

# Scorecard - Peterborough Distribution Incorporated

9/29/2016

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	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	95.30%	98.00%	98.10%	99.10%	98.80%		90.00%		
		Scheduled Appointments Met On Time	98.60%	97.10%	99.10%	99.60%	99.50%		90.00%		
		Telephone Calls Answered On Time	77.90%	75.30%	78.90%	76.50%	81.80%		65.00%		
	Customer Satisfaction	First Contact Resolution				1	0				
		Billing Accuracy				99.74%	99.25%		98.00%		
		Customer Satisfaction Survey Results			A	A	A				
<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					82.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C		C	C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	1	0	0	1		0	0
	Rate per 10, 100, 1000 km of line		0.000	0.181	0.000	0.000	0.177		0.050	0.050	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	5.01	2.43	5.46	0.90	3.59		3.18	3.18	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	2.67	2.12	2.83	0.83	2.81		1.99	1.99	
	Asset Management	Distribution System Plan Implementation Progress				84%	100%				
	Cost Control	Efficiency Assessment		4	4	4	4				
		Total Cost per Customer <sup>3</sup>	\$561	\$539	\$562	\$585	\$586				
		Total Cost per Km of Line <sup>3</sup>	\$35,756	\$34,091	\$35,731	\$37,415	\$37,787				
<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>					13.15%		37.88 GWh		
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	0.00%	0.00%	100.00%	100.00%	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)	1.33	1.72	1.79	1.43	1.58				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.74	1.29	1.25	1.48	1.54				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.01%	8.01%	9.00%	8.98%	8.98%			
			Achieved	7.24%	4.35%	12.40%	8.15%	7.54%			

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

# 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

Peterborough Distribution Inc. (PDI) is division of the Peterborough Utilities Group. Peterborough Utilities Group’s mission is to create shareholder value through superior capabilities in the delivery and sale of utility-related products and provide exceptional service to our customers.

These corporate objectives are consistent with the four performance outcomes set out in the Ontario Energy Board’s Renewed Regulatory Framework, namely

- (a) Customer Focus – that services are provided in a manner that responds to identified customer preferences;
- (b) Operational Effectiveness – that continuous improvement in productivity and cost performance is achieved and utilities deliver on system reliability and quality objectives;
- (c) Public Policy Responsiveness – that utilities deliver on obligations mandated by government; and
- (d) Financial Performance – that financial viability is maintained and savings from operational efficiencies are sustainable.

In 2015, PDI exceeded all performance targets with the exception of Component C of the Public Safety measure and system reliability. This can be attributed to PDI’s typically low number of public safety incidents, coupled with the fact that the calculated target for this measure is rounded to the nearest integer value, which will likely continue to be zero. Because PDI’s total kilometers of distribution line is not likely to change dramatically in the near term, it will take only one incident per year to put PDI over its specified target. PDI makes consistent efforts to improve on its excellent safety record.

In 2015, PDI’s reliability was impacted by an intense thunderstorm system on July 31, 2015 and August 2, 2015 that resulted in strong wind gusts downing many trees on our lines. If events caused by adverse weather are removed from our reliability score, our System Average Interruption Duration Index (SAIDI) score would be within our target range.

## Service Quality

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

In 2015, Peterborough Distribution Inc. connected 99.8% of 326 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB). This is an additional .7% improvement from the previous year and well above the OEB-mandated threshold of 90%. In addition, where possible, PDI continues to coordinate connection activities with other planned construction activities undertaken by the utility, other utilities, or municipal and provincial government agencies. PDI continues to work with local municipalities to further enhance the coordination between municipal and electrical distribution construction activities.

- **Scheduled Appointments Met On Time**

Peterborough Distribution Inc. scheduled 1,335 customer meetings in 2015 to complete work requested by customers, reconnect, or other necessary requests. Consistent with the prior year, the utility met 99.5% of these appointments on time, which significantly exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2015 Peterborough Distribution Inc. customer service representatives received over 73,000 calls from customers – close to 300 calls per working day. An agent answered these calls in 30 seconds or less in 81.8% of these instances. This result significantly exceeds the OEB-mandated 65% target for timely call response. With the advance in tracking mechanisms implemented in 2015, we improved our results from the prior year by 5.3%. We continue to make gains in promoting online self-serve features, electronic billing, internal process improvements, and increased customer preference to contact Peterborough Distribution Inc. via email.

## Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been defined across the industry. The Ontario Energy Board (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 for 2015. The OEB does plan 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 electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

For Peterborough Distribution Inc., we interpret First Contact Resolution as a measure of our effectiveness to satisfy customers concerns. We track the number of calls that are escalated to higher levels of management, the reason for the escalation and the result. Customer calls are recorded and a review of calls is conducted as necessary for customer service feedback and improvements, as well as a periodic review for training purposes. We have not had any call

escalations to upper management which indicates our customer satisfaction and issue resolution practices are positive and successful.

- **Billing Accuracy**

The Ontario Energy Board (OEB) prescribed a uniform measurement of billing accuracy to be effective October 1, 2014. This would allow 2015 to be our first full year of reporting the required billing data.

In 2015, Peterborough Distribution Inc. issued more than 430,000 bills and achieved a billing accuracy of 99.25%. This metric also compares quite favourably to the prescribed OEB target of 98%.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) requires electricity distributors to measure and report customer satisfaction results at least every other year.

Since 2010, Peterborough Distribution Inc. has participated in the Utility Pulse Customer Satisfaction Survey. 2014 was our third survey. The survey is conducted by selecting random customers in various rate classes. The survey covers many facets of the utility industry which include customer experience when they contact our office. PDI's overall rating is 84%. In comparison, Ontario LDC wide customers rated utilities 77% and nationally utilities are rated at 80%. Many LDC's in the province participate in the Utility Pulse Customer Satisfaction Survey. The overall scorecard rating for PDI was an "A." Updated survey results will be provided next year with 2016 data.

## Safety

- **Public Safety**

The Ontario Energy Board (OEB) introduced the Safety measure in 2015. This measure looks at safety from a customers' 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**

Peterborough Distribution Inc.'s Public Safety Awareness Index Score, as a result of an Electrical Safety Report conducted by Utility PULSE, is 82%.

Helping customers understand the importance of staying safe and using electricity wisely is a priority for PDI. PDI works to continuously enhance public awareness of electrical safety through three primary vehicles: the PDI website and related social media tools, PDI's well-established student education program, and hazard-specific education campaigns such as ESA's electrical safety awareness campaigns. We present electrical safety to 5-6 schools per year, we have mobile electrical safety presentations at selected public events, and we provide safety links and tips on our website, newsletters, and social media. We participate in emergency awareness planning with our municipal partners to improve safety in the overall community.

Peterborough Distribution Inc. has an outstanding employee safety record. We have won Canada's Safest Employee Gold award in 2012 and Silver in 2014. We achieved Zero Quest Sustainability level in October 2013. The company is working towards the OHSAS 18001 Health and Safety Standard in order to further advance its excellent safety record.

The 2015 Electrical Safety Authority audit report of PDI's compliance with Regulation 22/04 highlighted that "...PDI is an effective organization, concerned about public safety, and protecting the public from any harm that might result from its operations. The professionalism and dedication of its employees was clearly evident throughout the audit"

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

Over the past four years, Peterborough Distribution Inc. has been compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - *Electrical Distribution Safety* 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, specifications and inspections of construction before they are put into service.

These audits are comprehensive reviews of the processes, standards and guidelines used by PDI to design, construct, install, use, maintain, repair, extend, connect and disconnect the electrical installation and equipment forming the distribution system to avoid or reduce the possibility of electrical hazards. PDI's repeat success in these compliance audits and supporting activities is achieved by its strong commitment to employee and public safety, and adherence to company procedures & policies.

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

Under Regulation 22/04, PDI is required to report all serious electrical incidents of which they become aware to the Electrical Safety Authority. Under the Regulation, "serious electrical incident" means (a) any electrical contact that caused death or critical injury to a person, (b) any inadvertent contact with any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person, or (c) any fire or explosion in any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person, except a fire or explosion caused by lightning strike.

In 2014, Peterborough Distribution Inc. had an underground cable fault that damaged a transformer and caused an arc flash. Fortunately, no one was involved in this incident. This incident was included in the 2015 Scorecard due to the span of the reporting period for this index. PDI did not have any serious electrical incidents related to its infrastructure in 2015. We continue to review opportunities to reduce risk of any future electrical incidents. When new projects are planned, options are reviewed to minimize safety risks associated with our infrastructure. Safety risk is an essential consideration when planning and prioritizing our capital projects.

## **System Reliability**

PDI continually assesses the distribution system's service reliability. Maintenance, inspection and testing of existing assets are utilized to minimize equipment

failures. We are regularly investigating solutions to reduce system susceptibility to storm damage, foreign interference, to reduce restoration times, and aid in predicting system faults. PDI's objective is to improve its system reliability performance indicators from year to year.

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

In 2015, the average number of hours that power to a Peterborough Distribution Inc. customer was interrupted was above our target range. Peterborough was impacted by an intense thunderstorm system on July 31, 2015 and August 2, 2015 that resulted in strong wind gusts downed many trees on our lines. If events caused by adverse weather are removed, our reliability score drops from 3.59 to 1.80 which is within our target range.

We continue to view reliability of electricity service as a high priority for our customers. Outage events are categorized and reviewed in order to identify opportunities for improvement. After major events, Peterborough Distribution Inc. reviews its outage response and identifies which if any procedures, equipment, or communication needs to be improved upon in order to prevent a future reoccurrence. Reliability risk is an essential consideration when planning and prioritizing our capital projects.

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

In 2015, the average number of times that power to a Peterborough Distribution Inc. customer was interrupted was above our target range. Peterborough was impacted by an intense thunderstorm system on July 31, 2015 and August 2, 2015 that resulted in strong wind gusts downed many trees on our lines. If events caused by adverse weather are removed, our score drops from 2.81 to 2.27 which is just above our target range.

Peterborough Distribution Inc. has adopted a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance ratepayer and utility affordability. PDI is investigating a Distribution System Automation project on the 27 kV distribution system. This project would help to minimize outage duration and frequency across our system.

## Asset Management

- **Distribution System Plan Implementation Progress**

Distribution system plan implementation progress is a newer performance measure prescribed by the Ontario Energy Board that began in 2013. Consistent with other measures, utilities were provided an opportunity to define the measure in the manner that best fits their organization. The Distribution System Plan ("DSP") outlines PDI's forecasted capital expenditures over the next five (5) years required to maintain and expand its system to serve current and future PDI customers. The "Distribution System Plan Implementation Progress" measure is intended to assess PDI's effectiveness at planning and implementing the DSP.

PDI measures the progress of its DSP implementation in the total capital expenditures made in a calendar year compared to the total amount of planned capital expenditures in the System Renewal and System Service investment categories, excluding unplanned asset failures (plant failure), system access, and general plant investments. PDI met its planned project spending targets in 2015 and therefore achieved a score of 100% in this category. The two largest internally driven projects were the construction of a new substation on Hilliard Street and the underground rehabilitation program in the Edmison Heights subdivision.

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group (PEG) LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. Group 3 is considered average efficiency. In 2015, for the fourth year in a row, PDI was placed in Group 4, where a Group 4 distributor is defined as having actual costs that are 10 to 25 percent above predicted costs. While Group 4 is considered “less efficient” than average, PDI saw its ranking improve in 2015 with costs as defined by the PEG model reducing to 11% in excess of the PEG predicted level, from 14.5% in the most recent years. PDI continues to look for efficiencies in its operation that would help improve this ratio.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Peterborough Distribution Inc.’s capital and operating costs, including certain adjustments intended to make the costs more comparable between distributors, and dividing this cost figure by the total number of customers that PDI serves. In 2015 PDI’s Total Cost per Customer was \$586 or 27th lowest of 71 LDC’s. The provincial average electricity distributor Cost per Customer is \$661. Lower than average Total Cost per Customer has allowed PDI customers to enjoy lower than average distribution rates.

PDI’s Total Cost per Customer has increased on average by 1.1% per annum over the period 2011 through 2015. PDI will continue to replace distribution assets proactively in a manner that balances system risks and customer rate impacts. The company continues to review its capital and operating plan to look for productivity savings and enhancements. Customer engagements undertaken recently and over the next while will ensure customers have an opportunity to share their viewpoint on PDI’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 (as defined by the PEG study) that PDI operates to serve its customers. PDI’s 2015 rate is \$37,787 per km of line, a 1% increase over 2014. PDI experienced a low level of growth in its total kilometers of lines due to a low annual customer growth rate. On average from 2011 through 2015, PDI’s Total Cost per Km of Line has increased 1.4% annually. PDI continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

2015 was a transitional year to the new 2015-2020 Conservation First Framework (CFF). The 2011-2014 programs were extended to include 2015 as more time was needed across the industry to incorporate an entirely new conservation operating structure. 2015 outcomes were the result of finalizing old programs and rules while working to understand and develop an evolving and entirely new structure. As of 2015, our targets were based solely on energy reductions with no condition to achieve targeted demand savings, and where prior framework results were calculated cumulatively, the new CFF are based only on incremental savings. Our target requirement for the 2015-2020 framework is to achieve energy reductions of 37.88 GWh and in the 2015 transitional year, we attained 4.98 GWh, which is 13.15% of the six year target. With the majority of new rules being finalized at the time of writing this report, September of 2016, we will have an increased ability to focus attention on delivering current and establishing new programs, resulting in greater savings as we move forward.

## 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 from the Electrical Safety Authority. In 2015, Peterborough Distribution Inc. completed only 1 CIA and it was within the prescribed time limit.

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

In 2015, Peterborough Distribution Inc. connected 12 new micro-embedded generation facilities (microFIT projects of less than 10 kW) within the prescribed time frame of five business days, 100% of the time. The minimum acceptable performance level for this measure is 90% of the time. Our workflow to connect these projects is very streamlined and transparent with our customers. Peterborough Distribution Inc. works closely with its customers and their contractors to tackle any connection issues to ensure the project is connected on time.

## 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.

At the end of 2015 PDI's current ratio increased to 1.58 from 1.43 in 2014. PDI's current ratio is in line with the provincial average of 1.55 and median of 1.44.



- **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.

Peterborough Distribution Inc. manages its debt to equity structure consistent with the equity capital mix as set out by the OEB – this is demonstrated by PDI's debt to equity ratio of 1.54 in 2015 and 1.48 in 2014.

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

Peterborough Distribution Inc.'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 of the distributor's revenues and costs structure by the OEB.

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

In 2015 Peterborough Distribution Inc. achieved a regulatory return on equity of 7.54% (2014 = 8.15%), which is well within the +/-3% range allowed by the OEB. PDI is scheduled to reset its distribution rates in 2017 with the OEB, which will provide the utility with an opportunity to set its rates in accordance with the regulated return on equity guidelines.

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.