

Scorecard - 1937680 Ontario Inc.

Performance Outcomes	Performance Categories	Measures	2015	2016	2017	2018	2019	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	98.80%	97.00%	97.52%	99.19%	97.44%		90.00%		
		Scheduled Appointments Met On Time	99.50%	99.60%	99.90%	99.91%	100.00%		90.00%		
		Telephone Calls Answered On Time	81.80%	84.60%	90.42%	87.47%	75.60%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution	0%	0%	0%	0%	0%				
		Billing Accuracy	99.25%	99.78%	99.51%	99.91%	99.89%		98.00%		
		Customer Satisfaction Survey Results	A	A	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.	<b>Safety</b>	Level of Public Awareness	82.00%	82.00%	85.00%	85.00%	85.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	0	0	2	1			0
			Rate per 10, 100, 1000 km of line	0.177	0.000	0.000	0.350	0.175			0.074
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	2.50	2.01	1.60	2.18	1.42			2.80	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	2.81	2.34	2.26	1.92	1.60			1.99	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress	100%	77%	85	87	71				
	<b>Cost Control</b>	Efficiency Assessment	4	4	4	3	3				
		Total Cost per Customer <sup>3</sup>	\$586	\$604	\$570	\$592	\$587				
		Total Cost per Km of Line <sup>3</sup>	\$37,787	\$39,184	\$37,309	\$38,383	\$38,133				
<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 Cumulative Energy Savings <sup>4</sup>	13.15%	28.30%	62.07%	91.00%	128.00%			37.88 GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%							
		New Micro-embedded Generation Facilities Connected On Time	100.00%	85.00%	95.24%	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)	1.58	1.89	1.63	1.39	1.59				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.54	1.47	1.32	1.12	1.01				
		Profitability: Regulatory Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	8.98%				
		Return on Equity Achieved	7.54%	7.02%	5.05%	7.31%	6.28%				

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 now discontinued 2015-2020 Conservation First Framework. 2019 results include savings reported to the IESO up until the end of February 2020.

**Legend:**

5-year trend up down flat

Current year target met target not met

## 2019 Scorecard Management Discussion and Analysis (“2019 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 2019 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard\\_Performance\\_Measure\\_Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf)

### Scorecard MD&A - General Overview

Peterborough Distribution Inc. (PDI) was a company within the Peterborough Utilities Group of companies. The Ontario Energy Board recently approved the sale of PDI to Hydro One Networks Inc. through their Mergers, Acquisitions, Amalgamations, and Divestitures process and an intermediary company, 1937680 Ontario Inc., operating as Peterborough Distribution, was formed and will remain until the final integration into Hydro One takes place.

The Ontario Energy Board’s performance objectives continue to direct our efforts as follow:

- 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.

## Service Quality

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

In 2019, Peterborough Distribution Inc. connected 97% of 234 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. Peterborough Distribution will continue to make this a priority, in alignment with past corporate objectives.

- **Scheduled Appointments Met on Time**

Peterborough Distribution Inc. scheduled 813 customer meetings in 2019 to complete work requested by customers. The utility met a 100% appointment success rate, significantly exceeding the industry target of 90%.

- **Telephone Calls Answered on Time**

Peterborough Distribution Inc. customer service representatives received over 64,000 calls from customers and answered these calls in 30 seconds or less in 75% 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.

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 2019, indicating our customer satisfaction and issue resolution practices are positive and successful.

- **Billing Accuracy**

Peterborough Distribution Inc. issued more than 450,000 bills in 2019 and achieved a billing accuracy of 99.89%. 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, utilized by many distribution companies. 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 has always been positive with the most current survey having been conducted in 2017. A new survey was not conducted for 2019 given the sale development of PDI to Hydro One.

## 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**

Helping customers understand the importance of staying safe and using electricity wisely is a priority for PDI which will continue. Continuously enhancing public awareness of electrical safety through the website and related social media tools, 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 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**

There was one serious electrical incident during the 2019 reporting period due to a motor vehicle accident which resulted in two broken poles. Our protective systems operated as planned and prevented any injuries from occurring. This accident had the potential to cause critical injury, so it was reportable under ESA's incident definition.

We continue to review opportunities to reduce risk of any potential 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 2019, the average number of hours that our customer's power was interrupted was successfully 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 also below our performance target in 2019.

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.

The measurement of DSP implementation looks at 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 71% 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. PDI continues to be assessed as Group 3 and has maintained this improved efficiency, which advanced from Group 4 in 2018.

- **Total Cost per Customer**

Total Cost per Customer is calculated as the sum of the 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 served. The cost performance result for 2019 is \$587 which is slightly less than 2018.

PDI has been able to maintain consistent costs for the period from 2015 through 2019, with its Total Cost per Customer having increased by only \$1 from 5 years ago.

- **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 2019 rate is \$38,133 per km of line, down from 2018.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

The six-year Conservation and Demand Management Framework term, for Peterborough Distribution Inc. (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 2019 and confirmed that PDI had achieved 128% of their target savings after only 5 of the 6 years provided in the initial framework.

PDI has surpassed their 2020 energy reduction target by 28% with over 30% of their budget remaining.

- PDI made their conservation responsibility a priority by providing 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 reduces the need for additional electricity supply at a provincial level and contributes 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 2019.

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

With the wind down of the Feed in Tariff Program in 2018, PDI did not have any new micro-embedded generation facilities to report on in 2019.



## 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, 2019, PDI’s ratio increased to 1.59 from 1.39 at December 31, 2018. PDI’s current ratio remains well above of 1 and remains in line with its 2015 ratio of 1.58.

- **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 1.12 in 2018 to 1.01 in 2019. From 2015 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, 2018 and 2019.

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

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

In 2019 PDI achieved a regulatory return on equity ("ROE") of 6.28% 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 filed an annual incentive rate-setting mechanism (IRM) the following years. Between 2015 and 2019 PDI's ROE has been below its deemed ROE every year as annual rate increases by way of IRM filings have been exceeded by increases in amortization and operating expenditures.

## Note to Readers of 2019 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.

Words such as "expect," "anticipate," "intend," "attempt," "may," "plan," "will", "can", "believe," "seek," "estimate," and variations of such words and similar expressions are intended to identify such forward-looking statements and information. Such statements include, but are not limited to, references to ongoing optimization of business processes, ongoing grid modernization, system renewals, continuous improvement relating to outages and response restoration times, the reduction of energy costs, and industry and internal targets. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Some of the factors that could cause such differences include legislative or regulatory developments, government policy and program developments an unexpected increase in call centre volumes, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgment on the reporting date of the performance scorecard, and could be markedly different in the future. We do not intend, and we disclaim any obligation to update any forward-looking statements, except as required by law.