



***A Proud Community Partner Since 1917***

***SUSTAINABILITY REPORT  
2018***



1917-2017  
**100**  
PUC  
YEARS

**Proud Community Member  
Since 1917**







## **PUC GROUP**

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## MESSAGE FROM THE CEO

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2018 was a year of transformation at PUC. We had significant change at the leadership level with 50% of the executive team coming to PUC from outside the organization. We moved the Smart Grid project forward with construction expected to start in 2019. We implemented extensive changes within our information systems and focused on risk-based threats like cybersecurity. We've started the transformation to a digital utility with the goal of being paperless within five years.

While 2017 marked our centennial anniversary, we spent much of 2018 driving changes that we believe will better position PUC for continued success over the next 100 years. We operationalized our strategic plan that was developed in 2017 and we identified several strategic initiatives that once complete, will enhance the customer experience and better position PUC as an industry leader.

*A few examples are:*

- *Reorganize departments to achieve "one-stop-shop" process to enhance the customer journey*
- *Develop customer care self-serve options through website redesign to improve the customer experience and simplify their interaction with PUC*
- *Develop and implement improved financial and performance reporting to improve internal accountability*

The catalyst for these changes has been the rapid shift in our industry including the adoption of advanced technology, new political forces, and the ever-increasing affordability of renewable energy. While these challenges have the potential to be disruptive, PUC views them as opportunities for innovative and creative solutions. We are positioning PUC to be the reliable community partner that enables these new technologies throughout Sault Ste. Marie and the region of Algoma.

This was a year of successes and challenges for our organization. We were awarded with:

- *Best Tasting Drinking Water in Ontario, presented by Ontario Water Works Association*
- *Safe Work, Sound Business award, presented by the Chamber of Commerce*
- *URISA (Urban and Regional Information Systems Association) Innovation in GIS award for our Atlas notification system*

However, it was also a difficult year for us as we struggled early on with a lost time injury. In response, we elevated our safety standards and revised a number of safety procedures. We implemented new personal protective equipment requirements, reviewed and enhanced our safe driving practices, and increased frequency and standards for job site visits. Through these changes we made a concerted effort to control and mitigate the safety hazards our staff are exposed to, resulting in 320 days of no lost time injuries by December 31st, 2018.

2018 marks my first year at PUC and over this time I have been thoroughly impressed by the professional and dedicated staff we have here. No matter the challenge, our team worked extremely hard to serve our community. We strive to be the best in everything we do...from delivering affordable, reliable, and sustainable power, to fostering a climate of innovation, and remain proactive in our customer care delivery.

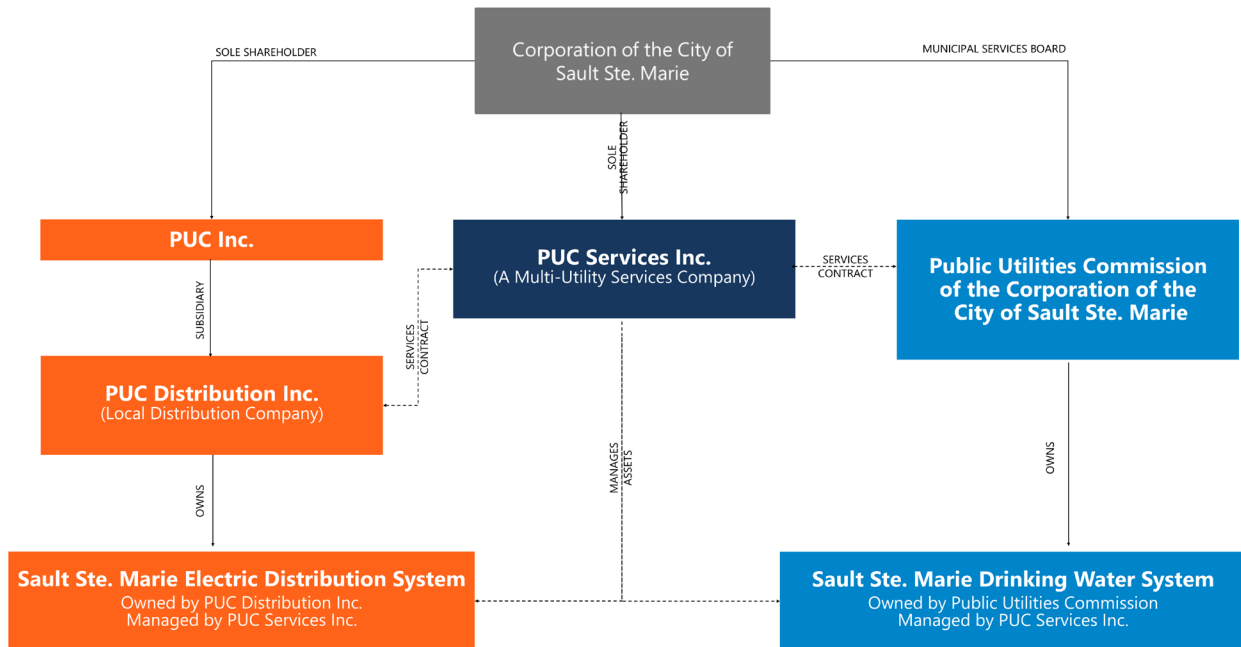
With that said, I am pleased to present the 2018 PUC Services Inc. Sustainability Report.

A handwritten signature in black ink, appearing to read 'R. Brewer', written in a cursive style.

ROBERT BREWER  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



# PUC GROUP CORPORATE STRUCTURE



## **PUC SERVICES INC**

Is a utility services company operating as a wholly owned private company of the Corporation of the City of Sault Ste. Marie and is incorporated under the Ontario Business Corporations Act. PUC Services Inc. manages the assets and business of PUC Distribution Inc., manages the city’s water treatment and distribution system and operates the City’s two wastewater treatment plants under multi-year contracts. PUC Services Inc. also provides billing and customer care services and manages the operations of Espanola Regional Hydro under multi-year contracts. Water and wastewater services are also provided to several communities and organizations in the Algoma District.

## **PUC INC**

Is a private company registered under the Ontario Business Corporations Act and is wholly owned by the Corporation of the City of Sault Ste. Marie. PUC Inc. has one subsidiary: PUC Distribution Inc.

## **PUC DISTRIBUTION INC**

Distributes electricity to residences and businesses within the boundaries of the City of Sault Ste. Marie as well as parts of Prince Township, Dennis Township and the Rankin Reserve. PUC Distribution Inc. is a provincially regulated Local Distribution Company (LDC) and must comply with requirements issued by the Ontario Energy Board (OEB) with respect to provision of services. As a participant in the Ontario electricity market, PUC Distribution Inc. must comply with the rules of the Independent Electricity System Operator (IESO). As an LDC, the company must adhere to Regulation 22/04 of the Electricity Act.

## **PUBLIC UTILITIES COMMISSION**

The Public Utilities Commission of the City of Sault Ste. Marie owns the water supply and distribution infrastructure and is responsible for the provision of safe, reliable, potable water at cost to customers within the municipal services boundary of Sault Ste. Marie, Ontario. Potable water is also supplied to an area of the Rankin Reserve of the Batchewana First Nation through the same distribution system. The management, maintenance and operations of the water treatment plant, wells and the approximately 470 km of watermains in the distribution system are carried out by PUC Services Inc. under a long term contract.

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COMPANY  
**VISION &  
MISSION**  
*PUC GROUP*

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**VISION**

To be recognized as the leading services provider dedicated to advancing a climate of innovation.

**MISSION**

A customer focused company safely delivering competitive, high quality utility related services while earning a fair return for our shareholder.







## CORE VALUES

### RESPONSIVE

We believe that to be recognized as the leading service provider we need to not only respond quickly to our customer's needs but also anticipate and be proactive with our service delivery.

### OWNERSHIP

To promote organizational excellence, everyone is empowered with individual accountability and inspired to assume personal responsibility within the organization.

### SAFETY

PUC has been and will continue to be a strong advocate for safety within our community. Safety is our top priority and we will never compromise on the safety of our employees or our community.

### INNOVATIVE

We believe that in order to succeed in advancing a climate of innovation we must seek out new approaches or technologies, and apply ingenuity and creativity when confronting challenges.

### ENTREPRENEURIAL

We recognize that exploring new business ventures and diversifying our service offerings is the best way to ensure we not only earn a fair return for our shareholder, but grow and add value as a community-owned asset.



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BOARD OF DIRECTORS  
**PUC INC/PUC SERVICES INC**

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<b>JIM P. BONIFERRO, CHAIR</b>	<i>President and CEO, Boniferro Mill Works</i>
<b>CECILIA BRUNO</b>	<i>Chief Financial Officer, Sault College</i>
<b>PAUL CHRISTIAN</b>	<i>City Councillor, City of Sault Ste. Marie</i>
<b>CHRISTIAN PROVENZANO</b>	<i>Mayor, City of Sault Ste. Marie</i>
<b>JIM RENNIE</b>	<i>Vice President, Human Resources, Irving Shipbuilding</i>
<b>ANDY MCPHEE, VICE - CHAIR</b>	<i>Retired Vice President, Great Lakes Power Transmission</i>
<b>ELAINE PITCHER</b>	<i>Lawyer, Pitcher Law</i>
<b>CARLA FABBRO</b>	<i>Program Manager, OLG</i>
<b>JOHN NACCARATO</b>	<i>President and General Counsel, Evolution Deck</i>

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BOARD OF DIRECTORS  
**PUC DISTRIBUTION INC**

<b>JIM P. BONIFERRO, CHAIR</b>	<i>President and CEO, Boniferro Mill Works</i>
<b>CHRISTIAN PROVENZANO</b>	<i>Mayor, City of Sault Ste. Marie</i>

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BOARD OF DIRECTORS  
**PUBLIC UTILITIES COMMISSION**

<b>MARK HOWSON, CHAIR</b>	<i>Retired, Senior Maintenance Engineer, Essar</i>
<b>PAUL CHRISTIAN</b>	<i>City Councillor, City of Sault Ste. Marie</i>
<b>CHRISTIAN PROVENZANO</b>	<i>Mayor, City of Sault Ste. Marie</i>



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EXECUTIVE TEAM  
**PUC SERVICES INC**

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*The Team*



**ROBERT BREWER, HBSC, MBA**

*President and CEO*



**KELLY MCLELLAN, CPA, CMA,  
M.ACC**

*VP, Finance and Corporate Support*



**KEVIN BELL, P. ENG**

*VP, Customer Engagement and  
Business Development*



**CLAUDIO STEFANO, P.ENG,  
MBA**

*VP, Operations and Engineering*

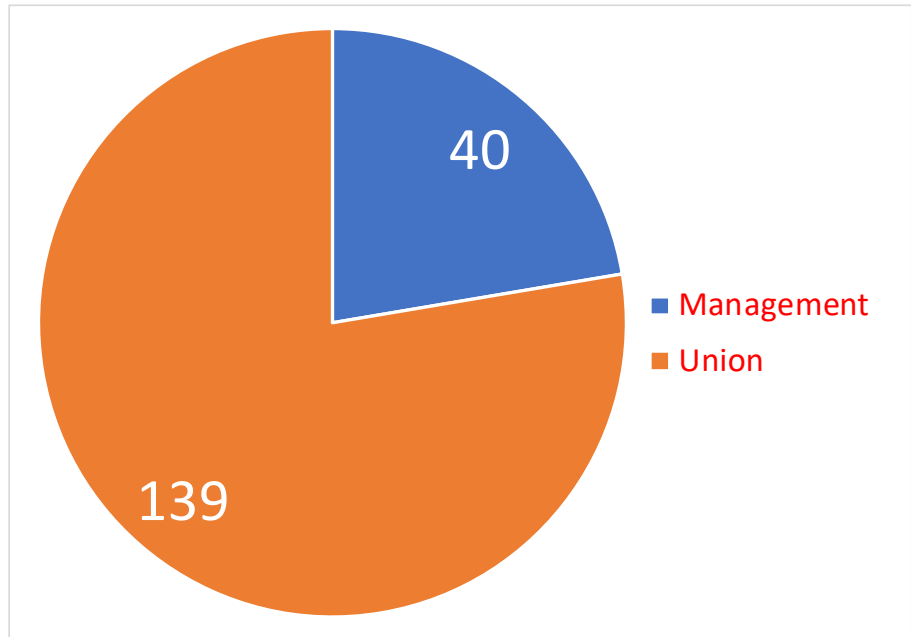
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## OUR STAFF

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### *New Jobs*

- NOHFC HR Intern
- NOHFC Communications Intern
- Director, Water Operations



### *Retirements*

- Shirley Ager
- Peggy Brown
- Lorna Burella
- Mike Lundrigan
- Scott Fleury
- Mike Logan
- John Griffiths
- Steve Piazza
- Terry Greco
- Lenore Odber
- Rutger Becker

### *25 Years of Service*

- Ken Cupido
- Joe Genua
- Ed Pettenuzzo
- Al Cannard
- Tina Greco
- Donnie DiDonato
- Christine Fera
- Andy Anich
- Steve Boyle
- Lorene Huopalainen
- Mike Logan
- Joe Miller
- Gene Thibault
- Jack Gillies
- Mike Palaro
- Vic Favaro

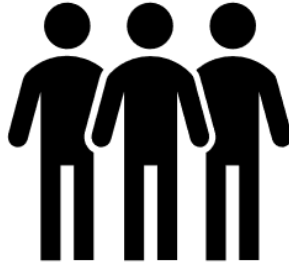




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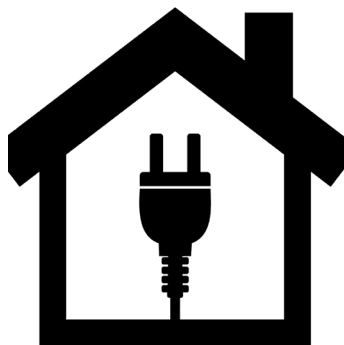
PUC GROUP  
**BY THE NUMBERS**

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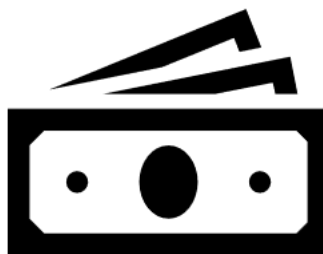
**\$40K**  
DONATED TO  
LOCAL  
INITIATIVES

**76 MINUTES**  
AVERAGE NUMBER OF  
MINUTES THAT POWER  
IS INTERRUPTED



**1.28 SAIFI SCORE**  
AVERAGE NUMBER OF  
TIMES POWER IS  
INTERRUPTED

**\$610,080**  
DIVIDEND PAYMENT  
TO CITY

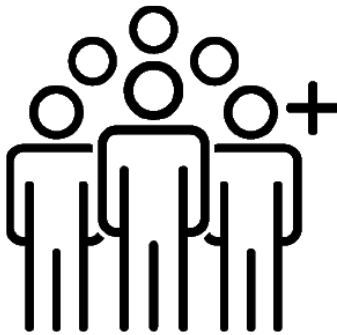


**\$1,934,920**  
INTEREST  
PAYMENT TO CITY

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PUC DISTRIBUTION  
**BY THE NUMBERS**

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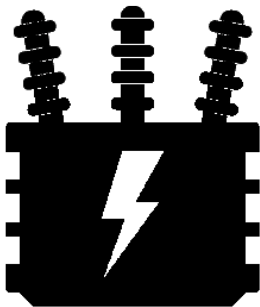
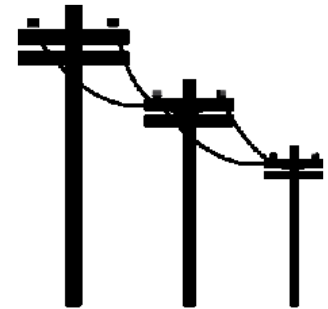
**33,600**  
RESIDENTIAL  
& BUSINESS  
CUSTOMERS



**342 KM<sup>2</sup>**  
SERVICE  
TERRITORY

**2**  
TRANSMISSION  
STATIONS

**12,700**  
DISTRIBUTION  
POLES



**14**  
DISTRIBUTION  
STATIONS



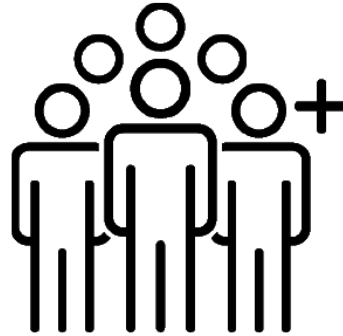
**740 KM**  
OF LOCAL  
DISTRIBUTION LINE



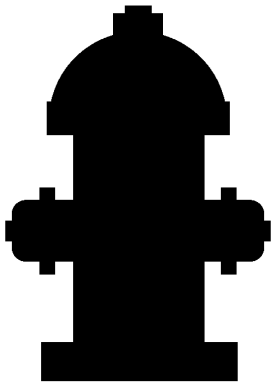
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PUBLIC UTILITIES COMMISSION  
**BY THE NUMBERS**

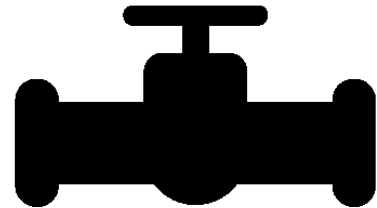
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**26,540**  
RESIDENTIAL  
& BUSINESS  
CUSTOMERS



**2300**  
HYDRANTS



**470 km**  
OF DISTRIBUTION  
MAINS



**13.5 Million**  
CUBIC METRES  
PUMPED PER YEAR

**2**  
SOURCES OF  
WATER



**Ground Water**  
**4** PUMPING STATIONS  
**Surface Water**  
**1** LAKE SUPERIOR



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## COMMUNITY HIGHLIGHTS

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- As of year-end 2018, customer energy consumption reduced by 2,315,629 kWh through energy conservation methods. That is equivalent to powering over 200 homes in Sault Ste. Marie for a year!
- Customers benefitted from one of the lowest electricity rates in Ontario (#4) for the third consecutive year.
- During 2018, PUC invested \$40,000 in our community through donations and sponsorships throughout the year. Additionally, our employees actively volunteer with local charities.

## BUSINESS IMPROVEMENT TOWN HALL

PUC's Customer Engagement team partnered with Sault College's Public Relations program to organize a Business Improvement Town Hall on April 4th, 2018. The event brought 35 local Contractors, Developers, and Engineering Consultants together to provide feedback on the way PUC operates.

The event included small focus group style discussions, and a Town Hall style Q&A session hosted by PUC's new CEO Rob Brewer. The event was a success, we received a healthy mix of feedback from the invitees. Work is underway for another event like this in 2019.

## ENERGY EFFICIENCY PROGRAMS

PUC Distribution expanded their energy efficiency programs that benefit our customers and the environment. For the year of 2018, we offered two residential programs; the AffordAbility Fund and the Instant Savings – Clothesline Program. For business customers, we offered the Retrofit and Audit funding program.

The AffordAbility fund provides free energy-saving upgrades to help reduce customers electricity burden. The program is designed to help customers who do not qualify for low-income conservation programs, but who still want to conserve energy usage and reduce their electricity bills. The program implemented a “yes” orientation, to promote maximum uptake in the program. This means eligibility criteria was not limited to income, but also other aspects of a household’s electricity burden.

PUC Customer Engagement and CDM department actively promoted the program throughout the year with a variety of traditional and digital media advertising campaigns. These campaigns were further promoted by attending local community events to engage with customers one on one, and increase program visibility and the understanding of eligibility criteria. Community events included Rotary Fest, Bushplane Days, Bon Soo, Greyhound Games, Kidz Safety Festival and more. PUC aims to improve the overall customer experience, and believes by attending events like these and interacting with customers, we can achieve that goal.



Through the combination of marketing and community engagement, the program generated 450 sign ups in Sault Ste. Marie during 2018. These customers were able to receive up to three levels of support in reducing their electricity costs.

- Level one provides a home energy savings kit containing LED lightbulbs, weather stripping, programmable power bars and more.
- Level two provides appliances such as fridges, freezers, dryers, and more.
- Level three is only for electrically heated homes, but provides free insulation and ductless heat pumps.

*We are pleased that we were able to assist our customers in taking advantage of this program and reduce their costs.*





## ENERGY EFFICIENCY PROGRAMS

During 2018, PUC also supported the Save on Energy Clothesline initiative. Over the year PUC was able to deliver 1,700 clotheslines to residential customers at no charge. This program was highly successful, and many customers were able to receive instant savings through the use of the clotheslines. Customers were able to receive the clothesline at our office or at one of the many community events we participated in.

For our business customers, we submitted over 70 Retrofit program projects. This program aims to help businesses install energy efficiency equipment and receive up to 50% of their project costs. The program makes it possible for commercial organizations to install and benefit from newer, more energy efficient solutions that will help operate their business more efficiently and improve their bottom line. Incentives are available for high energy efficiency equipment such as lighting, motors, heating and for installing new control systems to improve the overall efficiency of the building.

Staff has also spent 2018 promoting PUC’s online application Customer Connect to help customers take better control over their energy usage. The application enables residential customers to review their bills online, track their electricity consumption, and time of use data in almost real time. Customers are able to view their usage daily, weekly, and even hourly. This allows our customers to gain targeted insight to take action to reduce their electricity consumption.

*PUC generated 261,459 kWh of energy through solar panels in 2018. Solar panels are placed in three locations; Algoma University, the Water Treatment Plant and the Steelton Pumphouse. This allows PUC to generate cleaner energy, and do our part to support a greener environment.*



*Using a clothesline compared to a dryer can save more than \$200 per year on an electricity bill and reduce their carbon footprint.*

In total, PUC’s Conservation Demand Management program was able to reduce energy consumption in our service territory by over 2.3 million kWhs. That’s enough to power over 200 homes for a year.

## ONE-STOP SHOP

As mentioned in the opening remarks, PUC made a number of changes internally to better serve customers. For example, PUC implemented a one-stop shop approach to their customer care department. This process included merging the Collections and Customer Care departments into a single department. The purpose of this realignment was to reduce the number of transfers a customer would experience during a call with a centralized point of contact. Staff in the affected departments were cross-trained on the respective roles, thus enabling one person to answer multiple questions (billing, collections, customer care concerns).

PUC also took further steps to redesign the company website with a modern and streamlined design. During this redesign, online self-serve options were integrated into the website to enhance service offerings. For example, new account set ups, change of service address and account closures will now be available online 24/7 vs the current processes which required customers to visit the office or call during business hours. The new site is expected to launch in early 2019.

## COST OF SERVICE

In 2018, PUC filed its Cost of Service application with the Ontario Energy Board (OEB). The Cost of Service application occurs every five years and determines what a local distribution company (LDC) can charge for its distribution rate.

As part of the application, PUC developed an interactive survey for customers. The survey provided a short overview of PUC operations, cost drivers, the breakdown of a customer's electricity bill, and a variety of capital projects to be completed. The survey was designed to provide customers with the opportunity to share their thoughts and feedback on a proposed rate increase.

In this application, PUC applied to the OEB for approval to increase its distribution rate. If approved, the average, (750 kWh) residential electricity bill would have increased by approximately \$2.17 per month, equivalent to a 2.1 per cent increase on the total electricity bill.



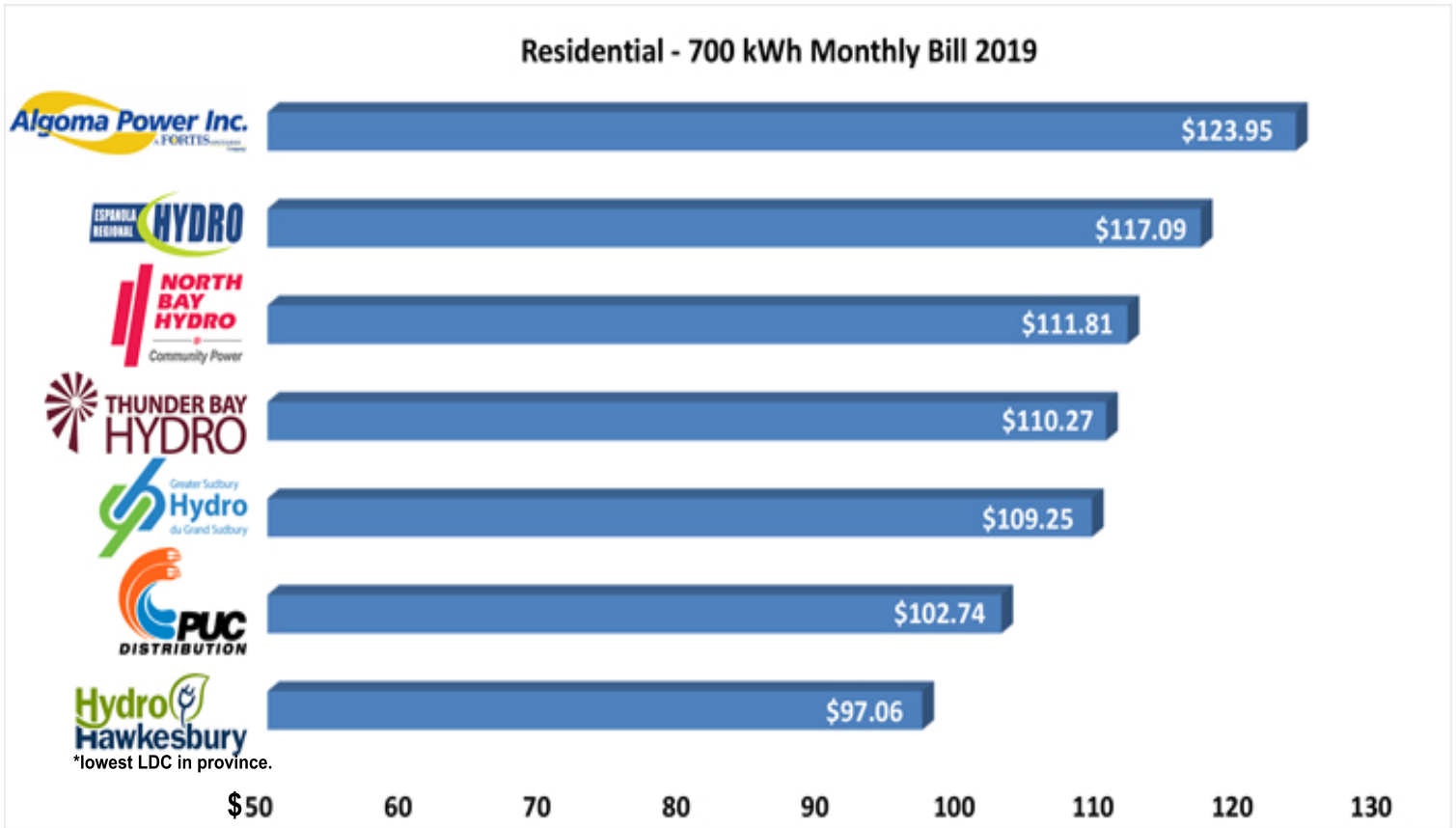
The hope was that the informative survey would provide customers with a new level of insight and transparency into PUC operations, and infrastructure renewal projects.

Customer responses were shared with the OEB as part of the application process. After completing the survey, customers had an opportunity to enter a draw for the chance to win one of five \$100 credits on their PUC bill.

### Customer Engagement Survey Highlights

- The company scored 56% for customers being "very" or "somewhat satisfied" with the overall service(s) they received from PUC.
- In terms of reliability, 79% of customers agree that PUC is "very good" or "good" for response times.
- PUC scored 73% for customers that agree the company is customer-focused and treats customers as if they're valued.
- For doing business with PUC, 85% agree that the company is easy to work with.

## HYDRO COST COMPARISON FOR NORTHERN COMPARATORS\*\*



\*\*As of May 2019

### COST OF SERVICE OUTCOME

The Settlement Conference for the Cost of Service application was held in September of 2018 and a final decision was reached. Below is a high-level summary of the outcome of PUC's application:

- Additional revenue of \$2.768 million
- Total bill increases of:
  - Residential 750 kWh: 2.45% (OEB avg customer)
  - Residential 910 kWh: 1.37% (Avg PUC customer)
  - GS under 50 kW: 2.32%
  - GS greater than 50 kW: -0.14%

Rates became effective Oct 1, 2018. It should be noted, even after this rate increase PUC will remain one of the lowest cost LDC's in the province of Ontario.



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## MAJOR PROJECTS

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### *Smart Grid*

PUC unveiled the Smart Grid project in 2018 which aims to improve system efficiency, reduce the frequency of power outages, and when they occur shorter power interruptions. The \$32 million investment will enable PUC to modernize the community's electricity grid, with an \$11.8 million grant provided from the Federal government. In combination of lowering the cost of generating and distributing power to our customers, the project will create 140 direct and indirect jobs.

The Smart Grid project provides two main technology benefits; Voltage Optimization and Distribution Automation. Voltage Optimization controls the voltage delivered to customers to increase efficiency and lower power consumption.

Distribution automation enables the grid to self-identify problems and reroute power to shorten or eliminate power outages, which increases the reliability of the system.

PUC will begin construction in Spring of 2019, completing the project for early 2020. Once completed, the Smart Grid will provide data analytics, accommodate additional solar energy, and reduce GHG emission. The project will provide PUC with a greater understanding of the system and provide detailed information to make more effective data driven decisions. It will also allow for increased Distributed Energy Resources such as electric vehicles, and small home power generation. Greenhouse gases will also be reduced by 2,804 tonnes of CO<sub>2</sub> annually as a direct result of the Sault Smart Grid.

In combination with implementing smart meters, the smart grid will help customers save on energy costs by providing online access to information about their electricity consumption, so they can adjust their electricity usage as they see fit. Through implementation of the Smart Grid, PUC customers can expect up to a 4% savings on their electricity consumption. The Smart Grid will bring evolution to the Sault Ste. Marie community grid.





## SCADA

PUC implemented a leading-edge system to significantly improve water treatment operations. The advanced technology of SCADA (Supervisory Control and Data Acquisition) system addressed a needed upgrade to the Sault Ste. Marie water treatment facilities, that will provide better oversight, increase safety and improve process control.

The SCADA system is comprised of both software and hardware components that will allow the company to:

- Control water system processes locally or from remote locations
- Monitor, collect, analyze, and record process information in real-time
- Directly interact with system devices like; sensors, valves, pumps, and motors
- Record and log system events

This will enable PUC to offer improved services to our customers. Through this technology we are able to connect and integrate multiple sites into one system. This allows our staff to easily share information with other employees at other sites, and make decisions that are better informed, and at a faster pace.

Our staff will be able to spend more time on data analysis compared to data entry through the automation of the new technology. The upgraded IT infrastructure also allows staff the ability to operate the system from a backup site; this feature provides disaster recovery capability and improves our emergency preparedness.

With these advancements, PUC will be able to take advantage of savings of time and money. The total cost of the project was \$1,915,430 and was completed under budget, PUC was able to bring this advanced technology to Sault Ste. Marie for 97.5% of the proposed budget. SCADA will enable PUC to be more efficient for our customers and be able to provide improved customer service.



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## AWARDS AND RECOGNITION

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### SAFE WORK, SOUND BUSINESS

At the start of 2018, PUC saw an influx of near misses and a lost time injury. PUC responded to this concerning trend by making a number of changes aimed at raising safety standards. We implemented multiple new safety standards and focused on reinforcing safety as a core value within the organization. New standards included:

- *Increased frequency and elevated standard of site visits with a focus on job planning.*  
Job plans are developed and reviewed by the crews performing the work. Employees are encouraged to stop between steps of tasks to perform informal risk assessments to ensure that nothing has changed that negatively affects how hazards are controlled – because when hazards are effectively controlled, workers stay safe.
- *Increased Focus on Fleet Monitoring*  
All PUC vehicles have an AVL monitoring system. The system tracks vehicle location, inertia forces, idling time, distance travelled, and speed.

Alerts are sent at 20KMP over the posted speed limit to Direct Supervisors to ensure accountability for safe driving practices. Settings are configurable in order to influence defensive driving trends. PUC continues to raise the bar on an ongoing basis to ensure continuous improvement. This allows PUC to receive monthly reports, and corporate scorecards to measure driving habits to ensure targets and standards are achieved.





- *Personal Protective Equipment Requirement*  
PUC broadened the requirements for when an employee must be wearing personal protective equipment. This included areas such as the fleet garage, delivery floor, etc. This aims to ensure that no accidents can happen in these work areas and to improve the personal safety of employees.

PUC continues to strive for improving safety initiatives and remains up to date with best industry practices to ensure employees return home safely. PUC was pleased to see by the end of 2018 we had reversed the trend and ended the year with 320 days without a loss time injury. PUC success was further recognized with the Chamber of Commerce Safe Work, Sound Business award.

The Safe Work, Sound Business Award recognizes a business that uses a safe work management system, participates in workplace and/or community injury prevention programs and has outstanding injury-free frequency and injury severity performance.



*Safety is truly “about the journey and not the destination”. It is not good enough to simply get the job done, on time and on budget – “No job is considered to be a success if anyone was injured in the process of getting it done”.*

*Ronnie Thomlinson, Manager Safety & Environment*







### **HELPING OUR NEIGHBOUR**

On July 9th, PUC received a call for assistance from Sudbury Hydro after a powerful thunderstorm rolled through the city. About 4,000 Greater Sudbury Hydro customers lost power during the storm, and a majority were without power through the night and into the next morning. In response to the call, PUC dispatched 2 bucket trucks and 2 service crews to aid in the restoration effort.

*"I am proud of our team here at PUC Services for lending their knowledge and expertise in a time of need", says, Rob Brewer, PUC President and CEO. "Our neighbours needed our help, and our team stepped up right away to do what they could."*

### **BEST TASTING ONTARIO WATER**

PUC staff attended the Ontario Water Works Association water conference in Niagara Falls, ON during April of 2018. The conference holds a water taste test competition where the participating utilities submit a sample of their water for tasting. PUC submitted an entry for the competition, and was awarded best tasting water in Ontario.



### **URISA AWARD**

Each year, The Urban and Regional Information Systems Association (URISA) recognizes members for their contributions and achievements in the use of geospatial information technology that have improved the delivery and quality of services. In 2018, the SSMIC nominated PUC in the GIS award category. This award is awarded to organizations that take advantage of technology to move the geospatial industry in a better and stronger direction.

PUC won the award for implementing the Atlas Notification System to deliver mass notifications to customers in advance for planned power or water interruptions.

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# FINANCIAL REPORT BREAKDOWN

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## *Annual Accounts*

During 2018, PUC focused on its three strategic pillars—customers, employees, and shareholder, and its solid performance is demonstrated by strong financial results. In 2018, PUC was able to explore new business opportunities, ensure PUC Distribution and the Public Utilities Commission (water utility) sustainability and improve our business process.

New business opportunities included the Smart Grid, CEMa, etc. By implementing cost control measures to achieve savings, PUC was able to perform \$740 thousand below budget across all companies for total operating, maintenance and administration costs, ensuring the long-term sustainability of the group of companies. Finally, improving the business process included the one-stop shop initiative, electronic forms and departmental financial reporting.

### **PUC Inc. - Audited Financial Results**

**For the Year Ending December 31, 2018**

#### **Statement of Revenues and Expenses**

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
<b>Total Revenue</b>	\$ 2,281,626	\$ 2,211,214	\$ 70,412
Admin Expenses	297,453	188,345	(109,108)
Interest Expense	1,934,920	1,934,920	-
Payment in Lieu of Taxes	14,145	23,306	9,161
<b>Total Expenses</b>	\$ 2,246,518	\$ 2,146,572	\$ (99,946)
<b>Income (Loss)</b>	\$ 35,108	\$ 64,642	\$ (29,534)



## PUC Services Inc. - Audited Financial Results

For the Year Ending December 31, 2018

### Statement of Revenues and Expenses

	Actual	Budget	Variance
<b>Total Revenue</b>	\$ 16,701,371	\$ 16,826,722	\$ (125,351)
Operating Expenses	4,943,651	5,233,621	289,971
Admin Expenses	8,875,118	9,330,662	455,544
Depreciation	1,380,370	1,370,000	(10,370)
Interest Expense	578,776	577,421	(1,355)
Payment in Lieu of Taxes	60,754	83,480	22,726
<b>Total Expenses</b>	\$ 15,838,669	\$ 16,595,184	\$ 756,515
<b>Income (Loss) from Operations</b>	\$ 862,702	\$ 231,538	\$ 631,164
<b>Other Comprehensive Gain/(Loss)</b>	\$ 409,232	\$ -	\$ 409,232
<b>Income (Loss)</b>	\$ 1,271,934	\$ 231,538	\$ 1,040,396

## PUC Services Inc. - 2018 Capital Report

Year Ending December 31, 2018

	Actual	Budget
<b>Streetlights</b>		
Streetlights - External Driven Demand - Third Party Driven	\$ 277,731	\$ 325,000
Streetlights - System Driven Requirements - Deteriorated Streetlight Poles, Infrastructure Renewal	274,975	327,500
Streetlights - PUC Distribution Driven Demand - Deteriorated Poles, Voltage Conversion	62,912	50,000
LED Streetlight Project	29,000	-
<b>Total Streetlights</b>	\$ 644,618	\$ 702,500
Vehicles	\$ 494,978	\$ 806,000
Hardware/Software	823,310	452,500
Sentinel Lights	13,363	30,000
Tools	179,951	217,100
Office Equipment	2,195	10,900
Communications	43,938	44,000
<b>Total Miscellaneous</b>	\$ 1,557,735	\$ 1,560,500
<b>Total before Contributed Capital</b>	\$ 2,202,353	\$ 2,263,000
Contributed Capital	\$ (640,628)	\$ (702,500)
<b>Total PUC Services Capital Spend</b>	\$ 1,561,725	\$ 1,560,500

Note:

In addition, PUC Services has acquired a parcel of land at a cost of \$440k.

## PUC Distribution Inc. - Audited Financial Results

For the Year Ending December 31, 2018

### Statement of Revenues and Expenses

	Actual	Budget	Variance
<b>Total Revenue</b>	\$ 20,066,529	\$ 20,493,912	\$ (427,383)
Operating Expenses	6,009,813	6,212,629	202,817
Admin Expenses	5,591,669	5,743,204	151,534
Depreciation	3,781,554	3,783,960	2,406
Interest Expense	3,143,667	3,172,092	28,425
Payment in Lieu of Taxes	-	-	-
<b>Total Expenses</b>	\$ 18,526,703	\$ 18,911,885	\$ 385,182
<b>Income (Loss)</b>	\$ 1,539,826	\$ 1,582,027	\$ (42,201)

## PUC Distribution Inc. - 2018 Capital Report

Year Ending December 31, 2018

	Actual	Budget
<b>Customer Demand</b>		
New Services & Subdivisions	\$ 758,488	\$ 1,299,210
Joint Use	253,727	136,759
City Projects	707,261	273,518
Meters	141,950	195,292
Storage & Ancillary	2,269	-
<b>Total Customer Demand</b>	\$ 1,863,695	\$ 1,904,778
<b>PUC Projects</b>		
Voltage Conversion	\$ 877,117	\$ 906,712
Restricted Wire Replacement	932,607	965,791
Distribution Overhead Renewal (Poles Etc.)	548,067	313,862
Distribution Underground Renewal	86,034	105,304
Substation Upgrades (Battery Banks, Relays Etc.)	501,147	491,717
Substation 16 (Engineering Design Only)	166,712	418,482
Sault Smart Grid	190,368	-
General Plant	82,640	86,294
<b>Total PUC Projects</b>	\$ 3,384,692	\$ 3,288,161
<b>Forced Renewals</b>		
Forced Overhead Renewal (Storms, Accidents Etc.)	\$ 262,702	\$ 307,708
Forced Underground Renewal (Storms etc.)	222,401	307,708
<b>Total Forced Renewals</b>	\$ 485,102	\$ 615,415
<b>Total Spend before Contributed Capital</b>	\$ 5,733,489	\$ 5,808,355
Contributed Capital	(564,402)	(450,000)
<b>2018 Capital Expenditures</b>	\$ 5,169,087	\$ 5,358,355

## Public Utilities Commission - Audited Financial Results

For the Year Ending December 31, 2018

### Statement of Revenues and Expenses

	Actual	Budget	Variance
<b>Total Revenue</b>	\$ 20,745,583	\$ 19,820,394	\$ 925,189
Operating Expenses	8,587,407	8,599,396	11,989
Admin Expenses	4,812,129	5,301,764	489,635
Depreciation	2,492,717	2,380,000	(112,717)
Interest Expense	196,532	196,478	(54)
<b>Total Expenses</b>	\$ 16,088,785	\$ 16,477,638	\$ 388,853
<b>Income (Loss)</b>	\$ 4,656,798	\$ 3,342,757	\$ 1,314,041

## Public Utilities Commission - 2018 Capital Report

Year Ending December 31, 2018

	Actual	Budget
<b>City Projects</b>		
Bruce Street	\$ 715,082	\$ 911,213
Simpson Street	669,079	804,011
Wellington St	340,455	396,645
McNabb Sewer Upgrade	64,011	107,201
Miscellaneous & Carryover	49,404	101,841
<b>Total City Projects</b>	\$ 1,838,032	\$ 2,320,912
<b>Customer Demand</b>		
New Services	194,684	134,002
Replace Lead Services	24,131	53,601
Meters	309,649	348,405
Other Service Misc.	5,241	-
<b>Total Customer Demand</b>	\$ 533,705	\$ 536,007
<b>PUC Projects</b>		
SCADA Upgrade (2 Year Project - 2017 & 2018)	1,160,025	1,072,015
Distribution System Renewal (Hydrants & Valves)	73,115	160,802
Production Facilities Renewal (Pumps, Valves Etc.)	490,864	836,171
Other Misc.	6,461	107,201
<b>Total PUC Projects</b>	\$ 1,730,465	\$ 2,176,190
<b>Total Spend before Contributed Capital</b>	\$ 4,102,202	\$ 5,033,109
Contributed Capital	(146,070)	(102,000)
<b>Total</b>	\$ 3,956,132	\$ 4,931,109





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## THANK YOU

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Through the dedication of our team, PUC was able to deliver a strong performance and achieve new milestones in 2018. PUC is lucky to be comprised of a team of talented employees that are focused on building productive relationships with all stakeholders; be they customers, landowners, suppliers, industry regulators, and the community at large.

I want to thank my team for their ideas, and support in driving innovative changes within our industry and here in our community. PUC will continue to champion innovative ideas such as Smart Grid and CEMa during 2019, and beyond as we continue to search for new ways to better serve our customers.

Also, I appreciate the guidance from the diverse board of directors for all the PUC companies that work together to ensure we are delivering the best service possible as a shared-service utility.

Lastly, I want to thank our customers for supporting our transformation, and allowing PUC to bring forth new technology to the community. PUC will continue to strive to be a leading services provider that understands the value of our customer's experience and understands the leadership role we have in our community.

ROBERT BREWER

*PRESIDENT AND CHIEF EXECUTIVE OFFICER*





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 PUC Services Inc.

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