

Scorecard - PUC Distribution Inc.

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	95.80%	96.50%	93.00%	97.20%	98.90%	↑	90.00%		
		Scheduled Appointments Met On Time	98.40%	97.10%	95.40%	97.40%	98.30%	↑	90.00%		
		Telephone Calls Answered On Time	74.60%	80.90%	81.90%	82.30%	81.30%	↑	65.00%		
	Customer Satisfaction	First Contact Resolution				99.89%	99.92%	99.58%			
		Billing Accuracy				99.83%	99.36%	99.97%	↑	98.00%	
		Customer Satisfaction Survey Results				In progress	79%	80%			
<b>Operational Effectiveness</b>  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%			
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	NI	C	C	C	C	↔		C	
		Serious Electrical Incident Index	Number of General Public Incidents	3	1	3	1	0	↓		1
	Rate per 10, 100, 1000 km of line		0.407	0.135	0.405	0.134	0.000	↓		0.151	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	1.65	1.42	1.19	1.37	1.49	↓		1.86	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	2.17	1.78	1.21	1.03	1.41	↓		2.32	
	Asset Management	Distribution System Plan Implementation Progress				In progress	In Progress	In progress			
	Cost Control	Efficiency Assessment	3	4	4	4	4				
		Total Cost per Customer <sup>3</sup>	\$615	\$687	\$664	\$699	\$695				
Total Cost per Km of Line <sup>3</sup>		\$27,523	\$30,950	\$29,886	\$31,377	\$31,314					
<b>Public Policy Responsiveness</b> 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 <sup>4</sup>					17.18%	52.97%		26.41 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time					0.00%	100.00%			
		New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	100.00%	↔	90.00%		
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.19	1.06	1.68	0.90	1.52				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	2.01	1.99	2.42	2.31	2.34				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.57%	8.98%	8.98%	8.98%	8.98%			
			Achieved	4.99%	7.00%	5.47%	4.46%	0.98%			

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.

**Legend:**

5-year trend  
 ↑ up   ↓ down   ↔ flat

Current year  
 ● target met   ● target not met

## Appendix A – 2016 Scorecard Management Discussion and Analysis (“2016 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 2016 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

### Scorecard MD&A - General Overview

In 2016 PUC Distribution Inc. (PUC) met or exceeded all prescribed targets for scorecard measures. PUC continued with strong performance in the Customer Focus, Operational Effectiveness and Public Policy Responsiveness areas of our scorecard. This has generally been reflected in good customer satisfaction survey measure results.

### Service Quality

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

In 2016, PUC Distribution connected 349 eligible low-voltage residential and small business customers (connections under 750 volts) to its distribution system, 98.90% of which were connected within the five-day timeline prescribed by the Ontario Energy Board (OEB). This is a 1.7% increase from the previous year and exceeds the OEB mandated target of 90%. The improved performance over 2015 can be partly attributed to a reduction in capital works projects which allowed additional resources to focus on low volume connections. PUC Distribution has demonstrated our commitment to continuous improvement through staff education to ensure customer satisfaction is a top priority.

- **Scheduled Appointments Met On Time**

In 2016, PUC Distribution scheduled 1,468 appointments with customers to complete customer requested work (e.g. meter installs/removals, service disconnects/reconnects, and meter locates). As a result of our emphasis on customer satisfaction, PUC was able to meet 98.30% of scheduled appointments on time, which exceeds the OEB target of 90%.

- **Telephone Calls Answered On Time**

In 2016, PUC Distribution’s Customer Care Department received 40,787 calls from its customers. This represents an increase in call volume of approximately 1,900 calls from 2015, due in part, to the utility switching to automated reminder calls for past due accounts.

Of the 40,787 calls, a Customer Care Representative answered the call within 30 seconds or less, 81.30% of the time. This result significantly exceeds the OEB mandated 65% target for timely call response.

## Customer Satisfaction

- **First Contact Resolution**

PUC Distribution's First Contact Resolution was measured by tracking the number of electric related calls which were escalated to a Senior Customer Care Representative or Supervisor/Manager. This was accomplished by creating two specific call types in our Customer Information System (CIS) which would then be queried to provide the number of customer concerns which were escalated.

In 2016, PUC had 40,787 calls, of which, 171 contacts were escalated to a higher level of management. This resulted in a First Contact Resolution percentage of 99.58%.

To establish the number of calls which were handled without escalation, the total number of calls which were escalated to a higher level of management was subtracted from the total number of calls received. However, it should be noted that First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

- **Billing Accuracy**

PUC issued approximately 395,000 bills for the period from January 1, 2016 – December 31, 2016, and achieved an accuracy 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**

PUC Distribution engaged the UtilityPulse Division of Simul Corporation to conduct our 2016 customer satisfaction survey. The UtilityPulse Electric Utility Survey is in its 19th 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 March 2017, and PUC Distribution received a B+ customer satisfaction score of 80% (post survey result) which is above the Ontario benchmark survey that had a grade of "B".

The raw score had a slight increase from our last survey of 79%. The survey asked customers questions on a broad range of topics, including overall satisfaction with reliability, customer service, outages, billing and corporate image. These customer satisfaction surveys

are an important element in our overall customer engagement strategy providing further insight towards planning and supporting customer service improvement at all levels within PUC Distribution.

## Public Safety

The Public Safety measure was introduced by the OEB in 2015 and focuses on the safety of the distribution system from a customer's point of view. The Electrical Safety Authority (ESA) provides an assessment as it pertains to Component B – Compliance with Ontario Regulation 22/04 and Component C – Serious Electrical Incident Index.

○ **Component A – Public Awareness of Electrical Safety.**

A representative sample of PUC Distribution's service territory population was surveyed in late 2015 to gauge the public's awareness level of key electrical safety concepts related to distribution assets. The purpose of the survey was to provide a benchmark level concerning the public's electrical safety awareness, and identify opportunities where additional education and outreach may be required. The results of the survey were analyzed in 2016, a number of opportunities to improve our existing outreach programs were identified and an action plan was developed.

One item of note from the survey results indicated that more emphasis was required to ensure public awareness of Ontario One Call. In an effort to improve this metric, PUC approved a budget in 2016 (for 2017) to purchase promotional Dig Safe decals for the entire operations fleet, and through participation with the Association of Electrical Utility Professionals (AEUSP) has contributed to the production of a series of Electricity Safety videos for television broadcast in our service area. (Expected for 2017)

PUC Distribution continues to look for every opportunity to communicate and engage with the public to promote electrical safety awareness in our service area. Below are examples of PUC Distribution's public safety communication initiatives in 2016:

- Elementary School Electrical Safety Program for Grade 3 – 5 within our geographic service territory. Participation included 24 schools. (73 classes, and 1,874 students)
- Advanced Research & Technology Innovation Expo (ARTIE) (approx. 360 students and their teachers participated)
- Sault Ste. Marie Science Festival (approx. 500 adults and children attended)
- Sault Ste. Marie PUC website – Safety tab with particular activities aimed at educating young people on electrical safety
- Advertisements in the geographic service territory consists of newspaper and radio ads

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

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

Component B is comprised of an External Audit, a Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns, and Compliance Investigations. ESA evaluates all these elements as a whole to determine the status of compliance. In each of the past four years, PUC Distribution was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). PUC attributes this continued success to our strong commitment to safety, and adherence to 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. For the 2016 reporting period, PUC Distribution did not experience any serious electrical incidents.

To increase public safety awareness, PUC Distribution offers electrical safety awareness outreach via; newspapers, radio, public events, presentations to elementary school students, and detailed hazard awareness presentations to contractors.

## **System Reliability**

A key change for 2016, as required by the OEB, is the revised reporting of reliability data with respect to Major Events. Specifically the change serves to adjust the reliability data to remove the impact of Major Events. Additionally, distributors are required to report criteria to monitor the distributor's performance related to the Major Event.

The 2016 Scorecard system reliability data, excludes both Loss of Supply and Major Events. The adjusted reliability measures capture interruptions caused by circumstances within the distributor's control and are published in the 2016 scorecard.

A "Major Event" is defined as an event that is beyond the control of the distributor and is; unforeseeable, unpredictable, unpreventable, or 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,

take significantly longer than usual to repair, and affect a substantial number of customers.

In 2016 there were two major event days. The first happened on March 6 (foreign interference) and the second on June 20 (adverse weather).

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

The System Average Interruption Duration Index (SAIDI) of 1.49 in 2016 was below the target of 1.86. 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 1.41 in 2016 was substantially below the target of 2.32. Consistent with SAIDI, there are ongoing efforts to improve reliability including replacing aging infrastructure and improving vegetation management.

## Asset Management

- **Distribution System Plan Implementation Progress**

Although PUC has employed distribution system planning for several years, the OEB instituted a mandatory requirement for this activity to be practised provincially, along with associated performance measures, beginning in 2013. We expect that implementation of this standardised approach will allow us to strengthen our commitment to responsible long term planning and sustainable asset management and to align our objectives with those of the OEB ultimately maximising benefit to our ratepayers.

All distributors are required to file a Distribution System Plan (DSP) when filing a cost of service application for the rebasing of their rates. PUC is presently engaged in migrating and expanding upon its existing distribution system planning to create a formal DSP that meets all OEB requirements. The new DSP will be accompanied by performance measures and once completed will be filed with PUC's next OEB rate application to be filed in 2017.

## 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 2016:

Group	Demarcation Points for Relative Cost Performance	Group Ranking	# of Ontario LDCs in Group
1	Actual costs are 25% or more below predicted costs	Most Efficient	6
2	Actual costs are 10% to 25% below predicted costs	More Efficient	14
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	32
4	Actual costs are 10% to 25% above predicted costs	Less Efficient	13
5	Actual costs are 25% or more above predicted costs	Least Efficient	3

In 2016, for the fourth year in a row, PUC Distribution was placed in Group 4. PUC Distribution's efficiency performance based on the PEG model was over the predicted costs by 14% in 2016 compared to 16.2% in 2015.

- 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 2016 is \$695 per customer which is a 0.57 % decrease over 2015. Overall, the company's Total Cost per Customer has increased on average by 3.26% per annum over the period 2012 through 2016. For the period of 2013 to 2016, the Total Cost per Customer has increased by approximately 0.40% per year.

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 2016 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 2016 rate is \$31,314 per Km of line, a 0.20% decrease over 2015.

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 an average of 3.45% since 2012 with the increase in capital and operating costs. For the period of 2013 to 2016, the Total Cost per Km of Line has increased by approximately 0.40% per year.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

PUC is committed to helping its customers understand their energy usage by offering programs that enable them to become more energy efficient. PUC has a conservation target of 26.4 Gigawatt hours by the end of 2020. Results for 2016 show progress of 52.97% towards that target. This achievement was made possible by the strong participation by local commercial/industrial customers in retrofit and auditing programs. Residential customers also participated in saveONenergy coupon events opting to replace lights in their homes to more energy efficient ones, as well as purchasing other energy efficient equipment. The combined efforts of participants from both the residential and business sectors made the achievement of substantial energy savings possible.

Notable projects where city wide street lighting, not only in Sault Ste. Marie but Prince Township and Batchewana First Nations. Municipal parking lots followed suit with upgrading their parking lot lighting to LED, while small businesses began changing their florescent lamps and incandescent bulbs to efficient LED tubes and lamps.

PUC remains committed to providing its customers with cost effective conservation programs to help them save electricity and lower their electricity bills. PUC will continue to innovate new ways to promote and support customers in reducing their consumption today



and for the future.

As a member of CustomerFirst, PUC is part of a joint Conservation (CDM) Plan that has been approved by the IESO. The joint plan will achieve 141,877 MWh of savings which is equal to the combined targets that were allocated to each CustomerFirst member under the new framework. Through the CustomerFirst joint CDM Plan, PUC will continue to work collaboratively with the other CustomerFirst utilities to find efficiencies and reduce costs. The group will be sharing resources and working together in all areas of CDM including sales, marketing, customer and project support to provide value to ratepayers.

## Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of receiving authorization for their project from the Electrical Safety Authority. For the year 2016 four CIA requests were received for a total of 820kW of FIT generation, and all applications were processed within the prescribed timelines.

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

In 2016, interest in the micoFIT program was much lower than in previous years. PUC Distribution Inc. received only one application and provided an offer to connect, but no follow-up request for connection was received. Outside of the micoFIT program, one application for a net metering load displacement installation was made.

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

## Financial Ratios

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

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

PUC Distribution's current ratio has increased from 0.90 in 2015 to 1.52 in 2016. By increasing over 1, PUC Distribution is in a good

position to cover the company's short-term debts and financial obligations.

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

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt to equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

PUC Distribution has a debt to equity structure of 70% to 30% that approximates the deemed 60% to 40% capital mix as set out by the OEB – this translates to a 2016 debt to equity ratio of 2.34. 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 2016 at 0.98% 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 2016 being approximately \$1.4 million higher than included in the approved 2013 cost of service rate application. PUC plans on filing a 2018 Cost of Service Rate Application for rates effective in 2018.

## Note to Readers

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.