

# Scorecard - Peterborough Distribution Incorporated

9/14/2017

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	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	98.00%	98.10%	99.10%	98.80%	97.00%		90.00%			
		Scheduled Appointments Met On Time	97.10%	99.10%	99.60%	99.50%	99.60%		90.00%			
		Telephone Calls Answered On Time	75.30%	78.90%	76.50%	81.80%	84.60%		65.00%			
	<b>Customer Satisfaction</b>	First Contact Resolution				1	0	0				
		Billing Accuracy				99.74%	99.25%	99.78%		98.00%		
		Customer Satisfaction Survey Results				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%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	0	0	1	0			0	
	Rate per 10, 100, 1000 km of line		0.181	0.000	0.000	0.177	0.000			0.050		
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	2.43	3.54	0.90	2.50	2.01			2.80		
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	2.12	2.83	0.83	2.81	2.34			1.99		
	<b>Asset Management</b>	Distribution System Plan Implementation Progress				84%	100%	77%				
	<b>Cost Control</b>	Efficiency Assessment		4	4	4	4	4				
		Total Cost per Customer <sup>3</sup>		\$539	\$562	\$585	\$586	\$604				
Total Cost per Km of Line <sup>3</sup>			\$34,091	\$35,731	\$37,415	\$37,787	\$39,184					
<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%		37.88 GWh		
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time		0.00%	100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	100.00%	85.00%		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)		1.72	1.79	1.43	1.58	1.89				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.29	1.25	1.48	1.54	1.47				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.01%	9.00%	8.98%	8.98%	8.98%			
			Achieved		4.35%	12.40%	8.15%	7.54%	7.02%			

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 fixed 5-year (2010 to 2014) average 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

# 2016 Scorecard Management Discussion and Analysis (“2016 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 2016 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. Peterborough Utilities Group’s mission 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 2016, PDI exceeded all performance targets with the exception of the average number of times that power was interrupted to a customer and new micro-embedded generation facilities connected on time.

The average number of times that power was interrupted to a customer was 2.34 which is above our performance target of 1.99. PDI has installed new, automated switches which are more selective in their switching operations. We have also installed improved wildlife protection on an outdoor station that was susceptible to animal caused outages. These two projects will reduce the average number of times that power was interrupted to a customer in the future.

PDI connected 20 new micro-embedded generation facilities (microFIT projects of less than 10 kW) within the prescribed time frame of five business days, 85% of the time. This is 5% below the minimum acceptable performance level for this measure. PDI received a rush of connection requests in a short period of time which caused a deficiency in meter stock. Our meter minimum stock has been increased to minimize the possibility of future stock shortages.

## Service Quality

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

In 2016, Peterborough Distribution Inc. connected 97% of 334 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 1,410 customer meetings in 2016 to complete work requested by customers. Consistent with prior years, the utility met a standard of 99.6%, significantly exceeding the industry target of 90%.

- **Telephone Calls Answered On Time**

Peterborough Distribution Inc. Customer Service Representatives received over 68,000 calls from customers and answered these calls in 30 seconds or less in 84.6% 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

2016 indicating our customer satisfaction and issue resolution practices are positive and successful.

- **Billing Accuracy**

Peterborough Distribution Inc. issued more than 450,000 bills in 2016 and achieved a billing accuracy of 99.8%. This metric also compares quite favourably to the prescribed OEB target of 98%.

- **Customer Satisfaction Survey Results**

Due to transitional issues within the Peterborough Distribution Inc. service territory, resulting from the pending sale of PDI to Hydro One, we felt a 2016 Customer Satisfaction Survey was untimely and was therefore deferred. Discussions with the Ontario Energy Board supported this postponement.

## Safety

- **Public Safety**

This measure looks at safety from a customers' point of view as safety of the 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 82%. Helping customers understand the importance of staying safe and using electricity wisely is a priority for PDI. PDI works to continuously enhance 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 before they are put into service. 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 and supporting activities is achieved by its strong commitment to employee and public safety, and 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. Under the Regulation, “serious electrical incident” means (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 that caused or had the potential to cause death or critical injury to a person, or (c) any fire or explosion in any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person, except a fire or explosion caused by lightning strike.

In 2016, PDI did not have any serious electrical incidents as defined by the Regulation. The number of incidents in our service territory was below the target rate.

We continue to review opportunities to reduce risk of any future electrical incidents. When new projects are planned, options are reviewed to minimize safety risks associated with our infrastructure. Safety risk is 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 2016, 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 in order 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 upon in order 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 2.34 which is above our performance target of 1.99. PDI has installed new, automated switches which are more selective in their switching operations. We have also installed improved wildlife protection on an outdoor station that was susceptible to animal caused outages. These two projects will reduce the average number of times that power was interrupted to a customer.

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 started to implement a Distribution System Automation project on the 27.6 kV distribution system. This project will help to minimize outage duration and frequency across our system.

## Asset Management

- **Distribution System Plan Implementation Progress**

Consistent with other measures, utilities were provided an opportunity to define the measure in the manner that best fits their organization. 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 77% in this category based on its capital spending targets. The two largest internally driven projects were the overhead rehabilitation and 27.6 kV conversion along Dumble and Aberdeen Avenues and the second 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 2016, for the fifth year in a row, 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. PDI continues to look for efficiencies in its operation 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 2016 is \$604 which is a 3.7% increase over 2015.

PDI's Total Cost per Customer has increased on average by 1.5% per annum over the period 2011 through 2016. 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. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on PDI'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 (as defined by the PEG study) that PDI operates to serve its customers. PDI's 2016 rate is \$39,184 per km of line, a 3.7% increase over 2015. On average from 2011 through 2016, PDI's Total Cost per Km of Line has increased 1.9% annually. 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**

In 2016 we more than doubled the kWh savings towards the 37.88 GWh 2015-2020 Conservation First Framework (CFF) goal.

From 4.98 GWh in 2015 to 10.89 GWh, this represents 28% in the first 2 years of the 6 year Framework and earns us a ranking of 32 of 71 LDC's for kWh reduction, and 30 in associated spending.

We continue to work on improving efficiencies and in collaboration to maximize our energy savings opportunities and potential.

## 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 from the Electrical Safety Authority. In 2016, Peterborough Distribution Inc. completed 2 CIA's both within the prescribed time limit.

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

We work closely with its customers and their contractors to tackle any connection issues to ensure the project is connected on time. Our workflow to connect these projects is very streamlined and transparent with our customers. In 2016, PDI connected 20 new micro-embedded generation facilities (microFIT projects of less than 10 kW) within the prescribed time frame of five business days, 85% of the time. The minimum acceptable performance level for this measure is 90% of the time.

Eight of these generation facilities requested connection within a five week period. Some generators requested a meter connection within a week of payment. This rush of connection requests caused a deficiency in meter stock. These meters have a long lead time to be replenished which caused a delay in connecting three projects. Our meter minimum stock has been increased to minimize the possibility of future stock shortages. It is challenging to forecast the monthly demand for these types of projects due to the cyclical nature of this program.



## 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, 2016, PDI’s current ratio increased to 1.89 from 1.58 at December 31, 2015. This also represents an increase from the average current ratio of 1.68 over the past 5 years.

- **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 consistent with the equity capital mix as set out by the OEB – this is demonstrated by the debt to equity ratio of 1.47 in 2016 and 1.54 in 2015.

- **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 2016 PDI achieved a regulatory return on equity of 7.02% (2015 – 7.54%) which is within the +/-3% range allowed by the OEB. The average return over the past 3 years was 7.57% which is also well within the range included in PDI’s approved rates.

## Note to Readers of 2016 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.