

Scorecard - PUC Distribution Inc.

Performance Outcomes	Performance Categories	Measures	2013	2014	2015	2016	2017	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	96.50%	93.00%	97.20%	98.90%	96.67%	↑	90.00%		
		Scheduled Appointments Met On Time	97.10%	95.40%	97.40%	98.30%	97.62%	↑	90.00%		
		Telephone Calls Answered On Time	80.90%	81.90%	82.30%	81.30%	79.88%	↓	65.00%		
	Customer Satisfaction	First Contact Resolution		99.89%	99.92%	99.58%	99.74%				
		Billing Accuracy		99.83%	99.36%	99.97%	99.94%	↑	98.00%		
		Customer Satisfaction Survey Results		In progress	79%	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%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	↔	C	C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	3	1	0	0	↓	1	1
	Rate per 10, 100, 1000 km of line		0.135	0.405	0.134	0.000	0.000	↓	0.151	0.151	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.42	1.19	1.37	1.49	1.43	↓	1.86	1.86	
		Average Number of Times that Power to a Customer is Interrupted ²	1.78	1.21	1.03	1.41	1.21	↓	2.32	2.32	
	Asset Management	Distribution System Plan Implementation Progress		In progress	In Progress	In progress	In Progress				
	Cost Control	Efficiency Assessment	4	4	4	4	4				
		Total Cost per Customer ³	\$687	\$664	\$699	\$695	\$673				
		Total Cost per Km of Line ³	\$30,950	\$29,886	\$31,377	\$31,314	\$30,541				
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%		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%	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)	1.06	1.68	0.90	1.52	1.62				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.99	2.42	2.31	2.34	2.04				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	8.98%			
			Achieved	7.00%	5.47%	4.46%	0.98%	1.78%			

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 new 2015-2020 Conservation First Framework.

Legend:

5-year trend
 ↑ up ↓ down ↔ flat

Current year
 ● target met ● target not met

Appendix A – 2017 Scorecard Management Discussion and Analysis (“2017 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 2017 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 2017, PUC had a successful year in meeting and exceeding all of 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 2017. Not only has PUC exceeded the 5 year rolling average distributor target in both reliability performance metrics, PUC has also, for a second year in a row, had zero public incidents in relation to safety.

In 2017, 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 2018, 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 2017, PUC Distribution connected 96.7% of its 240 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%.

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 2017, PUC Distribution scheduled 1,259 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 97.62% of the time.

- **Telephone Calls Answered On Time**

In 2017, PUC Distribution's Customer Care Department received 46,817 calls from its customers. This represents an increase in call volume of approximately 6,030 calls from 2016. The increase in call volume can be partly attributed to customer inquiries regarding the Ontario Fair Hydro Plan and the release of a new Customer Connect online tool. Of the 46,817 calls, a Customer Care Representative answered the call within 30 seconds or less, 79.88% of the time. This result significantly exceeds the OEB mandated 65% target for timely call response.

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 2017, PUC had 46,817 calls, of which 120 contacts were escalated to a Senior Representative or Supervisor. This resulted in a First Contact Resolution percentage of 99.74%. 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 399,400 bills for the period from January 1, 2017 – December 31, 2017, and achieved an accuracy of 99.94%. 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 conducts a customer satisfaction survey every two years with the last one conducted in 2016. Our next survey is scheduled for 2018.

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 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 to identify opportunities where additional education and outreach may be required. The results of the survey were analyzed in 2018 to identify opportunities to improve our existing outreach programs. PUC Distribution is pleased to report a score of 85% on the prescribed survey. Thirty-three (33) other LDCs utilized the same agency for this survey and PUC Distribution was tied with 5 others for the highest score in this cohort.

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. PUC Distribution continues to look for every opportunity to communicate and engage with the public to promote electrical safety awareness in our service area. Below are examples of PUC Distribution's public safety communication initiatives in 2017:

- Elementary School Electrical Safety Program for Grade 3 – 5 within our geographic service territory.
- Sault Ste. Marie Science Festival
- Sault Ste. Marie PUC website – Safety tab with particular activities aimed at educating young people on electrical safety
- Local newspaper, radio and online ads included Public Electrical Safety messages in the geographic service territory.
- Providing detailed hazard awareness presentations to area contractors.

- **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 to ensure there are no undue hazards before they are put in 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 as a whole to determine the status of compliance.

In each of the past five years, PUC Distribution was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). PUC Distribution attributes this continued success to our strong commitment to public and worker safety. Contributing to our success is our adherence to regulatory requirements as well as established and supportive 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. 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 provided to contractors, and safety presentations are delivered to elementary school students.

As assessed by ESA, for the past two years (2016 and 2017) reporting period, there were no reportable serious general public incidents.

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 2017 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 2017 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; or
- 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 2017 there were two major event days that occurred on June 11 and August 2. The main causes of both major event days was lightning.

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

In 2017, 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 1.43 hours was below the target of 1.86. The ongoing efforts to improve reliability, including replacing aging infrastructure, has allowed PUC Distribution to trend positively and surpass 2016 SAIDI values.

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

In 2017, 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 1.21 was substantially below the target of 2.32. Consistent with SAIDI, the ongoing efforts to improve reliability including replacing aging infrastructure allowed PUC Distribution to surpass 2016 SAIFI values.

Asset Management

• Distribution System Plan Implementation Progress

Although PUC has employed distribution system planning for several years, it completed its first formal Distribution System Plan (DSP) meeting all OEB Chapter 5 Filing Requirements in 2017. The DSP, which covers the five year period 2018-2022, was filed with the OEB as part of the 2018 Cost of Service Application. The new plan was accompanied by performance measures that will allow our success to be tracked and measured. We expect that implementation of this standardized approach will allow us to strengthen our commitment to responsible long term planning and sustainable asset management. This will enable PUC to align our objectives with those of the OEB to ultimately maximize benefits to our ratepayers.

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 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 2017:

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	16
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	29
4	Actual costs are 10% to 25% above predicted costs	Less Efficient	11
5	Actual costs are 25% or more above predicted costs	Least Efficient	3

In 2017, for the fourth 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 11.2% in 2017 compared to 14% in 2016.

- **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 2017 is \$673 per customer which is a 3.17% decrease over 2016. Overall, the company's Total Cost per Customer has decreased on average by (0.45%) per annum over the period 2013 through 2017.

PUC Distribution will continue to replace aging 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 kilometers of line that the company operates to serve its customers. PUC Distribution's 2017 rate is \$30,541 per Km of line, a 2.47% decrease over 2016.

PUC Distribution continues to experience a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Such a low growth rate has reduced the ability to fund capital renewal and increasing operating costs through customer growth. However, PUC has managed to reduce the total cost per Km of line on an average of (0.28%) since 2013.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

PUC Distribution is 92.47% towards its 2020 target. This is through the strong connection between its local businesses as either participants or channel allies. We continue to engage with them in support of application assistance and program updates through multiple channels. We also have a strong connection with the city either through direct connection with its various building operators or through the Green Committee, this allows us to participate in conservation efforts right as they begin and follow through to completion.

On the residential side we continue to engage customers out in the community through public outreach events. We reach out to customers at these events to discuss conservation, give tips on how to reduce their consumption and hear stories from people about

how they conserve hydro.

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 2017, no CIA requests were received. However, PUC maintains its internal processes to ensure all applications are processed within the prescribed timelines if and when they are received.

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

In 2017, Interest in micoFIT program was extremely limited relative to previous years. PUC Distribution Inc. received no applications and provided no offers to connect.

Outside of the micoFIT program, one application for a net metering load displacement installation was received, an offer to connect was made and the project was connected.

Our process to connect these projects is very streamlined and transparent. PUC Distribution works closely with its customers and their contractors to address any connection issues and ensure projects are connected in a timely manner.

Financial Ratios

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

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater 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 increased from 1.52 in 2016 to 1.62 in 2017. 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 70% to 30% that approximates the deemed 60% to 40% capital mix as set out by the OEB. This results to a 2017 debt to equity ratio of 2.04. 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 8.98%. 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 revenues and costs structure by the OEB.

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

PUC Distribution's return on equity in 2017 at 1.78% was more than 3 percentage points lower than the expected return of 8.98%. The variance in return on equity is the result of PUC Distribution's OM&A expenses in 2017 being approximately \$1.4 million higher than included in the approved 2013 cost of service rate application. PUC is in the process of finalizing their 2018 Cost of Service Rate Application for rates effective in 2018.

Note to Readers of the 2017 Scorecard

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.