

Scorecard - Peterborough Distribution Incorporated

9/24/2018

Performance Outcomes	Performance Categories	Measures	2013	2014	2015	2016	2017	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	98.10%	99.10%	98.80%	97.00%	97.52%		90.00%		
		Scheduled Appointments Met On Time	99.10%	99.60%	99.50%	99.60%	99.90%		90.00%		
		Telephone Calls Answered On Time	78.90%	76.50%	81.80%	84.60%	90.42%		65.00%		
	Customer Satisfaction	First Contact Resolution			1	0	0				
		Billing Accuracy			99.74%	99.25%	99.78%	99.51%		98.00%	
		Customer Satisfaction Survey Results	A	A	A	A	A				
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			82.00%	82.00%	85.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	1	0	0			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.177	0.000	0.000			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	3.54	0.90	2.50	2.01	1.60			2.80	
		Average Number of Times that Power to a Customer is Interrupted ²	2.83	0.83	2.81	2.34	2.26			1.99	
	Asset Management	Distribution System Plan Implementation Progress		84%	100%	77%	85				
	Cost Control	Efficiency Assessment	4	4	4	4	4				
		Total Cost per Customer ³	\$562	\$585	\$586	\$604	\$570				
		Total Cost per Km of Line ³	\$35,731	\$37,415	\$37,787	\$39,184	\$37,309				
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			13.15%	28.30%	62.07%			37.88 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%	100.00%	100.00%					
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%	85.00%	95.24%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.79	1.43	1.58	1.89	1.63				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.25	1.48	1.54	1.47	1.32				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.00%	8.98%	8.98%	8.98%	8.98%			
			Achieved	12.40%	8.15%	7.54%	7.02%	5.05%			

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 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

2017 Scorecard Management Discussion and Analysis (“2017 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 2017 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 a company within the Peterborough Utilities Group of companies. The mission of the Peterborough Utilities Group 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 that 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 2017, PDI exceeded all performance targets with the exception of the average number of times that power was interrupted to a customer, and our deemed Return on Equity.

The average number of times that power was interrupted to a customer was 2.26, which is above our performance target of 1.99. PDI’s asset management programs and specific capital projects are focused on reducing the average number of times that power was interrupted to a customer in the future.

In 2017, PDI achieved a regulatory return on equity of 5.05%, which is below our deemed regulatory return on equity of 8.98%. This shortfall is the result of PDI’s decision to defer its cost of service rebasing that was originally scheduled for 2017.

Service Quality

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

In 2017, Peterborough Distribution Inc. connected 98% of 403 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 consistent with the continued high level of service required to maintain our standards well in excess of the 90% OEB requirement. PDI continues to make this a priority, in alignment with our corporate objectives.

- **Scheduled Appointments Met On Time**

Peterborough Distribution Inc. scheduled 976 customer meetings in 2017 to complete work requested by customers. Consistent with prior years, the utility met a standard significantly exceeding the industry target of 90%.

- **Telephone Calls Answered On Time**

Peterborough Distribution Inc. customer service representatives received over 56,000 calls from customers and answered these calls in 30 seconds or less in 90% of these instances. This result significantly exceeds the OEB-mandated 65% target for timely call response.

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 with first reporting being required 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

in 2017 indicating our customer satisfaction and issue resolution practices are positive and successful.

- **Billing Accuracy**

Peterborough Distribution Inc. issued more than 450,000 bills in 2017 and achieved a billing accuracy of 99.51%. 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. Random customers in various rate classes are selected to participate in the survey covering many facets of the utility industry including Customer Care, Company Image and Management Operations. PDI's Customer Satisfaction Rating is 95% in comparison to an 81% Provincial score. The overall grade for PDI was an "A" in every category, compared to an average Provincial score of "B".

Safety

- **Public Safety**

Safety of the electrical 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**

PDI's Public Safety Awareness Index Score, as a result of an Electrical Safety Report conducted by Utility PULSE, is 85%. Helping customers understand the importance of staying safe and using electricity wisely is a priority for PDI. PDI continuously enhances public awareness of electrical safety through 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.

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

PDI is compliant with Ontario Regulation 22/04 (Electrical Distribution Safety) which 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. Regular audits are conducted to review the processes, standards and guidelines used by PDI to design, construct, and maintain the electrical distribution system. PDI's success in these compliance audits is due to the commitment of its employees to safety and their adherence to company procedures & policies.

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

PDI is required to report all serious electrical incidents of which they become aware to the Electrical Safety Authority. The definition of serious electrical incident was changed on October 1, 2017 to include:

- 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 or with a meter, if the contact caused or had the potential to cause death or critical injury to a person, but not if the contact was caused by force majeure, or
- c) any fire or explosion in any part of a distribution system operating at 750 volts or above or in a meter, if the fire or explosion, as the case may be, caused or had the potential to cause death or critical injury to a person, but not if it was caused by force majeure.

The reporting for this measure is from April 2016 to March 2017. PDI did not have any serious electrical incidents during this period as defined by the Regulation. We continue to review opportunities to reduce risk of any future electrical incidents. Options are reviewed to minimize safety risks associated with our infrastructure when new projects are planned. Safety risk is an ongoing concern and 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 2017, the average number of hours that our customer's power was interrupted was below our target range. We continue to view reliability of electricity service as a high priority for our customers. Outage events are categorized and reviewed 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 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**

The average number of times that power was interrupted to a customer was 2.26, which is above our performance target of 1.99.

PDI 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 has ongoing asset management programs and specific capital projects that are aimed to reduce the average number of times that power was interrupted to a customer in the future.

Asset Management

- **Distribution System Plan Implementation Progress**

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 achieved a score of 85% in this category based on its capital spending targets. The two largest internally driven projects were the annual pole replacement program and the final phase of 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 2017 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. In 2017, PDI's efficiency assessment was 10.6%, an improvement from 12.7% reported in 2016. PDI continues to look for efficiencies in its operations that would help improve this ratio and advance to a more efficient group.

- **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. The cost performance result for 2017 is \$570 which is a 5.6% decrease over 2016.

PDI's Total Cost per Customer has increased by 1.4% for the period of 2013 through 2017. 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, which contributed to the 5.6% decrease in cost in 2017 compared to 2016.

- **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 2017 rate is \$37,309 per km of line, a 4.8% decrease over 2016. In comparison to its 2013 results, PDI's 2017 Total Cost per km of Line has increased by 4.4% over this five year period. 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**

The current Conservation and Demand Management Framework has a term of 2015-2020.

The Independent Electricity System Operator (IESO) conducted a mid-term evaluation of Energy Conservation results across Ontario at the end of 2017 and confirmed that Peterborough Distribution Inc. (PDI) has achieved 62% of their 37.88 GWh savings target at the half way mark.

We have attained these results while spending only 30% of our budget. A very successful outcome at the halfway point of this framework.

We continue to make this responsibility a priority by providing conservation support and financial incentives to benefit our entire community. This allows our customers to better attain electricity upgrades and savings, benefits in operational efficiencies for businesses, and added comfort and value to customers homes, further reducing the need for additional electricity supply at a provincial level and contributing to environmental competency.

Connection of Renewable Generation

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

PDI did not have any new Connection Impact Assessments in 2017 so this measure is left blank.

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

We work closely with our customers and their contractors to tackle any connection issues and ensure their projects are connected on time. In 2017, PDI connected 21 new micro-embedded generation facilities (microFIT projects of less than 10 kW) within the prescribed period of five business days, 95% of the time. The minimum acceptable performance level for this measure is 90% of the 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.

As at December 31, 2017, PDI’s current ratio decreased to 1.63 from 1.89 at December 31, 2016. This remains in line with PDI’s five year average of 1.66.

- **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.

PDI continues to maintain its debt to equity structure that closely approximates the equity capital mix as set out by the OEB – this is demonstrated by the debt to equity ratio of 1.32 in 2017, which is slightly below the five-year average of 1.41. The decrease in 2017 is partially the result of PDI not taking on new debt as it reviews its financing options moving forward.

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

PDI’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 2017 PDI achieved a regulatory return on equity (“ROE”) of 5.05% (2016 – 7.02%) which is outside of the +/-3% range allowed by the OEB. PDI’s ROE has consistently decreased year over year since its last cost of service rebasing in 2013. As PDI has deferred its rate rebasing, annual increases in revenue by way of IRM filings have been exceeded by amortization and operating expenditures.

Note to Readers of 2017 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.