Scorecard - Essex Powerlines Corporation

9/29/2019

Performance Outcomes	Performance Categories	Measures		2014	2015	2016	2017	2018	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		93.00%	92.30%	90.50%	90.35%	91.18%	↓	90.00%	
		Scheduled Appointments Met On Time		94.70%	94.80%	90.80%	93.12%	94.79%	↓	90.00%	
		Telephone Calls Answered On Time		78.00%	79.20%	73.60%	79.47%	87.67%	↑	65.00%	
	Customer Satisfaction	First Contact Resolution		99.6%	99.28	98.25%	97.42%	98.52%			
		Billing Accuracy		99.84%	98.05%	99.90%	99.91%	98.26%	↓	98.00%	
		Customer Satisfaction Survey Results		81%	81%	81%	81%	83%			
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			83.00%	83.00%	83.00%	83.00%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	NI	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]		1.16	1.34	0.63	0.83	1.82	↓		1.24
		Average Number of Times that Power to a Customer is Interrupted [2]		0.66	0.83	0.50	0.57	1.29	↑		0.74
	Asset Management	Distribution System Plan Implementation Progress		100.8%	107.00	94.16%	98%	18.80%			
	Cost Control	Efficiency Assessment		2	2	2	2	2			
		Total Cost per Customer [3]		$524	$538	$541	$538	$578			
		Total Cost per Km of Line [3]		$32,562	$34,680	$35,323	$35,211	$37,960			
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]			12.15%	40.09%	107.09%	120.00%			31.43 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	94.74%	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)		0.91	0.85	0.70	0.65	0.67			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.97	0.95	0.91	0.95	1.10			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.85%	9.85%	9.85%	9.00%			
			Achieved	9.73%	11.70%	7.25%	3.37%	8.11%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
4. The CDM measure is based on the 2015-2020 Conservation First Framework. 2018 results are based on the IESO's unverified savings values contained in the March 2019 Participation and Cost Report.

Legend:

5-year trend
↑ up ↓ down → flat

Current year
target met target not met

2018 Scorecard Management Discussion and Analysis ("2018 Scorecard MD&A")

The link below provides a document titled "Scorecard - Performance Measure Descriptions" that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard's measures in the 2018 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

Essex Powerlines Corporation ("EPLC") is dedicated to meeting and exceeding customer and community needs. It does so by providing services that put the needs of its customers first and are cost effective.

In 2018, EPLC continued to exceed all performance targets set for the industry. EPLC saw improvement in many areas, as compared to 2017 including an increase in telephone calls answered on time and an increase in first contact resolution.

EPLC proactively monitors scorecard metrics using dashboards, in order to actively monitor and ensure compliance, while continuously investigating further opportunities to improve upon its performance. EPLC is committed to on-going year over year performance improvement for 2019 and beyond.

Service Quality

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

In 2018, EPLC connected 91.18% of low voltage residential and small business customers within the five day timeline prescribed by the Ontario Energy Board (OEB). This is an increase from 2017's performance of 90.35%. EPLC has consistently outperformed the industry target of 90% for the past five years, since 2014.

- **Scheduled Appointments Met On Time**

EPLC scheduled 633 customer related appointments in 2018 and attended 94.80% of these appointments on time. This is an increase from the 93.10% of appointments met on time in 2017. For the five-year period from 2014 to 2018, EPLC has consistently outperformed the industry target of 90%.

- **Telephone Calls Answered On Time**

  EPLC's customer service call center received 22,837 calls, and 87.67% of the time a Customer Service Representative answered the phone within 30 seconds or less. This is an improvement from 79.47% of telephone calls answered on time in 2017. In 2018, the customer service department continued to hold weekly status meetings to review the previous week's performance. Sharing statistics with front line staff increased performance and accountability to answer calls as soon as possible. EPLC has consistently outperformed the industry target of 65% for the five-year period from 2014 to 2018.

Customer Satisfaction

- **First Contact Resolution**

  Electricity distributors have been granted discretion related to how this metric is implemented and monitored. Formalization of this metric by the OEB is anticipated in the near future. The spirit of this metric, however, is to identify a distributor's effectiveness at satisfactorily addressing customer's complaints upon first contact with a distributor.

  EPLC measures this metric based on the number of calls received and how many required escalations to a supervisor. In 2018, 98.52% of calls received by EPLC were resolved without escalation to a supervisor. This is an increase from 2017 where 97.42% of calls did not require escalation.

- **Billing Accuracy**

  For 2018, EPLC issued 379,918 bills and achieved a billing accuracy of 98.26%. EPLC has consistently outperformed the industry target of 98% for the five-year period from 2014 to 2018 and will continue to monitor its billing accuracy to ensure compliance with the standard established by the OEB.

- **Customer Satisfaction Survey Results**

  Electricity distributors have been granted discretion related to their implementation of this metric. Customer satisfaction surveys are required to be completed on a biennial basis and are meant to examine customer satisfaction levels in the following key areas: (a) power quality and reliability; (b) price; (c) billing and payment; (d) communications and; (e) the customer service experience. Distributors are expected to follow good survey practices and select samples that adequately represent the distributors' rate payer population.

In 2018, EPLC engaged a third-party service provider to conduct a telephone survey. A total of 413 random telephone surveys were completed, with 383 residential customers and 30 general service (under 50kW) customers surveyed. Customers were polled on their levels of satisfaction with EPLC in the following areas: (a) overall satisfaction; (b) reliability & power quality; (c) billing & payment; (d) customer service experience; (e) communications and; (f) price.

The customer service survey results indicate that overall 83% of customers are satisfied with EPLC. EPLC uses feedback received from the survey results as a method of better understanding customer preferences and priorities in order to improve ongoing customer satisfaction.

Safety

- **Public Safety**

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

    This survey is required to be completed on a biennial basis. In 2018, EPLC engaged a third party to conduct this survey on its behalf. The survey's focus was to measure the publics level of awareness regarding key electrical safety precautions. The results indicated that 83% of the public are aware of Electrical Safety, which is consistent with the results of the survey completed in 2017.

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

    O.Reg. 22/04 requires "the approval of equipment, plans, specifications and inspection of construction before they are put into service" [1]. EPLC compliance with this regulation is audited annually by an independent consultant selected by the ESA. These audits will yield one of the following outcomes:

    - Non-Compliance – indicates a substantial failure to comply with O.Reg. 22/04 or continuing failure to comply with a previously identified NI item;
    - Needs Improvement – indicates a failure to comply with O.Reg. 22/04 or a non-pervasive failure to comply with adequate, established procedures with complying with O.Reg. 22/04;
    - Compliance – indicates that the distributor substantially meets the requirement of O.Reg. 22/04

    In 2018, EPLC received an audit result of Compliant, which is consistent with the audit result in 2017. EPLC continues to ensure it is

[1] "EDSR I Ontario Regulation 22/04." *ESA website,* www.esasafe.com/utilities/regulation

compliant with O.Reg. 22/04. Safety is a core value of EPLC and its importance is highlighted throughout EPLC's daily operations.

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

  There have been no serious electrical contacts within EPLC's distribution system during the five-year period from 2014 to 2018 as indicated on the scorecard.

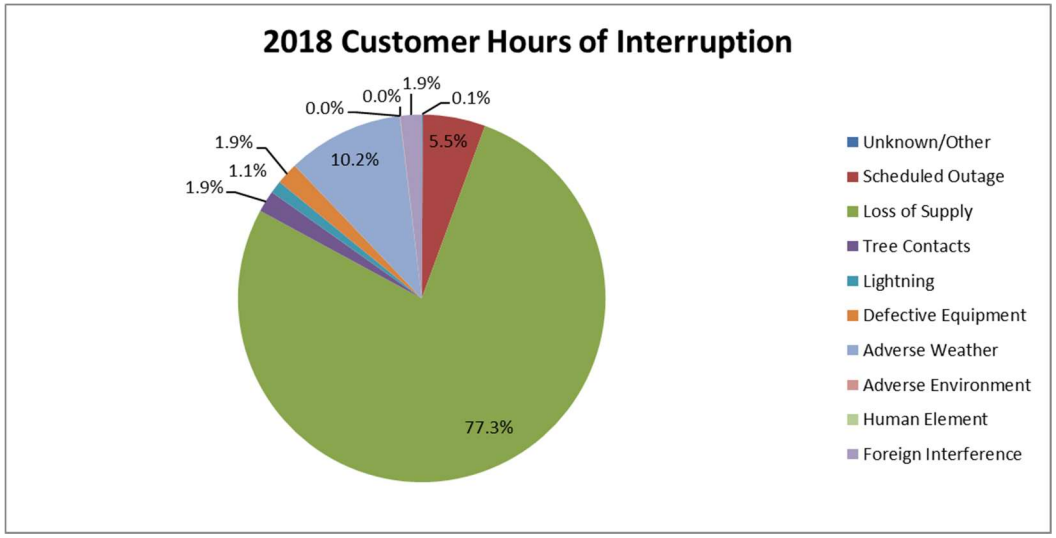
System Reliability

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

  EPLC experienced an increase in the number of hours where power to a customer was interrupted, which was 1.82 in 2018 compared to 0.83 in 2017. However, EPLC's current five-year average is 1.16 hours which is a decrease since last year and EPLC's target of 1.24. Loss of supply has historically been, and continues to be, the largest contributor to this metric. In 2018, 77.3% (an increase from 74.8% in 2017) of the total number of hours power was interrupted was the result of a loss of supply event. All other sources of customer interruptions are noted in Figure 1 below.

  Scheduled outages, foreign interference and adverse weather are some of the various incidents that can affect this metric. EPLC's Distribution System Plan ("DSP"), Reliability Centered Maintenance ("RCM") and Asset Management Programs are designed to reduce these occurrences. In addition, EPLC uses Best-In-Class Asset Investment Strategy tools and processes to improve this metric. Examples of these tools and processes include:
  - Using risk assessments and strategic objectives to reduce risk and optimize investment;
  - Maintain RCM statistics within acceptable severity and importance indices;
  - Perform inspections, preventative maintenance and remediate findings;
  - "Global Information System" (GIS) provides full customer connectivity and asset information;
  - SmartMAP software provides:
    - Full integration of alerts of out of range distribution system data (i.e. voltage, loading, fault current and outages),
    - Engineering – modelling, design and analysis tools

Figure 1

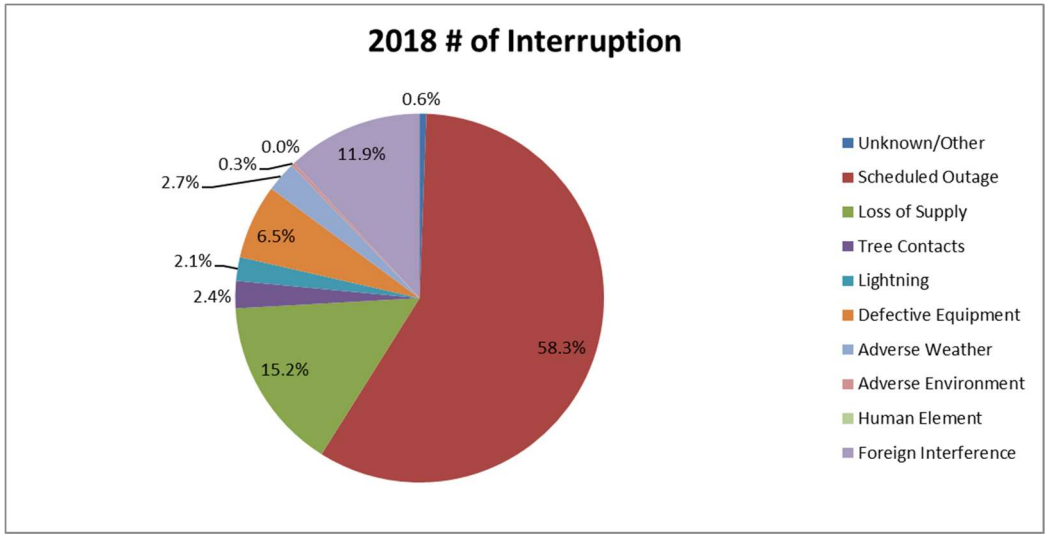


- **Average Number of Times that Power to a Customer is Interrupted**

EPLC experienced an increase in the number of times that power to a customer was interrupted, which was 1.29 in 2018 compared to 0.57 in 2017. EPLC's five-year average is 0.77 times which increased slightly compared to the previous five-year average and target of 0.74. Scheduled outages, loss of supply and foreign interference (animal, vehicle, dig-ins) account for approximately 58%, 15% and 12% of the 2018 metric respectively. All other sources of power interruption are noted in Figure 2 below.

Consistent with above, several incidents can affect this metric. EPLC's "DSP", "RCM", Asset Management Programs and Best-In-Class Asset Investment Strategy tools and processes help to reduce these occurrences.

Figure 2



Asset Management

- **Distribution System Plan Implementation Progress**

EPLC filed its first DSP as part of its Cost of Service Application submitted in August 2017 which was approved effective May 1, 2018 and implemented October 1, 2018. The DSP outlines the forecasted capital expenditures over the next five years required to maintain, improve and expand EPLC's distribution system.

EPLC measures the progress of its DSP implementation as a ratio of actual total capital expenditures and system O&M over the total amount of planned capital expenditures and system O&M for the five-year DSP forecast. The 2018 measure indicates that EPLC has completed 18.8% of its planned projected spend and is on target to complete its five-year plan.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario Electricity Distributors are evaluated by the Pacific Economics Group LLC ("PEG") on behalf of the OEB to produce a single efficiency ranking. Essentially there are a total of five groups within the rankings, with Group 1 being the most efficient

and Group 5 being the least efficient. In 2018, for the fifth consecutive year, EPLC was ranked in Group 2, which is the second most efficient grouping of Ontario Electricity Distributors. EPLC is committed to maintaining its current efficiency ranking.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of EPLC's capital and operating costs and dividing this figure by the total number of customers served. The cost performance result for 2018 is $578 per customer which is a 7.4% increase over 2017 and is an overall average increase per year of 3.8% during the period from 2014 to 2018.

Cost increases experienced are often directly related to industry driven objectives and new legislated directives that require distributors to invest in assets, personnel and technology to appropriately satisfy these new directives. Over the course of the past several years, examples of these changes would include: customer focused engagement, cybersecurity, the implementation of Smart Meters, increased complexity for market settlement, and the adoption of a new accounting standards. EPLC remains committed to implementing all new directives in the most cost-conscious manner possible.

- **Total Cost per Km of Line**

Total cost for this metric is as described above under total cost per customer. This total cost is divided by the kilometers of line that EPLC operates in order to adequately service its customers. EPLC's 2018 rate is $37,960 per km of line, a 7.8% increase over 2017 and an overall average increase per year of 5.4% during the period from 2014 to 2018. EPLC reported a small increase (0.4%) in total kms of line added in 2018 and an overall average decrease per year of 0.4% during the five-year period from 2014 to 2018.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

During 2018, EPLC exceeded its savings target under the 2015-2020 Conservation First Framework to achieve savings of 31.43 GWh by the end of 2020. This goal is being achieved by the delivery of significant energy savings through its conservation programs, in a manner that is cost effective to ratepayers.

On March 20, 2019, the Minister of Energy, Northern Development and Mines revoked the direction entitled 2015-2020 Conservation First Framework. EPLC has been working with the Ministry and the IESO to discontinue and wind down all programs.

Connection of Renewable Generation

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

  Electricity distributors are required to conduct CIAs within 60 days of the receipt of a complete application. In 2018, EPLC had zero requests for CIAs.

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

  In 2018, EPLC connected 21 new micro-embedded generation facilities 100% of the time within the prescribed timeline of five business days. This is consistent with 100% in 2017 (20 new micro-embedded generation facilities). EPLC has consistently performed above the industry target of 90% for the five-year period from 2014 to 2018.

Financial Ratios

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

  As an indicator of financial health, a current ratio that is 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 that 1 are 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.

  EPLC’s current ratio has been trending down from 0.91 in 2014 to 0.67 in 2018. This has been intentional because the relationship of long-term vs. short-term interest rates has inverted over the years 2018-2019. As a result, EPLC has adapted and is securing more long-term financing to replace shorter-term borrowings in order to take advantage of historically low financing rates during 2019 and beyond. EPLC is targeting to increase its Liquidity to 0.75 by the end of 2019.

- **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). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly leveraged 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 leveraged 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 explained in the previous year, EPLC has intentionally maintained a low Debt to Equity ratio to minimize its annual interest costs

and to remain flexible should unforeseen borrowing needs arise. EPLC's goal was to increase its leverage to 1.00 by the end of the year and achieved 1.10. EPL is targeting to increase their Leverage to about 1.25 by the end of 2019.

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

  The OEB allows a distributor to earn within +/- 3% of the expected rate of ROE. 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. The allowed deemed return on equity was decreased from 9.85% to 9.00% further to the OEB Final Rate Order EB-2017-0039 effective May 1, 2018 implemented October 1, 2018.

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

  EPLC's regulatory ROE achieved in 2018 was 8.11%, which is less than 3% lower than the expected (deemed) ROE of 9.00%. EPLC's regulatory average ROE is 8.03% for the five-year period from 2014 to 2018. The low 8.11% achieved return on equity is due to using old rates for the first 4 months of 2018 as well as one-time expense impacts resulting from EB-2017-0039.

Note to Readers of 2018 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.