

Scorecard - PUC Distribution Inc.

9/16/2019

| 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 | 93.00% | 97.20% | 98.90% | 96.67% | 99.12% | | 90.00% | |
| | | Scheduled Appointments Met On Time | 95.40% | 97.40% | 98.30% | 97.62% | 98.48% | | 90.00% | |
| | | Telephone Calls Answered On Time | 81.90% | 82.30% | 81.30% | 79.88% | 77.70% | | 65.00% | |
| | Customer Satisfaction | First Contact Resolution | 99.89% | 99.92% | 99.58% | 99.74% | 99.80% | | | |
| | | Billing Accuracy | 99.83% | 99.36% | 99.97% | 99.94% | 99.97% | | 98.00% | |
| | | Customer Satisfaction Survey Results | In progress | 79% | 80% | 80% | 80% | | | |
| 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 | | 86.00% | 86.00% | 85.00% | 85.00% | | | |
| | | Level of Compliance with Ontario Regulation 22/04 ¹ | C | C | C | C | C | | | C |
| | | Serious Electrical Incident Index | Number of General Public Incidents | 3 | 1 | 0 | 0 | 1 | | |
| | Rate per 10, 100, 1000 km of line | | 0.405 | 0.134 | 0.000 | 0.000 | 0.135 | | | 0.094 |
| | System Reliability | Average Number of Hours that Power to a Customer is Interrupted ² | 1.19 | 1.37 | 1.49 | 1.43 | 1.27 | | | 1.38 |
| | | Average Number of Times that Power to a Customer is Interrupted ² | 1.21 | 1.03 | 1.41 | 1.21 | 1.28 | | | 1.33 |
| | Asset Management | Distribution System Plan Implementation Progress | In progress | In Progress | In progress | In Progress | 100% | | | |
| | Cost Control | Efficiency Assessment | 4 | 4 | 4 | 4 | 4 | | | |
| | | Total Cost per Customer ³ | \$664 | \$699 | \$695 | \$673 | \$690 | | | |
| | | Total Cost per Km of Line ³ | \$29,886 | \$31,377 | \$31,314 | \$30,541 | \$31,338 | | | |
| 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 | | 17.18% | 52.97% | 92.47% | 105.00% | | | 26.41 GWh |
| | Connection of Renewable Generation | Renewable Generation Connection Impact Assessments Completed On Time | | 0.00% | 100.00% | | | | | |
| | | New Micro-embedded Generation Facilities Connected On Time | 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) | 1.68 | 0.90 | 1.52 | 1.62 | 1.33 | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 2.42 | 2.31 | 2.34 | 2.04 | 2.02 | | | |
| | | Profitability: Regulatory Return on Equity | Deemed (included in rates) | 8.98% | 8.98% | 8.98% | 8.98% | 9.00% | | |
| | | Achieved | 5.47% | 4.46% | 0.98% | 1.78% | 4.25% | | | |

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

Appendix A – 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

In 2018, PUC had a successful year in meeting and exceeding all the performance targets for the measures which have been established by the Ontario Energy Board (OEB) in this scorecard.

PUC had a strong performance in Operational Effectiveness in 2018. PUC exceeded the 5-year rolling average distributor target in both reliability performance metrics, but unfortunately PUC had one public incident in relation to safety.

In 2018, PUC devoted significant resources towards improving energy literacy with customers while at the same time helping them cope with the fluctuating cost of electricity.

During its 2018 Cost of Service Rate Application, EB-2017-0071, PUC provided the opportunity for consumers to give feedback on the reliability of the PUC electricity distribution system and the distribution system plan spending decisions over the next 5 years.

In 2019, PUC will continue efforts to maintain a high level of achievement on the scorecard performance results, while focusing on areas that need improvement.

Service Quality

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

In 2018, PUC Distribution connected 99.12% of its 114 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its distribution system, within the five-day timeline prescribed by the Ontario Energy Board (OEB). This score exceeds the OEB mandated threshold of 90% and demonstrates an upward trend in low voltage connections.

PUC Distribution is consistently able to achieve high levels of compliance in this area due to our existing workflow processes. Our commitment to customer care is demonstrated through staff education, customer engagement activities and the investigation of any opportunity for improvement.

- **Scheduled Appointments Met on Time**

In 2018, PUC Distribution scheduled 1,119 appointments with customers to complete customer requested work (e.g. meter installs/removals, service disconnects, reconnects, and meter locates.) PUC exceeded the OEB target of 90% by arriving at the scheduled appointments 98.48% of the time.

- **Telephone Calls Answered on Time**

In 2018, PUC Distribution's Customer Care Department received 45,328 calls from its customers. Of the 45,328 calls, a Customer Care Representative answered the call within 30 seconds or less, 77.70% of the time. Although a slight decrease from 2017, this result significantly exceeds the OEB mandated 65% target for timely call response. Additionally, the slight decrease in this target can be attributed in part to the utility shifting from in person customer account sign ups to account sign ups done over the phone.

Customer Satisfaction

- **First Contact Resolution**

PUC Distribution's First Contact Resolution was measured by tracking the number of electric related calls that were escalated to a Senior Customer care representative, Supervisor, or Manager. This was accomplished by tracking two specific call types in our Customer Information System (CIS), which are queried to provide the number of customer concerns that were escalated.

In 2018, PUC received 45,328 calls, of which 89 contacts were escalated to a Senior Representative or Supervisor. This resulted in a First Contact Resolution percentage of 99.80%. To establish the number of calls that were handled without escalation, the total number of calls that were escalated to a higher level of management was subtracted from the total number of calls received.

However, it should be noted that First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

- **Billing Accuracy**

PUC issued approximately 387,853 bills for the period from January 1, 2018 – December 31, 2018 and achieved an accuracy of 99.97%. This score compares favourably to the prescribed OEB target of 98%. PUC continues to monitor its billing accuracy results and processes to identify opportunities for improvement

- **Customer Satisfaction Survey Results**

PUC Distribution conducted the last Customer Satisfaction Survey in 2016. The survey result yielded an 80% satisfaction level. The next survey will be conducted in 2019 with results being recorded on the 2019 Scorecard.

Safety

- **Public Safety**

The Public Awareness of Electrical Safety measure (Component A) was introduced by the OEB in 2015 and focuses on the safety of the distribution system from a customer's point of view. The Electrical Safety Authority (ESA) provides an assessment as it pertains to Component B – Compliance with Ontario Regulation 22/04 and Component C – Serious Electrical Incident Index.

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

A representative sample of PUC Distribution's service territory population was surveyed in 2015 and 2017 to gauge the public's awareness level of key electrical safety concepts related to distribution assets. The purpose of the survey was to provide a benchmark level concerning the public's electrical safety awareness and at PUC Distribution, results of the surveys are analyzed to measure results against other LDCs to identify opportunities to improve existing outreach programs.

Thirty-six (36) other LDCs utilized the same agency for this survey in 2015 and the range of index scores was between 77% – 86%, PUC Distribution reported a score of 82%. Thirty-three (33) other LDCs utilized the same agency for this survey in 2017 and PUC Distribution was tied with 5 others for the highest score in this cohort with a score of 85% on the prescribed survey. The next prescribed ESA public safety awareness survey will be scheduled for 2019.

PUC Distribution continues to look for every opportunity to communicate and engage with the public to promote electrical safety awareness in our service area. Through participation with the Association of Electrical Utility Professionals (AEUSP), PUC Distribution has contributed to the production of a series of Electricity Safety videos for television broadcast in various Ontario markets including our service area.

Additionally, PUC Distribution promotes electrical safety awareness in a variety of forms. We convey the importance of awareness of electrical hazards throughout the community via safety related communications in newspapers, on radio and at public events. Detailed hazard awareness presentations are made available to external contractors and joint use parties. In the broader community, public safety presentations are provided to elementary school students.

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

Ontario Regulation 22/04 establishes objective based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the Regulation requires the approval of equipment, plans and specifications and the inspection of construction before they are put into service. Component B is comprised of an External Audit, a Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations. ESA evaluates all these elements in order to determine the status of compliance.

In each of the past six years, PUC Distribution was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This success was achieved by PUC Distribution's strong commitment to safety and adherence to regulatory requirements, company policies and procedures.

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

Section 12 of Ontario Regulation 22/04 specifies the requirement to report to ESA any serious electrical incident of which they become aware within 48 hours after the occurrence. As assessed by ESA, in the 2018 reporting period, there was one reportable serious general public incident related to the felling of a tree by a member of the public. Protective devices integral to public safety operated as designed. PUC staff interacted directly with the party involved in the incident to discuss the details of the event and provide education related to the dangers of contact with distribution system lines.

System Reliability

A key change for 2017, as required by the OEB, is the revised reporting of reliability data with respect to Major Events. Specifically, the change serves to a) adjust the reliability data to remove the impact of Major Events and b) require reporting of criteria to monitor the distributor's performance related to the Major Event. The 2018 Scorecard system reliability data, excludes both Loss of Supply and Major Events. The adjusted reliability measures capture interruptions caused by circumstances within the distributor's control and are published in the 2018 scorecard.

A "Major Event" is defined as an event that is beyond the control of the distributor and is:

- a) Unforeseeable
- b) Unpredictable
- c) Unpreventable
- d) Unavoidable

Such events disrupt normal business operations and occur so infrequently that it would be uneconomical to take them into account when designing and operating the distribution system. Such events cause exceptional and/or extensive damage to assets, they take significantly longer than usual to repair, and they affect a substantial number of customers.

In 2018 there were three major event days that occurred on Sept 21, Oct 4, and Oct 26. The main causes of the major event days were two major storms and one motor vehicle accidents.

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

In 2018, PUC Distribution exceeded its performance target for the System Average Interruption Duration Index (SAIDI) which is the average number of hours that power to a customer was interrupted. PUC Distribution's SAIDI of 1.27 hours (76 mins) was below the target of 1.38 hours and a decrease of 7.97%. The ongoing efforts to improve reliability, including replaced aging infrastructure, focus on station maintenance, infra-red inspections, and vegetation management has allowed PUC Distribution to trend positively and surpass 2017 SAIDI values.

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

In 2018, PUC Distribution exceeded its performance target for the System Average Interruption Frequency Index (SAIFI) which is the average number of times that power to a customer was interrupted. PUC Distribution's SAIFI of 1.28 was below the target of 1.33, showing a decrease of 3.76%. Consistent with SAIDI, the ongoing efforts to improve reliability including replacing aging infrastructure, focus on station maintenance, infra-red inspections, and vegetation management allowed PUC Distribution to surpass the Distributor target.

Asset Management

- **Distribution System Plan Implementation Progress**

PUC completed its first formal Distribution System Plan (DSP) meeting all OEB Chapter 5 Filing Requirements. The DSP, which covers the five-year period 2018-2022, was filed with the OEB as part of the 2018 Cost of Service Application. Prior to 2018, the OEB scorecard indicated 'In Progress' in the Performance Category of Asset Management to reflect this activity.

For years 2018 and onwards, PUC has established a metric which expresses performance by comparing the ratio of cumulative actual capital expenditures to date against cumulative planned capital expenditures to date for the period starting January 1, 2018 and ending on December 31 of each score card year. The ratio is then expressed as a percentage. The metric measures the LDCs overall performance completing capital work and includes all elements identified in the Distribution System Plan inclusive of System Access, System Renewal, System Service and General Plant. The metric will include the cumulative expenditures for all previous years within the

5-year rate application period 2018-2022. So, for example the 2020 scorecard will show a cumulative percent expenditure for the first three years of the 2018-2022 rate application period. In effect, the metric gives a snapshot at the end of each year as to how closely the LDC is tracking to their plans in achieving the overall 5-year plan.

The calculated value for this performance metric for 2018 is 96% however the scorecard indicates a value of 100%. The reason for this difference is that the scorecard was submitted prior to the performance metric being established. The 100% is essentially an indication that the DSP was fully completed and filed in 2018. Scorecards 2019 and forward will instead show the performance metric now established.

Cost Control

- Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC (PEG) on behalf of the OEB to produce a single efficiency ranking. The PEG econometrics model attempts to standardize costs to facilitate more accurate cost comparisons among distributors by accounting for differences such as the number of customers, treatment of high and low voltage costs, kWh deliveries, capacity, customer growth, length of lines, etc. All Ontario electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual costs versus the PEG model predicted costs. The following table summarizes the distribution of all distributors across the 5 groupings for 2018:

| Group | Demarcation Points for Relative Cost Performance | Group Ranking | # of Ontario LDCs in Group |
|-------|--|--------------------|----------------------------|
| 1 | Actual costs are 25% or more below predicted costs | Most Efficient | 6 |
| 2 | Actual costs are 10% to 25% below predicted costs | More Efficient | 19 |
| 3 | Actual costs are within +/-10% of predicted costs | Average Efficiency | 26 |
| 4 | Actual costs are 10% to 25% above predicted costs | Less Efficient | 9 |
| 5 | Actual costs are 25% or more above predicted costs | Least Efficient | 3 |

In 2018, for the fifth year in a row, PUC Distribution was placed in Group 4. PUC Distribution's efficiency performance based on the PEG

model was over the predicted costs by an average of 11.1% between 2016 and 2018.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of PUC Distribution's capital and operating costs, including certain adjustments to make the costs more comparable between distributors (i.e. under the PEG econometrics model), and dividing this cost figure by the total number of customers that PUC Distribution serves. The cost performance result for 2018 is \$690 per customer which is a 2.53% increase over 2017. Overall, the company's Total Cost per Customer has increased on average by 1.01% per annum over the period 2014 through 2018.

PUC Distribution will continue to replace ageing distribution assets proactively in a manner that balances system risks and customer rate impacts. The company continues to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements.

- **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 kilometres of line that the company operates to serve its customers. PUC Distribution's 2018 rate is \$31,338 per Km of line, a 2.61% increase over 2017.

PUC Distribution continues to experience a low level of growth in its total kilometres of lines due to a low annual customer growth rate. Such a flat growth rate has reduced the ability to fund capital renewal and increasing operating costs through customer growth. However, PUC has managed to limit the increase to the total cost per Km of line between 2014 and 2018 to an average of 1.23%.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

PUC Distribution has reached 105.00% of its 2020 target. This achievement is a direct result of the reliable connection PUC has with its local businesses as either CDM program participants or as channel allies. PUC also works closely with the City of Sault Ste. Marie, through their various building operators; as well as a member of the City's Green Committee. This committee allows PUC to participate

in conservation efforts as they begin and follow them through to completion.

On the residential side, PUC continues to engage customers out in the community during public outreach events. We reach out to customers at these events to discuss conservation programs and provide helpful tips on how to reduce their consumption.

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 receiving authorization for their project from the Electrical Safety Authority.

For the year 2018 only one CIA request was received in December and was completed on time early in 2019. This CIA application does not show up on the 2019 scorecard however as it is not reportable until 2020.

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

Like 2017, interest in Micro-embedded Generation was extremely limited in 2018 relative to previous years. PUC Distribution received no applications and provided no offers to connect.

Financial Ratios

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

As an indicator of financial health, a current ratio 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.

PUC Distribution's current ratio has decreased from 1.62 in 2017 to 1.33 in 2018. PUC distribution is in a good position to cover the company's short-term debts and 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.

PUC Distribution has a debt to equity structure of 67% to 33% that approximates the deemed 60% to 40% capital mix as set out by the OEB. This results to a 2018 debt to equity ratio of 2.02. PUC Distribution's long-term plan is to decrease the debt to equity towards the 60/40 level.

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

PUC Distribution's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.00%. The OEB allows a distributor to earn within +/- 3 percentage points 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 revenue and cost structure by the OEB.

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

PUC Distribution's return on equity in 2018 at 4.25% was more than 3 percentage points lower than the expected return of 9.00%. The variance in return on equity is the result of the new rates associated with the 2018 Cost of Service Rate Application not being implemented until October of 2018 rather than May of 2018. Prior to the new rates coming into effect, PUC Distribution was operating with OM&A expenses being approximately \$1.4 million higher than included in the approved 2013 Cost of Service Rate Application. Going forward, PUC Distribution expects to be within 3 percentage points of the deemed regulatory return on equity.

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.