

# Scorecard - PUC Distribution Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	96.70%	97.80%	95.80%	96.50%	93.00%		90.00%		
		Scheduled Appointments Met On Time	92.40%	97.20%	98.40%	97.10%	95.40%		90.00%		
		Telephone Calls Answered On Time	70.10%	76.70%	74.60%	80.90%	81.90%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution					99.89%				
		Billing Accuracy					99.83%		98.00%		
		Customer Satisfaction Survey Results					In progress				
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public awareness [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	NI	NI	NI	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	3	1	3			1
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.407	0.135	0.405			0.132	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted	2.11	2.92	1.65	2.48	1.19			at least within 1.65 - 2.92	
		Average Number of Times that Power to a Customer is Interrupted	2.83	3.61	2.17	2.67	1.21			at least within 2.17 - 3.61	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress					In progress				
	<b>Cost Control</b>	Efficiency Assessment			3	4	4				
		Total Cost per Customer <sup>1</sup>	\$485	\$513	\$615	\$687	\$664				
Total Cost per Km of Line <sup>1</sup>		\$21,729	\$22,981	\$27,523	\$30,950	\$29,886					
<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).	<b>Conservation &amp; Demand Management</b>	Net Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>		11.19%	24.67%	43.55%	59.52%			5.58MW	
		Net Cumulative Energy Savings (Percent of target achieved)		35.22%	60.88%	87.17%	99.06%			30.83GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	66.67%							
		New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%			90.00%	
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.39	1.43	1.19	1.06	1.68				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.53	1.44	2.01	1.99	2.42				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.57%	8.57%	8.98%	8.98%			
			Achieved		8.16%	4.99%	7.00%	5.47%			

**Notes:**

- These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
- The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

**Legend:**

- up
- down
- flat
- target met
- target not met

## Appendix A – 2014 Scorecard Management Discussion and Analysis (“2014 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 2014 Scorecard MD&A:

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

### Scorecard MD&A - General Overview

For the year 2014, PUC Distribution exceeded prescribed targets for most scorecard measures. In particular, system reliability performance for the year 2014 was the best achieved since 1999. This notable improvement in reliability is primarily the result of ongoing efforts related to replacing aging or defective infrastructure and improved vegetation management.

For 2014, average interruption duration (SAIDI) decreased 52% compared to 2013, while average interruption frequency (SAIFI) decreased 55%. Moving forward, PUC Distribution plans to continue efforts aimed at improving reliability for its customers thereby delivering greater value for the service provided to them.

### Service Quality

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

In 2014, PUC Distribution connected 213 eligible low-voltage residential and small business customers (connections under 750 volts) to its system, 93% of which were connected within the five-day timeline prescribed by the Ontario Energy Board (OEB). This is a 3.5% decrease from the previous year but still above the OEB-mandated target of 90%. PUC Distribution is undergoing process reviews for the purpose of identifying any potential areas of improvement and to continue to ensure that the New Service performance measures are exceeded.

- **Scheduled Appointments Met On Time**

In 2014, PUC Distribution scheduled 1,466 appointments with customers to complete customer requested work (e.g. meter re-reads, reconnections, meter locates, etc.). Although a slight decrease from 2013, PUC Distribution met 95.4% of these appointments on time, which exceeds the OEB-mandated target of 90%.

- **Telephone Calls Answered On Time**

In 2014, PUC Distribution's Customer Care Department received 39,681 calls from its customers – that's over 159 calls per working day. Of those calls, a Customer Care Representative answered the call in 30 seconds or less, 81.90% of the time. This result significantly exceeds the OEB-mandated 65% target for timely call response. The 2014 result amounts to a 1% improvement over 2013, driven primarily by a reduction in the number of calls, due primarily to fewer outages in 2014. Also, the reduction in call volume can, in part, be attributed to the introduction of automated emergency messaging employed during large scale power outages. Additionally, the shift towards email as the communication medium of choice for customers has also contributed to the reduction.

## Customer Satisfaction

Specific customer satisfaction measurements have not been previously defined across the industry. The OEB has instructed all electricity distributors to review and develop measurements in these areas and begin tracking by July 1, 2014 so that information can be reported in 2015. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

- **First Contact Resolution**

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.

PUC Distribution's First Contact Resolution was measured by tracking the number of electric related calls which were escalated to a Supervisor/Manager and a Senior Customer Care Representative. This was done 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 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**

Until July 2014 a specific measurement of billing accuracy had not been previously defined across the industry. After consultation with some electricity distributors, the OEB has prescribed a measurement of billing accuracy which must be used by all distributors effective October 1, 2014. For the period from October 1, 2014 – December 31, 2014 PUC Distribution issued more than 100,000 bills and

achieved a billing accuracy of 99.83%. This compares favorably to 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**

The OEB introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time the OEB is allowing distributors discretion as to how they implement this measure.

PUC engaged a third party to conduct the customer satisfaction survey. The survey was conducted in April 2015 and completed in June 2015, therefore, survey results along with the management discussion will be published on the 2015 Scorecard.

## 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**

This Component of the public safety measure does not have performance data for the 2014 scorecard as the public awareness of electrical safety survey was not required to be conducted in the subject year. 2016 will be the first year that data for this measure will

be reported on the scorecard for the 2015 results.

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

Component B is comprised of: the External Audit, the Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations. All these elements are evaluated as a whole and determine the status of compliance. Over the past two 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 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 they are put in service.

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

PUC Distribution reported three (3) serious electrical incidents involving members of the public in 2014. There were no injuries associated with these incidents. A detailed analysis of the data and root cause evidence has helped steer PUC Distribution's efforts to increase public awareness in an effort to eliminate future incidents. PUC Distribution offers electrical safety awareness outreach via newspaper and radio ads, 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**

Average duration of outages for the year 2014 demonstrated a marked improvement compared to 2013. In fact, 2014 system reliability was the best achieved since 1999. The notable improvement in reliability is due primarily to ongoing efforts related to replacing aging or defective infrastructure and improved vegetation management. Continued improvement is anticipated moving forward.

Average interruption duration for 2014 decreased 52% compared to 2013.

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

Average frequency of outages for the year 2014 also demonstrated a marked improvement compared to 2013. Average interruption frequency for 2014 decreased 55% compared to 2013.

## 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. Accordingly, PUC Distribution plans to file an application with the OEB for a full review of its rates effective May 1, 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.

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	47
4	Actual costs are 10% to 25% above predicted costs	18
5	Actual costs are 25% or more above predicted costs	7

In 2014, as in 2013, PUC Distribution was placed in Group 4, where a Group 4 distributor is defined as having actual costs between 10% and 25% of predicted costs under the PEG model. Group 3 is considered "average efficiency".

PUC Distribution's efficiency performance improved from 22.7% in 2013 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 2014 is \$664/customer which is a 3.4 % decrease over 2013.

Overall, the company's Total Cost per Customer has increased on average by 7.3% per annum over the period 2010 through 2014. 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 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 2017 rate application to be filed in 2016. 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 2014 rate is \$29,886 per Km of line, a 3.4% decrease over 2013.

PUC Distribution has experienced 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 2010 with the increase in capital and operating costs.

## **Conservation & Demand Management**

- **Net Annual Peak Demand Savings (Percent of target achieved)**

PUC Distribution achieved 59.52% of its 2011-2014 Peak Demand target of 5.58 MW. It was a challenge to meet the peak demand

target due to the fact PUC Distribution is a winter peaking utility. PUC Distribution was pleased with its efforts as peak demand savings results aligned fairly well with the provincial average.

- **Net Cumulative Energy Savings (Percent of target achieved)**

PUC Distribution achieved 99.06% of its 2011-2014 net cumulative energy savings target of 30.83 GWh. Much of this success can be attributed to the successful promotion of energy efficiency programs and strong participation by commercial customers in the Retrofit and Small Business Lighting Programs. PUC Distribution looks forward to promoting energy efficiency programs and assisting its customers in saving money and conserving energy throughout the new 2015-2020 Conservation First Framework.

## 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 2010 one CIA request was received and processed within the prescribed timelines.

In 2011 three requests were received. Two were processed within the prescribed timelines and the progress of the third was not adequately documented so it could not be determined whether it was or was not completed on time. To minimize the likelihood of similar future reporting anomalies, refinements have been made to our CIA application processes and process documents.

No requests for CIAs were received for the years 2012 through 2014.

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

In 2014, PUC Distribution connected seven new micro-embedded generation facilities (microFIT projects of less than 10 kW) 100% of time within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time.

Our process to connect these projects is very streamlined and transparent for our customers. PUC Distribution works closely with its customers and their 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 increased from 1.06 in 2013 to 1.68 in 2014 as a result of long term borrowing that was completed late in 2014. PUC Distribution’s current ratio in subsequent years is expected to be in line with 2014 results.

- **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 71% to 29% that approximates the deemed 60% to 40% capital mix as set out by the OEB – this translates to a 2014 debt to equity ratio of 2.42. PUC Distribution’s long range plan is to push the debt to equity towards the deemed 60% to 40%.

- **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% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review by the OEB of the distributor’s revenues and costs structure.

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

PUC Distribution’s return on equity in 2014 at 5.47% was more than 3% lower than the expected return of 8.98%. The variance in return on equity is the result of the company’s OM&A expenses in 2014 being approximately \$1.1 million higher than included in the approved 2013 cost of service rate application.

## Note to Readers of 2014 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.