

Scorecard - Hydro One Networks Inc. - 1937680 Ontario Inc. (Peterborough Distribution)

Performance Outcomes	Performance Categories	Measures	2016	2017	2018	2019	2020	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	97.00%	97.52%	99.19%	97.44%	98.31%	↑	90.00%		
		Scheduled Appointments Met On Time	99.60%	99.90%	99.91%	100.00%	99.82%	↑	90.00%		
		Telephone Calls Answered On Time	84.60%	90.42%	87.47%	75.60%	84.02%	↓	65.00%		
	Customer Satisfaction	First Contact Resolution	0	0	0	0	6				
		Billing Accuracy	99.78%	99.51%	99.91%	99.89%	99.87%	↑	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.	Safety	Level of Public Awareness	82.00%	85.00%	85.00%	85.00%	82.00%				
		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	0	0	2	1	1	↑		1
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.350	0.175	0.175	→		0.098
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	2.01	1.60	2.18	1.42	1.08	↓		1.94	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	2.34	2.26	1.92	1.60	1.45	↓		2.19	
	Asset Management	Distribution System Plan Implementation Progress	77%	85	87	71	71%				
	Cost Control	Efficiency Assessment	4	4	3	3	3				
		Total Cost per Customer <sup>3</sup>	\$604	\$570	\$592	\$587	\$579				
		Total Cost per Km of Line <sup>3</sup>	\$39,184	\$37,309	\$38,383	\$38,133	\$37,650				
<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).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%								
		New Micro-embedded Generation Facilities Connected On Time	85.00%	95.24%	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)	1.89	1.63	1.39	1.59	0.21				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.47	1.32	1.12	1.01	0.00				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	8.98%			
			Achieved	7.02%	5.05%	7.31%	6.28%	2.81%			

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:**

5-year trend  
 ↑ up   ↓ down   → flat

Current year  
 ● target met   ● target not met

## Fiscal 2020 Scorecard Management Discussion and Analysis (“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

Peterborough Distribution Inc. (PDI) was a company within the Peterborough Utilities Group of companies. The Ontario Energy Board (OEB) approved the sale of PDI to Hydro One Networks Inc. through their Mergers, Acquisitions, Amalgamations, and Divestitures (MAAD) process and an intermediary company, 1937680 Ontario Inc., operating as Peterborough Distribution (referred to as “the Business” or “Peterborough Distribution”), was formed and remained in place for the 2020 reporting year.

Peterborough Distribution Fiscal 2020 performance met or outperformed the Targets noted in the OEB Distribution Scorecard in all areas except for the “Serious Electrical Incident Index” (“Number of General Public Incidents” and “Rate per 10, 100, 1000 kilometers of line”).

## Service Quality

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

In 2020, Peterborough Distribution processed 236 new connection requests for eligible residential and small business low-voltage customers (those with service less than 750 volts). Of these, 98.31% were completed within five business days (or as otherwise agreed to by the customer and the distributor). This is consistent with the continued high level of service required to maintain the Business' standards, well in excess of the 90% OEB requirement.

- **Scheduled Appointments Met on Time**

Peterborough Distribution scheduled 559 meetings in 2020 to complete work requested by customers. The Business met a 99.82% appointment success rate, significantly exceeding the industry target of 90%. There were fewer appointments in 2020 as a result of COVID-19 restrictions. This measure applies to appointments where customer presence is required and also to those where customers do not need to be present. When a customer requests an appointment, the appointment must be scheduled within five business days (or as otherwise agreed to by the customer and the distributor). If customer presence is required, the distributor must commit to, and arrive within a four-hour window for the appointment. If customer presence is not required, the distributor must arrive on the scheduled date.

- **Telephone Calls Answered on Time**

The OEB's Distribution System Code (DSC) requires call centre staff to answer calls within 30 seconds, 65% of the time, whenever the customer reaches an agent either directly or by means of a transfer. Peterborough Distribution customer service representatives received over 45,000 calls from customers and answered these calls in 30 seconds or less in 84.02% of these instances. This result continues to significantly exceed 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 interprets First Contact Resolution as a measure of the Business' effectiveness to satisfy customers concerns at the first attempt. The Business tracked the number of calls that were escalated to higher levels of management, the reason for the escalation and the result. Customer calls were recorded, and a review of calls was conducted as necessary for customer service feedback and improvements, as well as a periodic review for training purposes. The Business had only 6 call escalations to upper management in 2020.

- **Billing Accuracy**

Peterborough Distribution issued close to 430,000 bills in 2020 and achieved a billing accuracy of 99.87%. This metric also compares quite favourably to the prescribed OEB target of 98%, consistent with previous years.

- **Customer Satisfaction Survey Results**

The OEB requires electricity distributors to measure and report customer satisfaction results at least every other year.

Since 2010, Peterborough Distribution 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. Peterborough Distribution's Customer Satisfaction Rating has always been positive with the most current survey having been conducted in 2017. A new survey was not conducted since then given the pending sale of Peterborough Distribution to Hydro One Networks Inc.

- **Public Safety**

In April 2015, the Electrical Safety Authority (ESA) made recommendations to the OEB for a scorecard public safety measure that includes three main components: A) Public Awareness of Electrical Safety, B) Compliance with Ontario Regulation 22/04 made under the Electricity Act, 1998, and C) the Serious Electrical Incident Index. Components B and C were reported in previous years and results for Component A were tracked for the first time for fiscal 2015 performance.

- **Component A – Level of Public Awareness (Public Awareness of Electrical Safety)**

Peterborough Distribution's 2020 Public Safety Awareness Index Score was 82%. Helping customers understand the importance of staying safe and using electricity wisely has always been a priority for the Business. Outreach and education is enhanced by collaboration with municipal partners in emergency awareness planning. The Business normally presents safety topics to 5-6 schools per year with a well-established student education program, as well as electrical safety presentations at selected public events. However, these 'in person' events in 2020 were not held as a result of COVID-19 restrictions. The Business continued to utilize ESA's electrical safety awareness campaigns, and further enhanced public awareness of electricity safety through their website and related social media tools.

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

Ontario Regulation 22/04 was introduced in early 2004 following recommendations from the ESA to enhance electrical safety for the people of Ontario. The regulation sets the basis for the requirements for the safe operation of the distribution system in Ontario. Distribution companies are required to be audited yearly on the design, construction, and maintenance of distribution systems in accordance with the regulation. An external auditor performs the audit. A final report by the external auditor, along with a signed declaration of compliance to the regulation by an officer of the company for all sections that are not covered by the audit, is provided to the ESA. The performance target for compliance with the regulation is for the distributor to be fully compliant, and is recorded as Compliant (C), Non-Compliant (NC), or Needs Improvement (NI). For 2020, the Business met the performance target and received a Compliant (C) score from the ESA.

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

The Serious Electrical Incident Index was designed to track and help improve public electrical safety on the distribution network over time. A distributor and its contractors and operators are required to report to the ESA, within 48 hours, any serious electrical incident involving members of the general public. A serious electrical incident is defined as any electrical contact or any fire or explosion that caused or has the potential to cause, critical injury or death in any part of the distribution system operating at greater than 750 Volts (except as caused by lightning strikes).

There was one serious electrical incident during the 2020 reporting period which is in line with prior year.

The Business continuously reviewed opportunities to reduce risk of any potential electrical incidents. When new projects were assessed, options were evaluated to minimize safety risks associated with the infrastructure. Safety risk is a focused concern and an essential consideration when planning and prioritizing capital projects.

## System Reliability

Peterborough Distribution continuously assessed the distribution system's service reliability. Maintenance, inspection, and testing of existing assets help minimize equipment failures. The Business regularly investigated solutions to reduce system susceptibility to storm damage, foreign interference, to reduce restoration times, and aid in predicting system faults. Peterborough Distribution's objective has always been to improve its system reliability performance indicators from year to year.

- **Average Number of Hours that Power to a Customer is Interrupted<sup>1</sup>**

In 2020, the average number of hours that customer's power was interrupted was successfully below the Business' target range. Reliability of electricity service has always been a high priority for customers. Outage events are categorized and reviewed to identify opportunities for improvement. After any major event, Peterborough Distribution reviewed its outage response and identified which if any procedures, equipment, or communication could be improved to prevent a future reoccurrence. Reliability risk has always been an essential consideration when planning and prioritizing capital projects.

- **Average Number of Times that Power to a Customer is Interrupted<sup>1</sup>**

The average number of times that power was interrupted to a customer in 2020 was 1.45. This continues to trend lower, year over year since 2016, and is well below the performance target of 1.99

Peterborough Distribution 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. Peterborough Distribution's asset management programs and specific capital projects are aimed at reducing the average number of power interruptions to its customers.

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<sup>1</sup> Note: The distributor specific target for Peterborough Distribution Business is located on the OEB Scorecard and is based on the currently approved Distribution System Plan.

## Asset Management

- **Distribution System Plan Implementation Progress**

The Distribution System Plan (DSP) outlines Peterborough Distribution's forecasted capital expenditures over the next five (5) years required to maintain and expand its system to serve current and future Peterborough Distribution customers. The "Distribution System Plan Implementation Progress" measure is intended to assess Peterborough Distribution'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.

Peterborough Distribution achieved a score of 71% in this category based on its capital spending targets. The decreased expenditures were caused by below budget spending on substation rehabilitation projects and the impact of the COVID-19 pandemic on planned project work.

## 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. For 2020 Peterborough Distribution continued to be assessed as Group 3 which is consistent with prior year. Group 3 comprises those utilities with actual costs within +/- 10% of predicted costs.

- **Total Cost per Customer**

Total Cost per Customer is calculated as the sum of the total Capital and Operations Maintenance & Administration (OM&A) 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 Peterborough Distribution served. The Total Cost per Customer for 2020 equaled \$579, a decrease of \$8 per customer or -1.4% from 2019. The decrease in Total Cost from 2019 was 0.8%. This, combined with the year over year increase of 0.6% in the number of customers, resulted in the decrease in Total Cost per Customer.

- **Total Cost per Kilometer of Line**

The Total Cost per Kilometer of line is defined as the total Capital and OM&A costs, including certain adjustments intended to make the costs more comparable between distributors, divided by the total number of kilometers of line operated to serve customers. Peterborough Distribution's 2020 rate is \$37,650 per kilometer of line, down by \$483 or -1.3% from 2019. The decrease in Total Cost from 2019 was 0.8%. This, combined with the year over year increase of 0.5% in the number of kilometers of line, resulted in the decrease in Total Cost per Kilometer of Line.

## Connection of Renewable Generation

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

Peterborough Distribution did not have any new Connection Impact Assessments in 2020.

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

This metric measures the Business's success in connecting micro-embedded generation facilities (10kW or less) 90% of the time within a five-business day window, or at such later date as agreed to by a micro-embedded generator and the distributor, of the generator informing the distributor that it has satisfied all applicable service conditions and received all necessary approvals, as per sections 6.2.7 and 6.2.7A of the DSC. Peterborough Distribution had only one new micro-embedded generation facility to report in 2020. The net meter installation was completed within the 5-day requirement.

## Financial Ratios

The basis for these financial ratios is Peterborough Distribution's Trial Balance for the year ended December 31, 2020, filed with the OEB under the Electricity Recording & Record-Keeping Requirements (RRR) submission.

- **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 of December 31, 2020, Peterborough Distribution's Current Ratio decreased to 0.21 from 1.59 on December 31, 2019. This decrease was the result of the funds advanced by Hydro One Networks Inc. to facilitate the purchase of the distribution business of Peterborough Distribution Inc.

- **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 Total Debt-to-Equity ratio of 1.5.

Peterborough Distribution's Total Debt-to-Equity ratio decreased from 1.01 in 2019 to 0.00 in 2020. In 2020, prior to the sale of the distribution business to Hydro One Networks Inc., Peterborough Distribution repaid all outstanding debt.

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

Peterborough Distribution'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 2020 Peterborough Distribution achieved a regulatory return on equity (ROE) of 2.81% which is below the deemed rate. Peterborough Distribution 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 Peterborough Distribution'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. Results for 2020 were further decreased by additional expenses relating to the sale to Hydro One Networks Inc.

## Note to Readers of Fiscal 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.

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 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 the scope and duration of the COVID-19 pandemic and related developments including government and the company’s response and mitigation measures 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.