

## Scorecard - PUC Distribution Inc.

10/22/2021

Performance Outcomes	Performance Categories	Measures						Trend	Target	
			2016	2017	2018	2019	2020		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	98.90%	96.67%	99.12%	100.00%	100.00%		90.00%	
		Scheduled Appointments Met On Time	98.30%	97.62%	98.48%	98.65%	100.00%		90.00%	
		Telephone Calls Answered On Time	81.30%	79.88%	77.70%	72.43%	68.88%		65.00%	
	Customer Satisfaction	First Contact Resolution	99.58%	99.74%	99.80%	99.82	99.76			
		Billing Accuracy	99.97%	99.94%	99.97%	99.98%	99.96%		98.00%	
		Customer Satisfaction Survey Results	80%	80%	80%	92	92			
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	86.00%	85.00%	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	0	0	1	1	2			1
		Number of General Public Incidents	0.000	0.000	0.135	0.135	0.271			0.094
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	1.49	1.43	1.27	1.68	3.14			1.38
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.41	1.21	1.28	1.70	2.12			1.33
	Asset Management	Distribution System Plan Implementation Progress	In progress	In Progress	100%	79	90			
	Cost Control	Efficiency Assessment	4	4	4	3	3			
		Total Cost per Customer <sup>3</sup>	\$695	\$673	\$690	\$697	\$673			
		Total Cost per Km of Line <sup>3</sup>	\$31,314	\$30,541	\$31,338	\$31,775	\$30,791			
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).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%		100.00%					
		New Micro-embedded Generation Facilities Connected On Time								90.00%
Financial Performance  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.52	1.62	1.33	0.94	0.99			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	2.34	2.04	2.02	2.03	2.07			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	8.98%	9.00%	9.00%	9.00%		
		Achieved		0.98%	1.78%	4.25%	8.87%	8.75%		

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. 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.

**Legend:**



## **2020 Scorecard Management Discussion and Analysis (“2020 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 2020 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**

PUC Distribution Inc. (“PUC”) distributes electricity to residences and businesses within the boundaries of the City of Sault Ste. Marie, Batchewana First Nation (Rankin Reserve), Prince Township and parts of Dennis Township. PUC is committed to providing its customers with a safe and reliable supply of electricity while operating effectively and efficiently at an equitable cost. PUC continues to strive to meet distributor and Ontario Energy Board (“OEB”) targets in customer focus, operational effectiveness, public policy responsiveness and financial performance.

In 2020, despite PUC being faced with the challenge of navigating the COVID-19 pandemic, PUC exceeded all performance targets, except in the category of System Reliability. In 2021-2022, PUC will be undergoing a major improvement to its distribution system with the approval of Smart Grid, which will upgrade some of the existing infrastructure and help to improve reliability. PUC was successful in its cost controls, specifically in its Efficiency Assessment. PUC maintained its Incentive Rate Setting Stretch Factor Ranking assigned by the OEB due to its ability to keep costs in line with projections.

PUC strives to maintain or improve its overall scorecard performance by monitoring key performance measures throughout the year and addressing issues as they arise. PUC plans to undertake initiatives which will mitigate risks, allowing continued delivery of the current performance levels. In 2021, PUC will continue efforts to maintain a high level of achievement on the scorecard performance results, while continuing to focus on continuous improvement across all areas of its business.

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

The OEB's Distribution System Code (DSC) requires electricity distributors to connect a new service for customers (those utilizing connections under 750 volts) within five business days, 90% of the time. In 2020, PUC connected 193 eligible low-voltage residential and small business customers to its distribution system, exceeding the OEB target of 90% by connecting 100% of its requests on time.

PUC is consistently able to achieve high levels of compliance in this area due to our existing workflow processes. Our commitment to customer care is demonstrated through staff education, customer engagement activities and the investigation of any opportunity for improvement.

- **Scheduled Appointments Met on Time**

PUC strives to meet customers' meeting requests and comply with industry standards. The OEB's DSC requires that for appointments during regular business hours, the electricity distributor must offer a window of time that is no longer than four hours and must arrive within that window 90% of the time. In 2020, PUC scheduled 1,119 appointments with customers to complete customer requested work (e.g., meter installs/removals, service disconnects, reconnects, and meter locates.) PUC exceeded the OEB target by arriving at the scheduled appointments 100% of the time.

- **Telephone Calls Answered on Time**

The OEB's DSC requires that during regular call centre hours, call centre staff must answer online calls within 30 seconds of receiving the call, 65% of the time. In 2020, PUC's Customer Experience Department received 43,601 calls from its customers. Of the 43,601 calls, a Customer Care Representative answered the call within 30 seconds or less 68.88% of the time. Although a decrease from 2019, this result meets the OEB mandated 65% target for timely call response. The decrease in this target can be partly attributed to increased call talk times due to COVID-19.

## Customer Satisfaction

- **First Contact Resolution**

PUC aims to address its customers' needs as quickly as possible and strives to resolve customers' concerns and issues the first time the customer contacts PUC. The OEB requires electricity distributors to report on its success at meeting customers' needs the first time the electricity distributor is contacted. This metric is known as First Contact Resolution. PUC's First Contact Resolution was measured by tracking the number of electric related calls that were escalated to a Senior Customer Care representative, Supervisor, or Manager. This was accomplished by tracking two specific call types in our Customer Information System (CIS), which are queried to provide the number of customer concerns that were escalated.

In 2020, PUC received 43,601 calls, of which 101 contacts were escalated to a Senior Representative or Supervisor. This resulted in a First Contact Resolution percentage of 99.76%. To establish the number of calls that were handled without escalation, the total number of calls that were escalated to a higher level of management was subtracted from the total number of calls received. However, it should be noted that First Contact Resolution can be measured in a variety of ways and PUC believes further regulatory guidance is necessary to achieve meaningful comparable information across electricity distributors.

- **Billing Accuracy**

The OEB prescribes a measurement of billing accuracy which must be used by all electricity distributors. The measure has been defined as the number of accurate bills issued expressed as a percentage of total bills issued. In 2020, PUC issued approximately 369,177 bills and achieved an accuracy level of 99.96%. This score compares favourably to the prescribed OEB target of 98%. PUC continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

Engaging customers in a constantly changing energy environment is increasingly important. The OEB requires electricity distributors to measure and report customer satisfaction results at least every other year. In 2020, PUC did not conduct a Customer Satisfaction Survey. PUC's 2019 Customer Satisfaction Survey score was 92%. The next survey will be conducted in 2021 by UtilityPULSE. The survey will focus on the key areas of power quality and reliability, price, billing and payment, communication, customer service experience, and brand image. These survey results are vital to understanding customers' perceptions and expectations. Customer engagement provides feedback that is critical for PUC's long-term success and ensures customers are provided with services they value and the value they expect.

## Safety

The Public Awareness of Electrical Safety measure (Component A) was introduced by the OEB in 2015 and focuses on the safety of the distribution system from a customer's point of view. The Electrical Safety Authority ("ESA") provides an assessment as it pertains to Component B – Compliance with Ontario Regulation 22/04 and Component C – Serious Electrical Incident Index.

- **Public Safety**
  - **Component A – Public Awareness of Electrical Safety**

The Public Awareness of Electrical Safety measure is determined by public survey. The purpose of the survey is to monitor the effort and impact LDC's are having on improving public electrical safety for the Distribution Network. This public safety survey is intended to be conducted every two (2) years. The questions on the survey are standardized across the province.

PUC's third safety awareness survey was conducted in early 2020 and resulted in a score of 85%. This was consistent with the previous Safety survey.

PUC continues to look for every opportunity to communicate and engage with the public to promote electrical safety awareness in our service area. Through participation with the Association of Electrical Utility Professionals ("AEUSP"), PUC has contributed to the production of a series of electricity safety videos for television broadcast in various Ontario markets including its own service area.

Additionally, PUC promotes electrical safety awareness in a variety of forms. The importance of awareness of electrical hazards is conveyed throughout the community via safety related communications in newspapers, on radio and at public events. Detailed hazard awareness presentations are made available to external contractors and joint use parties. In the broader community, public safety presentations are provided to elementary school students.

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

Ontario Regulation 22/04 establishes objective based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the Regulation requires the approval of equipment, plans and specifications and the inspection of construction before they are put into service. Component B is comprised of an External Audit, a Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations. ESA evaluates all these elements in order to determine the status of compliance.

For the past nine years, PUC was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This success was achieved by PUC's strong commitment to safety and adherence to regulatory requirements, company policies and procedures.

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

Section 12 of Ontario Regulation 22/04 specifies the requirement to report to ESA any serious electrical incident of which they become aware within 48 hours after the occurrence. As assessed by ESA, in the 2020 reporting period, there were two reportable serious electrical incidents. The incidents did not result in any injuries and were the result of storm conditions and an equipment failure. PUC staff attended and made the necessary repairs.

PUC remains strongly committed to both the safety of staff and the general public. PUC regularly provides its customers with electrical safety information via its website, social media, and bill inserts. Additionally, PUC continues to make significant maintenance and capital infrastructure investments to enhance system safety and reliability.

## **System Reliability**

A key change in 2017, as required by the OEB, is the revised reporting of reliability data with respect to Major Events. Specifically, the change serves to a) adjust the reliability data to remove the impact of Major Events and b) require reporting of criteria to monitor the distributor's performance related to the Major Event. The 2020 Scorecard system reliability data excludes both Loss of Supply and Major Events.

A “Major Event” is defined as an event that is beyond the control of the distributor and is:  
a) Unforeseeable; b) Unpredictable; c) Unpreventable; d) Unavoidable

Such events disrupt normal business operations and occur so infrequently that it would be uneconomical to take them into account when designing and operating the distribution system. Such events cause exceptional and/or extensive damage to assets, they take significantly longer than usual to repair, and they affect a substantial number of customers.

In 2020 there was one (1) major event days that occurred. The main cause of the major event day was Adverse Weather.

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

An important feature of a reliable distribution system is recovering from power outages as quickly as possible. Electricity distributors must track the average length of time, in hours, that its customers experienced a power outage over the past year. This measure is known as the System Average Interruption Duration Index ("SAIDI"). In 2020, PUC did not meet its performance target for the SAIDI. The two major outage causes PUC encountered in 2020 attributed to the following OEB categories: Defective Equipment (42%) and Foreign Interference (18%). Defective Equipment was a result of a cable failure on our 34.5KV and 12.47KV systems. Foreign Interference was mainly caused by animal contact and motor vehicle accidents. PUC has staff on-call to respond to emergencies and restore power as quickly as possible. PUC's SAIDI of 3.14 was above the target of 1.38. There are ongoing efforts to improve reliability, with a focus on replacing aging infrastructure, in accordance with PUC's DSP.

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

Another important feature of a reliable distribution system is reducing the frequency of power outages. Electricity distributors must track the number of times its customers experienced a power outage over the past year. This measure is known as the System Average Interruption Frequency Index ("SAIFI"). In 2020, PUC did not meet its performance target for the SAIFI. Consistent with SAIDI, the major causes PUC encountered in 2020 was Defective Equipment and Foreign Interference. PUC's SAIFI of 2.12 was above the target of 1.33. There are ongoing efforts to improve reliability, with a focus on replacing aging infrastructure, in accordance with PUC's DSP.

## Asset Management

- **Distribution System Plan Implementation Progress**

Consistent with industry best practices, PUC invests in its distribution system to ensure the safe and reliable delivery of electricity; and upgrades or replaces equipment to be able to serve customers on a continuous basis. The DSP, which covers the five-year period 2018-2022, was filed with the OEB as part of the 2018 Cost of Service Application. Prior to 2018, the OEB scorecard indicated 'In Progress' in the Performance Category of Asset Management to reflect this activity.

For years 2018 and onwards, PUC has established a metric which expresses performance by comparing the ratio of cumulative actual capital expenditures to date against cumulative planned capital expenditures to date for the period starting January 1, 2018, and ending on December 31 of each score card year. The ratio is then expressed as a percentage. The metric measures the LDCs

overall performance completing capital work and includes all elements identified in the DSP inclusive of System Access, System Renewal, System Service and General Plant. The metric will include the cumulative expenditures for all previous years within the 5-year rate application period 2018-2022. So, for example the 2020 scorecard will show a cumulative percent expenditure for the first three years of the 2018-2022 rate application period. In effect, the metric gives a snapshot at the end of each year as to how closely the LDC is tracking to their plans in achieving the overall 5-year plan. PUC intends to file a new DSP covering the 2022 to 2026 period as part of its 2022 Cost of Service application.

The calculated value for this performance metric for 2020 is 90%. The year over year increase in the score reported for this metric 90% in 2020 versus 79% in 2019 - was attributable the planned rescheduling of a distribution station rebuild project (Substation 16) forward from 2019 to 2020/2021.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC (“PEG”) on behalf of the OEB to produce a single efficiency ranking. The PEG econometrics model attempts to standardize costs to facilitate more accurate cost comparisons among distributors by accounting for differences such as the number of customers, treatment of high and low voltage costs, kWh deliveries, capacity, customer growth, length of lines, etc. All Ontario electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual costs versus the PEG model predicted costs.

The following table summarizes the distribution of all distributors across the 5 groupings for 2020:

Group	Demarcation Points for Relative Cost Performance	Group Ranking	# of Ontario LDC's in Group
1	Actual costs are 25% or more below predicted costs	Most Efficient	9
2	Actual costs are 10% to 25% below predicted costs	More Efficient	17
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	27
4	Actual costs are 10% to 25% above predicted costs	Less Efficient	4
5	Actual costs are 25% or more above predicted costs	Least Efficient	2

In 2020, PUC remained in Group 3, average efficiency. PUC's 3-year average of actual-to-predicted costs dropped to 4.9% for

2018-2020. This was driven mainly by lower OM&A costs and capital spending in 2020. In 2020, PUC's operations were impacted by COVID, as a result we could see increased spending in OM&A and capital in 2021.

- **Total Cost per Customer**

Total cost per customer is calculated by PEG as the sum of PUC's capital and operating costs, including certain adjustments to make the costs more comparable between distributors, divided by the total number of customers that PUC serves. The cost performance result for 2020 is \$673 per customer which is a 3.44% decrease over 2019. The decrease was a due to decreased capital and OM&A spending in 2020 as a direct result of the COVID-19 impact. Based on OEB guidance under EB-2020-0000 PUC deferred costs in 2020. This resulted in a lower Total Cost per Km of Line. In the absence of this deferral PUC's total cost per Km of line would be more in line with 2019's results.

PUC will continue to replace aging distribution assets proactively in a manner that balances system risks and customer rate impacts. In addition, PUC continues to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on PUC's capital spending plans.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The Total Cost is divided by the kilometers of line that the company operates to serve its customers. PUC's 2020 rate is \$30,791 per Km of line, a 3.10% decrease over 2018. The decrease was a due to decreased capital and OM&A spending in 2020 as a direct result of the COVID-19 impact. Based on OEB guidance under EB-2020-0000 PUC deferred costs in 2020. This resulted in a lower Total Cost per Km of Line. In the absence of this deferral PUC's total cost per Km of line would be more in line with 2019's results.

PUC continues to experience a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Such a flat growth rate has reduced the ability to fund capital renewal and increasing operating costs through customer growth.

## Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of receiving authorization for their project from the Electrical Safety Authority. PUC received no renewable generation CIA applications in 2020.

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

PUC connected one net-metered facility in January 2020 on time, in which the application and offer to connect were completed in 2020. PUC received one net-metered application and provided one offer to connect in October 2020. The offer to connect was accepted. The connection was completed on time, however, will be reported as part of the 2021 scorecard due to timing.

## Financial Ratios

Financial Ratios are used to determine various aspects of a company's operating and financial performance. On June 17th, 2021, the OEB issued the Report of the Ontario Energy Board: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency. As a result of this announcement, PUC will make adjusting entries in 2021. This will have an impact on the financial ratios next year.

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

As an indicator of financial health, a current ratio greater than 1 is considered good as it indicates that the company can pay its short-term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations.

PUC's current ratio for 2020 was 0.99, an increase of 0.05 over 2019.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The Total Debt to Equity Ratio measures the extent to which the assets of a company are financed by borrowing money. A debt-to-equity ratio of 1.00 means that half of the assets of a business are financed by debts and half by shareholders' equity. 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).

PUC's leverage position has remained consistent at 2.07 in 2020, above the OEB's 1.5. This indicates a debt to equity structure of 67% debt, 33% equity. PUC's approach to managing its capital structure has served both it and its customers well in the past.

Maintaining a higher debt to equity ratio enables PUC to fulfill capital and operating programs without impairing its ability to meet its

financial obligations.

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

PUC's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.00%. 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 revenue and cost structure by the OEB.

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

PUC's achieved return in 2020 was 8.75% which is within the +/- 3% range allowed by the OEB. It should be noted that the 2020 results include the deferral of COVID costs that, based on new OEB guidance, will be expensed in 2021. This will impact 2021 financial ratios. Productivity improvements and operational efficiencies continue to be a priority for the business. PUC will continue to seek process improvements, find efficiencies, and manage costs while delivering on the operational and capital programs. Going forward, PUC expects to maintain within +/- 3% range of the deemed regulatory return on equity.

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## Note to Readers of 2020 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.