

Scorecard - Peterborough Distribution Incorporated

9/29/2019

Performance Outcomes	Performance Categories	Measures	2014	2015	2016	2017	2018	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	99.10%	98.80%	97.00%	97.52%	99.19%		90.00%		
		Scheduled Appointments Met On Time	99.60%	99.50%	99.60%	99.90%	99.91%		90.00%		
		Telephone Calls Answered On Time	76.50%	81.80%	84.60%	90.42%	87.47%		65.00%		
	Customer Satisfaction	First Contact Resolution	1	0	0	0	0				
		Billing Accuracy	99.74%	99.25%	99.78%	99.51%	99.91%		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%	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	1	0	0	2			0
			Rate per 10, 100, 1000 km of line	0.000	0.177	0.000	0.000	0.350			0.025
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.90	2.50	2.01	1.60	2.18			2.80	
		Average Number of Times that Power to a Customer is Interrupted ²	0.83	2.81	2.34	2.26	1.92			1.99	
	Asset Management	Distribution System Plan Implementation Progress	84%	100%	77%	85	87				
	Cost Control	Efficiency Assessment	4	4	4	4	3				
		Total Cost per Customer ³	\$585	\$586	\$604	\$570	\$592				
		Total Cost per Km of Line ³	\$37,415	\$37,787	\$39,184	\$37,309	\$38,383				
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%	91.00%			37.88 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%	100.00%						
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	85.00%	95.24%	100.00%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.43	1.58	1.89	1.63	1.39				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.48	1.54	1.47	1.32	1.12				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	8.98%			
			Achieved	8.15%	7.54%	7.02%	5.05%	7.31%			

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 2015-2020 Conservation First Framework. 2018 results are based on the IESO's unverified savings values contained in the March 2019 Participation and Cost Report.

Legend:

5-year trend
 up down flat

Current year
 target met target not met

2018 Scorecard Management Discussion and Analysis (“2018 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 2018 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

Peterborough Distribution Inc. (PDI) is a company within the Peterborough Utilities Group of companies. The Ontario Energy Board is currently reviewing the sale of PDI to Hydro One Networks Inc. through their Mergers, Acquisitions, Amalgamations, and Divestitures process.

Peterborough Utilities Group’s 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 2018, PDI exceeded all performance targets with the exception of serious electrical incident index. Unfortunately, there were two serious electrical incidents in PDI’s service territory in 2018.

Service Quality

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

In 2018, Peterborough Distribution Inc. connected 99% of 247 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 1121 customer meetings in 2018 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 52,000 calls from customers and answered these calls in 30 seconds or less in 87% 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 OEB does plan to review information provided by electricity distributors and implement a commonly defined measure for these areas in the future.

Peterborough Distribution Inc. interprets First Contact Resolution as a measure of our effectiveness to satisfy customers concerns at the first attempt. 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 2018 indicating our customer satisfaction and issue resolution practices are positive and successful.

- **Billing Accuracy**

Peterborough Distribution Inc. issued more than 450,000 bills in 2018 and achieved a billing accuracy of 99.9%. 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". Our next survey will be conducted in 2019.

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 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. The regulation requires the approval of equipment, plans, and specifications as well as inspections of construction. Regular audits 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**

The reporting for this measure is from January 1, 2018 to December 31, 2018. Unfortunately, PDI had two serious electrical incidents within its service territory during this period. PDI was not involved in either of these two incidents. These two events were tragic for the people involved and are a constant reminder of the high risk of our industry.

We continue to review opportunities to reduce risk of any future electrical incidents. When new projects are assessed, options are evaluated to minimize safety risks associated with our infrastructure. 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 helps to minimize equipment failures. We regularly investigate 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 2018, 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 below our performance target in 2018.

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 at reducing the average number of times that power is 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 87% in this category based on its capital spending targets. The two largest internally driven projects were the annual pole replacement program and the underground rehabilitation program.

Cost Control

- **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. Over the last three years, PDI has improved its efficiency assessment from 12.7% in 2016, to 10.6% in 2017 and 8.9% in 2018. This improvement in 2018 has resulted in PDI advancing from Group 4 in 2014 through 2017 into Group 3 for 2018.

- **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 2018 is \$592, which is a 3.9% increase over 2017.

PDI has been able to maintain consistent costs for the period from 2014 through 2018, with its Total Cost per Customer having increased by 1.2% over the period. PDI will continue to replace distribution assets proactively in a manner that balances system risks and customer rate impacts. In doing so, the company continues to review its capital and operating plan to look for productivity savings and enhancements, which have helped increase its efficiency assessment over this period.

- **Total Cost per Km of Line**

This measure uses the same Total Cost 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 2018 rate is \$38,383 per km of line, a 2.9% increase over 2017, and a 1.0% increase over its five-year average.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

The Conservation and Demand Management Framework term, for PDI to attain 37.88 GWh in energy savings for customers in their distribution area, was from 2015 to the end of 2020.

The Independent Electricity System Operator (IESO) conducted an evaluation of Energy Conservation results across Ontario at the end of 2018 and confirmed that Peterborough Distribution Inc. (PDI) had achieved 91% of their target savings after only four of the six-year term of the initial framework.

PDI has attained these results while spending just over 50% of their budget. A very successful outcome.

PDI made their responsibility a priority by providing conservation support and financial incentives to benefit the entire community, allowing 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**

With the wind down of the Feed in Tariff Program in 2018, PDI did not have any new Connection Impact Assessments in 2018.

- **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. Due to the end of the Feed in Tariff program, customers were required to get their projects completed prior to the cut-off deadline in July. PDI connected 37 new micro-embedded generation facilities in the first 7 months of 2018 (microFIT projects of less than 10 kW). 100% of these projects were connected within the prescribed period of five business days. The minimum acceptable performance level for this measure is 90%.

Financial Ratios

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

As an indicator of financial health, a current ratio that is greater than one 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 one 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, 2018, PDI’s current ratio decreased to 1.39 from 1.63 at December 31, 2017. The decrease is the result of PDI decreasing its cash holdings as it has decided to limit any additional long-term debt as it awaits the OEB decision on its proposed sale to Hydro One Networks Inc. Even with this decrease, PDI’s current ratio remains well above of 1, and in line with its 2014 current ratio of 1.43.

- **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's debt to equity ratio decreased from 1.32 in 2017 to 1.12 in 2018. From 2014 to 2016, PDI maintained a debt to equity ratio near the OEB deemed mix of 1.5. In 2017, PDI decided to limit any additional long-term debt as it reviews its financing options given the proposed sale to Hydro One Networks Inc. The result is that PDI has continued to pay down its existing debt obligations, decreasing its debt to equity below the target capital mix in 2017 and 2018.

- **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 2018 PDI achieved a regulatory return on equity ("ROE") of 7.31% which is below the deemed rate, but within the +/-3% range allowed by the OEB. PDI last filed a cost of service rebasing in 2013, having prepared annual IRM rate filings in the following years. Between 2014 and 2017, PDI's ROE consistently decreased year over year as annual rate increases, by way of IRM filings, were exceeded by increases in amortization and operating expenditures. In 2018, positively impacted by increased customer consumption, PDI's ROE reversed the previous year's trend and increased by 2.26% over 2017 results.

Note to Readers of 2018 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.