

Scorecard - Alectra Utilities Corporation

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	99.47%	99.59%	97.02%	94.57%	92.59%		90.00%		
		Scheduled Appointments Met On Time	95.97%	99.47%	99.31%	99.31%	98.75%		90.00%		
		Telephone Calls Answered On Time	80.73%	80.61%	79.52%	77.67%	75.78%		65.00%		
	Customer Satisfaction	First Contact Resolution	82.76%	80.86%	81.73%	86.18%	85.1%				
		Billing Accuracy	99.54%	99.56%	99.64%	99.59%	99.58%		98.00%		
		Customer Satisfaction Survey Results	91.13%	90.76%	88.05%	90.89%	93%				
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	78.60%	78.59%	81.27%	81.27%	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	8	6	9	13	20			6
			Rate per 10, 100, 1000 km of line	0.388	0.289	0.429	0.621	0.950			0.283
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.00	0.83	0.80	1.04	1.07			0.91	
		Average Number of Times that Power to a Customer is Interrupted ²	1.23	1.09	1.11	1.33	1.26			1.26	
	Asset Management	Distribution System Plan Implementation Progress	108.28%	96.16%	95.82%	89.01%	114%				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer ³	\$672	\$676	\$676	\$681	\$716				
		Total Cost per Km of Line ³	\$32,753	\$33,041	\$33,523	\$33,860	\$15,212				
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	21.00%	47.00%	81.00%	95.00%	100.00%			1,703.58 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	98.34%	91.89%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time	94.70%	97.11%	98.40%	96.87%	78.26%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.02	0.93	1.22	0.95	0.82				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.31	1.37	1.26	1.17	1.16				
		Profitability: Regulatory Deemed (included in rates)	9.09%	9.06%	8.91%	8.95%	8.95%				
		Return on Equity Achieved	7.79%	7.91%	8.49%	7.69%	7.21%				

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

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

On December 8, 2016, the Ontario Energy Board (“OEB”) issued its Decision and Order in respect of the MAADs Application. In the MAADs Decision, the OEB granted the requested approvals. It also approved a rebasing deferral period of 10 years. On January 31, 2017, Alectra Utilities was incorporated under the *Business Corporations Act* (Ontario) by amalgamation of the legacy utilities: PowerStream; Enersource; and Horizon Utilities. On February 28, 2017, the Corporation acquired 100% of the shares of Hydro One Brampton. A subsequent application was filed pursuant to the MAADs Handbook on March 7, 2017 (EB-2018-0014) seeking to amalgamate Guelph Hydro Electric Systems Inc. (“Guelph Hydro”) with Alectra Utilities Corporation. The OEB granted the requested approval and a rebasing deferral period of 10 years in a Decision and Order issued on October 18, 2018. The amalgamation was completed on December 31, 2018.

For the 2017 reporting year, Alectra Utilities filed its first set of RRR data and Scorecard Management Discussion and Analysis (“Scorecard MD&A”) as a merged entity. The 2019 Scorecard is Alectra’s first to include Guelph Hydro. The utility scorecard measures a utility’s performance over time and presents the five most recent years of available data for each performance measure.

In 2019 Alectra Utilities’ performance exceeds each of the applicable industry-specific targets for each area of the Customer Focus component of the Scorecard. Alectra Utilities’ scores on the annual Customer Satisfaction Survey have steadily increased each year since its merger in 2017, signaling that Alectra is successfully implementing measures that meet the evolving needs of its customers.

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

Alectra Utilities serves over 1 million customers across a 1,900 sq. km service territory spanning 17 communities including Alliston, Aurora, Barrie, Beeton, Brampton, Bradford, Guelph, Hamilton, Markham, Mississauga, Penetanguishene, Richmond Hill, Rockwood, St. Catharines, Thornton, Tottenham and Vaughan.

Service Quality

New Residential/Small Business Services Connected on Time

The OEB's Distribution System Code ("DSC") requires electricity distributors to complete a connection for new service under 750 volts within five days after all applicable service conditions are satisfied. This service quality standard must be met at least 90% of the time on an annual basis. In 2019, Alectra Utilities connected 92.59% of 8,044 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 10,523 appointments scheduled in 2019 requiring the presence of the customer, Alectra Utilities met 98.75% of these appointments with its customers within this timeframe. The work requested by customers in this category includes connect or reconnect services, meter reads, and other necessary work as requested by customers. As shown on the Scorecard, Alectra Utilities exceeded the target in 2019 and the upward arrow indicates improvement of the five-year average performance, attributable to strong customer-focused business processes and improvements with scheduling practices.

Telephone Calls Answered on Time

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

In 2019, Alectra Utilities' Customer Service Representatives ("CSR") received 769,870 calls from its customers, as compared to 764,999 calls in 2018. This represents a 0.6% increase in call volumes. Alectra Utilities' CSRs answered 75.78% of incoming calls within 30 seconds. This performance exceeds the OEB target.

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 metric for First Contact Resolution ("FCR"). Distributors are permitted discretion as to how they report this measure, and it is anticipated that the OEB will develop a standardized reporting structure in the future.

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

In 2019, Alectra Utilities resolved 85.1% of calls on first contact, which is a decrease of 1.1% compared to the 2018 result of 86.2%.

Billing Accuracy

The Billing Accuracy customer satisfaction metric is defined as the number of accurate bills issued, expressed as a percentage of the total number of bills issued. A bill is considered accurate if it has not been subject to any adjustments, meter reading estimates, or a bill cancellation with a re-bill. In 2019, Alectra Utilities issued more than 12.8 million customer bills and achieved billing accuracy performance of 99.58%. This result exceeds the prescribed OEB target of 98%.

Customer Satisfaction Survey Results

Electricity distributors are required to measure and report customer satisfaction results at least every other year. As there is no standard form or survey, the OEB allows electricity distributors discretion in the creation and reporting of survey results.

Alectra retained Simul Corporation to conduct its UtilityPulse survey, which is the same survey used among other Ontario and Canadian utilities. The survey asks customers about a wide range of topics, including the following: overall satisfaction; service reliability; customer service; billing experience; and corporate image. The data 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 third customer satisfaction survey as a merged entity and achieved a score of 93%.

Safety

Public Safety

The Public Safety metric was developed for the OEB with the Electrical Safety Authority ("ESA"). The OEB has developed three-component metrics consisting of: (a) Public Awareness of Electrical Safety, (b) Compliance with Ontario Regulation 22/04, and (c) Serious Electrical Incident Index. Details of these components and how Alectra Utilities performed in each component are 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 clearly demonstrated through its stringent safety protocols and training.

Component A – Public Awareness of Electrical Safety

The ESA and OEB developed a standard survey methodology to determine the Public Awareness of Electrical Safety component of the Safety Performance Category of the OEB Scorecard. 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 metric is measured bi-annually, this score will be used for the Level of Public Awareness Score for each of the 2019 and 2020 reporting periods. The OEB has indicated that the performance target for this metric will 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 an LDC’s compliance with the ESA’s standard for safety performance-based requirements for the design, construction and maintenance of electrical distribution systems. Alectra Utilities received a rating of ‘compliant’, the highest rating possible, for its performance in 2019. This rating is based upon Alectra Utilities’ performance in the following areas: Regulation 22/04 Audit; Declaration of Compliance; Due Diligence Inspections; Public Safety Concerns; and Compliance Investigations.

Across the period 2015 through 2019, 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 ESA are reviewed for compliance against Ontario Regulation 22/04, 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 occurring across the distributor’s assets per 1,000 kms of line. Section 12 of Ontario Regulation 22/04 defines a “serious electrical incident” as:

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

death or critical injury to a person, except a fire or explosion caused by lightning strike.

The OEB set a target of six (6) Serious Electrical Incidents for Alectra Utilities in 2019. The target is set 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 twenty (20) "serious electrical incidents" in the 2019 reporting period which did not meet the target number of incidents as prescribed by the OEB. Eight incidents were a result of equipment failures, four incidents were caused by adverse weather conditions, and the remaining eight incidents were a result of issues beyond the control of Alectra Utilities.

The increase in events is due to aging overhead infrastructure in some cases resulting in wire down events. Over the last five years, Alectra Utilities has experienced increased severity and impact of adverse weather events. Storms and high winds have caused failures to insulators, connectors and conductors. In response, Alectra has undertaken a root cause analysis of wire down incidents and increased its inspection of overhead assets to identify vulnerable components to target for replacement. Ongoing voltage conversion projects will also address the renewal of these deteriorated and susceptible assets over the 2021-2024 period as outlined in Alectra's Distribution System Plan.

System Reliability

Average Number of Hours that Power to a Customer is Interrupted

In 2019, Alectra Utilities' average number of hours that power to a customer was interrupted was 1.07 hours (64.2 minutes). This represents an increase of 1.8 minutes (0.03 hours) compared to 1.04 hours in 2018. Since 2014, legacy utilities, and now Alectra Utilities, have experienced a trend of worsening system reliability driven by a growing number of underground cable failures and the impact of adverse weather conditions. The worsening of reliability demonstrates a faster pace of asset deterioration relative to the pace of system renewal. The leading drivers for the increase in the average number of hours that power to a customer is interrupted include: a) defective underground cables; b) overhead line hardware; c) tree contacts; and d) adverse weather events. Alectra Utilities has developed investment plans to mitigate this trend through enhanced spending on underground system rehabilitation and renewal. Alectra is also investing in the renewal of specific overhead systems prone to failure and outages during adverse weather conditions.

Average Number of Times that Power to a Customer is Interrupted

In 2019, Alectra Utilities' average number of times that power to a customer was interrupted was 1.26 interruptions. This represents a decrease compared to 2018 (1.33 interruptions), primarily attributed to fewer outage events caused by adverse weather. Alectra Utilities has met the OEB's distributor-specific target of 1.26, which is calculated as the 5-year average performance for this metric. The leading causes of the average number of times that power to a customer was interrupted in 2019 include: a) defective underground cables; and b) foreign interference outages, which includes both vehicle and animal contact, and adverse weather 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 outages.

Asset Management

Distribution System Plan Implementation Progress

The Distribution System Plan ("DSP") Implementation Progress measure was initiated by the OEB in 2013. The OEB has not established a standardized approach to the measurement of this metric. As such, utilities may define the measure in the manner that best suits their situation. The OEB does require that a distributor report on this metric to indicate whether its work is "on track" relative to its DSP. Alectra Utilities has presented DSPs for each of its predecessor companies to the OEB: Horizon Utilities (2015-2019); Hydro One Brampton (2015-2019); PowerStream (2016-2020); Enersource (2018-2022), and Guelph Hydro (2016-2020). Alectra Utilities measures the progress of its DSP Implementation by comparing actual total capital expenditures to the total amount of planned capital expenditures in the DSP. The measure indicates that Alectra Utilities' actual capital expenditures were 114% of its plan in 2019. Of note, a capital land purchase of \$44.9MM was a material expense that increased capital spending in 2019. Once adjusted for the removal of the capital land purchase, the DSP implementation progress measure is 97%. The relative under-investment in 2019 System Renewal and System Service projects was due to the fact that ICM funding was disallowed for many of the company's planned capital investments.

Cost Control

Efficiency Assessment

The total costs for Ontario distributors are evaluated by the Pacific Economics Group LLC ("PEG") on behalf of the OEB to produce a single efficiency ranking. Distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. Distributors with larger negative differences between actual and predicted costs are considered better cost

performers and therefore eligible for lower stretch factors. The following outlines the five groups to which distributors can be allocated along with their definitions:

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

In 2019, 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 adjusts distributors' costs reported in the financial statements in order to benchmark distributors' cost performance. As the costs are the product of econometric model, they are based on, but do not exactly equal, Alectra Utilities' costs indicated in its 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 2019, total cost per customer increased slightly to \$716 compared to \$681 per customer in 2018. An increase in both total costs and the total number of customers relative to 2018 results in a limited increase in the year over year comparison of total cost per customer.

Total Cost per Km of Line

In 2019, total cost per Km of line decreased to \$15,212. The methodology to calculate the total cost per Km of line includes secondary lines for 2020, which is a change from previous years. As a result, this figure is not comparable to previously reported cost per Km figures.

Conservation & Demand Management

- **Net Cumulative Energy Savings – 1,703.58 GWh**

Alectra Utilities achieved 312.9 GWh of Net Energy Savings in 2019 that will contribute towards the Company's six-year target of 1,703.58 GWh.

While the provincial government has wound down the Conservation First Framework ("CFF"), it is important to note that net cumulative savings achieved in five years of the CFF are 1,703.58 GWh, which will persist to 2020 (100.0% of the six-year cumulative target).

Connection of Renewable Generation

Renewable Generation Connection Impact Assessments Completed on Time

Electricity distributors are required to conduct Renewable Generation Connection Impact Assessments ("CIAs") within 60 days of receiving a complete application from a customer (or 90 days if an expansion of the distribution system is required to accommodate the generation). In 2019, 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 78.26% of all New Micro-embedded Generation Facilities in 2019 within the required timeframe set out by the OEB. These connections relate to 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. As a result of an issue during system integration, 5 projects of 23 were connected outside of the 5-day window. The system issue has been resolved and further controls put in place to ensure Alectra Utilities continues to meet this target going forward.

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 means all current assets can cover all current liabilities.

Alectra Utilities' current ratio decreased from 0.95 in 2018 to 0.82 in 2019 primarily due to lower accounts receivables and unbilled revenue, which was due to lower energy consumption.

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

The OEB uses a deemed capital structure of 60% debt and 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). The debt to equity ratio measures the extent to which assets are financed by debt and equity in an entity. A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure.

Alectra Utilities total debt to equity ratio decreased from 1.17 in 2018 to 1.16 in 2019. 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 deemed 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 update (Horizon Utilities 8.98%), 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 2019.

Profitability: Regulatory Return on Equity – Achieved

The OEB requires all distributors to report their ROE earned through OEB approved distribution rates as another common measure of the financial health of the distributor. The OEB allows a distributor to earn within plus or minus 3% of the deemed ROE. When a distributor performs outside of this range, this may trigger a review of the distributor's revenue and cost structures. Alectra Utilities achieved a ROE of 7.21% in 2019, which is within the +/- 3% range allowed by the OEB.