

Scorecard - EPCOR Electricity Distribution Ontario Inc.

Performance Outcomes	Performance Categories	Measures	2015	2016	2017	2018	2019	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	100.00%	100.00%	100.00%	95.92%	93.39%		90.00%	
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	99.40%		90.00%	
		Telephone Calls Answered On Time	73.70%	68.90%	81.92%	80.94%	76.49%		65.00%	
	Customer Satisfaction	First Contact Resolution	99.68%	99.06%	99.17%	99.43%	98.94%			
		Billing Accuracy	99.98%	99.96%	99.97%	99.98%	99.96%		98.00%	
		Customer Satisfaction Survey Results	A	71.8	71.8	73.0%	73			
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%	82.80%			
		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		
	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	2.36	1.54	1.51	0.50	1.65			0.46
		Average Number of Times that Power to a Customer is Interrupted ²	0.88	0.84	0.84	0.20	0.82			0.62
	Asset Management	Distribution System Plan Implementation Progress	In progress	90.75	82.04	55.64%	75.93			
	Cost Control	Efficiency Assessment	2	2	2	2	2			
		Total Cost per Customer ³	\$528	\$541	\$512	\$536	\$641			
Total Cost per Km of Line ³		\$24,739	\$26,084	\$25,314	\$25,755	\$30,951				
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%	300.00%			16.86 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time								
New Micro-embedded Generation Facilities Connected On Time		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)	1.40	1.29	1.34	1.19	1.04			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.41	1.26	1.31	1.88	1.86			
		Profitability: Regulatory Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	8.98%			
		Return on Equity Achieved	10.86%	10.03%	11.65%	11.94%	2.77%			

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 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

2019 Scorecard Management Discussion and Analysis (“2019 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 2019 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. (EPCOR) has successfully achieved productivity and efficiency objectives to better serve our customers. For the last five 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 2019, EPCOR exceeded all performance targets except for the System Average Interruption Duration Index (SAIDI), which is located in the system reliability section of the scorecard. A single event took place on June 13th which contributed 70% of the total SAIDI value. The removal of that outage from the calculation would have resulted in a 2019 SAIDI value consistent with our 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. EPCOR continues to deliver safe and reliable power due to the completion of the Bell project, 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.

Service Quality

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

In 2019, EPCOR connected 484 low-voltage connections under 750 volts. 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 93.4% of the requests on time, which exceeds the Ontario Energy Board (OEB) mandated target of 90% for this measure. EPCOR connected approximately 50% more new services than the prior year while still maintaining a standard only slightly below 2018.

- **Scheduled Appointments Met On Time**

EPCOR had requests to schedule 166 appointments to complete work requested by its customers where a customer/representative was required in 2019. EPCOR considers “Scheduled Appointments Met” as an important form of customer engagement as customer presence is required for all types of appointments. In 2019, EPCOR met 99.4% 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 2019, EPCOR received 13,675 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 10,460. Customer service representatives answered 76.5% of eligible calls in 30 seconds or less, which exceeds the Ontario Energy Board mandated target of 65%. This percentage is a decrease from prior year which can be attributed to increased talk time per call (approximately 20 seconds) to ensure customers are informed of all support programs and changes in the industry (such as the removal of the Fair Hydro Plan and bill presentment). 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 2020.

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 required. EPCOR considers the ability to address customer inquiries quickly and accurately to be an essential component of customer satisfaction. For the year 2019, EPCOR received 10,460 inquiries from its customers, of which 99% were successfully resolved during first contact. EPCOR expects this trend to continue in 2020.

- **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 2019, EPCOR issued 212,552 customer bills resulting in billing accuracy of 99.96%, which exceeds the Ontario Energy Board mandated target of 98%. EPCOR expects this trend to continue in 2020.

- **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 2018/2019, EPCOR 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**

EPCOR's Public Safety Awareness Index Score for 2019 was 82.80%. This was based on data obtained from the 2019 "bi-annual" public safety awareness survey. This survey contained standardized questions for a statistically representative sample of a distributor's service territory's population. EPCOR does and will continue to demonstrate 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 social media postings.

It's anticipated that going forward public awareness of Electrical Safety will improve with the additional resources provided by EPCOR's corporate Public & Government Affairs business unit.

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

In 2019 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 2019 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 (SAIDI)**

EPCOR continued to provide reliable service to its customers in 2019. An event took place on June 13th where a large tree fell unexpectedly on a major feeder circuit resulting in an outage to 9500 of our customers for just over 2 hours. This single outage accounted for 70% of the 2019 SAIDI value and contributing to an increase over the 2018 results in the average number of hours that power to a customer was interrupted. It is anticipated that results will be more favorable in future years.

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

The number of times EPCOR's customers experienced interrupted power increased from a very low amount in 2018 of 0.20 to 0.82 occurrences in 2019. The increase in 2019 can mainly be attributed to a significant increase in construction work where a large number of outages were for very short durations was required to safely facilitate system access and system renewal works.

NOTE: 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. Before 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 finalized DSP for 2019 to 2023 for the calculation of this measure, which outlines forecasted capital expenditures over five years. The DSP was filed with the OEB on August 28, 2019. The Corporation defines this measure as the tracking of actual capital projects completed compared to planned capital projects, expressed as a percentage. For 2019, EPCOR completed 75.93% (2018 – 55.64%) of the capital projects planned for the year plus a number of projects carried forward from the previous year.

This measure 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.

The measure improved in 2019 with 24.07% of projects incomplete in the \$3.3m budget. The system renewal category for line rebuilds was the main area of incomplete capital, which was a result of continuing to catch up on 2018 projects, increased demand for system access work from new customers, and lack of availability of sub-contractors.

EPCOR expects 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 2019, 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 2017 to 2019 of 13.9% (2016 to 2018 - 17.0%) less than predicted costs. The Corporation's three-year average ranking has declined by 3.1%. For specifically the 2019 year, the result was 3.9% (2018 – 19.3%) less than predicted costs, which is a 9.0% deterioration. If the Corporation achieves a variance of at least 7% below predicted costs for 2020, it will maintain its position in Cohort 2 next year. EPCOR will continue to prudently invest and maintain the distribution system to ensure costs remain competitive and within acceptable limits to our customers.

- **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 2019, EPCOR had a 20.83% increase (2018 – 4.7% increase) over the prior year.

The total cost performance result for 2019 is \$641 per customer, which is a 20% increase over the 2018 result.
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 customer count history that forms the base of this calculation is as follows:

2019 - 17,916 (Increase of 508)
2018 - 17,408 (Increase of 236)
2017 - 17,172 (Increase of 308)
2016 - 16,864 (Increase of 281)
2015 - 16,583 (Increase of 157)

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 \$30,951 (2018 - \$25,755) per km of line, which is a \$5,196 or 20% increase 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**

Until the cancellation of the Conservation First Framework, EPCOR was able to effectively 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.

At the end of 2019, EPCOR had achieved 92% of its targeted savings (15.4Gwh). *Note: the value of 300% on the scorecard is a reporting error.*

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 2019, EPCOR did not receive any CIA's applications related to renewable generation.

- **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. On December 1, 2017, the microFIT Program reached the 50 MW Annual Procurement Target allocated for 2017 and the IESO stopped accepting new applications. As EPCOR connected all remaining eligible projects in 2018, there were no New Micro-embedded Generation Facilities Connected in 2019.

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 1.19 to 1.04 in 2019, but still remains in a good position. The average over the past five years is 1.25. 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 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 shareholder's equity and debt used to finance a company's assets. The Ontario Energy Board uses a capital structure of 60% debt and 40% equity (equal to the ratio of 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 2019, EPCOR's debt to equity ratio was 1.86. This was a minor improvement of 0.02 over the prior year. The capital structure is 65% debt and 35% equity at the end of the year. The Corporation is working to improve debt to equity ratios back to 60/40 levels or 1.50%.

The ratio increased in 2018 by 0.57. At that time a \$2.7m 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. Also, there was an increase the the Corporations's long and short-term loans to replenish the cash balance from the dividend payment and provide financing for the capital plan.

During 2019 the Corporation's shareholder provided a \$2.5m contribution to equity. In 2020, further equity contributions are planned. In 2019 the corporation reported a net loss as a result of legal expenses. As net income normalizes in 2020 combined with the equity injections, the Corporation expects to see debt to equity ratios back to 60/40 levels or 1.50%.

- **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 2.77% in 2019 (11.94% in 2018), which falls outside the 8.98% +/-3% range allowed by the OEB.

The legal fees described above were removed from net income for this particular calculation because they are outside the normal course of the regulated business. With those legal costs excluded the adjusted regulated net income of the Corporation for 2019 is \$292k.

The decline in net income is from higher operating costs as a result of oversight and governance costs and costs for specific services (including health and safety, treasury, income tax, purchasing and A/P, IT and other services) provided to the company from its parent company and affiliates, which are in excess of various cost savings achieved. As a result of services being provided to the company, various cost savings have been achieved to date and further cost savings are anticipated in future periods.

Note to Readers of 2019 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.