

Scorecard - PUC Distribution Inc.

9/23/2020

Performance Outcomes	Performance Categories	Measures	2015	2016	2017	2018	2019	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	97.20%	98.90%	96.67%	99.12%	100.00%	↑	90.00%	
		Scheduled Appointments Met On Time	97.40%	98.30%	97.62%	98.48%	98.65%	↑	90.00%	
		Telephone Calls Answered On Time	82.30%	81.30%	79.88%	77.70%	72.43%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution	99.92%	99.58%	99.74%	99.80%	99.82%	↑	98.00%	
		Billing Accuracy	99.36%	99.97%	99.94%	99.97%	99.98%	↑	98.00%	
		Customer Satisfaction Survey Results	79%	80%	80%	80%	92			
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%	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 Rate per 10, 100, 1000 km of line	1	0	0	1	1	→		1
			0.134	0.000	0.000	0.135	0.135	↓		0.094
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.37	1.49	1.43	1.27	1.68	↓		1.38
		Average Number of Times that Power to a Customer is Interrupted ²	1.03	1.41	1.21	1.28	1.70	↓		1.33
	Asset Management	Distribution System Plan Implementation Progress	In Progress	In progress	In Progress	100%	79			
	Cost Control	Efficiency Assessment	4	4	4	4	3			
		Total Cost per Customer ³	\$699	\$695	\$673	\$690	\$697			
		Total Cost per Km of Line ³	\$31,377	\$31,314	\$30,541	\$31,338	\$31,775			
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%	111.00%			26.41 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	0.00%	100.00%			100.00%			
		New Micro-embedded Generation Facilities Connected On Time	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)	0.90	1.52	1.62	1.33	0.94			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	2.31	2.34	2.04	2.02	2.03			
		Profitability: Regulatory Return on Equity	Deemed (included in rates) Achieved	8.98%	8.98%	8.98%	9.00%	9.00%		

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 now discontinued 2015-2020 Conservation First Framework. 2019 results include savings reported to the IESO up until the end of February 2020.

Legend:

5-year trend: ↑ up, ↓ down, ↔ flat

Current year: ● target met, ● target not met

2019 Scorecard Management Discussion and Analysis (“2019 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 2019 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

PUC Distribution Inc. (“PUC”) distributes electricity to residences and businesses within the boundaries of the City of Sault Ste. Marie, Batchewana First Nation (Rankin Reserve), Prince Township and parts of Dennis Township. PUC is committed to providing its customers with a safe and reliable supply of electricity while operating effectively and efficiently at an equitable cost. PUC continues to strive to meet distributor and Ontario Energy Board (“OEB”) targets in customer focus, operational effectiveness, public policy responsiveness and financial performance.

In 2019, PUC exceeded all performance targets, except in the category of System Reliability. Despite missing these specific measures, PUC’s performance compared favourably to the industry average for 2019. PUC was successful in its cost controls, specifically in its Efficiency Assessment. PUC is extremely pleased to have moved up in its Incentive Rate Setting Stretch Factor Ranking assigned by the OEB mainly due to its ability to keep costs in line with projections.

PUC strives to maintain or improve its overall scorecard performance by monitoring key performance measures throughout the year and addressing issues as they arise. PUC plans to undertake initiatives which will mitigate risks, allowing continued delivery of the current performance levels. In 2020, PUC will continue efforts to maintain a high level of achievement on the scorecard performance results, while continuing to focus on areas that need improvement.

Service Quality

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

In 2019, PUC connected 176 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). PUC exceeded the OEB target of 90% by connecting 100% of its requests on time.

PUC 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 2019, PUC scheduled 1,034 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 98.65% of the time.

- **Telephone Calls Answered on Time**

In 2019, PUC's Customer Experience Department received 55,098 calls from its customers. Of the 55,098 calls, a Customer Care Representative answered the call within 30 seconds or less 72.43% of the time. Although a slight decrease from 2018 (77.70%), this result meets the OEB mandated 65% target for timely call response. The slight decrease in this target can be partly attributed to new Customer Care staff being trained.

Customer Satisfaction

- **First Contact Resolution**

PUC'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 2019, PUC received 55,098 calls, of which 105 contacts were escalated to a Senior Representative or Supervisor. This resulted in a First Contact Resolution percentage of 99.81%. 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 PUC believes further regulatory guidance is necessary to achieve meaningful comparable information across electricity distributors.

- **Billing Accuracy**

PUC issued approximately 359,710 bills for the period January 1, 2019 – December 31, 2019 and achieved an accuracy level of 99.98%. 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**

In 2019, PUC used a leading market research organization to conduct a Customer Satisfaction Survey, which included questions focused on the key areas of power quality and reliability, price, billing and payment, communication, customer service experience, and brand image. The survey result yielded a 92% satisfaction level.

PUC was proud to be recognized for its outstanding customer service by the Electricity Distributors Association. The “Customer Service Excellence” award was presented to PUC for its effective way to support its customers with the Ontario government’s Affordability Fund Trust program. PUC has been a leader in helping customers take advantage of this program by utilizing traditional and social media channels to share stories of customers who had already benefited, as well as by attending trade shows and community events.

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.

- **Public Safety**

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

The Public Awareness of Electrical Safety measure is determined by public survey. The purpose of the survey is to monitor the effort and impact LDC’s are having on improving public electrical safety for the Distribution Network. This public safety survey is intended to be conducted every two (2) years. The questions on the survey are standardized across the province.

PUC’s third safety awareness survey was conducted in early 2020 and resulted in a score of 85%. This was consistent with the previous Safety survey.

PUC 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 has contributed to the production of a series of electricity safety videos for television broadcast in various Ontario markets including its own service area.

Additionally, PUC promotes electrical safety awareness in a variety of forms. The importance of awareness of electrical hazards is conveyed 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.

For the past eight years, PUC was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This success was achieved by PUC'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 2019 reporting period, there was one reportable serious electrical incident. A tree loaded with snow contacted a 7200-volt primary line which caused the conductor to break. PUC staff attended the site, installed work protection, and made the necessary repairs to restore power.

PUC remains strongly committed to both the safety of staff and the general public. PUC regularly provides its customers with electrical safety information via its website and bill inserts. Additionally, PUC has made significant maintenance and capital infrastructure investments in the past several years to enhance system safety and reliability.

System Reliability

A key change in 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 2019 Scorecard system reliability data excludes both Loss of Supply and Major Events.

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 2019 there were six (6) major event days that occurred. The main causes of the major event days were adverse weather and foreign interference.

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

In 2019, PUC did not meet 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’s SAIDI of 1.68 was above the target of 1.38. There are ongoing efforts to improve reliability, with a focus on replacing aging infrastructure, in accordance with PUC’s DSP.

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

In 2019, PUC did not meet 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’s SAIFI of 1.70 was above the target of 1.33. There are ongoing efforts to improve reliability, with a focus on replacing aging infrastructure, in accordance with PUC’s DSP.

Asset Management

- **Distribution System Plan Implementation Progress**

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 DSP 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 2019 is 79%. The primary impact to a reduction in the score reported for this metric in 2019 – 79% versus 100% in 2018 – was the planned rescheduling of a distribution station rebuild project (Substation 16) rescheduled forward from 2019 to 2020/2021.

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 2019:

Group	Demarcation Points for Relative Cost Performance	Group Ranking	# of Ontario LDC's in Group
1	Actual costs are 25% or more below predicted costs	Most Efficient	7
2	Actual costs are 10% to 25% below predicted costs	More Efficient	17
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	29
4	Actual costs are 10% to 25% above predicted costs	Less Efficient	4
5	Actual costs are 25% or more above predicted costs	Least Efficient	2

In 2019, PUC moved from Group 4, less efficient to Group 3, average efficiency, by realizing increasingly favourable actual-to-predicted cost variances at 8.3% higher than predicted costs between 2017-2019. This is an exceptional achievement for PUC.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of PUC's capital and operating costs, including certain adjustments to make the costs more comparable between distributors (i.e. under the PEG econometrics model), divided by the total number of customers that PUC serves. The cost performance result for 2019 is \$697 per customer which is a 1.01% increase over 2018.

PUC will continue to replace aging distribution assets proactively in a manner that balances system risks and customer rate impacts. In addition, PUC continues to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on PUC's capital spending plans.

- **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's 2019 rate is \$31,775 per Km of line, a 1.39% increase over 2018.

PUC continues to experience a low level of growth in its total kilometers 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's total cost per Km of line between 2015 and 2019 has decreased by \$2 per km of line.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

In the early part of 2019, the Provincial government transitioned away from the local delivery of conservation program and moved to a central delivery system. While PUC continued to deliver the program above their targets, these targets were now not part of the program for local utilities and became single provincial target. During this transition, PUC has continued to support customers through program knowledge and conservation awareness, while closing out any applications that were still in process during this transition.

PUC continuously works closely with the City of Sault Ste. Marie to support and advise on conservation projects within their facilities, including application support for the incentives through the new provincial programs. For our residential customers, PUC has seen significant uptake in the provincially funded Affordability Fund program. This program helps customers reduce their consumption of electricity through the use of energy efficient appliances and in some instances heating/cooling. In 2019, PUC saw participation of 18% of its residential customer base.

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.

There was one CIA request received in December 2018 and completed on time in January 2019.

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

PUC received one net-metered application and provided one offer to connect in December 2019. The offer to connect was accepted. The connection was completed on time, however, will be reported as part of the 2020 scorecard due to timing.

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’s current ratio decreased from 1.33 in 2018 to 0.94 in 2019. The decrease is mainly attributable to the current funds borrowed from related parties. In 2020, \$5.8M of this related party intercompany current liability will be transferred to long-term debt as PUC will be securing financing for its capital programs. This strategy will ensure PUC maintains its reliability performance and provides funding for necessary investments to improve productivity and meet other customer requirements. Excluding the \$5.8M from current liabilities results in a current ratio of 1.29.

- **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’s leverage position has remained consistent at 2.03 in 2019. This indicates a debt to equity structure of 67% debt, 33% equity.

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

PUC’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% 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’s achieved return in 2019 was 8.87% which is within the +/- 3% range allowed by the OEB. Productivity improvements and operational efficiencies continue to be a priority for the business. PUC will continue to seek process improvements, find efficiencies, and manage costs while delivering on the operational and capital programs. Going forward, PUC expects to maintain within +/- 3% range of the deemed regulatory return on equity.

Note to Readers of 2019 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.