

Scorecard - Entegrus Powerlines Inc.

9/24/2017

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	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	92.00%	97.00%	98.80%	99.50%	98.80%	↑	90.00%		
		Scheduled Appointments Met On Time	99.00%	99.40%	98.00%	94.00%	97.80%	↓	90.00%		
		Telephone Calls Answered On Time	95.90%	77.40%	72.70%	81.30%	68.70%	↓	65.00%		
	Customer Satisfaction	First Contact Resolution			76%	78	79.3				
		Billing Accuracy			99.73%	99.78%	99.84%	↑	98.00%		
		Customer Satisfaction Survey Results			92%	91	83.0				
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				82.00%	82.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	↔		C	
		Serious Electrical Incident Index	Number of General Public Incidents	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	1.18	1.23	1.31	1.18	0.51	↓		1.19	
		Average Number of Times that Power to a Customer is Interrupted ²	0.97	0.94	0.84	0.87	0.41	↓		0.88	
	Asset Management	Distribution System Plan Implementation Progress			80%	100	22				
	Cost Control	Efficiency Assessment	2	2	2	2	2				
		Total Cost per Customer ³	\$495	\$531	\$533	\$549	\$567				
		Total Cost per Km of Line ³	\$20,765	\$22,407	\$22,585	\$23,395	\$24,291				
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				67.85%	99.03%			56.83 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	60.00%		100.00%	100.00%	100.00%				
		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)	1.19	1.16	1.61	1.69	1.67				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.28	1.22	1.44	1.40	1.44				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.85%	9.85%	9.85%	9.19%			
			Achieved	7.61%	7.61%	10.20%	9.92%	7.46%			

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 fixed 5-year (2010 to 2014) average 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 new 2015-2020 Conservation First Framework.

Legend:

5-year trend
 ↑ up ↓ down ↔ flat

Current year
 ● target met ● target not met

2016 Scorecard Management Discussion and Analysis (“2016 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 2016 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

Entegrus Powerlines Inc. (“EPI”) owns, operates and manages the assets associated with the distribution of electrical power to approximately 41,000 customers in 16 Southwestern Ontario communities. The roots of EPI extend back to the formation of Chatham Hydro in 1914.

The communities serviced by EPI are: Blenheim, Bothwell, Chatham (including a portion of the Township of Raleigh known as the “Bloomfield Business Park”), Dresden, Dutton, Erieau, Merlin, Mount Brydges, Newbury, Parkhill, Ridgetown, Strathroy, Thamesville, Tilbury, Wallaceburg and Wheatley. Additional details are provided in the EPI Electricity Distribution Licence (ED-2002-0563).

EPI is pleased to have exceeded all performance targets in 2016.

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.

EPI is committed to continuous year over year performance improvement for 2017 and beyond.

Service Quality

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

In 2016, EPI connected 98.8% of approximately 340 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 decrease from the 2015 result of 99.5% due to a sharp increase in new residential and small business connections requested in 2016 (up 90% from 2015). For the five-year period from 2012 to 2016, EPI has consistently performed better than the industry target of 90% in this area.

- **Scheduled Appointments Met On Time**

EPI scheduled approximately 599 appointments in 2016 to complete work requested by customers, including reading meters, making reconnections, and other requirements. EPI met 97.8% of these appointments on time, an increase from the 2015 result of 94.0%. For the five-year period from 2012 to 2016, EPI has consistently performed better than the industry target of 90% in this area.

- **Telephone Calls Answered On Time**

In 2016, EPI Customer Service agents received approximately 59,667 calls from its customers – over 238 calls per working day. In 68.7% 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 2012 to 2016, EPI has consistently performed better than the industry target of 65% in this area.

In 2016, EPI upgraded its telephone system which will allow more flexibility to route calls and improve reporting. EPI continues to add online self-service options to allow customers to efficiently access information and engage EPI with respect to service needs.

Customer Satisfaction

- **First Contact Resolution**

Prior to 2014, specific customer satisfaction measurements were not defined across the industry. In 2014, the OEB instructed all electricity distributors to review and develop measurements in these areas and begin tracking so that the results could be reported on the 2014 Scorecard. Currently, each electricity distributor is permitted to 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 will be necessary in order to achieve meaningful, consistent and comparable information across electricity distributors.

EPI believes that best practice is to measure FCR based on ongoing third party surveys of a random sample of those customers who have recently contacted EPI. Accordingly, starting in 2014, EPI’s FCR has been measured based on live agent transactional phone surveys conducted by a third-party service provider. To facilitate these surveys, throughout the year, EPI provides the third-party service provider with a report of all customers who had contacted EPI Customer Service by telephone within the previous two weeks.

The third-party service provider's telephone agents, in turn, contact and survey EPI customers. Customers are asked to rate various facets of their customer experience, and are also asked if their issue (i.e. their reason for calling) was resolved on their first contact to EPI. In 2016, of the 410 customers surveyed, 325 customers indicated that their issue was resolved on the first call to EPI. This equates to the reported FCR figure of 79.3%.

EPI has steadily improved its FCR results by implementing recommendations from the service provider. . Accordingly, EPI has continued to engage the third-party service provider to assist with ongoing FCR measurement and customer service strategy improvements on specific issue types.

- **Billing Accuracy**

Prior to 2014, a specific measurement of billing accuracy had not been defined across the industry. In 2014, the OEB instructed all electricity distributors to begin tracking a prescribed billing accuracy measure so that the results could be reported on the 2014 Scorecard.

In 2016, EPI issued 493,429 bills and achieved a billing accuracy of 99.84%. 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**

Similar to the FCR measure described above, 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 OEB is allowing electricity distributors the discretion as to how this measure is implemented. Starting in 2014, EPI engaged a third-party service provider to conduct annual (rather than bi-annual) Customer Satisfaction surveys.

In 2016, the third-party service provider conducted a random telephone survey for the period September 21, 2016 to October 2, 2016, the service provider agents contacted a random sample of 400 complete Residential surveys and 80 complete Small Commercial surveys. Of this sample, 4 customers were unable to respond to the question. Accordingly, the denominator of the calculation was 476. The survey asks customers questions on a wide range of topics, including: overall satisfaction with EPI, reliability, customer service, outages, billing and corporate image.

Customer Satisfaction survey results decreased from 91% in 2015 to 83% in 2016. EPI consulted with the third-party service provider to isolate the cause of this decrease. Analysis showed that the decrease was primarily attributable to customer dissatisfaction with electricity costs. Conversely, the majority of EPI Residential and Small Commercial customers realized a rate decrease on May 1, 2016, subsequent to EPI's completion of a distribution rate rebasing application. However, these decreases were more than offset by

increases to provincial electricity commodity costs. Notably, the survey took place prior to the introduction of the Ontario Fair Hydro Plan, which seeks to address customer cost concerns via significant decreases to electricity commodity costs and other charges.

Resulting from customer feedback, EPI undertook the following process improvements in 2016: (a) enhanced customer communication to drive awareness of consumption management tools, (b) added billing literacy materials and videos on the website, (c) enhanced marketing of self-service tools on the website, (d) conducted additional industrial customer power quality and reliability reviews and (e) increased differentiation on the website between business and residential customers.

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

Safety

- **Public Safety**

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

In 2015, in consultation with the Electrical Safety Authority (“ESA”), the OEB introduced this new public awareness survey measure. The survey is based upon a representative sample of each electrical distributor’s service territory population and gauges awareness levels of key electrical safety concepts related to distribution assets. The survey provides a benchmark of levels of awareness including identifying gaps where additional education and awareness efforts may be required. In accordance with OEB requirements, the survey is conducted every other year. Accordingly, the survey results described below for 2015 are also applicable to 2016.

EPI engaged a third-party service provider to conduct stratified random telephone surveys of 410 Ontario residents, ages 18 or older, currently residing in the EPI service territory during the period from April 11, 2016 and April 18, 2016. The survey asked residents electrical safety questions and then an overall index score was calculated in accordance with a prescribed algorithm. EPI continues to be pleased with its index score result of 82%.

EPI plans to conduct another public safety awareness campaign in the spring of 2018 utilizing local media and digital website content. This will be subsequently followed by another survey for customers in accordance with OEB requirements. Further, EPI continues to conduct: safety awareness through its ongoing work with the Chatham-Kent Children’s Safety Village and the MySafeWork program, safety awareness briefings with first responders and visits to grade school classrooms to review electrical safety.

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

Since 2012, EPI has been found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by EPI’s 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. The regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service. EPI is audited annually for compliance.

- **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. EPI had no such incidents in 2012-2016, 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 OEB establishes baseline targets based on the average of the distributor's performance for the period 2010 – 2014 (the baseline period is updated every 5 years). EPI's 2016 result of 0.51 is significantly (and favourably) below the target of 1.19. This favourable result is primarily due to the lack of significant storm activity within the EPI service territory in 2016.

EPI continues to view reliability of electricity service as a high priority for its customers. In 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 which provide the opportunity to improve reliability and ensure that customers continue to receive high value from their electricity service. As further discussed below, EPI made substantial progress on its DSP implementation in 2016.

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

For this measure, the OEB establishes baseline targets calculated as the average of the distributor's performance for the period 2010 – 2014 (the baseline period is updated every 5 years). EPI's 2016 result of 0.41 is significantly (and favourably) below the target of 0.88. This favourable result is primarily due to the lack of significant storm activity in 2016.

EPI continues to view reliability of electricity service as a high priority for its customers. In 2015, EPI finalized a 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 which provide the opportunity to improve reliability and ensure that customers continue to receive high value from their electricity service. As further discussed below, EPI made substantial progress on its DSP implementation in 2016.

Asset Management

- **Distribution System Plan Implementation Progress**

EPI's Distribution System Plan ("DSP") design document was completed in 2015 and submitted to the OEB in 2016 in conjunction with EPI's distribution rate rebasing application (EB-2015-0061). Entegrus reached a full settlement with the intervenors of record in February 2016, with no resulting changes to the DSP.

Previously, EPI reported this metric on a project management basis (e.g. the percentage of DSP design completion). For 2016, with the DSP now complete, EPI has transitioned to report this metric based on percentage of actual life-to-date capital expenditures divided by the total DSP (5 year) capital expenditures. The EPI 2016 life-to-date actual capital expenditures were \$8.5M (the numerator). The total DSP (5 year) capital expenditures were \$38.3M (the denominator). This numerator and denominator equate to the reported DSP Implementation Progress figure of 22%.

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 2016, EPI's actual costs for 2014-2016 were 16.6% lower than the costs predicted by the OEB's consultant. For the fifth 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 2016, EPI ranked 13th out of 68 distributors in terms of cost performance results versus benchmark.

- **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. EPI's cost performance result for 2016 is \$567 per customer, which represents a 3.0% increase over 2015. The industry median total cost increase from 2015 to 2016 was 3.3%.

EPI has contained costs while increasing service delivery including offering 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, enhanced customer engagement 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 2016 rate is \$24,291 per KM of line, a 3.8% increase over 2015.

Traditionally, EPI experiences a low level of growth in its total kilometers of line. 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 Cumulative Energy Savings**

The province launched a new Conservation First Framework ("CFF") on January 1, 2015 for the period 2015-2020. Under the new CFF, EPI's target for 2015-2020 Net Cumulative Energy Savings (kWh) is 56.83 GWh.

EPI achieved over 14.4 GWh of energy savings in 2016, which represents 25% of the EPI 6-year Net Cumulative Energy Saving target and results in over 99% life-to-date achievement of the total target. EPI continues to focus on the conservation needs of all its customers. EPI assists medium to large commercial/industrial customers by engaging them on energy efficient opportunities and offering thorough support throughout the application process. In addition, EPI has re-launched both the Home Assistance Program and the Small Business Lighting program in late 2015 and 2016 to ensure all customer classes are afforded energy efficient program opportunities.

EPI will continue to promote conservation programs to all customer classes. It is now EPI's goal to exceed its original 56.83 GWh target and achieve savings of 69.5 GWh (122.36%) 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 2016, EPI received 15 requests for 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 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. Since 2014, EPI has successfully completed all CIA's within the prescribed time limit.

- **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 certain transmission capacity constraints in its service territory, EPI receives a limited number of such requests. In 2016, EPI connected all 24 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 decreased from 1.69 in 2015 to 1.67 in 2016. 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 2016 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 2016 distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.19%. 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 2016 Regulatory Return on Equity ("ROE") of 7.46%, which is within the +/-3% range of Deemed ROE allowed by the OEB. This result represents a decrease from the 2015 Regulatory ROE of 9.92%, primarily due to specific one-time non-recurring expenses incurred in 2016.

Note to Readers of 2016 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.