability or how well a company uses its investments to generate earnings growth. EPCOR's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.98%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. If a distributor performs outside of this range, it may trigger a regulatory review of the distributor's financial structure by the OEB.

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

EPCOR achieved a ROE of 11.94% in 2018 (11.65% in 2017), which is within the 8.98% +/-3% range allowed by the OEB (see above paragraph). This is indicative of a healthy financial organization.

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.