

PUC Services Inc.

SUSTAINABILITY **REPORT** 2020

Leading with Compassion
During Challenging Times



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WELCOME TO PUC

YOUR TRUSTED UTILITY FOR A BRIGHTER TOMORROW

As a trusted utility provider for over 100 years, PUC is constantly changing and evolving the company's best practices to meet the needs of our customers and invest in our communities.

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MESSAGE FROM

CHAIR JIM BONIFERRO

In 2020, PUC introduced their new brand promise, a commitment that staff and management have made to our customers, community partners and each other.

On behalf of the Board of Directors, I would like to congratulate the PUC team for living up to that promise, particularly during a year with all the challenges it presented.

PUC continues to deliver on its strategic plan, ensuring a sustainable future based on innovation, prudent investments and a commitment to customer service excellence.

“We lead the way through innovation and compassion to deliver outstanding service every single day.” PUC BRAND PROMISE



But perhaps what stands out the most in 2020 is the focus on compassion and commitment that has shone through here at PUC.

Whether it was the empathy demonstrated to customers concerned about their bills, the mask committee volunteering their time to help their colleagues and the public stay safe or the quick responses to service requests, there is no question that the PUC family cares.

In a year that brought great struggles for many, I congratulate the PUC Board for their commitment and creative vision, and the PUC team for delivering their very best.

BOARD OF DIRECTORS

PUC SERVICES INC./PUC INC.

Jim. P. Boniferro, Chair

President & CEO, Boniferro Mill Works ULC

Andy McPhee, Vice-Chair

Retired Vice-President, Great Lakes Power Transmission

Cecilia Bruno

Retired Chief Financial Officer, Sault College

Christian Provenzano

Mayor, City of SSM

Elaine Pitcher

Lawyer, Pitcher Law

Carla Fabbro

Director, Portfolio Management, OLG

Neil Strom

Mill Controller, Algoma Steel Inc.

Ila Watson

Vice President, People and Partnerships, Sault Area Hospital

PUC DISTRIBUTION INC.

Jim Rennie Chair

Vice President, Human Resources at Irving Ship Building

Pat McAuley

Retired – Commissioner of Public Works and Transportation for City of SSM.

Jim. P. Boniferro

President & CEO, Boniferro Mill Works ULC

Christian Provenzano

Mayor, City of SSM

Mark Howson

Retired - Senior Maintenance Engineer, Essar Steel Algoma Inc.

PUBLIC UTILITIES COMMISSION

Mark Howson, Chair

Retired, Senior Maintenance Engineer, Essar Steel Algoma Inc.

Christian Provenzano

Mayor, City of SSM

MESSAGE FROM

PRESIDENT & CEO ROB BREWER



Q. What will you remember most about 2020?

The pandemic was undoubtedly the most memorable event that occurred in 2020, but how we powered through was just as significant. PUC – like many other essential services - faced an extraordinary set of new challenges as it managed through the COVID-19 crisis. The public, many of whom were now working from home, counted on us for reliable power and water. Many of our employees had to continue working under new, stringent and challenging circumstances. But they did it proudly and, of course, safely. Not one employee was tested positive for Covid-19. I was also tremendously impressed by how the PUC team came together to create masks for co-workers and the public, quickly adapting to new measures and demonstrating tremendous compassion. PUC also developed a comprehensive Transformation Guide that was shared with other businesses and utilities to help them through these difficult times. I was very proud of the people I work with – that’s what I remember most about 2020.

Q. Last year PUC received a provincial award for customer service excellence, how did you continue to maintain high standards when the pandemic resulted in office closures?

By developing a strong customer-focused culture, PUC was better able to hit the ground running and adapt to new circumstances while maintaining our high standards of service.

PUC immediately issued an open letter to the community to assure them services would continue, let them know regularly about our pandemic response protocols and utilized social media to get the word out as quickly as possible. We continued to respond to outages and watermain outbreaks in a timely fashion and received great feedback on this from the public. We had already introduced a number of on-line services as well.

MESSAGE FROM

PRESIDENT & CEO ROB BREWER CONT.

Q. PUC speaks of leading with compassion. What does that mean and how have you achieved that?

While PUC leads through innovation to create better, more reliable services we also take seriously our position as a community partner, recognizing the challenges everyone was facing during the pandemic. It was important that we be empathetic to our customers, the community and to our employees. Financial constraints were a common concern in 2020 so we found ways to help. We removed late payment fees, extended the moratorium on disconnections, worked with the city to remove sewage charges for two months, provided flexible payment options and we committed to keeping water rates lower than anticipated going into 2020. We also provided support to many local charities. To help our employees, we implemented a number of programs including offering mental health support and flexible at-home work schedules. I personally spoke with every employee working remotely to make sure they were okay.

Q. Did your previous experience as a business owner help you in dealing with the unique and unanticipated challenges created by the pandemic?

One of the biggest lessons I learned when I operated my own business was to surround myself with smart people and that's exactly what we have at PUC and it has helped tremendously. Another important business lesson that holds true in any organization, is planning. To quote Benjamin Franklin "failing to prepare, you are preparing to fail". While no one can prepare for every type of incident that occurs, you can create processes and plans that help you react better when a crisis unfolds. I practised that philosophy in my own business and made sure we had plans and processes in place at PUC to quickly adapt to new circumstances.

Q. Given the challenges of 2020 was PUC able to achieve many of its strategic objectives?

PUC was able to achieve most of our 2020 Strategic Objectives due to some long hours and dedicated work from our team. We had some of the objectives morph into larger initiatives (e.g. Electronic payroll) and those are on track for completion in 2021. The team did an amazing job of focusing on moving the business forward and it's kept us on track.

EXECUTIVE TEAM



Rob Brewer, Hon. BSc, MBA
President and CEO



Claudio Stefano, P.Eng, MBA
Chief Operating Officer



Kelly McLellan, CPA, CMA, M.Acc
VP, Finance and Corporate Support



Kevin Bell, P. Eng.
VP, Business Development

PUC Brand Promise

“We lead the way through innovation and compassion to deliver outstanding service every single day.”



AREAS OF STRATEGIC FOCUS

At PUC, we are focused on what matters most. Our customers, our employees and our shareholder are at the centre of our 5 Year Strategic Plan.

CUSTOMERS

Our Customers Trust Us

EMPLOYEES

Our Employees Appreciate Us

SHAREHOLDER

Our Shareholder Commends Us

Strategic Long Term Goals

Achieve and Maintain an Exceptional Customer Satisfaction Rating

Recognized as One of Canada's Top 100 Employers

Achieve 100% Increase in Sustainable Dividend Revenue to Shareholder

Strategies to Achieve Success

Improve Service Quality Management (Responsive, Entrepreneurial, High Quality)

Implement Leading Organizational Transformation (Employee Engagement, Operational Excellence, Talent Management)

Develop Business Opportunities

Advance our Customer Focus (Customer Satisfaction, Communication)

Continuous Improvement of Safety Culture and Performance through our Integrated Safety Management System.

Ensure Sustainability of PUC Distribution, PUC Services and PUC Commission (Asset Management, DSP/COS, Financial Plan)

Continuous Productivity/Business Process Improvement



Your Trusted Utility for a Brighter Tomorrow

OUR MISSION

We are a community leader providing safe and reliable utility services.



OUR VISION

Improving communities through curiosity and innovation.



OUR VALUES

- Safety
- Integrity
- Customer Centric
- Innovative
- Accountable



CUSTOMER EXPERIENCE EXCELLENCE



Early in 2020, Jennifer Uchmanowicz was excited to participate in the acceptance of a provincial award presented to PUC for customer service excellence.

“It seems like a lifetime ago,” says Uchmanowicz, PUC’s Manager, Customer Experience.

But what is still fresh in her mind is the unanticipated challenges her department faced when the pandemic arrived a month later.

“Prior to Covid-19, we had no one who was set up to work remotely, we were a great team and there was no interest in working from home,” she says.

But the strong foundation and culture that led to an award for customer service kicked in and everyone acted quickly to the new circumstances.



“Overnight we were transitioning to a remote workforce. Within one week we were up and running, and by the second week we had everyone set up,” she says. The support of an excellent IT team and the commitment of both staff and management helped make it easier.

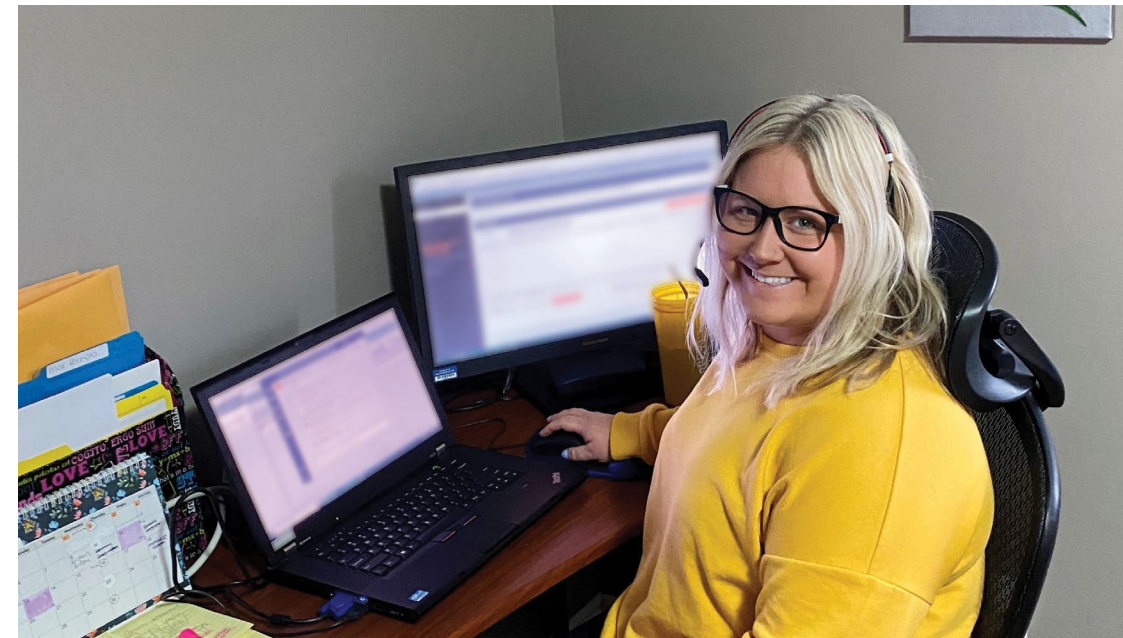
“It was part of our culture. We’ve always been that trusted community partner so we really sprung into action to do what needed to be done to keep everyone safe.”

Uchmanowicz says she was extremely impressed with how well her team adapted to the change and focused on ensuring the same quality of service despite the new protocols.

“It was pretty seamless for our customers; they would not know this transition was going on. We were always accessible,” she added.

“ It was part of our culture. We’ve always been that trusted community partner so we really sprung into action to do what needed to be done to keep everyone safe. ”

The call centre was flooded with questions from customers with concerns ranging from how to pay bills to questions about new provincial policies regarding pricing. PUC communicated through social media and their website dedicated an entire page to explaining various changes impacted by the pandemic. But naturally, some people still needed to hear a voice.



“We have made great progress in going paperless, but we also had people concerned about their ability to pay because they had lost their job,” she said.

PUC responded by introducing a number of initiatives to help ease the financial burden and provide some peace of mind during this difficult time.

“Our approach all along has been that we are here to help. We realized the stress for people and the team really worked with customers, providing flexible payments and funding programs,” she added.

That compassionate approach wasn’t reserved for customers. Uchmanowicz says there was also the challenge of minimizing the stress and feelings of isolation that could creep up within

her own team who had enjoyed a great camaraderie.

“In the beginning it was a little harder to adapt because it was so different for them, but we got Teams up and running to see each other and we actually talk quite a bit. The lines of communication have stayed the same, we just don’t see each other in person,” she said.

She says they also reserve time once a month to just share news about each other, to partially preserve the personal connection that was lost when there were no more birthday cakes and chats by the coffee machine.

“They do miss each other but they also appreciate how much PUC cares about keeping them safe,” she said.

DAY IN THE LIFE SERIES

In 2020, PUC continued to take customers behind the scenes of the inner working of the PUC building on the PUC Day in Life Series that was launched in 2019. PUC posted three videos on its website and social media accounts. The first video in 2020 focused on the Field Services Department. This segment educated the public on how staff locate all the electrical and water services found underground before any construction starts. The second video highlighted Lines Operations and all the work the employees do when it comes to operating the distribution system, including customer demand, and responding to power outages. The third video was a feature on PUC’s Forestry area and all the hard work employees perform on an average day removing vegetation from the vicinity of powerlines in the Sault. The videos are available for viewing on the PUC website at ssmpuc.com.



SUPPORTING PUC CUSTOMERS DURING THE PANDEMIC

The pandemic created many challenges for customers, some who had lost their jobs and were worried about paying their bills. The award-winning PUC Customer Experience team was on hand ready to help customers with their concerns and provide information on support programs that they could access and take advantage of. The COVID-19 Energy Assistance Program (CEAP) was one such program governed by the Ontario Energy Board and administered by PUC whereby qualifying customers (residents and businesses) who were financially impacted by the pandemic received an on-bill credit. Most importantly, PUC was committed to being flexible to customers who needed interest and late charges relief, extended credit terms and flexible payment plans.

PROVINCIAL CUSTOMER SERVICE EXCELLENCE AWARD PUC

Every year, top performing electricity utilities from across Ontario are honoured by the Electricity Distributors Association (EDA) for their accomplishments, programs and best practices across a variety of categories. In February 2020, PUC was presented with the EDA Customer Service Excellence Award. This award in addition to recognizing outstanding customer service, PUC was commended for its efforts in delivering the province’s AffordAbility Fund (AFT), demonstrating leadership in customer service, customer engagement and energy conversation. Of the \$100-million Ontario wide AFT program budget, Sault Ste. Marie accounted for 11 per cent of the total allocation, despite representing less than one per cent of the province’s population. At the time of the award, Sault Ste. Marie had 5,029 verified participants, who through this program, were expected to see reductions in their hydro bills with an estimate of almost \$2.4 million of potential savings for PUC customers on an annual basis. In addition, PUC, in partnership with AFT, has allocated over \$5 million to local businesses that support and deliver this program.

LEADING WITH COMPASSION AS A COMMUNITY PARTNER

PUC takes its role as a community partner seriously and that includes supporting local events and charities. Whether it was staff making masks at the beginning of the pandemic or the many donations and events throughout the year, PUC is committed to helping to make a difference.

PUC also raised funds for many local worthwhile causes. Given the challenges faced by many organizations in 2020, PUC changed its focus towards frontline local organizations.

An important step to ensuring PUC was meeting community needs was the creation of a detailed and clear donation policy that helped guide our giving.

In March of 2020, PUC revised its policy to focus on four key pillars to better reflect its key values and make targeted investments in the growth of our community. The community may now access the application for sponsorship through an online form on the PUC website.

GUIDING PRINCIPLES (THE FOUR PILLARS)

1. STEM (Science, Technology, Engineering and Mathematics).
2. Employee-Related Causes include corporate gift matching, and volunteer approval.
3. Healthy, Safe and Active Lifestyles for Children.
4. Hallmark Community Event Participation.



PUC IN THE COMMUNITY

ORGANIZATIONS WE SUPPORTED IN 2020



SUPPORTING ESSENTIAL WORKERS

PUC wanted to thank front-line health care workers for all that they are doing to keep our community healthy through the donation of N95 masks and other PPE to the Sault Area Hospital to help ensure staff, physicians and patients stay protected.

GO GREEN CAMPAIGN

The public was invited to participate in our conservation campaign by liking and/or commenting through our Facebook site with a way that they conserve energy in their home or work life. Participants had a chance to win several prizes through this initiative.

CAUTION AND CHANCE PROGRAM

For more than 25 years, PUC has delivered the Caution and Chance Program to local schools, (grades 3-5) across the Sault Ste. Marie community. This program is an interactive electrical presentation, taught by knowledgeable members of the PUC team who have worked in the utility industry for many years.

SSMART INNOVATION AWARDS

PUC was a proud sponsor at the SSMARt Innovation Awards, presenting the Innovation Youth of the Year Award to Jake Alphonso. He has made a substantial contribution to the science and technology sector through entrepreneurship, education and passion. Congratulations to Jake and all the young professionals in our community and thank you to Sault Ste. Marie Innovation Centre for the opportunity to recognize our youth. (Feb. 13)

EMERGENCY PREPAREDNESS

What an engaging evening PUC had learning from so many community partners on Emergency Preparedness and what it takes to be prepared for 72 hours without power. Those participating included Red Cross, Algoma Public Health, VPR (Vulnerable Persons Registry) Sault Fire Services, City of SSM and Sault Search and Rescue Service

ALGOMA VISIONARY AWARDS GALA

PUC was a proud sponsor of the Labour and Trades Award at the third AVA Gala. PUC was proud to honour a local representative from Algoma.

SAULT COLLEGE SCHOLARSHIPS, BURSARIES AND AWARDS PROGRAM

PUC sponsored four awards through the program, recognizing each student's outstanding academic achievements and supporting their commitment to post-secondary education.

SUPPORTING WELLNESS AND CMHA SAULT STE. MARIE

During Mental Health Safety Week, PUC's Safety Awareness Team came together to offer some tips to the public on how to stay mentally safe throughout the year. PUC was proud to donate and partner with Canadian Mental Health Association.

ALGOMA FAMILY SERVICES

PUC donated to the Student Nutrition Program, an initiative launched to provide families throughout Algoma with breakfast in the comfort of their own homes. This is made possible through a partnership with Lock City Dairies who sourced, packed and dropped off the bags across Algoma for volunteers to deliver to families. The program was able to provide food for up to 650 families each week.

GROCER 4 GOOD ABILITY DEVELOPMENT PROGRAM GRAND OPENING

PUC was pleased to donate to a program that showcases positive community leadership and creates an open and safe work culture for marginalized individuals.

JOHN HOWARD SOCIETY OF SAULT STE. MARIE DISTRICT

PUC provided support to the Feed the Kids Project to help those with food security issues. We thank The Breakfast Pig for their support to our Sault Ste. Marie community.



SAULT FIRE SERVICES

Every year the Sault Ste. Marie Fire Services participates in a door-to-door smoke and CO alarm program. In 2020, with the COVID-19 pandemic they were unable to do this. PUC created a bill insert to help educate all community members about smoke and CO alarm safety in the home.

SAULT STE. MARIE YMCA

PUC donated to the YMCA, an organization that has assisted children in leading healthier, happier lives today and in the future. The Strong Kids program helps children reach their full potential to help them become healthier in mind, body and spirit.

LIGHTING UP THE HOLIDAYS

PUC helped provide some holiday magic on Queen Street by joining OutSpoken Brewing, the City of Sault Ste. Marie and the Downtown Association SSM to brighten up the community and support local businesses.



LEADING THROUGH INNOVATION

INNOVATIVE PROGRAM REDUCES COSTS AND PIPE REPAIR TIME

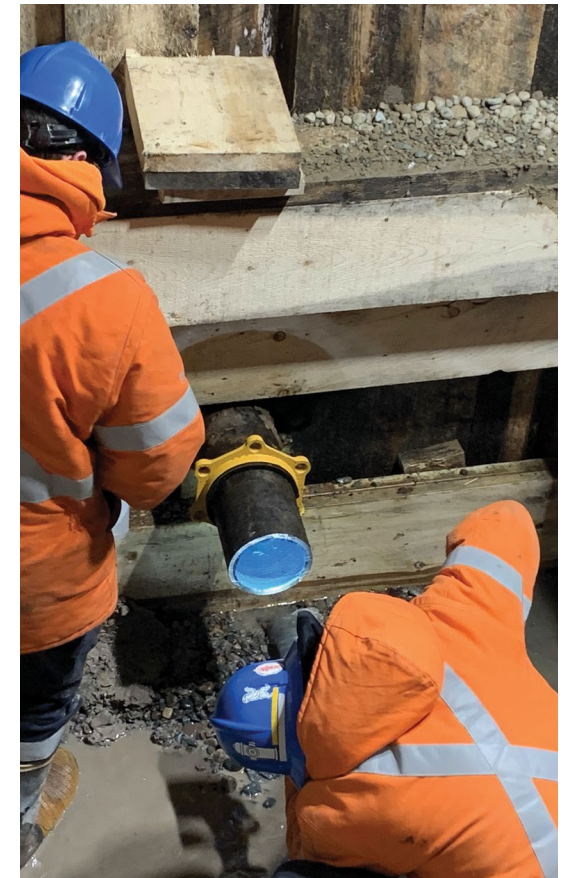
It's being called a game changer for PUC, ratepayers and the community.

PUC's management team is always on the lookout for new and more cost-effective ways to replace and extend the life of its aging water system infrastructure. In early 2020, after months of research, PUC teamed up with Canadian Induracoat Corp (CIC), to try its 'spray in place pipe' process with a polymer lining.

After thorough testing, PUC confirmed the new 'spray in place pipe' (SIPP) product would extend the life of its underground pipes and significantly cut down on the time it takes to replace or renew a watermain, resulting in savings for PUC customers.

SIPP lining technology provides a clean and safe polymer-lined pipe interior. This delivers several benefits including increasing the structural integrity of watermains and resilience to watermain breaks. Once the polymer is lined inside the pipe, it cures within minutes so there is no need for a temporary water service system to be constructed on the street. The lining is corrosion proof, and it will help to maintain water quality.

The extensive research and tests that PUC conducted with the SIPP technology during the Spring and Fall led to the successful application of the spray-in-place product to the watermains. In October 2020, PUC began to spray the polymer lining into a section of watermain located in the west end of the city. Within a week, PUC cleaned, lined and disinfected the pilot target of 240 meters of watermain. This process proved to be a significant improvement from the previous methods which would have encompassed several months to complete the watermain infrastructure renewal.



SAULT SMART GRID PROJECT

PUC took a major step forward in its goal to modernize Sault Ste. Marie’s electricity grid. PUC entered 2020, by awarding its request for proposal for the engineer procurement construction (EPC) contract for the Smart Grid Project. The first quarter focused on firming up the technical requirements for the scope of work in the EPC contract.

Usually, the next phase of finalizing contract language with the companies involved would have been done within one to two months. However, with COVID-19 and the ongoing pandemic and PUC’s focus being turned to the health and safety of its employees and the public, the process took much longer than expected. Over Zoom, it would take the companies involved nearly six months to finalize the contract.

In October, with the EPC contract in hand, PUC finalized its regulatory capital project application and submitted it to the Ontario Energy Board (OEB) for approval. In 2021 Q1/Q2 PUC will be in the intervenor stage of the extensive regulatory process, responding to both written and oral questions from the OEB or intervenors about the Smart Grid Project.

PUC hopes to take the key step forward in Q2 of 2021 with final approvals and commence engineering and construction to modernizing the Sault’s electricity grid and achieve project completion by the end of 2022.



CURED-IN-PLACE-PIPE (CIPP)

In 2020, PUC continued with its structural watermain renewal project. It was the second time in the Company’s history that it utilized the innovative Cured-in-Place-Pipe (CIPP) structural watermain lining technology. A total of about 1.5 kilometres of

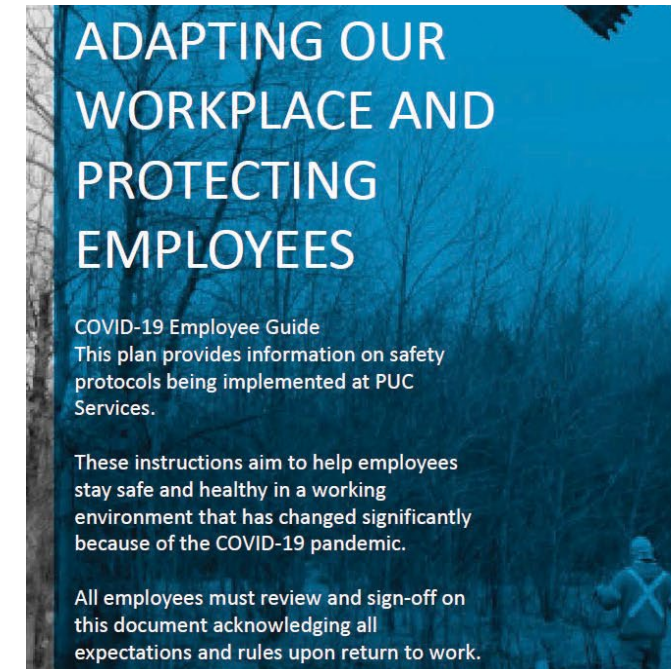
watermain was replaced in the east end of the city along Lewis Road, Clement Street and Kerr Drive. CIPP is used to rehabilitate existing watermains by lining the walls of the current pipe with a hardened synthetic fiber tube. This construction process took approximately 3 months to complete.

DELIVERING ESSENTIAL SERVICES SAFELY AND EFFECTIVELY

Safety has always been the top priority for PUC. This was the case before the pandemic, during the pandemic and it will continue after the pandemic. In 2020, PUC not only had to protect its employees, its customers and the community from the regular work-related risks of its industry, but PUC also needed to protect them from COVID-19. Shortly after the pandemic started,

had changed significantly because of the COVID-19 pandemic. The employee guide was shared beyond PUC and received praise from other utilities throughout the province, as well as many local businesses who were looking for guidance.

PUC continued to promote the importance of maintaining high standards for health and safety by providing a wide range of mandatory courses to employees.



PUC implemented a new policy requiring all staff to fill out a daily self health assessment. This continues to be accomplished on a new innovative app called Beekeeper. Every morning, PUC staff take full accountability of their health and safety by answering an attestation that is sent to their managers. In 2020, not a single PUC employee tested positive for COVID-19.

The programs offered, which address safe practices both in the workplace and at home, included: Public Safety, Craning and Hoisting, Mental Health First Aid, Confined Space, Defensive Driving, First Aid/CPR, Line and Cable Testing, Fire Extinguishing Training, SCBA & Fit Testing and Spill Response Training.

PUC’s commitment to safety throughout the pandemic was further demonstrated as it created and continually updated an employee “Workplace Transformation Guide”. During the unprecedented times, the company wanted to ensure the employees had confidence that the workplace continued to be safe and all necessary precautions were in place to remain healthy and secure. This comprehensive document provided guidance on expected conduct, established protocols and the information needed to navigate the workplace in an environment that

PUC is also proud of its track record when it comes to the safety of its contractors. This year PUC placed an increased focus on the contractors that it employs. PUC also improved its screening process before contractors perform any work for the company.



ESA AWARD

PUC was proud to be recognized by the Electrical Safety Authority (ESA) for its efforts to keep its employees and the community safe during the pandemic. PUC was presented with the “Worker Safety” award from the ESA in 2020.

Once the pandemic arrived in March, PUC employees did everything they could to keep all of their colleagues and their families safe. Very early on, PUC created a mask sewing committee. At that time, it was nearly impossible to acquire face masks

for PUC employees to wear. PUC staff and many of their family members stepped up and volunteered their free time to sew masks with three different, protective layers. The masks were then given to every employee and their families. Everyday we have employees working out in the community and they are often in situations where they are required to work in close proximity to one another. Sewing these masks also allowed PUC to donate a supply of N95 masks to the Sault Area Hospital and health care workers in our community.



WORKER SAFETY AWARD WINNER

Public Utilities Commission (PUC) Services Inc.
Sault Ste Marie

2020 ONTARIO ELECTRICAL SAFETY AWARDS

Electrical Safety Authority



OUR PEOPLE

HUMAN RESOURCES UTILIZED PLANNING AND FLEXIBILITY TO HELP STAFF ADAPT TO PANDEMIC

When the province was first placed into a lockdown and schools and businesses shut their doors in March 2020, PUC was deemed an essential service. Some might have said that meant it was “business and usual” but for PUC that could not be further from the truth.

“I think at first it was just really getting your mind around what’s happening and then immediately start taking measures to protect people,” said Jennifer Edgar, Director of Human Resources for PUC.

“What can we do immediately to keep our staff safe and ensure we can continue to carry on our operations. Those were our top two priorities,” she added.

Fortunately, PUC had policies in place that helped make the transition more seamless although flexibility and adaptability were paramount.

“It is truly something that you know you have policies for, but its one of those things you may never in your entire career, or in your lifetime, experience. Particularly something to this degree, that impacts the entire globe,” she said.

Immediately, staff that could work from home, were sent home. Employees that had to come into the office were given tight restrictions and guidelines to follow. Ongoing communication with staff was essential as everyone coped with this very fluid period.



“At first, when the pandemic hit, we held an all-staff call everyday. We were learning about what was happening in the environment, we were learning about the impacts to our workplace. We needed to communicate that often. We eventually reduced the frequency to three days a week and ultimately once a week,” said Edgar.

Setting up employees so they were able to work from home had its own set of challenges. Equipment had to be delivered to their homes and work hours were changed. With schools and daycares closed, many staff were now juggling two full-time day jobs, being a parent and an employee.

“For people with young children, it was really challenging and we, as an organization, understood that and were flexible,” said Edgar. “We gave staff the flexibility to do their work at different times of the day so they could take care of their families.” The feedback from the employees was fantastic.

Virtual health care for the employees was made available by the company. Staff were now able to access a doctor online.

As circumstances evolved throughout 2020, PUC adapted and updated its protocols to address the new challenges.

“I think getting to a place where everybody is accepting, that this is our reality and understanding the consequences if they don’t follow the protocols was necessary,” said Edgar.

Communities rely on PUC for essential utilities and employees realized how imperative it was to embrace these new health and safety measures to protect themselves, their colleagues and the public.

PUC STAFF WORK TIRELESSLY TO RETURN POWER AFTER DEVASTATING ICE STORM

The city encountered one of its worst winter ice storms in decades on New Year’s Eve, resulting in PUC staff working around the clock in the first days of 2020 to restore power to customers.

Heavy snow, ice, high winds and blistery cold temperatures rocked the Sault, resulting in fallen trees contacting powerlines and causing wide-spread outages that impacted more than 7,000 customers. PUC staff worked around the

clock for numerous days to restore power to all of its customers. “In my thirty-year career in the electrical distribution industry, this was the worst ice storm I’ve ever dealt with,” says Claudio Stefano, Chief Operating Officer for PUC Services. “I am so proud of all the hard work and long hours our staff endured to restore power to our community. The dedication and teamwork our employees showed during this very difficult time was a wonderful sight to see.”

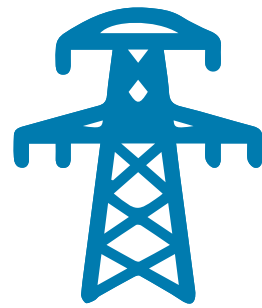


PUC DISTRIBUTION

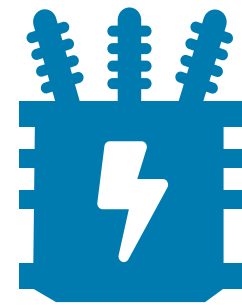
BY THE NUMBERS



33,381 RESIDENTIAL AND BUSINESS CUSTOMERS



2 TRANSMISSION STATIONS



14 DISTRIBUTION STATIONS



740 KM OF LOCAL DISTRIBUTION LINE



12,800 DISTRIBUTION POLES



342 KM² SERVICE TERRITORY

PUC UTILITIES COMMISSION

BY THE NUMBERS



26,271 RESIDENTIAL AND BUSINESS CUSTOMERS



2 SOURCES OF WATER
(GROUND WATER, 6 WELLS - 4 PUMPING STATIONS) (SURFACE WATER, LAKE SUPERIOR, WATER TREATMENT PLANT)



470 KM OF DISTRIBUTION MAINS



2,300 HYDRANTS



10.236 MILLION CUBIC METRES PUMPED PER YEAR

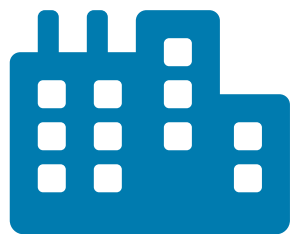
PUC GROUP OF COMPANIES

BY THE NUMBERS

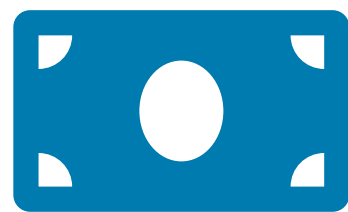
100+
YEARS OF SERVICE



EMPLOYS 220 PEOPLE



SERVES 40 MUNICIPALITIES AND ALL 127 FIRST NATION COMMUNITIES IN ONTARIO



TOTAL ANNUAL REVENUE OF APPROXIMATELY **\$169.5 MILLION**

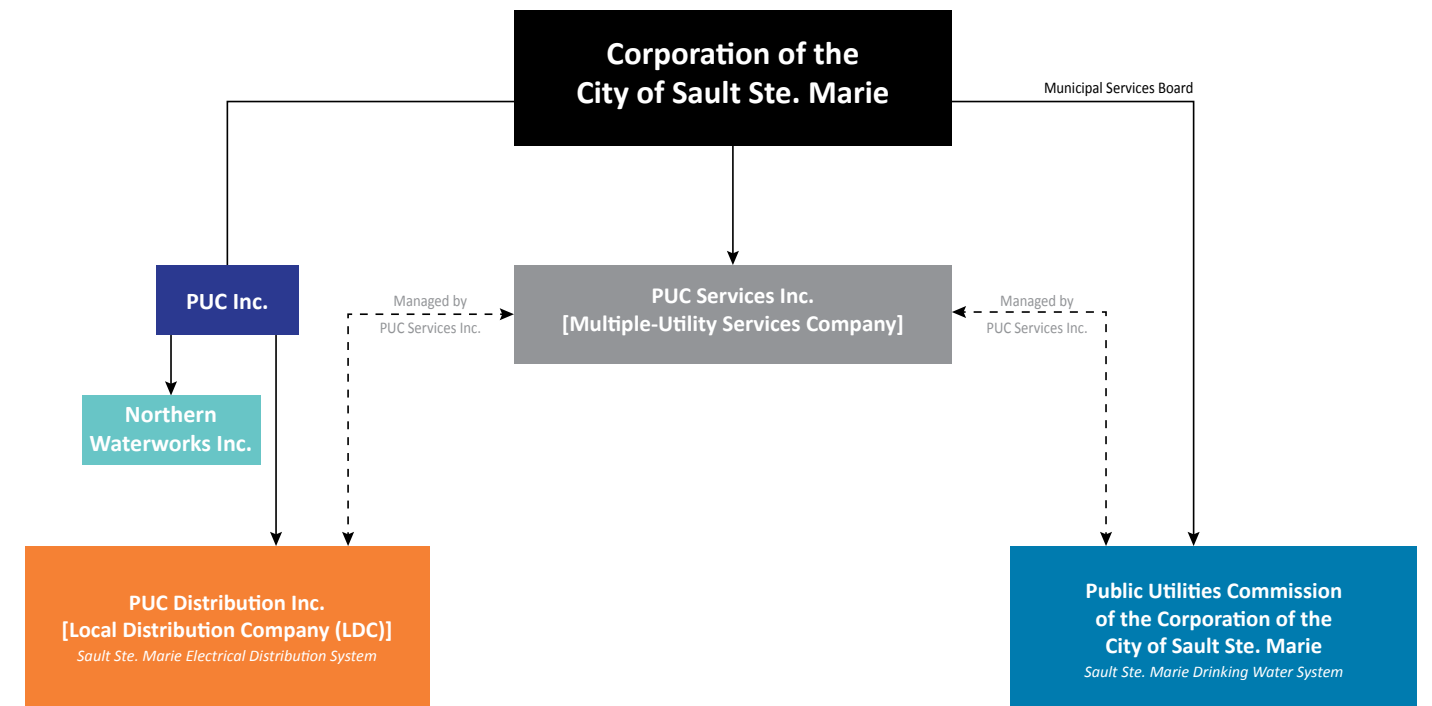


IN 2020, **\$19 MILLION** RE-INVESTED IN COMMUNITIES WE SERVE

ABOUT PUC

CORPORATE STRUCTURE

CORPORATE STRUCTURE



* In 2019, PUC acquired Northern Waterworks Inc. Through this acquisition, PUC's group of companies became the second-largest service provider of water and wastewater operations in Ontario.



PUC INC.

PUC Inc. is a holding company registered under the Ontario Business Corporations Act and is wholly owned by the Corporation of the City of Sault Ste. Marie with two wholly owned operating companies. PUC Inc. has two subsidiaries: PUC Distribution Inc. and Northern Waterworks Inc. (NWI).

PUC SERVICES INC.

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 assets and businesses of the Public Utilities Commission (city's water treatment and distribution system), and operates the City's wastewater treatment facilities 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. The total assets under management of PUC Services Inc. is approximately 1.4 billion.

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 the City of Sault Ste. Marie. 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.

PUC DISTRIBUTION INC.

PUC Distribution distributes electricity to residences and businesses within the boundaries of the City of Sault Ste. Marie, the Batchewana First Nation (Rankin Reserve), Prince Township and parts of Dennis Township. The management, maintenance and operations of the distribution system is carried out by PUC Services Inc. under a long-term contract.

PUC LOGO EXPLAINED

The power lines represent the electricity services PUC Services Inc. provides.



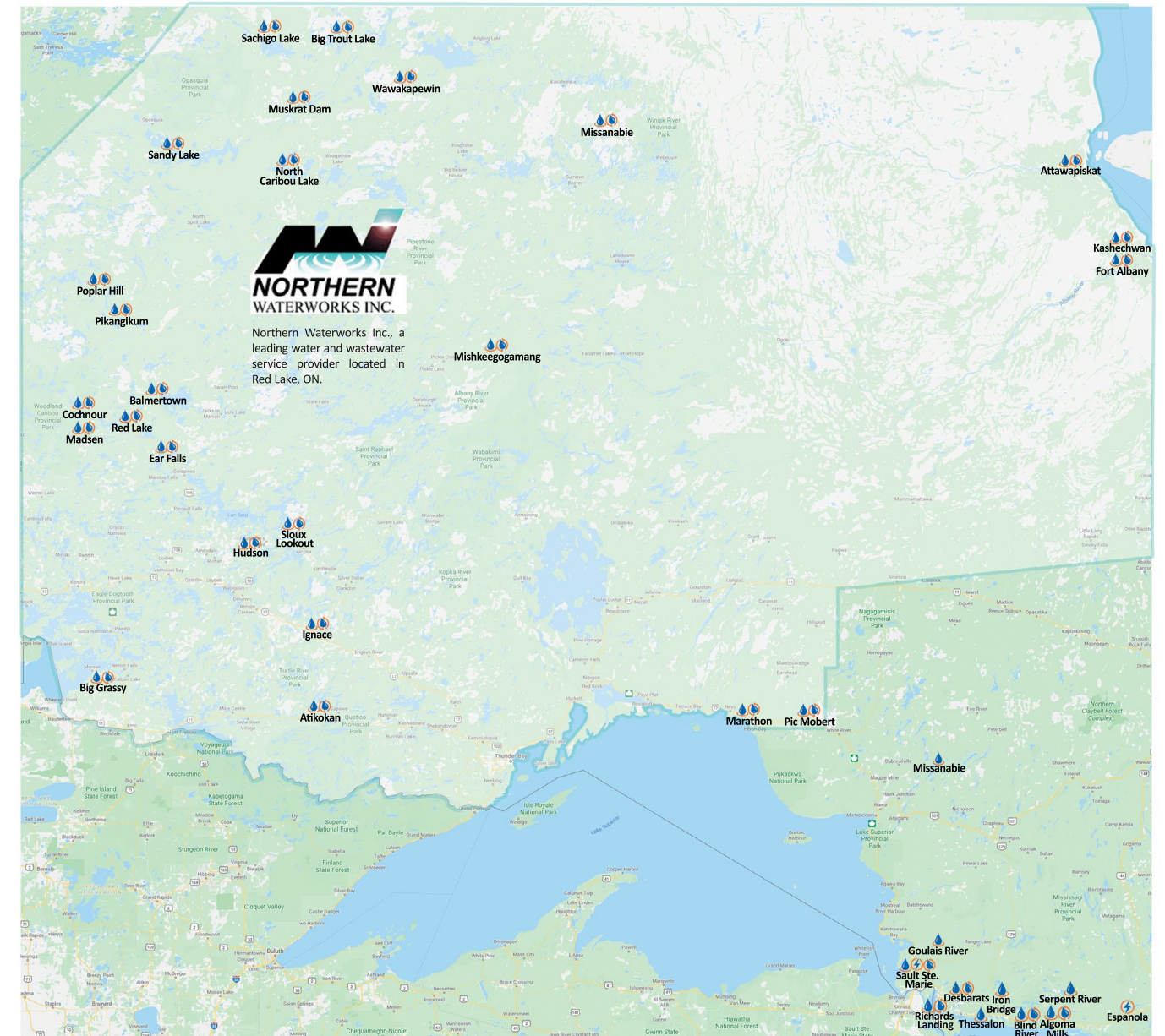
The water mark represents the water and wastewater services PUC Services Inc. provides.



PUC SERVICE AREAS

As we evolve and expand, PUC offers utility related services in Sault Ste. Marie, as well as many towns and communities within Ontario. This map shows the different areas in which PUC offers water, wastewater, and electricity services.

PUC Service Areas (Water, Wastewater and Electricity)



Map data ©2020 Google 20 km





PUC INC.

Non-Consolidated Statement of Financial Position

As at December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Accounts receivable	\$ 942,415	\$ 1,152,395
Receivable from PUC Services Inc.	2,520,244	2,180,876
Payment in lieu of taxes recoverable	16,764	22,258
Total current assets	3,479,423	3,355,529
Non-current assets:		
Notes receivable from related company	8,310,000	8,310,000
Investments in subsidiaries and associates	50,801,477	50,801,477
Total non-current assets	59,111,477	59,111,477
Total Assets	\$ 62,590,900	\$ 62,467,006
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 610,084	\$ 810,526
Long-term debt	31,720,000	31,720,000
Total liabilities	32,330,084	32,530,526
Shareholder's equity:		
Share capital:		
Authorized:		
Unlimited Special shares, non-voting, non-cumulative, redeemable at \$10,000 per share		
100,000 Common shares		
Issued and outstanding:		
1,462 Special shares	14,620,000	14,620,000
21,632 Common shares	14,618,248	14,618,248
Retained earnings	1,022,568	698,232
	30,260,816	29,936,480
Commitments		
Total Liabilities and Shareholder's Equity	\$ 62,590,900	\$ 62,467,006

Management has extracted this financial information from the audited financial statements.

PUC INC.

Non-Consolidated Statement Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Interest	\$ 2,255,698	\$ 2,244,299
Dividend income	940,164	1,245,126
	<u>3,195,862</u>	<u>3,489,425</u>
Expenses:		
Interest on long-term debt	1,934,920	1,934,920
Administrative	100,329	80,654
Business development	227,773	264,047
	<u>2,263,022</u>	<u>2,279,621</u>
Income before payment in lieu of taxes	932,840	1,209,804
Payment in lieu of taxes		
Current (recovery)	(1,576)	(8,054)
Net income, being total comprehensive income for the year	<u>\$ 934,416</u>	<u>1,217,858</u>



Management has extracted this financial information from the audited financial statements.

PUC SERVICES INC.

Statement of Financial Position

As at December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 2,557,793	\$ 3,166,749
Accounts receivable	5,299,586	7,594,050
Due from related party	11,183,645	9,305,879
Inventories	384,678	397,326
Prepaid expenses	93,264	69,990
Payment in lieu of taxes recoverable	176,778	-
Total current assets	<u>19,695,744</u>	<u>20,533,994</u>
Non-current assets:		
Deferred taxes	278,000	430,000
Property, plant and equipment	17,571,082	17,194,358
Intangible assets	803,326	447,070
Total non-current assets	<u>18,652,408</u>	<u>18,071,428</u>
Total assets	<u>\$ 38,348,152</u>	<u>\$ 38,605,422</u>

Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,371,871	\$ 4,586,074
Dividends payable	-	200,000
Payment in lieu of taxes	-	235,871
Due to related parties	7,942,155	8,429,941
Current portion of long-term debt	85,656	85,656
Total current liabilities	<u>12,399,682</u>	<u>13,537,542</u>
Non-current liabilities:		
Long-term debt	9,057,874	9,143,530
Deferred revenue	10,820,871	10,766,518
Employee future benefit obligations	2,349,497	2,095,366
Total non-current liabilities	<u>22,228,242</u>	<u>22,005,414</u>
Total liabilities	<u>34,627,924</u>	<u>35,542,956</u>
Shareholder's equity:		
Share capital	1,943,300	1,943,300
Accumulated other comprehensive income	162,758	251,025
Retained earnings	1,614,170	868,141
Total shareholder's equity	<u>3,720,228</u>	<u>3,062,466</u>
Commitments and contingences		
Total liabilities and shareholder's equity	<u>\$ 38,348,152</u>	<u>\$ 38,605,422</u>

Management has extracted this financial information from the audited financial statements.

PUC SERVICES INC.

Statement of Income and Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Management fees	\$ 11,292,230	\$ 10,032,484
Contracts	5,890,479	5,609,942
Services	4,827,155	4,619,515
Other operating revenue	1,459,062	1,740,801
	<u>23,468,926</u>	<u>22,002,742</u>
Expenses:		
Contract service	8,737,137	8,021,317
Administrative	6,251,737	4,585,062
Facilities	2,060,376	2,211,990
Depreciation and amortization	2,183,329	1,902,332
Billing and collection	1,053,990	1,087,607
Customer service	931,276	1,018,113
Street lights	391,759	304,806
New business development	227,773	264,047
Other business and maintenance	69,523	122,339
	<u>21,906,900</u>	<u>19,517,613</u>
Income from operating activities	1,562,026	2,485,129
Net finance costs	502,784	454,183
Income before provision for payment in lieu of taxes	1,059,242	2,030,946
Payment in lieu of taxes:		
Current	129,389	307,625
Deferred	183,824	254,875
	<u>313,213</u>	<u>562,500</u>
Income for the year	746,029	1,468,446
Other comprehensive income (loss): items that will not be classified to profit or loss, net of income tax:		
Remeasurement of employee future benefits	(120,091)	(207,077)
Income tax on other comprehensive income	31,824	54,875
Other comprehensive loss for the year	<u>(88,267)</u>	<u>(152,202)</u>
Net income and comprehensive income for the year	\$ 657,762	\$ 1,316,244

Management has extracted this financial information from the audited financial statements.

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash	\$ 425,098	\$ 1,357,018
Accounts receivable	3,875,625	3,315,924
Unbilled service revenue	978,476	1,003,613
Receivable from related company, PUC Services Inc.	5,421,911	6,249,064
	<u>10,701,110</u>	<u>11,925,619</u>
Financial liabilities:		
Accounts payable and accrued liabilities	4,130,854	6,066,139
Loan payable	4,376,289	5,158,807
	<u>8,507,143</u>	<u>11,224,946</u>
Total net financial assets	2,193,967	700,673
Non-financial assets:		
Tangible capital assets	97,236,873	92,251,588
Inventory	335,182	315,286
	<u>97,572,055</u>	<u>92,566,874</u>
Effects of COVID-19		
Accumulated surplus	\$ 99,766,022	\$ 93,267,547



Management has extracted this financial information from the audited financial statements.

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020 Total	2019 Total
Revenues:			
Service revenue:			
Residential	\$ 12,336,455	\$ 12,659,411	\$ 11,536,861
General	8,406,364	7,876,008	7,746,890
Hydrants	1,148,125	1,533,823	1,434,937
	21,890,944	22,069,242	20,718,688
Other:			
Investment income	35,000	103,412	102,122
Non-service revenue	320,950	395,597	408,923
Developers contributions	-	93,421	337,059
	355,950	592,430	848,104
Total revenues	22,246,894	22,661,672	21,566,792
Expenditures:			
Purification and pumping	4,032,074	3,603,667	3,839,429
Transmission and distribution	4,573,954	3,645,013	4,183,343
Amortization of tangible capital assets	2,690,000	2,640,705	2,532,089
Hydrants	580,600	514,253	637,577
Billing and collection	1,216,817	1,134,564	1,230,376
Interest on long-term debt	149,348	149,402	173,333
General and administration	3,817,589	4,475,593	3,634,858
Total expenditures	17,060,382	16,163,197	16,231,005
Operating surplus	5,186,512	6,498,475	5,335,787
Accumulated operating surplus, beginning of year	93,267,547	93,267,547	87,931,760
Accumulated operating surplus, end of year	\$ 98,454,059	\$ 99,766,022	\$ 93,267,547

Management has extracted this financial information from the audited financial statements.

PUC DISTRIBUTION INC.

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 124,037	\$ 585,387
Accounts receivable	5,738,294	5,433,776
Unbilled revenue	12,240,212	12,098,244
Payment in lieu of taxes recoverable	8,991	-
Inventory	2,020,118	1,729,484
Prepaid expenses	67,672	65,217
Total current assets	20,199,324	19,912,108
Non-current assets:		
Property, plant and equipment	105,376,966	100,099,858
Total assets	125,576,290	120,011,966
Regulatory balances	4,570,573	3,713,593
Total assets and regulatory balances	\$ 130,146,863	\$ 123,725,559



Management has extracted this financial information from the audited financial statements.

PUC DISTRIBUTION INC.

Statement of Financial Position (continued)

December 31, 2020, with comparative information for 2019

	2020	2019
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,419,954	\$ 10,127,802
Customer deposits	712,937	1,067,552
Payment in lieu of taxes	-	45,036
Dividends payable	610,080	900,000
Due to related parties	10,688,540	9,041,731
Current portion of long-term debt	1,727,219	1,366,680
Total current liabilities	22,158,730	22,548,801
Non-current liabilities:		
Deferred revenue	4,829,126	4,294,948
Deferred tax liability	1,387,000	710,000
Long-term debt	64,079,966	60,006,988
Total non-current liabilities	70,296,092	65,011,936
Total liabilities	92,454,822	87,560,737
Shareholder's equity:		
Share capital	20,062,107	20,062,107
Retained earnings	16,811,240	14,663,658
Total shareholder's equity	36,873,347	34,725,765
Total liabilities and shareholder's equity	129,328,169	122,286,502
Regulatory balances	818,694	1,439,057
Commitments and contingences		
Total liabilities, regulatory balances and shareholder's equity	\$ 130,146,863	\$ 123,725,559

Management has extracted this financial information from the audited financial statements.

PUC DISTRIBUTION INC.

Statement of Income and Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Electricity sales	\$ 85,083,387	\$ 74,373,612
Distribution revenue	19,032,237	19,071,168
Cost of electricity sold	(85,555,982)	(76,035,021)
Other operating revenue	7,630,820	6,747,157
Net operating revenue	26,190,462	24,156,916
Expenses:		
Operations and maintenance	6,434,364	6,302,246
General and administrative	3,129,473	3,172,654
Billing and collection	1,333,216	1,354,435
Depreciation and amortization	4,153,218	4,010,672
Community relations	5,307,274	4,680,636
	20,357,545	19,520,643
Income from operating activities	5,832,917	4,636,273
Net finance costs	3,187,222	3,130,511
Income before tax and regulatory items	2,645,695	1,505,762
Income tax expense (recovery):		
Current	76,523	126,958
Deferred	677,000	638,000
	753,523	764,958
Income for the year before movements in regulatory deferral account balances	1,892,172	740,804
Net movement in regulatory deferral account balances related to income or loss	(188,490)	(1,661,409)
Income tax	(677,000)	(638,000)
	(865,490)	(2,299,409)
Net income, being total comprehensive income for the year	\$ 2,757,662	\$ 3,040,213

Management has extracted this financial information from the audited financial statements.



CONTACT US

PUC Services Inc.
500 Second Line East
Sault Ste. Marie, ON
P6A 6P2

Email: customer.care@ssmpuc.com
Phone: 705-759-6522
Website: www.ssmpuc.com

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