Scorecard - PUC Distribution Inc.

7/15/2022

Performance Outcomes	Performance Categories	Measures		2017	2018	2019	2020	2021	Trend	Target: Industry	Target: 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		96.67%	99.12%	100.00%	100.00%	97.60%	↑	90.00%	
		Scheduled Appointments Met On Time		97.62%	98.48%	98.65%	100.00%	99.92%	↑	90.00%	
		Telephone Calls Answered On Time		79.88%	77.70%	72.43%	68.88%	71.13%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution		99.74%%	99.80%	99.82	99.76	99.63			
		Billing Accuracy		99.94%	99.97%	99.98%	99.96%	99.97%	→	98.00%	
		Customer Satisfaction Survey Results		80%	80%	92	92	88			
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		85.00%	85.00%	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	0	1	1	2	0	→		1
			Rate per 10, 100, 1000 km of line	0.000	0.135	0.135	0.271	0.000	→		0.076
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		1.43	1.27	1.45	2.12	1.81	↑		1.38
		Average Number of Times that Power to a Customer is Interrupted [2]		1.21	1.28	1.55	1.74	1.32	↑		1.33
	Asset Management	Distribution System Plan Implementation Progress		In Progress	100%	79	90	104			
	Cost Control	Efficiency Assessment		4	4	3	3	3			
		Total Cost per Customer [3]		$673	$690	$697	$673	$696			
		Total Cost per Km of Line [3]		$30,541	$31,338	$31,775	$30,791	$31,915			
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).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time				100.00%					
		New Micro-embedded Generation Facilities Connected On Time								90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.62	1.33	0.94	0.99	0.80			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		2.04	2.02	2.03	2.07	2.09			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	9.00%	9.00%	9.00%	9.00%			
			Achieved	1.78%	4.25%	8.87%	8.75%	7.60%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. 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.

Legend:

5-year trend
↑ up ↓ down → flat

Current year
target met target not met

2021 Scorecard Management Discussion and Analysis ("2021 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 2021 Scorecard MD&A:
http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.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.

PUC exceeded all performance targets in 2021. It was a year where resiliency, perseverance and hard work provided the momentum to achieve positive outcomes for PUC. In 2022, PUC will be undergoing a major improvement to its distribution system with the approval of Smart Grid, which will upgrade some of the existing infrastructure and help to improve reliability. PUC was successful in its cost controls, specifically in its Efficiency Assessment. PUC maintained its Incentive Rate Setting Stretch Factor Ranking assigned by the OEB due to its ability to keep costs in line with projections. Thus PUC remained in Group 3 cohort for its Stretch Factor Assignment ranking.

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 2022, PUC will continue efforts to maintain a high level of achievement on the scorecard performance results, while continuing to focus on continuous improvement across all areas of its business.

Service Quality

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

  The OEB's Distribution System Code (DSC) requires electricity distributors to connect a new service for customers (those utilizing connections under 750 volts) within five business days, 90% of the time. In 2021, PUC connected 250 eligible low-voltage residential and small business customers to its distribution system, exceeding the OEB target of 90% by connecting 97.60% 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**

  PUC strives to meet customers' meeting requests and comply with industry standards. The OEB's DSC requires that for appointments during regular business hours, the electricity distributor must offer a window of time that is no longer than four hours and must arrive within that window 90% of the time. In 2021, PUC scheduled 1,252 appointments with customers to complete customer requested work (e.g., meter installs/removals, service disconnects, reconnects, and meter locates.) PUC exceeded the OEB target by arriving at the scheduled appointments 99.92% of the time.

- **Telephone Calls Answered on Time**

  The OEB's DSC requires that during regular call centre hours, call centre staff must answer online calls within 30 seconds of receiving the call, 65% of the time. In 2021, PUC's Customer Experience Department received 41,886 calls from its customers. Of these calls, a Customer Care Representative answered the call within 30 seconds or less 71.13% of the time. This was an increase to the 68.88% in 2020.

  Although a combination of unprecedented challenges occurred in 2021 (e.g. work from home, increase in Ontario initiated programs, etc.) PUC exceeded the OEB target.

Customer Satisfaction

- **First Contact Resolution**

  PUC aims to address its customers' needs as quickly as possible and strives to resolve customer concerns and issues the first time the customer contacts PUC. The OEB requires electricity distributors to report on its success at meeting customers' needs the first time the electricity distributor is contacted.

  This metric is known as 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 2021, PUC received 41,886 calls, of which 153 contacts were escalated to a Senior Representative or Supervisor. This resulted in a First Contact Resolution percentage of 99.63%. 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**

  The OEB prescribes a measurement of billing accuracy which must be used by all electricity distributors. The measure has been defined as the number of accurate bills issued expressed as a percentage of total bills issued. In 2021, PUC issued approximately 370,843 bills and achieved an accuracy level of 99.97%. This score compares favourably to the prescribed OEB target of 98%. PUC continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

  Engaging customers in a constantly changing energy environment is increasingly important. The OEB requires electricity distributors to measure and report customer satisfaction results at least every other year. In 2021, PUC did conduct a Customer Satisfaction Survey. PUC's Customer Satisfaction Survey score was 88%.

PUC engaged Utility PULSE (the electricity survey division of Simul Corporation) to conduct a bi-annual in-depth customer satisfaction telephone survey. There were 2,719 households and small business contacted and 401 completed interviews (85% residential & 15% commercial). The survey asks a core set of questions for overall satisfaction with PUC, reliability of service, outages, billing issues and corporate image. The overall scorecard combined results was an "A" rating which is in line with the reporting Ontario LDC average of "A".

Customer engagement provides feedback that is critical for PUC's long-term success and ensures customers are provided with services they value and the value they expect. The next survey will be conducted in 2023.

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 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 ten (10) 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 2021 reporting period, there were zero reportable serious electrical incidents.

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, social media, and bill inserts. Additionally, PUC continues to make significant maintenance and capital infrastructure investments to enhance system safety and reliability.

System Reliability

The OEB requires the reporting of reliability data with respect to Major Events. Specifically, the data 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 2021 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 2021 there was one (1) major event day that occurred. The main cause of the major event day was Lightning.

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

  An important feature of a reliable distribution system is the quick recovery from power outages. Accordingly, electricity distributors must track the average length of time, in hours, that their customers experienced a power outage over the past year. This measure is known as the System Average Interruption Duration Index (“SAIDI”). In 2021, PUC did not meet its SAIDI performance target with a recorded SAIDI of 1.81, below the 1.38 target. Throughout the year, PUC encountered a single major event which was attributable to cause code 4-Lightning. PUC has staff on-call to respond to emergencies and restore power as quickly as possible in the case of unforeseen outages. Ongoing efforts to improve reliability, with a focus on effective maintenance activities and replacing aging infrastructure as indicated in PUC’s Distribution System Plan (DSP), form part of PUC’s strategies.

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

  Another important feature of a reliable distribution system is reducing the frequency of power outages. Electricity distributors must track the number of times their customers have experienced a power outage over the past year. This measure is known as the System Average Interruption Frequency Index (“SAIFI”). In 2021, PUC met its performance target for the SAIFI. PUC’s SAIFI of 1.32 was below the target of 1.33. The main outage causes in 2021 were Defective Equipment, Adverse Weather and unknown causes that could not be identified following patrols and where circuits were re-energized. Ongoing efforts to improve reliability, including looking for mitigation approaches for the main outage causes and a focus on effective maintenance activities and replacing aging infrastructure as indicated in PUC’s DSP, form part of PUC’s strategies.

Asset Management

- **Distribution System Plan Implementation Progress**

  Consistent with industry best practices, PUC invests in its distribution system to ensure the safe and reliable delivery of electricity; and upgrades or replaces equipment to be able to serve customers on a continuous basis. 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 2021 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. PUC intends to file a new DSP covering the 2023 to 2027 period as part of its 2023 Cost of Service application.

The calculated value for this performance metric for 2021 is 104%. The year-over-year increase in the score reported for this metric (90% in 2020 versus 79% in 2019) - was attributable the planned rescheduling of a distribution station rebuild project (Substation 16) 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 2021:

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	13
2	Actual costs are 10% to 25% below predicted costs	More Efficient	15
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	23
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 2021, PUC remained in Group 3, average efficiency. PUC's 3-year average of actual-to-predicted costs dropped to 2.8% for 2019-2021. This was driven mainly by lower OM&A costs and capital spending in 2021. In 2021, PUC continued to have operations impacted by COVID, and as a result we expect to see increased spending in OM&A and capital in 2022.

- **Total Cost per Customer**

  Total cost per customer is calculated by PEG as the sum of PUC's capital and operating costs, including certain adjustments to make the costs more comparable between distributors, divided by the total number of customers that PUC serves. The cost performance result for 2021 is $696 per customer which is a 3.44% increase over 2020. On June 17, 2021 the OEB release the outcome of the Consultation titled "Regulatory Treatment of Impacts Arising from the COVID-19 Emergency" which provided further guidance on the use of the COVID DVA. Based on the guidance provided by the OEB in their report, PUC Distribution's costs in the COVID DVA account were ineligible for recovery and $597k was recognized as an expense in the 2021 results. This resulted in a higher total Cost per customer in 2021. In the absence of this, PUC's results would be $679 per customer which is slightly higher than the 2020 results.

  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 2021 rate is $31,915 per Km of line, a 3.65% increase over 2020. As mentioned above, PUC's total costs increase because of an additional $597k that was recognized as an expense in the 2021 results. This resulted in a higher Total Cost per Km of Line. In the absence of this, PUC's results would be $31,107 total Cost per Km of line and only a 1.03% increase from 2020.

  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.

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. PUC received no renewable generation CIA applications in 2021.

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

  PUC connected three net-metered facilities in 2021 on time, in which the application and offer to connect for one were completed at the end of 2020 and two were completed fully in 2021.

Financial Ratios

Financial Ratios are used to determine various aspects of a company's operating and financial performance. On June 17th, 2021, the OEB issued the Report of the Ontario Energy Board: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency. As a result of this announcement, PUC made adjusting entries in 2021 relating to costs allocated to the Deferred Regulatory account in 2020 that were determined to be expense. PUC recorded COVID related lost revenue and expenses in 2021 that were from 2020 following the guidance of the OEB treatment. This impact affected the financial ratios in 2021.

- **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 for 2021 was 0.80, a decrease of 0.19 from 2020.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

  The Total Debt to Equity Ratio measures the extent to which the assets of a company are financed by borrowing money. A debt-to-equity ratio of 1.00 means that half of the assets of a business are financed by debts and half by shareholders' equity. 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).

  PUC's leverage position has remained relatively consistent, at 2.09 in 2021 above the OEB's target of 1.5. This indicates a debt-to-equity structure of 68% debt, 32% equity. PUC's approach to managing its capital structure has served both it and its customers well in the past. Maintaining a higher debt to equity ratio enables PUC to fulfill capital and operating programs without impairing its ability to meet its financial obligations.

- **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 2021 was 7.60% 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 2021 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.