

Scorecard - PUC Distribution Inc.

| Performance Outcomes | Performance Categories | Measures | 2011 | 2012 | 2013 | 2014 | 2015 | 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 | 97.80% | 95.80% | 96.50% | 93.00% | 97.20% | | 90.00% | |
| | | Scheduled Appointments Met On Time | 97.20% | 98.40% | 97.10% | 95.40% | 97.40% | | 90.00% | |
| | | Telephone Calls Answered On Time | 76.70% | 74.60% | 80.90% | 81.90% | 82.30% | | 65.00% | |
| | Customer Satisfaction | First Contact Resolution | | | | 99.89% | 99.92% | | | |
| | | Billing Accuracy | | | | 99.83% | 99.36% | | 98.00% | |
| | | Customer Satisfaction Survey Results | | | | In progress | 79% | | | |
| 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% | | | |
| | | Level of Compliance with Ontario Regulation 22/04 ¹ | NI | NI | C | C | C | | | C |
| | | Serious Electrical Incident Index | Number of General Public Incidents | 0 | 3 | 1 | 3 | 1 | | |
| | Rate per 10, 100, 1000 km of line | | 0.000 | 0.407 | 0.135 | 0.405 | 0.134 | | | 0.151 |
| | System Reliability | Average Number of Hours that Power to a Customer is Interrupted ² | 2.92 | 1.65 | 2.48 | 1.19 | 3.35 | | | 2.07 |
| | | Average Number of Times that Power to a Customer is Interrupted ² | 3.61 | 2.17 | 2.67 | 1.21 | 1.84 | | | 2.50 |
| | Asset Management | Distribution System Plan Implementation Progress | | | | In progress | In Progress | | | |
| | Cost Control | Efficiency Assessment | | 3 | 4 | 4 | 4 | | | |
| | | Total Cost per Customer ³ | \$513 | \$615 | \$687 | \$664 | \$699 | | | |
| | | Total Cost per Km of Line ³ | \$22,981 | \$27,523 | \$30,950 | \$29,886 | \$31,377 | | | |
| 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% | | 26.41 GWh | |
| | Connection of Renewable Generation | Renewable Generation Connection Impact Assessments Completed On Time | 66.67% | | | | 0.00% | | | |
| | | New Micro-embedded Generation Facilities Connected On Time | | | 100.00% | 100.00% | 100.00% | | 90.00% | |
| Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable. | Financial Ratios | Liquidity: Current Ratio (Current Assets/Current Liabilities) | 1.43 | 1.19 | 1.06 | 1.68 | 0.90 | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 1.44 | 2.01 | 1.99 | 2.42 | 2.31 | | | |
| | | Profitability: Regulatory Return on Equity | Deemed (included in rates) | 8.57% | 8.57% | 8.98% | 8.98% | 8.98% | | |
| | | | Achieved | 8.16% | 4.99% | 7.00% | 5.47% | 4.46% | | |

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 fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
 3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
 4. The CDM measure is based on the new 2015-2020 Conservation First Framework. This measure is under review and subject to change in the future.

Legend:

5-year trend

up down flat

Current year

target met target not met

Appendix A – 2015 Scorecard Management Discussion and Analysis (“2015 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 2015 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

For the year 2015, PUC Distribution met or exceeded all prescribed targets for scorecard measures except one, the outage duration index, SAIDI. This metric was significantly impacted by a late-year winter storm that hit Sault Ste. Marie and surrounding area in the early morning hours of December 24th. With wind gusts up to 90 kph, many trees came down onto PUC distribution lines interrupting power to approximately 10,000 customers for varying time durations. PUC Distribution crews worked extensive hours late into the day on Christmas Eve to restore all affected customers in time for their Christmas Eve dinners. We are very grateful to our staff for their extensive efforts in responding to this demanding weather event and we extend our praise for the excellent work they did in restoring service to all our customers as quickly as possible.

One particular area of performance where PUC Distribution is especially proud of is in the area of safety, both in regards to the general public and in the area of our workers. Of the 36 LDC’s that participated in the 2015 electrical safety awareness survey, PUC Distribution scored the highest with an awareness score of 86%. Our efforts in awareness education for elementary school students and the use of general safety promotions through the various media venues play an important part in this achievement.

Service Quality

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

In 2015, PUC Distribution connected 144 eligible low-voltage residential and small business customers (connections under 750 volts) to its distribution system, 97.20% of which were connected within the five-day timeline prescribed by the Ontario Energy Board (OEB). This is an improvement of 4.2 percentage points over 2014 and exceeds the OEB mandated target of 90%. PUC Distribution remains committed to a process of continuous improvement to ensure performance targets are not only met, but exceeded.

- **Scheduled Appointments Met On Time**

In 2015, PUC Distribution scheduled 1,240 appointments with customers to complete customer requested work (e.g. meter installs or

removals, service disconnects or reconnects, and meter locates). As a result of our continuous improvement efforts, PUC Distribution met 97.40% of scheduled appointments, an improvement over 2014 by 2 percentage points, and exceeded the OEB target of 90%.

- **Telephone Calls Answered On Time**

In 2015, PUC Distribution's Customer Care Department received 38,874 calls from customers. Our Customer Care Representatives answered those calls in 30 seconds or less, 82.30% of the time. This result significantly exceeds the OEB mandated target of 65%. The five year trend has shown continuous improvement for this performance measure in part due to a concerted effort to proactively communicate with our customers. Additionally, the PUC Distribution website is being used more effectively.

Customer Satisfaction

- **First Contact Resolution**

For 2015, PUC Distribution handled 99.92% of calls without escalating the calls to a Senior Customer Care Representative, Supervisor, or Manager. However, it's important to note that First Contact Resolution can be measured in a variety of ways, and further regulatory guidance is necessary in order to achieve a meaningful statistic that is comparable across electricity distributors.

First Contact Resolution was determined by creating two specific call types in our Customer Information System (CIS) which could then be queried to provide the number of customer concerns which were escalated. To establish the number of calls which were handled without escalation, the CIS was queried based on the associated call types to arrive at the total number of customer calls handled by the Customer Care Team.

To determine the number of repeat calls for the same issue, a review of the escalated calls was conducted on the premise that if the call reached the Senior Customer Care level the concern would not have been satisfactorily resolved at the time of first contact.

- **Billing Accuracy**

PUC Distribution issued approximately 400,000 bills for the period from January 1, 2015 – December 31, 2015 and achieved an accuracy of 99.36%. This exceeds the prescribed OEB target of 98%. PUC Distribution continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

PUC Distribution engaged the UtilityPulse Division of Simul Corporation to conduct our 2015 customer satisfaction survey. The UtilityPulse Electric Utility Survey is in its 17th year of annual surveys and is used by a significant number of Ontario distributors. The final report on our customer satisfaction survey was received in June and PUC Distribution received a customer satisfaction score of

79% (post survey result). The survey asked customers questions on a wide range of topics, including: overall satisfaction with reliability, customer service, outages, billing and corporate image. These customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within PUC Distribution.

Safety

- **Public Safety**

The OEB introduced the Safety Measure in 2015. This measure looks at safety from a customer's point of view as safety of the distribution system is a high priority. The Safety Measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04 and the Serious Electrical Incident Index.

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

In 2015, PUC Distribution participated in a public electrical safety awareness survey. A representative sample of PUC Distribution's service territory population was surveyed to gauge the public's awareness level of key electrical safety concepts related to distribution assets (the survey was based on a template provided by the Electrical Safety Authority). Of the 36 LDC's that participated in the electrical safety awareness survey, PUC Distribution scored the highest with an awareness score of 86%. The purpose of the survey was to provide a benchmark level concerning the public's electrical safety awareness, and identify opportunities where additional education and outreach may be required.

With several major public safety awareness events held in 2015, PUC Distribution's commitment to education and public safety was highlighted once again. Below are the electrical safety initiatives PUC Distribution participated in over the last year:

- Elementary School Electrical Safety Program for Grade 3 – 5 within our geographic service territory (24 schools involving 1,863 students and their teachers participated)
- Advanced Research & Technology Innovation Expo (ARTIE) (approx. 360 students and their teachers participated)
- Sault Ste. Marie Science Festival (approx. 500 adults and children participated)
- Sault Ste. Marie PUC website – Safety tab
- Advertisements in the geographic service territory consists of: newspaper and radio ads

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

Component B is comprised of; an External Audit, a Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns, and

Compliance Investigations. All these elements are evaluated as a whole to determine the status of compliance. Over the past three years, PUC Distribution was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety and continued adherence to company policies and procedures.

Ontario Regulation 22/04 establishes objective based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of; equipment, plans, and specifications, and the inspection of construction to ensure there are no undue hazards before installations are put in service.

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

For 2015, PUC Distribution was below the serious electrical incident target rate of 0.151 incidents per kilometer. PUC Distribution reported one (1) serious electrical incident involving members of the public last year, which is a decrease in the quantity (3) of incidents reported during the previous year. Fortunately, there were no injuries associated with this incident. In following up on this incident, PUC Distribution reached out to the ESA to offer assistance in educating first responders with respect to electrical safety. Additionally, PUC Distribution continues to increase public awareness in an effort to eliminate future incidents. PUC Distribution offers electrical safety awareness outreach via; newspaper and radio, presentations to elementary school students, and detailed hazard awareness presentations to contractors.

System Reliability

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

The System Average Interruption Duration Index (SAIDI) of 3.35 in 2015 was higher than the target of 2.07. Outage performance for 2015 was significantly impacted by a severe windstorm that hit the Sault Ste. Marie area early on December 24, 2015. The events of that one day accounted for 42% of the outage duration performance for the entire year.

Excluding the windstorm, SAIDI would have been 1.94. There are ongoing efforts to improve reliability including replacing aging infrastructure and improving vegetation management.

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

The System Average Interruption Frequency Index (SAIFI) of 1.84 in 2015 was lower than the target of 2.50. Consistent with SAIDI, outage performance for the year was significantly impacted by a severe windstorm that hit the Sault Ste. Marie area on December 24, 2015. The events of that one day accounted for 31% of the outage frequency performance for the entire year. Excluding the windstorm, SAIFI would have been 1.27.

Asset Management

• Distribution System Plan Implementation Progress

All Distributors are required to file a Distribution System Plan (DSP) when filing a cost of service application for the rebasing of their rates. We expect that implementation of this standardized approach will re-inforce our existing commitment to long term planning and sustainable asset management. PUC Distribution is presently engaged in reviewing, updating, and migrating its Asset Management Plan into the creation of an integrated DSP which will meet all OEB requirements. Accordingly, PUC Distribution plans to file an application with the OEB in 2017 which will include a complete DSP.

Cost Control

• Efficiency Assessment

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC (PEG) on behalf of the OEB to produce a single efficiency ranking. The PEG econometrics model attempts to standardize costs to facilitate more accurate cost comparisons among distributors by accounting for differences such as number of customers, treatment of high and low voltage costs, kWh deliveries, capacity, customer growth, length of lines, etc. All Ontario electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual costs versus the PEG model predicted costs. The following table summarizes the distribution of all distributors across the 5 groupings for 2015.

| Group | Demarcation Points for Relative Cost Performance | % of Ontario LDCs in Group |
|-------|--|----------------------------|
| 1 | Actual costs are 25% or more below predicted costs | 8 |
| 2 | Actual costs are 10% to 25% below predicted costs | 20 |
| 3 | Actual costs are within +/-10% of predicted costs | 51 |
| 4 | Actual costs are 10% to 25% above predicted costs | 15 |
| 5 | Actual costs are 25% or more above predicted costs | 6 |

In 2015, for the third year in a row, PUC Distribution was placed in Group 4. Group 3 is considered "average efficiency".

PUC Distribution's efficiency performance based on the PEG model was over the predicted costs by 16.2% in 2015 compared to 14.6% in 2014.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of PUC Distribution's capital and operating costs, including certain adjustments to make the costs more comparable between distributors (i.e. under the PEG econometrics model), and dividing this cost figure by the total number of customers that PUC Distribution serves. The cost performance result for 2015 is \$699 per customer which is a 5.3 % increase over 2014.

Overall, the company's Total Cost per Customer has increased on average by 7.3% per annum over the period 2011 through 2015. Similar to most distributors in the province, PUC Distribution has experienced increases in its total costs required to deliver quality and reliable services to customers. Province-wide programs such as Time of Use pricing, growth in wage and benefits costs for employees, as well as investments in new information systems technology and the renewal of the distribution system, have all contributed to increased operating and capital costs.

PUC Distribution will continue to replace aging distribution assets proactively in a manner that balances system risks and customer rate impacts. PUC Distribution's capital and operating programs will be further defined in its 2018 rate application to be filed in 2017. The company continues to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives that commenced in 2015 will continue in order to ensure customers have an opportunity to share their viewpoint on PUC Distribution'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 Distribution's 2015 rate is \$31,377 per Km of line, a 5.0% increase over 2014.

PUC Distribution continues to experience a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Such a low growth rate has reduced the ability to fund capital renewal and increasing operating costs through customer growth. As a result, total cost per Km of line has increased since 2011 with the increase in capital and operating costs.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

2015 was a transition year from the previous framework to the new Conservation First Framework. This framework will continue until 2020 with a new MWh target. This transition year allowed LDC's to close out projects from the previous framework and submit new projects under the new framework.

PUC Distribution worked diligently with businesses and channel partners to complete all outstanding projects in addition to updating the changes in rules and submission process for the new framework. As a result of this work, the final net savings for 2015 was 4,538 MWh, slightly better than double our target for the year, and giving us a head start going forward to 2020.

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 the project from the Electrical Safety Authority. For the year 2015, one CIA request was received and processed, however, not within the prescribed timelines. PUC Distribution has adjusted its established process for Generator CIAs to address this issue going forward. .

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

In 2015, PUC Distribution connected six new micro-embedded generation facilities (microFIT projects of less than 10 kW). For those projects, 100% were connected within the prescribed timeframe of five business days. The minimum acceptable performance level for this measure is 90%. PUC Distribution achieved this metric by working closely with our customers and their contractors to ensure the connection process for these types of projects are as streamlined and transparent as possible.

Financial Ratios

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

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations.

PUC Distribution's current ratio decreased from 1.68 in 2014 to 0.90 in 2015. A construction loan of \$15M which was in current liabilities was converted to a long term loan in 2016 as planned. The result of this is a reduction of current liabilities of \$15M which would increase the current ratio to 2.19.

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

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have

difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

PUC Distribution has a debt to equity structure of 70% to 30% that approximates the deemed 60% to 40% capital mix as set out by the OEB – this translates to a 2015 debt to equity ratio of 2.31. PUC Distribution’s long range plan is to push the debt to equity towards the 60/40 level.

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

PUC Distribution's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.98%. The OEB allows a distributor to earn within +/- 3 percentage points of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor’s revenues and costs structure by the OEB.

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

PUC Distribution’s return on equity in 2015 at 4.46% was more than 3 percentage points lower than the expected return of 8.98%. The variance in return on equity is the result of PUC Distribution’s OM&A expenses in 2015 being approximately \$1.3 million higher than included in the approved 2013 cost of service rate application.

Note to Readers of 2015 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.