

Municipality of Chatham-Kent

Open Session

Entegrus Inc.

To: Mayor and Members of Council
From: Jim Hogan, President and CEO of Entegrus
Date: June 29, 2020
Subject: 2019 Entegrus AGM Report

Recommendation

It is recommended that:

1. The audited financial statements for Entegrus Inc. for 2019 be approved.
2. The individuals listed below be appointed as Directors to the Entegrus Inc. Board
 - Max Fantuz (Chatham-Kent independent representative)
 - Pat McMahon (Chatham-Kent independent representative)
 - Helen Platis (Chatham-Kent independent representative)
 - Counsellor Doug Sulman (Chatham-Kent representative)
 - Mayor Darrin Canniff (Chatham-Kent representative)
 - Lindsay Boyd (Chatham-Kent independent representative)
 - Don Sudduth (Corix Energy representative)
 - Counsellor Gary Clarke (St Thomas representative)
 - Joe Brophy (St Thomas independent representative)
3. That Deloitte LLP be appointed as auditors for Entegrus for the year ending December 2020.

Background

The 2019 Entegrus AGM report is included as an attachment to this report.

The 2019 Entegrus AGM report provides an operational and financial review of activities by Entegrus Inc during 2019.

Each year Entegrus presents this report to its Shareholders as part of their AGM and requests approval of the 2019 Audited Financial Statements, the slate of directors for the Entegrus Inc. Board, and the appointment of auditors for the year ending December 2020.

Appointment to the Entegrus Inc. board

The report also includes the 2019 OEB Scorecard and the 2019 OEB efficiency ranking for reference.

If the recommendations are noted above are approved, Entegrus asks for the Mayor and Clerk to sign the resolution provided and return to Entegrus.

Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports the following areas of strategic focus:

- Economic Prosperity:
Chatham-Kent is an innovative and thriving community with a diversified economy
- A Healthy and Safe Community:
Chatham-Kent is a healthy and safe community with sustainable population growth
- People and Culture:
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- Environmental Sustainability:
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

- Financial Sustainability:
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- Open, Transparent and Effective Governance:
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- Has the potential to support all areas of strategic focus & critical success factors
- Neutral issues (does not support negatively or positively)

Prepared by:



Jim Hogan
President and CEO
Entegrus Inc.

ENTEGRUS INC. 2019 Annual General Meeting Report

This report provides a 2019 operational review of Entegrus Inc. The report includes the activities for the first full year of operation since the merger between Entegrus Powerlines Inc. (EPI) and St Thomas Energy Inc. (STEI) was completed on April 1, 2018. Subsequent to the merger, the shareholder ownership structure of Entegrus Inc. is as follows: The Municipality of Chatham-Kent 71.5% of shares, The City of St Thomas 20.6% of shares and Corix Energy Inc. has 7.9% of shares.

As a result of Bill 35, the Energy Competition Act, 1998 enacted by the Province of Ontario to introduce competition in the electricity market, it was necessary to incorporate and reorganize the former Public Utilities Commissions.

Entegrus Inc. (EI) and its wholly owned subsidiaries Entegrus Powerlines Inc. (EPI) and Entegrus Services Inc. (ESI) were incorporated on September 22, 2000 under the Business Corporations Act – Ontario (OBCA). As part of the incorporation, the Municipality of Chatham-Kent (MCK) transferred in the electricity business and received a note receivable for \$23,523,000 and 2,000 shares valued at \$23,691,000.

In 2005, Entegrus Inc. purchased all the shares of Middlesex Power Distribution Corporation (MPDC). In 2008, EI issued shares representing 10% of the total outstanding shares of EI to Corix Energy Inc. (Corix) and as such, the MCK and Corix were both shareholders of EI. In 2009, EI purchased all of the shares of Newbury Power and Dutton Hydro and amalgamated those utilities into MPDC. In 2010, EI incorporated Entegrus Transmission Inc. (ETI) to invest in transmission opportunities primarily in the south-western Ontario region and to provide services to renewable generation projects.

In 2011, EI filed an application with the Ontario Energy Board (OEB) to merge MPDC and EPI. Approval was granted with an effective date of January 1, 2012. In 2017, EI incorporated Entegrus Renewable Energy Inc. (EREI) to invest in renewable energy opportunities in the south-western Ontario region.

Also, in 2017, the shareholders of EI and the City of St Thomas agreed to a transfer of new shares of EI to the City of St Thomas in exchange for all of the shares of STEI, the local electricity distributor in the City of St Thomas. The Ontario Energy Board approved the merger of EPI and STEI on March 15, 2018 and the transaction was completed on April 1, 2018.

Vision, Mission and Core Values

Entegrus' Vision, Mission and Core Values are important guiding principles for the corporation and all of our employees in doing what is right and is best for all stakeholders. The Entegrus Vision, Mission and Core Values are:

Vision:

To be an industry leader in all we do

Mission:

To provide safe, reliable delivery of electricity and related services, in an environmentally and fiscally responsible manner. To provide exceptional service to our customers, support the communities we serve and rewarding growth opportunities for our employees.

Core Values:

Safety: Safety first in everything we do.

Inspired & Empowered People: Having a workforce of inspired and empowered people who are passionate about their jobs.

Customer and Community Focus: Exceeding the needs of our customers and the communities we serve, by having a customer and community focus.

Operational Excellence: Achieving operational excellence by always striving for continuous improvement.

Sustainable Growth: Delivering sustainable growth for our stakeholders through wise investments.

Health and Safety

The top core value for our employees, customers and the communities we serve is safety. A few ways that EI reinforces and lives the safety culture are; involvement from the Board to the front-line employee; continuous training for our employees; training and education for communities we serve; and maintaining the Industrial Health and Safety Association (IHSA) Certificate of Recognition (COR) standard.

EI believes that the safety culture starts from the top and we practice this through the Board Environmental, Health and Safety Committee, crew site visits by a Board committee member, is an item on our Board agendas and crew site visits by the executives and management team.

In order to ensure our employees are aware of and maintain all health and safety rules, there is a significant amount of training that is held throughout the year. The total number of employee hours in training for 2019 was 5,004. The EI employees work in many different areas and have different levels of risk, from office employees working on phones; field service representatives that may find themselves working in crawl spaces; meter and stations technicians who may come in electrical contact; and line crews that may perform their work on live lines. The training programs must cover all scenarios in order to keep our employees safe. An investment that EI made a few years ago was in a training yard in the back of the property in Chatham. This training yard provides more opportunities for hands on training without having to travel to other areas of the province.

This yard has become a training facility for apprentice linemen for many of the neighbouring utilities.

To support electrical safety in the communities EI serves, we regularly provide safety messages through various forms of social media. EI also provides a more hands on safety message by participating at the Farm Safety day, Children's Safety Village and school classroom presentations. EI regularly provides first responder training and in 2019 provided this training in St Thomas. EI, in partnership with the International Brotherhood of Electrical Workers (IBEW), brought a safety leader, Rob Ellis and MySafeWork group, to St Clair College to speak to the lineman apprentices and other trade students. The safety message is geared towards young individuals that will be joining the full time work force for the first time.

EI has maintained the IHSA COR certification in 2019. The COR certification ensures that there is a health and safety management system in place that assist employers in managing risks, establishing controls and minimize incidents of injury and illness to the employees. This is accomplished by identifying, assessing and controlling risks to workers in the workplace. EI achieved a score of 96% in the 2019 internal audit.

Community focus

EI and the employees believe that we have a responsibility to support the communities we serve. The support provided may be financial, personal time and time during work hours. In 2019, there were significant activities where EI and the employees showed our support for the communities.

The employees of the St Thomas office wanted to support the United Way and the Heart & Stroke Foundation. The United Way leaders made a presentation to the employees to share the message of the great work they do in the community. To further show support, the employees made financial contributions through the "sleepless in our city" campaign, office chili cook off and "biking around our community" program. In support of the Heart and Stroke Foundation many employees got together and enjoyed an evening riding the Bike Ride in the downtown area of St Thomas.

Habitat for Humanity has been an employee lead initiative for a number of years now. EI provides some financial support and many employees participate in the build. Participating in the build days has been a good team building exercise and a lot fun for all that participate.

EI hosted the Electricity Distributors Association Western District (EDAWD) charity golf event in September 2019. The EDAWD membership is made up of eight utilities in Southwestern Ontario region. Together the event raised \$40,845 for the St Thomas Elgin General Hospital Women & Children's Neonatal Unit.

Some of the other groups that were supported in 2019 were:

- St Clair College lineman program
- Hospice of Chatham-Kent

- Rotary Club of Strathroy for the palliative care room
- Casino Starthroyale event for those that are battling cancer
- St Thomas Elevated Park
- Inn out of the Cold – St. Thomas
- St. Thomas downtown security cameras

Customers

Over the past few years, the Southwest region has begun to experience some economic growth. New home construction is on the rise in many of the communities we serve. Some of the new home construction is driven by people leaving the GTA and wanting to take advantage of a lower cost of living. There is also significant interest in commercial growth which seems to be driven by the Maple Leaf Foods plant in the St Thomas area and green house growth in the Chatham-Kent area.

The customer numbers and the customer growth by rate class from 2018 to 2019 are as follows;

EPI - All Areas	2018	2019	Growth
Residential	52,919	53508	589
General Service <50kW	5,691	5695	4
General Service >50kW	541	552	11
Standby	1	1	-
Intermediate	11	10	(1)
Large User	1	1	-
Unmetered Scattered Load	75	75	-
	59,239	59,842	603

Employees

EI continues to have significant employee turnover due to many retirements. While this creates a challenge for EI, with long term employees leaving and taking their knowledge with them, it also provides an opportunity for a refresh. The industry is continuing to go through significant change, the expectations of the customers are more demanding, and the regulatory environment is more stringent.

In 2019 there were 9 recruitments. This continues to increase the percentage of employees that have less than 5 years experience in our industry and company.

To assist in the recruiting process, EI continues to support the St. Clair College lineman program and actively hires co-op students from many post secondary institutions. These relationships have allowed EI to be successful in recruiting very knowledgeable and skilled talent.

Conservation Programs

EPI was providing conservation programs as part of the Conservation First Framework (CFF) which was planned to be provided to customers for six years from 2015 to 2020.

EPI overachieved in providing conservation support to customers and reached its mandated six-year target in half the time. EPI was so successful that it obtained conservation target from another utility.

Unfortunately, in 2019 the Conservative government directed the Independent Electricity System Operator (IESO) to significantly change the conservation delivery model from a decentralized program lead by utilities to a centralized model lead by the IESO in Toronto.

Despite the change in the conservation delivery model, EPI employees continue to support our customers with conservation efforts. In 2019, there were 147 successfully completed projects (145 Retrofit, 1 large customer and a new home construction build) which resulted in 11GWh of total energy savings and \$1,042,567 incentive dollars paid to the customers.

EPI will continue to support our customers in conservation and energy efficient operations by being a key liaison between the customer and the centralized delivery agent, IESO.

Capital Investment Program

EPI has an extensive capital program, with annual expenditures of over \$10M which include rebuilding and modernizing portions of the distribution system each year. At various times, depending on our internal asset plan, certain parts of the system are targeted and intensive multi-phase re-construction projects, spanning years, are undertaken in many of the communities we serve.

Conversion projects which involve the elimination of the antiquated lower voltage system and replacing it with a more modern 27,600-volt system are a major part of our capital program. This conversion is key to our asset revitalization strategy and allows EPI to more efficiently deploy automated equipment and evolve the system to a smart grid over time. The result is a more robust and reliable system that will be able to more effectively respond to adverse events by having enhanced fault locating capabilities; auto re-routing of power to bring the customer back on quicker; and better voltage control and stability for end customers. A more modern distribution system will enable our customers to use energy in many different ways such as; energy storage with the use of batteries; generating their own electricity from solar or natural gas sources; and purchasing an electric vehicle and having their own charging stations at their residence or business.

Some of the conversion capital projects completed in 2019 were;

- Blenheim conversion
- Ridgetown feeder tie
- Chatham - Michener conversion
- Strathroy - Oak Ave conversion
- Strathroy - Center Street Substation 1 conversion
- St Thomas - Hammond – Patricia conversion

- St Thomas - Southdale Street expansion

The customer growth that has been experienced in the service territories has also required significant capital investment of approximately \$4.5M of the capital budget that was partially funded by customer/developer contributions. While customer growth is exciting and in the long run will be a benefit to EI, the capital investments can create some short-term cash flow challenges as we require the funds to expand the system and continue to replace the old infrastructure.

Ontario Energy Board Regulatory Activities

The Ontario Energy Board (OEB) regulates EPI for items such as rates that are charged to customers and the level of service we provide. EPI is required to provide a significant amount of reporting. EPI continues to have two rate zones, former Entegrus and former St Thomas Energy. This will continue to be the case until 2026 when a full cost of service rate application will be filed. In 2019, the distribution rates increased by 1.35% which is made up of a 1.5% inflation factor and .15% efficiency reduction.

Southwestern Ontario is experiencing growth and much of this growth is at the fringe of our service territories. When growth is at the fringe the developers or customers have an option to have their distribution system requirements served by EPI or Hydro One. The process is referred to as a service area amendment (SAA). In 2019 EPI was successful in securing 4 projects on the edge of our service territory with the potential of 83 customers to be added to the distribution system over the next few years.

EPI joined with two neighbouring utilities, Essex Power and ELK Energy, to form a coalition named E3, to contend a potential ruling on a Hydro One transmission investment. The coalition worked together for over three years on the cost allocation for the transmission investment in the rural area of Leamington. Hydro One had requested contributions from the three utilities of more than \$13M, which was finally reduced to less than \$100,000.

Customer Service Department

The customer service department continues to leverage technology investments to deliver a higher level of service to the customers. The focus has been and continues to be around assisting customers with using technology to communicate with EPI and allow them more options to obtain information after hours or without contacting the office by phone.

The number of customers that are now signed up on our online customer portal is 19,683, which is approximately one third of all customers. Also, in 2019, there were approximately 11,500 emails from customers that were responded to. Providing customers with the option to communicate with us through email and the web portal allows for customers to send messages at their convenience 24 / 7 and will reduce the number of phone calls received.

There were two significant projects that the customer service department was involved in; smart water meter rollout in Chatham-Kent and the amalgamating of the EPI and STEI

customer information systems, phone systems and all ancillary systems related to electronic billing and customer service.

The smart water meter rollout in Chatham-Kent required significant coordination between the customer service department, field service reps, the Chatham-Kent PUC and the contractor. Approximately 40,000 water meters were replaced.

The amalgamation of the customer information system and many ancillary systems was a significant project. It required five different teams working together, from all three office locations. The result is that in 2020, the customer service department will be able to perform their duties as “one” department providing services from three different centers. This amalgamation has also allowed for billing of the former St Thomas Energy customers to be brought in house and controlled by EPI employees.

EPI annually undertakes two different customer surveys; first call resolution survey which scored 79%; and overall customer satisfaction survey with a score of 94%.

Outside Operations Department

The outside operations department was very busy in 2019. There were many projects to support the growth in customers and upgrading the system. EPI was also required to support the various internet / telecom companies that were investing in fibre networks in the Chatham-Kent region. EPI performed \$1.3M of billable work to internet / telecom companies.

Ontario Energy Board (OEB)

There are two main reporting tools that the OEB and EPI use in measuring service levels:

- Scorecard 2018 (Appendix A)
- Efficiency ranking (Appendix B)

The OEB scorecard for 2018 has a few measures that are below the target. They are related to reliability which was caused by several storms and faulty equipment in the year. Additional analysis is taking place to incorporate the results in future capital investment plans.

EPI is proud to continue to be ranked in the second efficiency cohort. To achieve this efficiency ranking the operating costs for EPI are at least 25% lower than benchmarked by OEB consultants.

Entegrus Services Inc (ESI)

ESI had two priorities in 2019; the reliability and resiliency of the fibre network in St Thomas and fibre customer growth. The fibre capital additions were approximately \$500,000 which included a second feed out of the office and an upgrade to the equipment in the system. The system was expanded to the industrial park near Progress Drive and Silver Street.

The customer growth rate for 2019 was 50%. A little behind target due to some delays in completing the capital programs. It is expected that 2020 should experience similar growth as the St Thomas downtown area expansion will take place early in the year.

Transmission Business

The transmission business supports the renewable generation in Chatham-Kent and we are reviewing additional opportunities to increase earnings. The earnings in 2019 were similar to the 2018 earnings.

Entegrus Renewable Energy Investment (EREI)

EI invested in the North Kent Wind (NKW) development in 2018. NKW is a 100 Mw capacity wind development in Chatham-Kent. The returns in the first two years since being commissioned have been strong and have surpassed the forecasts provided from the majority owners.

Financial Statement

A copy of the audited consolidated financial statements for EI as at December 31, 2019 are provided along with the Supplemental Income Statement (Appendix C). The audited consolidated financial statements were approved by the Board at the April 30, 2020 Board meeting.

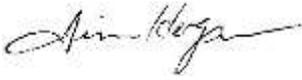
The following are summary comments on the 2019 financial results;

Financial Results

1. The 2019 Net Earnings increased by approximately 16.7% in 2019 which was a result of a full year of STEI activity, higher investment income from NKW plus the modest rate increase and customer growth.
2. OM&A costs were tightly managed and only increased by 4.6%, which included 12 months of STEI expenses compared to 9 months in 2018.
3. Property Plant and Equipment increased by almost 6.4%, which directly influences the valuation of the EI
4. The financial capital structure for EI remains strong as the debt level remains below the OEB deemed level;
5. Entegrus declared and paid a significant dividend

EI once again was able to meet all its financial commitments to the shareholders and stakeholders, while making strategic investments in the core distribution business and strategic investments to expand the scope of the company.

Prepared by:



Jim Hogan
President & CEO



Chris Cowell
Chief Financial & Regulatory
Officer

Appendix A – OEB 2018 Scorecard

Scorecard - Entearus Powerlines Inc.

Performance Outcomes	Performance Categories	Measures	2014	2015	2016	2017	2018	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	98.80%	99.50%	98.80%	98.48%	97.95%		90.00%		
		Scheduled Appointments Met On Time	98.00%	94.00%	97.80%	99.38%	99.73%		90.00%		
		Telephone Calls Answered On Time	72.70%	81.30%	68.70%	75.60%	71.01%		65.00%		
	Customer Satisfaction	First Contact Resolution	76%	78	79.3	81	81				
		Billing Accuracy	99.73%	99.78%	99.84%	99.88%	99.90%		98.00%		
		Customer Satisfaction Survey Results	92%	91	83.0	94	94				
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%	83.00%	83.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	NI			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	2			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	1.618			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.31	1.18	0.51	1.72	1.89			1.16	
		Average Number of Times that Power to a Customer is Interrupted ²	0.84	0.87	0.41	1.07	1.21			0.87	
	Asset Management	Distribution System Plan Implementation Progress	80%	100	22	44	60.41				
	Cost Control	Efficiency Assessment	2	2	2	2	2				
		Total Cost per Customer ³	\$533	\$549	\$567	\$555	\$563				
		Total Cost per Km of Line ³	\$22,585	\$23,395	\$24,291	\$23,124	\$26,787				
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%	95.92%	98.87%			94.35 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%	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)	1.61	1.69	1.67	1.36	1.34				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.44	1.40	1.44	1.33	1.22				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.85%	9.19%	9.19%	9.19%			
			Achieved	10.20%	9.92%	7.46%	7.64%	8.20%			

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

Scorecard MD&A - General Overview

Entegrus Powerlines Inc. (“Entegrus”) owns, operates and manages the assets associated with the distribution of electrical power to approximately 59,000 customers in 17 Southwestern Ontario communities. The roots of Entegrus extend back to the formation of Chatham Hydro in 1914.

The communities serviced by Entegrus in 2018 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, Wheatley and St. Thomas. Additional details are provided in the Entegrus Electricity Distribution Licence (ED-2002-0563).

On April 1, 2018, Entegrus amalgamated with St. Thomas Energy Inc. (“STEI”), a licensed electricity distributor operating within the City of St. Thomas. The merged electricity distributor continues as Entegrus. The scorecard results discussed herein relate to the combined 2018 results, as if the merger occurred on January 1st as directed by the Ontario Energy Board (“OEB”).

Entegrus 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. Entegrus is confident that its focus on customer outcomes will allow it to continue to meet or exceed performance targets.

Entegrus is committed to continuous year over year performance improvement for 2019 and beyond.

Service Quality

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

In 2018, Entegrus connected 97.95% of approximately 1,120 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 OEB. This result was achieved despite a continuing increase in new residential and small business connections requested in 2018. For the five-year period from 2014 to 2018, Entegrus has consistently performed better than the industry target of 90% in this area.

- **Scheduled Appointments Met on Time**

Entegrus scheduled approximately 2,550 appointments in 2018 to complete work requested by customers (where customer presence is required). Entegrus met 99.73% of these appointments on time, an increase from the 2017 result of 99.38%. For the five-year period from 2014 to 2018, Entegrus has consistently performed better than the industry target of 90% in this area.

- **Telephone Calls Answered on Time**

In 2018, Entegrus Customer Service received approximately 74,600 calls from its customers – over 298 calls per working day. In 71.01% of instances, Entegrus answered the call within 30 seconds or less. This result exceeds the OEB-mandated 65% target for timely call response.

Entegrus 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 2014 to 2018, Entegrus has consistently performed better than the industry target of 65% in this area.

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.

Entegrus 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 Entegrus. Accordingly, starting in 2014, Entegrus’ 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, Entegrus provides the third-party service provider with a report of all customers who had contacted Entegrus Customer Service by telephone within the previous two weeks.

The third-party service provider's telephone agents, in turn, contact and survey Entegrus 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 Entegrus. In 2018, of the 412 customers surveyed, 334 customers indicated that their issue was resolved on the first call to Entegrus. This equates to the reported FCR figure of 81.0%.

Entegrus continues to maintain its high FCR results by implementing recommendations from the service provider. Accordingly, Entegrus 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 2018, Entegrus issued 703,676 bills and achieved a billing accuracy of 99.90%. This compares favourably to the prescribed OEB target of 98%.

Entegrus 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, Entegrus engaged a third-party service provider to conduct annual (rather than bi-annual) Customer Satisfaction surveys.

In 2018, the third-party service provider conducted a random telephone survey for the period September 20, 2018 to October 2, 2018, the service provider agents contacted a random sample of 400 complete Residential surveys and 100 complete Small Commercial surveys. Of the 500 customers surveyed (the denominator), 472 customers (the numerator) rated their Overall Satisfaction in the top 3 boxes. The survey asks customers questions on a wide range of topics, including: overall satisfaction with Entegrus, reliability, customer service, outages, billing and corporate image.

Customer Satisfaction survey results remained steady at 94%. Customer Satisfaction is a key area of focus for Entegrus. Accordingly, Entegrus 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 were completed for the 2017 scorecard are also be applicable for 2018 scorecard.

Entegrus conducted a public safety awareness campaign in the spring of 2018 utilizing local media and digital website content. Further, Entegrus 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.

Entegrus engaged a third-party service provider to conduct stratified random telephone surveys of 402 Ontario residents, ages 18 or older, currently residing in the Entegrus service territory during the period from March 6, 2018 and March 20, 2018. The survey asked residents electrical safety questions and then an overall index score was calculated in accordance with a prescribed algorithm. Public Awareness of Electrical Safety results increased from 82% in 2015/2016 to 83% in 2017/2018.

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

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. Entegrus is audited annually for compliance.

In 2018, Entegrus merged with STEI. For 2018, the Ontario Regulation 22/04 audit found that the St. Thomas location needs improvement in the following areas: lack of update of the pre-merger major equipment listing, no underground inspections carried out in 2017 & 2018, and the need for clear referencing between the LDC’s certificate of approval and design standards. Entegrus is very committed to safety and the adherence to company procedures & policies. In 2019, Entegrus took action to correct these deficiencies.

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

This is measured as the number of non-occupational (general public) serious electrical incidents occurring on Entegrus' distribution system and reported to the ESA, expressed as a raw number and as the number per 1,000 km of line. Entegrus had no such incidents from 2014 to 2017. However, Entegrus experienced two incidents in 2018. The first incident involved a motor vehicle accident and the second incident involved a member of the public performing tree trimming.

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). Entegrus' 2018 result of 1.89 is above the target of 1.16. This result is due to significant storm activity, as well as enhancements to Entegrus' outage reporting systems.

Entegrus continues to view reliability of electricity service as a high priority. As further discussed below, Entegrus continued to make substantial progress on its Distribution System Plan ("DSP") implementation in 2018, as well as the design of a new combined and comprehensive DSP for 2021.

- **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). Entegrus' 2018 result of 1.21 is above the target of 0.87. This result is due to significant storm activity, as well as enhancements to Entegrus' outage reporting systems.

Entegrus continues to view reliability of electricity service as a high priority. As further discussed below, Entegrus continued to make substantial progress on its DSP implementation in 2018, as well as the design of a new combined and comprehensive DSP for 2021.

Asset Management

- **Distribution System Plan Implementation Progress**

Entegrus maintains 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 Entegrus-Main DSP was completed in 2015 and accepted by the OEB in 2016. The Entegrus-St. Thomas DSP was completed in 2014 and accepted by the OEB in 2015. Entegrus is currently working towards completing a combined and comprehensive DSP for 2021.

Entegrus reports this metric based on percentage of actual life-to-date capital expenditures divided by the aggregate total DSP (5 year) capital expenditures. The Entegrus 2018 life-to-date actual capital expenditures were \$26.6M (the numerator). The total DSP (5 year) capital expenditures were \$44.0M (the denominator), inclusive of \$38.4M representative of Entegrus-Main rate zone and \$5.6M representative of the St. Thomas rate zone. This numerator and denominator equate to the reported DSP Implementation Progress figure of 60.41%.

In 2018, the implementation focus of the DSP was on continued distribution system renewal, voltage conversions of sections of the system from 4.16 kV to 27.6 KV and deployment of smart grid technologies. System access requests were higher than anticipated, which drove incremental capital expenditures in 2018.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated based on econometric modeling conducted 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 2018, Entegrus' actual costs for 2015-2017 were 15.2% lower than the costs predicted by the OEB's consultant. For the seventh year in a row, Entegrus 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 2018, Entegrus ranked 15th out of 63 distributors in terms of cost performance results versus benchmark.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Entegrus' capital and operating costs, divided by the total number of customers that Entegrus serves. Entegrus' cost performance result for 2018 is \$563 per customer, which represents a 1.42% increase over 2017.

- **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 Entegrus operates to serve its customers, which equates to \$26,787 per Km of line. The increase over 2017 is driven by the 2018 merger with STEI; historically, STEI had a significantly higher total cost per Km of line in comparison to Entegrus-Main.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

The province launched a new Conservation First Framework ("CFF") on January 1, 2016 for the period 2016-2020. Entegrus' original allocated target was 56.8 GWh, which Entegrus achieved in the first year of the framework (2016). Subsequently, Entegrus entered into a target exchange in December 2017 with another distributor to acquire an additional target of 20 GWh, along with additional conservation funding for its customers. In 2018, Entegrus merged with STEI and acquired an additional 17.5 GWh of target. Accordingly, Entegrus' target for 2016-2020 Net Cumulative Energy Savings (kWh) is 94.35 GWh.

Life-to-date at December 31, 2018, Entegrus achieved 98.87% of the amended Net Cumulative Energy Savings target. In March 2019, the provincial government announced the winddown of the conservation framework and the uploading of provincial conservation programs from the distributor to the IESO. Final provincial conservation reporting showed Entegrus had exceeded its Net Cumulative Energy Savings target.

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.

Entegrus did not receive any CIAs in 2018. Since 2014, Entegrus 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 or net metering projects) 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%.

In 2018, Entegrus connected all 19 new micro-embedded generation facilities within the prescribed time frame of five business days. Entegrus 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.

The Entegrus current ratio remained relatively steady at 1.34 in 2018. Entegrus 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 2018 Leverage Ratio of 1.22, Entegrus continues to maintain a debt to equity structure that closely approximates the deemed 60% to 40% capital mix as set out by the OEB. Entegrus' strong financial position is further supported by its recent Standard & Poor's Rating Services rating of "A/Stable/--".

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

Entegrus' 2018 distribution rates were approved by the OEB and includes 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**

Entegrus' achieved a 2018 Regulatory Return on Equity ("ROE") of 8.20%, which is within the +/-3% range of Deemed ROE allowed by the OEB. This result represents an increase from the 2017 Regulatory ROE of 7.64%.

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.

Appendix B – OEB Efficiency Ranking

Stretch Factor Assignments by Group

Group I	Group II		Group III	Group IV	Group V	
Stretch Factor = 0%	Stretch Factor = 0.15%		Stretch Factor = 0.30%	Stretch Factor = 0.45%	Stretch Factor = 0.60%	
Cooperative Hydro Embury Inc.	Burlington Hydro Inc.	Lakefront Utilities Inc.	Alectra Utilities Corporation	Niagara-on-the-Lake Hydro Inc.	Atikokan Hydro Inc.	Algoma Power Inc.
E.L.K. Energy Inc.	Energy1 Inc.	Lakeland Power Distribution Ltd.	Bluewater Power Distribution Corporation	North Bay Hydro Distribution Limited	Canadian Niagara Power Inc.	West Coast Huron Energy Inc.
Halton Hills Hydro Inc.	Entegrus Powerlines Inc.	Milton Hydro Distribution Inc.	Bramford Power Inc.	Oakville Hydro Electricity Distribution Inc.	Chapleau Public Utilities Corporation	Toronto Hydro-Electric System Limited
Hydro Hawkesbury Inc.	EPCOR Electricity Distribution Ontario Inc.	Newmarket-Tay Power Distribution Ltd.	Centre Wellington Hydro Ltd.	Orillia Power Distribution Corporation	Festival Hydro Inc.	
Northern Ontario Wires Inc.	Espanola Regional Hydro Distribution Corporation	Orangeville Hydro Limited	EnWin Utilities Ltd.	Peterborough Distribution Incorporated	Hydro One Networks Inc.	
Wasaga Distribution Inc.	Essex Powerlines Corporation	Oshawa PUC Networks Inc.	ERTH Power Corporation	Renfrew Hydro Inc.	Hydro Ottawa Limited	
	Grimby Power Incorporated	Ottawa River Power Corporation	Fort Frances Power Corporation	Rideau St. Lawrence Distribution Inc.	PUC Distribution Inc.	
	Hearst Power Distribution Company Limited	Kenora Hydro Electric Corporation Ltd.	Greater Sudbury Hydro Inc.	Sixx Lookout Hydro Inc.	Thunder Bay Hydro Electricity Distribution Inc.	
	Hydro 2000 Inc.	Welland Hydro-Electric System Corp.	Guelph Hydro Electric Systems Inc.	Tilsonburg Hydro Inc.	Wellington North Power Inc.	
	Kitchener-Wilmot Hydro Inc.		Inpower Corporation	Veridian Connections Inc.		
			Kingston Hydro Corporation	Waterloo North Hydro Inc.		
			London Hydro Inc.	Westario Power Inc.		
			Niagara Peninsula Energy Inc.	Whitby Hydro Electric Corporation		

Appendix C –December 2019 Entegrus Inc Financials

Full 2019 audited Entegrus Inc. financial statements included as a separate document.

Entegrus Inc.
Supplemental Consolidated Income Statement
Pre-Regulatory Accounting Basis

	2019	2018
	\$	\$
DISTRIBUTION REVENUE		
Residential	62,519,815	56,373,262
General service	104,954,006	94,199,332
Street lighting	1,172,400	977,229
	168,646,221	151,549,823
Retailer energy sales	3,526,191	4,481,819
	172,172,412	156,031,642
COST OF POWER	145,654,061	131,952,813
GROSS MARGIN ON SERVICE REVENUE	26,518,351	24,078,828
OTHER OPERATING REVENUE	3,749,227	4,150,014
INVESTMENT INCOME	1,821,000	1,695,741
OPERATING INCOME	32,088,578	29,924,583
OPERATING AND MAINTENANCE EXPENSE	6,396,861	5,537,825
ADMINISTRATIVE EXPENSE		
Billing and collection	3,475,636	3,595,260
General administration	5,695,467	5,739,309
Interest	2,417,106	2,183,379
DEPRECIATION AND AMORTIZATION	6,102,991	5,832,683
	24,088,061	22,888,455
EARNINGS BEFORE INCOME TAXES	8,000,517	7,036,128
Provision for income taxes	821,011	885,638
NET EARNINGS	7,179,506	6,150,490

Appendix D –AGM Resolutions

Entegrus Inc.

(the "Corporation")

Shareholders Resolution

BE IT RESOLVED that the shareholders of the corporation approve:

1. The audited consolidated financial statement of Entegrus Inc. for the financial year ended December 31, 2019
2. The following persons appointed as Directors of Entegrus Inc. as of June 30, 2020:
 - Max Fantuz (Chatham-Kent independent representative)
 - Pat McMahon (Chatham-Kent independent representative)
 - Helen Plattis (Chatham-Kent independent representative)
 - Counsellor Doug Sulman (Chatham-Kent representative)
 - Mayor Darrin Canniff (Chatham-Kent representative)
 - Lindsay Boyd (Chatham-Kent independent representative)
 - Don Suddith (Corix Energy representative)
 - Counsellor Gary Clarke (St Thomas representative)
 - Joe Brophy (St Thomas independent representative)
3. That Deloitte LLP be appointed as the auditors for Entegrus Inc for the year ending December 2020.

The forgoing resolution is hereby consented to by all of the Shareholders of the Corporation pursuant to the Business Corporations Act, R.S.O. 1990 Chap. B.16.

The Municipality of Chatham-Kent

Mayor

Municipal Clerk

The City of St. Thomas

Mayor

City Clerk

Corix Energy Inc.
