

# Scorecard - Entegrus Powerlines Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	97.60%	93.80%	92.00%	97.00%	98.80%	↑	90.00%		
		Scheduled Appointments Met On Time	100.00%	98.70%	99.00%	99.40%	98.00%	↓	90.00%		
		Telephone Calls Answered On Time	67.00%	68.80%	95.90%	77.40%	72.70%	↑	65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution					76%				
		Billing Accuracy					99.73%	↔	98.00%		
		Customer Satisfaction Survey Results					92%				
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public awareness [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	NI	NI	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	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted	1.33	0.88	1.18	1.23	1.31	↑		at least within 0.88 - 1.33	
		Average Number of Times that Power to a Customer is Interrupted	0.91	0.72	0.97	0.94	0.84	↑		at least within 0.72 - 0.97	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress					80%				
	<b>Cost Control</b>	Efficiency Assessment				2	2	2			
		Total Cost per Customer <sup>1</sup>	\$507	\$517	\$495	\$531	\$533				
Total Cost per Km of Line <sup>1</sup>		\$20,075	\$21,921	\$20,765	\$22,407	\$22,585					
<b>Public Policy Responsiveness</b>  Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	<b>Conservation &amp; Demand Management</b>	Net Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>		13.17%	15.95%	26.60%	53.12%	●		12.12MW	
		Net Cumulative Energy Savings (Percent of target achieved)		21.91%	60.49%	81.11%	109.16%	●		46.53GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time		60.00%	60.00%		100.00%				
		New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%			90.00%	
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.40	1.35	1.19	1.16	1.61				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.31	1.27	1.28	1.22	1.44				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)			9.85%	9.85%	9.85%			
			Achieved			7.61%	7.61%	10.20%			

**Notes:**

- These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
- The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

**Legend:** up down flat  
 target met target not met

# Appendix A – Entegrus Powerlines 2014 Scorecard

## Management Discussion and Analysis (“2014 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 2014 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

### Scorecard MD&A - General Overview

In 2014, the Entegrus Powerlines Inc. (“EPI”) exceeded all performance targets with the exception of one measure, entitled Net Annual Peak Demand Savings. EPI’s performance for each measure is explained further below.

EPI monitors the scorecard measures on an ongoing basis and continuously seeks opportunities to improve its performance. The company is committed to meeting the needs of its customers both today and in the future. EPI is confident that its focus on customer outcomes will allow it to continue to meet or exceed performance targets.

Also of note is the implementation of four new performance measures in 2014: First Contact Resolution, Billing Accuracy, Customer Service Satisfaction Results and Distribution System Implementation Progress. The EPI results for each of these measures are further discussed below.

In 2015, the company expects to meet or exceed all performance measures and improve its year over year performance on many of the measures.

### Service Quality

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

In 2014, EPI connected 98.8% of approximately 163 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the Ontario Energy Board (“OEB”). This result is a slight improvement over the 2013 result of 97.0%. For the five-year period from 2010 to 2014, EPI has consistently performed better than the industry target of 90% in this area.

- **Scheduled Appointments Met On Time**

EPI scheduled approximately 303 appointments in 2014 to complete work requested by customers, including reading meters, making reconnections, and other requirements. EPI met 98.0% of these appointments on time, which is a slight deterioration from the 2013 result of 99.4%. For the five-year period from 2010 to

2014, EPI has consistently performed better than the industry target of 90% in this area.

- **Telephone Calls Answered On Time**

In 2014, EPI Customer Service agents received approximately 65,782 calls from its customers – over 260 calls per working day. In 72.7% of instances, an EPI agent answered the call within 30 seconds or less. This result exceeds the OEB-mandated 65% target for timely call response.

EPI staffs its Customer Service Call Centre to meet the 65% target, without significantly exceeding it, in order to balance the need to prudently deploy resources in all areas of the business. For the five-year period from 2010 to 2014, EPI has consistently performed better than the industry standard of 65% in this area.

In 2012, EPI engaged contract resourcing to assist with additional calls related to Time-of-Use billing, which resulted in quicker call response times. This contract resourcing was discontinued to 2013. In 2014, EPI overhauled its online customer service offerings to improve the digital customer experience. This process included: redesign of the EPI website, a new online self-service portal and the launch of social media channels. An objective of improving the digital customer experience is to reduce certain call types in favour of self-service, which will assist EPI in enhancing call response time while balancing the need to prudently deploy resources.

## Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The OEB instructed all electricity distributors to review and develop measurements in these areas and begin tracking in 2014 so that the results could be reported on this Scorecard. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution (“FCR”) traditionally represents a percentage of instances where a customer’s need is addressed at the time of their first point of contact on the matter. However, FCR can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

EPI believes that FCR is best measured by surveying a random sample of those customers who have actually recently contacted EPI. Accordingly, for EPI, FCR was measured based on live agent transactional phone surveys conducted by a third party service provider. In order to facilitate these surveys, EPI provided the third party service provider with a report of all customers who had contacted EPI Customer Service by telephone within the previous two weeks on a rolling basis.

The third party service provider’s telephone agents, in turn, contacted and surveyed EPI customers. Customers were asked to rate various facets of their customer experience, and were also asked if their issue (i.e. their reason for calling) was resolved on their first call to EPI. Of the 153 customers surveyed, 116 customers indicated that their issue was resolved on the first call to EPI. This equates to the reported First Contact Resolution figure of 76%.

For 2015, EPI seeks to improve its 2014 FCR result of 76%. Accordingly, EPI has engaged the third party service provider to assist with ongoing FCR measurement and an associated improvement strategy. EPI will use the results to identify opportunity for customer service improvements on specific issue types which will increase first contact resolution in the future.

- **Billing Accuracy**

Until July 2014 a specific measurement of billing accuracy had not been previously defined across the industry. After consultation with some electricity distributors, the OEB has prescribed a measurement of billing accuracy which must be used by all electricity distributors effective in October 2014.

For the period from October 1, 2014 – December 31, 2014 EPI issued 122,501 bills and achieved a billing accuracy of 99.73%. This compares favourably to the prescribed OEB target of 98%.

EPI continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

The OEB introduced the Customer Satisfaction Survey Results measure beginning in 2014. At a minimum, electricity distributors are required to measure and report a customer satisfaction result every other year. At this time the Ontario Energy Board is allowing electricity distributors the discretion as to how they implement this measure.

EPI engaged a third party service provider to conduct a random telephone sample of 500 complete Residential surveys and 96 complete Small Commercial surveys over the period from October 21, 2014 to November 7, 2014. The survey asks customers questions on a wide range of topics, including: overall satisfaction with EPI, reliability, customer service, outages, billing and corporate image.

EPI's 2014 Customer Satisfaction results showed that 92% of customers that were satisfied with EPI. Customer feedback indicates that EPI can continue to improve by providing: (a) more information to drive awareness of existing website and online self-service tools, (b) enhancements to self-service tools to provide information to larger commercial and industrial customers, and (c) more communication on outages beyond social media alerts. This data was incorporated into EPI's planning process to form the basis of plans to improve customer satisfaction and meet the needs of customers.

Customer Satisfaction is a key area of focus for EPI. Accordingly, EPI will measure Customer Satisfaction annually, as opposed to the above-noted requirement to measure it every other year.

## Safety

- **Public Safety**

The OEB introduced the Safety measures in 2015. These measures look at safety from a customers' point of view, as safety of the distribution system is a high priority. The Safety measures were developed in consultation with the Electrical Safety Authority ("ESA") and include three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

**Note, the Public Awareness of Electrical Safety component does not have performance data for the 2014 scorecard because the first survey will be completed in 2015. Accordingly, the first year that data for this component of the public safety measures will be shown on the scorecard is in 2016 for the 2015 results.**

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

In 2015, EPI will launch a new public awareness survey among a representative sample of its territory population. The survey gauges awareness levels of key electrical safety concepts related to distribution assets and is based on a template survey provided by the ESA. The survey provides a benchmark of levels of awareness including identifying gaps where additional education and awareness efforts may be required. EPI currently conducts safety awareness through its ongoing work with the Chatham-Kent Children's Safety Village and the MySafeWork program, as well as periodic grade school classroom visits.

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

Over the past three years, EPI was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - *Electrical Distribution Safety* establishes objective based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

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

This is measured as the number of non-occupational (general public) serious electrical incidents occurring on EPI's distribution system expressed as a raw number and as the number per 100 km of line. Historical data related to this measure has been tracked by EPI and the ESA. EPI is proud to have had no such incidents in 2010-2014, and will continue to make this an area of focus.

## **System Reliability**

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

For this measure, the current target established by the OEB for each distributor is to be at least within the range of the low point and high point from the past four years of results. Accordingly, EPI's 2014 target range was to be at least within 0.88 – 1.33. EPI's 2014 result of 1.31 is within this range, and compares well to the 2014 industry average of 1.60, demonstrating that the EPI distribution system is performing reliably.

EPI continues to view reliability of electricity service as a high priority for its customers. In August 2015, EPI finalized a Distribution System Plan ("DSP") that adopts a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance ratepayer and utility affordability. The DSP includes tracking of additional complimentary measures, including Line Loss and Worst Performing Feeder, which provide the opportunity to improve reliability and ensure that customers continue to receive high value from their electricity service.

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

For this measure, the target for each distributor is to be at least within the range of the low point and high point from the past four years of results. Accordingly, EPI's 2014 target range was to be at least within 0.72 – 0.97. EPI's 2014 result of 0.84 is within this range, and compares well to the 2014 industry average of 1.64, demonstrating that the EPI distribution system is performing reliably.

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approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance ratepayer and utility affordability. The DSP includes tracking of additional complimentary measures, including Line Loss and Worst Performing Feeder, which provide the opportunity to improve reliability and ensure that customers continue to receive high value from their electricity service.

## Asset Management

- **Distribution System Plan Implementation Progress**

As noted above, EPI finalized its DSP in August 2015 and filed it with the OEB as part of an application for a full review of its rates effective May 1, 2016.

The 2014 reported measure of 80% for DSP Implementation Progress was in terms of the percentage completion of the DSP at December 31, 2014. This reflects a project management progress view of the drafting of the DSP document, and does not reflect implementation of the plan itself.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated based on econometric modeling by a consultant (the Pacific Economics Group LLC) on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs over the past three years.

In 2014, EPI's actual costs for 2012-2014 were 13.4% lower than the costs predicted by the OEB's consultant. For the second year in a row, EPI was placed in Group 2, where a Group 2 distributor is defined as having actual costs which are 10% to 25% lower than the costs predicted for the distributor. Group 2 is considered as "more efficient". In 2014, 71% (51 distributors) of Ontario distributors were ranked in the three "less efficient" groups below EPI.

EPI's forward looking goal is for its costs to be lower those predicted by the OEB's consultant.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of EPI's capital and operating costs and dividing this cost figure by the total number of customers that EPI serves. The cost performance result for 2014 is \$533/customer which represents a 0.4% increase over 2013 and an average increase of 0.2% per annum over the period from 2010 through 2014.

EPI has contained costs while increasing its service delivery. Recent industry initiatives include province-wide initiatives, such as: new service rules for low income customers (LEAP), the introduction of Smart Meters, the conversion to Time-of-Use ("TOU") rates, renewable generator connection and settlement obligations, increased customer engagement requirements on local and provincial industry issues and the introduction of Regional Planning. EPI has willingly embraced these initiatives and has worked hard to implement them at minimal cost, without adversely impacting customer service.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The Total cost is divided by the kilometers of line that EPI operates to serve its customers. EPI's 2014 rate is \$22,585 per Km of line, a 0.8% increase over 2013.

Traditionally, EPI experiences a low level of growth in its total kilometers of lines due to a low annual customer growth rate. The result is that Total Cost per Km of Line increases year over year with the increase in capital and operating costs. See above under the Total Cost per Customer section for ongoing new requirements and initiatives that EPI has offered while containing costs.

## Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved)**

Despite a concerted marketing push and successful uptake of Demand Savings programs by local businesses, EPI did not achieve its 2011-2014 Net Peak Demand Savings target of 12.16 MW as of December 2014. EPI notes that a major focus of its efforts for Demand Savings was an anticipated co-generation project at a large customer, involving the installation of a load displacement generator. This project would have accounted for an additional 42.7% of the EPI Demand Savings target and was scheduled to launch in 2014. However, this project was delayed due to further review of the Combined Heat and Power ("CHP") program by the Ontario Power Authority ("OPA").

The province launched a new Conservation First Framework ("CFF") on January 1, 2015 for the period 2015-2020. In response, EPI has added conservation resources in order to ensure that it meets the EPI 2020 CFF target (see further discussion below).

- **Net Cumulative Energy Savings (Percent of target achieved)**

EPI exceeded its target for 2011-2014 Net Cumulative Energy Savings by the end of 2014. Successful achievement was made possible by the strong and early program participation by local commercial customers.

In response to the new CFF, EPI has added conservation resources in order to ensure that it meets the EPI 2020 CFF target. Under the new CFF, EPI's target for 2015-2020 Net Cumulative Energy Savings (kWh) target is 56.83 GWh. It is EPI's goal to exceed this target and achieve savings of 62.08 GWh (109.23%) by the end of 2020.

## Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of the receipt of the application for a proposal to connect a mid-sized generation facility or 90 days of the receipt of an application to connect a large embedded generation facility.

In 2014, EPI completed eight CIAs and all were completed within the prescribed time limit. The completion of CIAs requires a significant amount of coordination with the developer and other third parties involved in the process. In 2011 and 2012, EPI was new to this process and did not achieve the desired degree of success on this measure. Consequently, EPI enhanced its internal processes around the CIA process. In 2013, EPI received no offers to connect.

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

Electricity distributors are required to connect an applicant's micro-embedded generation facility (i.e. microFIT projects of less than 10kW) to its distribution system within five business days of the applicant informing the distributor that it has satisfied all applicable service conditions, received all necessary approvals and provided the distributor with a copy of the authorization to connect from the ESA. The minimum acceptable performance level for this measure is 90%.

Due to the nature of its service territory, EPI receives a limited number of such requests. In 2014, EPI connected all seven new micro-embedded generation facilities within the prescribed time frame of five business days. EPI works closely with its customers and their contractors to address any connection issues to ensure the project is connected on time.

## Financial Ratios

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

Liquidity is calculated by dividing Current Assets by Current Liabilities. This ratio is also known as Working Capital Ratio, and measures an entity's ability to pay short-term financial obligations. As an indicator of financial health, a Liquidity Ratio of greater than 1 is considered good, as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations.

EPI's current ratio increased from 1.16 in 2013 to 1.61 in 2014. EPI's goal is to maintain a Liquidity Ratio of more than 1.00. As noted above, this means that the entity has resources available in the short term to meet its short-term financial obligations.



- **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 deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

As demonstrated by its 2014 Leverage Ratio of 1.44, EPI continues to maintain a debt to equity structure that closely approximates the deemed 60% to 40% capital mix as set out by the OEB. EPI's strong financial position is further supported by the recent Standard & Poor's Rating Services rating of "A/Stable/--" for Entegrus Inc., the parent company of EPI.

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

EPI's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.85%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

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

EPI's achieved a 2014 Regulatory Return on Equity ("ROE") of 10.20%, which is well within the +/-3% range of Deemed ROE allowed by the OEB. Previously, EPI's Regulatory ROE was 7.61% in both 2012 and 2013. The increase in 2014 ROE was due in part to the conversion from Canadian Generally Accepted Accounting Principles ("CGAAP") to Modified International Financial Reporting Standards ("MIFRS"); this conversion resulted in lower depreciation and income tax expense, which increased profitability.

EPI has tracked the difference between CGAAP/MIFRS depreciation and capitalization in a deferral account in accordance with OEB requirements. In its application for May 1, 2016 distribution rates, EPI has proposed to refund this CGAAP/MIFRS accounting difference to customers.

## Note to Readers of 2014 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 judgment on the reporting date of the performance scorecard, and could be markedly different in the future.