



EXHIBIT 1

ADMINISTRATIVE DOCUMENTS

The background of the slide is a photograph of a utility worker in a yellow hard hat and safety vest, working in a bucket on a wooden utility pole. The image is overlaid with a semi-transparent orange filter. The text 'Your Trusted Utility' is written in large, white, bold, sans-serif font, with 'Utility' underlined in blue. Below it, 'for a Brighter Tomorrow' is written in a smaller, white, bold, sans-serif font.

**Your
Trusted
Utility**
for a Brighter Tomorrow

TABLES OF CONTENTS

EXHIBIT1: ADMINISTRATIVE DOCUMENTS	7
1.1 APPLICATION.....	7
1.2 APPLICATION SUMMARY AND BUSINESS PLAN	9
1.2.1 Revenue Requirement	13
1.2.2 Load Forecast Summary.....	16
1.2.3 Rate Base and Distribution System Plan.....	19
1.2.4 Operations, Maintenance and Administration Expenses	21
1.2.5 Cost of Capital	24
1.2.6 Cost Allocation and Rate Design	25
1.2.7 Deferral and Variance Accounts.....	27
1.2.8 Bill Impacts	29
1.2.9 Additional Application Items.....	30
1.3 ADMINISTRATION.....	32
1.3.1 Executive Certification.....	32
1.3.2 Primary Contact Information	32
1.3.3 Legal Representation.....	32
1.3.4 Internet Address and Social Media Accounts	33
1.3.5 Impacted Customers	33
1.3.6 Statement of Publication of Notice of Hearing.....	34
1.3.6 Bill Impacts for Notice of Application.....	34
1.3.7 Form of Hearing Requested	35
1.3.8 Requested Effective Date	35
1.3.9 Statement of Deviations.....	35
1.3.9 Change in Methodology Used	36
1.3.10 Identification of Board Directives from Previous Board Decisions.....	36
1.3.11 Conditions of Service & Tariff of Rates and Charges.....	39
1.3.12 Corporate and Utility Organizational Structure	39
1.3.13 List of Specific Approvals Requested	43
1.3.14 Materiality Threshold	45
1.4 DISTRIBUTION SYSTEM OVERVIEW	46
1.5 CUSTOMER ENGAGEMENT.....	48
1.5.1 Overview	48

1	1.5.2	Communication Tactics.....	49
2	1.5.3	Investing in Improvements to the Customer Experience.....	58
3	1.5.4	Customer Surveys	59
4	1.5.5	Response to Customer Preferences.....	76
5	1.6	PERFORMANCE MEASUREMENT	77
6	1.6.1	Performance Evaluation	77
7	1.6.2	Scorecard	78
8	1.6.3	Customer Focus	79
9	1.6.4	Operational Effectiveness.....	84
10	1.6.5	Public Policy Responsiveness.....	101
11	1.6.6	Financial Performance	102
12	1.6.7	Activity and Program Based Benchmarking.....	105
13	1.7	FACILITATING INNOVATION	118
14	1.8	FINANCIAL INFORMATION	120
15	1.9	DISTRIBUTOR CONSOLIDATION.....	122
16	1.10	IMPACTS OF COVID-19 PANDEMIC	122
17	APPENDIX A	2023 Cost of Service Checklist.....	126
18	APPENDIX B	PUC Distribution’s 5 Year Business Plan	127
19	APPENDIX C	Certificate of Evidence	128
20	APPENDIX D	OEB Decision ED-1999-0161 Decision on Distribution Assets	129
21	APPENDIX E	PUC Distribution Inc. OEB 2021 Scorecard	130
22	APPENDIX F	PUC Distribution Inc Customer Satisfaction Survey	131
23	APPENDIX G	PUC Distribution Inc Audited Financial Statements 2021.....	132
24	APPENDIX H	PUC Distribution Inc Audited Financial Statements 2020	133
25	APPENDIX I	2021 PUC Sustainability Report	134
26	APPENDIX J	Map of Distribution Service Territory and Service Areas.....	135
27	APPENDIX K	App. 2-AC Customer Engagement Activities Summary	136
28	APPENDIX L	Customer Engagement Survey Phase 1	137
29	APPENDIX M	Customer Engagement Survey Phase 2	138
30			
31			

LIST OF TABLES

Table 1-1	Revenue Requirement
Table 1-2	Comparison of Load Forecast 2018 OEB Approved & 2023 Test Year
Table 1-3	Geometric Mean Used
Table 1-4	2018 Board Approved vs 2023 Test Year
Table 1-5	2018 OEB Approved vs. 2023 Test Year Capital Expenditures
Table 1-6	2018 Board Approved Vs. 2023 Test Year OM&A
Table 1-7	2018 Board Approved Vs. 2023 Test Year OM&A Graph
Table 1-8	2023 Test Year Compared to Inflation
Table 1-9	Weighted Average Cost of Capital
Table 1-10	Revenue to Cost Ratios
Table 1-11	Distribution Charges
Table 1-12	Deferral and Variance Accounts
Table 1-13	DVAs Commence/Continues/Discontinue
Table 1-14	Customer Bill Impacts
Table 1-15	Bill Impacts
Table 1-16	List of Prior Commitments
Table 1-17	Materiality Threshold for the 2018 Test Year
Table 1-18	PUC's 2016-2018 OEB Scorecard Results
Table 1-19	Scorecard Performance Category – Service Quality
Table 1-20	Scorecard Performance Category – Customer Satisfaction
Table 1-21	Scorecard Performance Category – Safety
Table 1-22	Scorecard Performance Category – System Reliability
Table 1-23	Historical SAIDI Results
Table 1-24	Historical SAIFI Results
Table 1-25	Scorecard Performance Category – Asset Management
Table 1-26	Scorecard Performance Category – Cost Control
Table 1-27	Distribution of Distributors
Table 1-28	Actual vs. Predicted Costs
Table 1-29	PEG Benchmarking Model Adjustments
Table 1-30	Revised Efficiency Percentage
Table 1-31	Actual Total Cost per Customer
Table 1-32	2023 Projection Total Cost per Customer
Table 1-33	2021 Total Cost per Customer Comparison (<50 Customers per Km of Line)
Table 1-34	Total Cost per Km of Line
Table 1-35	Scorecard Performance Category – Financial Ratios
Table 1-36	Revised APB Results
Table 1-37	Comparison of PUC Distribution Rates (with TX) to Northern LDC's

LIST OF FIGURES

1	
2	Figure 1-1 PUC Corporate Structure
3	Figure 1-2 Executive and Board Organization Chart
4	Figure 1-3 PUC Service Area
5	Figure 1-4 Facebook Followers Growth
6	Figure 1-5 Twitter Followers Growth
7	Figure 1-6 Survey Results Investments in Infrastructure Question
8	Figure 1-7 Survey Results Energy Savings Question
9	Figure 1-8 Survey Results Value of Communication Question
10	Figure 1-9 Survey Results Carbon Footprint Question
11	Figure 1-10 Survey Results Greenhouse Gas Emission Question
12	Figure 1-11 Survey Results Power Outage Communication Question
13	Figure 1-12 Survey Results Reliability Question
14	Figure 1-13 Survey Results Improved Communication Options Question
15	Figure 1-14 Survey Results TOU vs. Tiered Pricing Options Question
16	Figure 1-15 Survey Results Customer Service Question
17	Figure 1-16 Survey Results Summary
18	Figure 1-17 Survey Results Customer Priorities Question
19	Figure 1-18 Survey Results Customer Convenience Question
20	Figure 1-19 Survey Results Electric Vehicles Question
21	Figure 1-20 Provincial Comparison - Customer Focus – Service Quality and Customer
22	Figure 1-21 System Reliability & Scorecard Target
23	Figure 1-22 Billing O&M
24	Figure 1-23 Metering O&M
25	Figure 1-24 Vegetation Management O&M
26	Figure 1-25 Lines O&M
27	Figure 1-26 Stations O&M
28	Figure 1-27 Pole Maintenance O&M
29	Figure 1-28 Stations CAPEX
30	Figure 1-29 Line Transformer CAPEX
31	Figure 1-30 Metering CAPEX
32	Figure 1-31 Poles, Towers, Fixtures CAPEX

APPLICATION

IN THE MATTER OF the Ontario Energy Board Act, 1998,
S.O. 1998, c.15, 3 Schedule B, as amended (the "OEB Act");

AND IN THE MATTER OF an Application by PUC Distribution Inc. under Section 78 of the OEB
Act to the Ontario Energy Board for an Order or Orders approving or fixing just and
reasonable rates and other service charges for the distribution of electricity as of May 1,
2023.

PUC DISTRIBUTION INC. (PUC)

APPLICATION FOR APPROVAL OF 2023 ELECTRICITY DISTRIBUTION RATES

EB-2022-0059

Filed: August 31, 2022

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EXHIBIT1: ADMINISTRATIVE DOCUMENTS

1.1 APPLICATION

The Applicant is PUC Distribution Inc. referred to in this Application as the “Applicant” or “PUC.” The Applicant hereby applies to the Ontario Energy Board (the “OEB” or the “Board”) pursuant to section 78 of the *Ontario Energy Board Act, 1998* (the “OEB Act”) for approval of its proposed distribution rates and other charges, effective May 1, 2023 (the “Application”).

The Applicant is an Ontario corporation with its office in the city of Sault Ste. Marie. The Applicant carries on the business of distributing electricity in its service territory which includes most of the City of Sault Ste. Marie, Batchewana First Nation (Rankin Reserve), Prince Township and parts of Dennis Township. PUC’s 2023 Cost of Service Application (EB-2022-0059) (the “Application” or “COS” interchangeably) presents evidence demonstrating how PUC will develop, operate, and maintain its distribution system to ensure it provides safe, reliable, and cost-effective service to its customers.

The period for this COS covers five years with (i) historical information for the 2018-2021 period, (ii) 2022 Bridge Year; and (iii) a one-year forward test period – the 2023 Test Year. The Distribution System Plan (“DSP”) provides an overview of PUC’s asset planning process, objectives and goals, a review of PUC’s asset-related operational performance over a 5-year historical period, and a forecast of planned capital expenditures over the 2023-2027 period. PUC’s last Cost of Service application and DSP was filed April 2, 2018, for rates effective May 1, 2018.

This Application contains nine exhibits, including this Exhibit 1, as follows:

- Exhibit 1 - Administrative Documents

- Exhibit 2 - Rate Base, including the DSP
- Exhibit 3 - Operating Revenue
- Exhibit 4 - Operating Expenses
- Exhibit 5 - Cost of Capital and Capital Structure
- Exhibit 6 – Calculation of Revenue Deficiency or Sufficiency
- Exhibit 7 – Cost Allocation
- Exhibit 8 – Rate Design
- Exhibit 9 – Deferral and Variance Accounts

PUC has prepared this Application in accordance with the following:

- The Application has been prepared pursuant to the Report of the Board, Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach issued October 18, 2012 (the “RRFE”);
- Unless specifically stated otherwise in the Application, the Applicant followed Chapter 1 and Chapter 2 of the OEB’s Filing Requirements for Electricity Distribution Rate Applications last revised on April 18, 2022 (the “Filing Requirements”) in preparing the Application;
- The Applicant has prepared a consolidated DSP in accordance with Chapter 5 of the OEB’s Filing Requirements;
- PUC acknowledges that the OEB may publish an update to its cost of capital parameters for applications for 2023 distribution rates and that these matters will affect the Revenue Requirement that the Applicant has requested in this Application;
- The OEB’s Handbook for Utility Rate Applications issued October 13, 2016; and
- PUC has not deviated from these filing requirements and provides a checklist of the filing requirements as Appendix A, which identifies the specific reference in the Application where relevant information is provided.

1.2 APPLICATION SUMMARY AND BUSINESS PLAN

Introduction

PUC provides a summary of the key elements of its Application in this section. These include the business, capital and operating plans that support the Application and the corresponding funding that is required to develop, manage, operate, and maintain its distribution system to provide safe, secure, reliable, efficient, and cost-effective service to its customers. PUC's plans are an outcome of its business planning efforts, enhanced asset management and capital expenditure planning processes, multi-faceted customer engagement, and coordinated planning with third parties. PUC developed its plans to address and appropriately balance the needs and preferences of its customers, its distribution system requirements, and relevant public policy objectives.

PUC's mission is to be a community leader providing safe and reliable utility services. Its vision is to improve communities through curiosity and innovation. Today, more than ever, PUC's focus is on being a sustainable company that is developing strategies to lower its carbon footprint, support communities, and offer excellent customer service.

About PUC

PUC is a municipality owned local distribution company ("LDC") serving the City of Sault Ste. Marie (the "City"), with a total licenced service area of 342 square kilometers and a customer base of approximately 33,865 customers. Of that service territory, 284 square kilometers are rural and 58 square kilometers are urban. The total population is 75,300.

1 PUC is a subsidiary of PUC Inc., one of two subsidiaries within the PUC group wholly owned by
2 the City. The other subsidiary of the City is PUC Services Inc. PUC is a virtual utility and through
3 its affiliate PUC Services Inc., it operates using a shared services model. This model provides
4 significant efficiency benefits across all of the entities under the PUC umbrella. PUC Services
5 Inc. shares certain resources with affiliates to create economies of scale and scope. For the
6 purposes of this Application, the model has been validated and further updated through an
7 independent third party.

8
9 PUC and PUC Services Inc. have won several awards since its last rebasing application in 2018
10 as follows:

- 11 2018 – Sault Ste. Marie Chamber of Commerce Safe Work, Sound Business Award
- 12 2018 – Urban and Regional Information Systems Association GIS Award
- 13 2019 – Sault Ste. Marie Chamber of Commerce Safe Work, Sound Business Award
- 14 2020 – Electrical Distributors Association (EDA) Customer Service Excellence Award
- 15 2020 – Electrical Safety Authority (ESA) Worker Safety Award
- 16 2022 – Algoma Public Health Community Champion Award
- 17 2022 – Sault Ste. Marie Chamber of Commerce Community Investment Award

18
19 PUC strives to exemplify excellence in every aspect of its business. From the work of its
20 engineers and the professionalism of its customer service representatives to its resilient
21 operations crews and all those in-between, PUC works together to deliver value at every level
22 of the organization.

23 24 **PUC's 5-Year Business Plan**

25
26 In accordance with the OEB's Handbook for Utility Rate Applications, PUC has prepared a
27 formal Business Plan that outlines PUC's overall strategy connecting its vision for the future.

1 Such a strategy is aligned with PUC's mission, vision and core values. PUC received approval
2 of its 2023-2027 Business Plan from its Board of Directors on August 10, 2022.

3
4 This Business Plan identifies the key success factors that will enable PUC to be a best-in-class
5 utility:

- 6 1. **Completion of a DSP** – This comprehensive engineering plan outlines PUC's asset
7 management strategy and capital expenditure plans over a five-year horizon. PUC's plan
8 provides clarity, direction and focus connecting PUC's vision for the future to its core
9 strategies and strategic objectives. Customers, Employees, and Shareholder, the three
10 pillars of the PUC Strategic Plan, are the focus and at the forefront of PUC's DSP.

11 The fundamental objective of PUC's asset management program is to manage planning
12 and engineering prudently and efficiently. This entails ensuring the design, inspection,
13 maintenance, replacement, and retirement of all distribution assets are done in a
14 sustainable manner that maximizes safety and customer reliability, while optimizing asset
15 lifecycle costs.

- 16 2. **People, Culture and Safety Strategy** – Succession planning, employee growth and
17 employee engagement will ensure that PUC has the right people in the right jobs over the
18 coming years. Human resources and safety policies will position PUC as one of the top
19 employers in Canada. Safety – one of PUC's core values – is always a top priority in PUC's
20 plans and budgets. This includes both safety for the public and the safety of PUC
21 employees.

22 PUC is dedicated to creating a welcoming environment that encourages and promotes
23 diversity, cross-culture working experiences and strong relationships within the
24 community and with partners. PUC will strive to demonstrate leadership and foster a
25 workplace culture where all employees feel empowered to bring their authentic selves to
26 the workplace and do their best work.

1 3. **Customer-Centric** – This is another core value of PUC. With its COS, PUC reached out to
2 customers through the biennial customer satisfaction survey as well as through specific
3 COS surveys to gather feedback and confirmation on how PUC is doing. PUC is continually
4 looking for ways to create positive experiences for customers, while at the same time
5 encouraging behaviour that is more responsive to energy conservation. This has resulted
6 in the launch of the MyPUC app, along with other consistent, proactive communication
7 methods that are conducive to two-way interaction, real-time at the convenience of the
8 customer.

9 4. **Financial Success** – PUC strives to produce consistent, allowable earnings, with returns
10 that meet the expectation of PUC's shareholder. The focus is on growing value through
11 investment and innovation. PUC continues to build on partnerships with other LDCs and
12 organizations to strengthen the utility.

13 5. **Innovation** – This also is a core value of PUC. Building on its strong culture of innovation
14 PUC has created throughout the organization, PUC will engage all staff to look for ways to
15 improve efficiency and reduce costs through curiosity and innovation. This includes
16 continuing to expand on initiatives such as 'becoming paperless' with creating electronic
17 forms, promoting e-billing to customers, and also improving efficiencies in how we
18 operate.

19
20 The Business Plan further outlines how the key challenges associated with PUC's service areas
21 are mitigated and how the preferences of PUC's customers have been integrated into its 2023
22 COS and DSP. It does so in a manner that is consistent with the outcomes of the OEB's
23 Renewed Regulatory Framework for Electricity Distributors ("RRFE"). The Business Plan
24 summarizes PUC's target and forecasted performance with respect to performance metrics to
25 ensure that PUC delivers on its strategic objectives. And finally, the Business Plan spans 2023-

2027 and presents the amount of revenue, capital and operating, maintenance and administrative expenses (“OM&A”) required to justify PUC’s proposed rates.

PUC continues to set risk management as a top priority. It has implemented an Enterprise-wide Risk Management program whereby the Senior Leadership Team become Risk Owners for one or more risks. They assume full accountability for successful management of their risk(s), including actions plans for risk mitigation and regularly reporting on progress. Over the COS horizon, the corporate risk register will continue to be reviewed to ensure that risks with a potential to affect the organization from a safety, reputation, financial and personnel perspective are identified and addressed. This will enable PUC to deliver on its commitments as presented with the 2023 COS.

PUC’s business plan reflects its focus on being sustainable while balancing reliability and affordability for customers. Overall, the plan supports a successful COS, and management remains committed to being prudent in its expenditures and investments throughout the 5-year period while not sacrificing the excellent service customers have come to rely on.

PUC has included a copy of its Business Plan as Appendix B 2023 BUDGET AND 2024-2027 PROJECTIONS.

The key elements of the Application will now be discussed.

1.2.1 Revenue Requirement

The OEB approved \$11,474,633 OM&A in PUC’s 2018 rebasing application. This amount included property taxes in the amount of \$298,477. In this Application, PUC breaks out the

property taxes and incorporates it separately in the Revenue Requirement Work Form (“RRWF”).

In Table 1-1 below, PUC is requesting a service revenue requirement for 2023 in the amount of \$27,752,199. Based on the projected load forecast and customer growth for the 2023 Test Year, PUC has estimated a revenue deficiency of \$4,998,586 based on its current rates.

Table 1-1: Revenue Requirement

Description	2018 OEB Approved	2023 Test Year	Change \$	Change %
OM&A	\$ 11,176,156	\$ 13,533,701	\$ 2,357,545	21.09%
Depreciation	\$ 3,780,329	\$ 5,425,413	\$ 1,645,084	43.52%
Return on Equity	\$ 3,587,690	\$ 4,714,129	\$ 1,126,440	31.40%
Deemed Interest	\$ 2,390,627	\$ 3,089,225	\$ 698,597	29.22%
Property taxes and LEAP	\$ 367,447	\$ 415,590	\$ 48,143	13.10%
PILs	\$ 586,716	\$ 574,141	\$ (12,575)	-2.14%
Service Revenue Requirement	\$ 21,888,965	\$ 27,752,199	\$ 5,863,234	26.79%
Revenue Offsets	\$ (2,698,600)	\$ (2,750,265)	\$ (51,665)	1.91%
Base Revenue Requirement	\$ 19,190,365	\$ 25,001,934	\$ 5,811,569	30.28%
Rate Base	\$ 99,658,054	\$ 136,089,188	\$ 36,431,134	36.56%

The rates proposed to recover the projected revenue requirement and other relief sought are set out in Exhibit 8. The 2023 service revenue requirement represents an increase of \$5,863,234 or 26.79% over the 2018 Board-approved amount of \$21,888,965.¹

This revenue deficiency of \$4,998,586 doesn’t includes PUC’s ICM applications for Sub-station 16 (“Sub-16”) (EB-2019-0170) and the ICM application for The Sault Smart Grid project (“SSG”)

¹ Board Decision and Rate Order EB-2017-0071, dated September 27, 2018

(EB-2018-0219/2020-0249). The incremental revenue included in the 2023 Test year at existing rates, using the "PUC_2023_Load forecast – With Regression Analysis_20220831", is \$1,080,031. This changes the revenue deficiency to \$3,918,555. If we remove these 2 ICM's from the \$5,863,234 increase in revenue, from 2018 Board Approved to 2023 Test Year, this represents an increase of \$4,783,203 or 21.8% over a 5-year period.

The main drivers of the 2023 revenue requirement changes from the 2018 Board-approved amount are:

- To provide a reasonable rate of return to the Shareholder, the City;
- Recovery of PUC costs to provide distribution services. Cost recovery is necessary to account for an increase in rate base and the associated depreciation from 2018-2022 capital additions, Sub-16 and SSG additions, resulting in an increased return from capital expenditures since the last COS application in 2018;
- Increased taxable income causing an increase in recovery of PILs payable;
- Funds necessary to service PUC's debt;
- To maintain current capital investment levels in infrastructure to ensure a safe, reliable distribution system;
- To continue with operating expenses necessary to maintain and operate the distribution system, meet customer service expectations and ensure regulatory compliance. These include:
 - Increased regulatory costs (i.e. cyber security, Ontario Rebate for Electricity Consumers Act (OREC), COVID-related items, etc.);
 - Increased bad debt expense;
 - Increased billing costs to facilitate RPP pricing options for customers; and
 - Increased regulatory rate filing costs.

- Increased operating costs as a direct result of the implementation of SSG which are more than offset by the energy savings on PUC customer bills;
- Higher inflationary increases for the 2023 as a result of growing inflation within the economy; and
- Maintaining adequate staffing requirements, including training and development in preparing for succession planning.

1.2.2 Load Forecast Summary

PUC's load forecast is weather normalized and considers factors such as historical power purchased load, weather, calendar related factors, number of customers and a trend variable. As outlined in Exhibit 3, PUC has used the same regression analysis methodology approved by the OEB in its 2018 Cost of Service ("2018 COS") application (EB-2017-0071). The regression analysis was conducted on historical electricity purchases to produce an equation that will predict weather normalized power purchases in 2023. The weather normalized purchased energy forecast is adjusted by a historical loss factor to produce a weather normalized billed energy forecast which is allocated to rate class using historical billing data by rate class. Upon completion of the regression analysis using 2020 and 2021 actual data PUC realized that a COVID-19 adjustment was needed to normalize the two General Service rate classes. Thus, PUC has normalized consumption for those rate classes which can be reviewed in full detail in Exhibit 3. Finally, PUC's Load Forecast has an adjustment for Conservation Demand Management ("CDM") to reflect the impact of activities that are expected to be implemented from 2023 to 2027 within its service territory based on its share of electricity use within the province, the IESO's 2021-2024 CDM Framework, and the IESO Planning Outlook. The full details of this adjustment can be reviewed in Exhibit 3.

1 Based on the load forecast methodology, the total billed 2023 Test Year kWh billed forecast is
2 578,772,961 which is a 7.97% decrease over PUC's 2018 OEB approved kWh billed forecast of
3 628,908,711. PUC exceeded the 2018 forecast in 2018 and 2019 but since then has seen a
4 declining trend in overall consumption. Over the last 10 years PUC's consumption has also
5 been showing a declining trend overall with an 11% reduction in consumption since 2012. As
6 a result, the 2023 forecast has been developed to be more in line with the results from 2018
7 and 2021 along with an adjustment for CDM. The results are shown in Table 1-2 below.

8

1 **Table 1-2: Comparison of Load Forecast 2018 OEB Approved & 2023 Test Year**

Description	2018 Board Approved	2023 Test Year	Change
Billed kWh	628,908,711	578,772,961	(50,135,750)
% Difference			-7.97%
By Class			
Residential			
Customers	29,816	30,340	524
kWh	288,323,799	274,738,681	(13,585,118)
General Service <50 kW			
Customers	3,431	3,400	(31)
kWh	92,411,463	79,051,528	(13,359,935)
General Service 50 to 4,999 kW			
Customers	357	344	(13)
kWh	244,620,697	221,450,388	(23,170,309)
kW	614,743	547,687	(67,056)
Sentinel Lights			
Customers	354	317	(37)
kWh	209,800	193,841	(15,959)
kW	593	566	(27)
Street Lights			
Customers	8,070	8,037	(33)
kWh	2,398,221	2,459,994	61,773
kW	7,030	7,200	170
USL			
Customers	22	25	3
kWh	944,731	878,528	(66,203)
Total			
Customer/Connections	42,050	42,463	413
kWh	628,908,711	578,772,961	(50,135,750)
kW from applicable classes	622,366	555,454	(66,912)

2

3 The 2023 forecast of customers/connections by rate class was determined using a geometric

4 mean analysis for all rates classes over the last 5- and 10-year periods. The customer counts

5 in 2020 and 2021 were normalized as PUC noted a significant shift in customer count from the

6 GS>50 rate class to the GS<50 rate class over this timeframe. Decreased consumption for

customers in the GS>50 class caused the shift, primarily as a result of the ongoing COVID-19 pandemic. It remains to be seen how many of those customers will shift back to the GS>50 rate class. Over time PUC expects to see a gradual shift of customers back to the GS>50 rate class, as reflected in this Application. Table 1-3 Geometric Mean outlines the analysis completed and the geometric mean used for each rate class.

Table 1-3: Geometric Mean Used

	<u>Residential</u>	<u>General Service <50 kW</u>	<u>General Service 50 to 4,999 kW</u>	<u>Sentinel Lights</u>	<u>Street Lights</u>	<u>USL</u>
Used	1.0034	1.0008	0.9868	0.9805	1.0000	1.0236
Geomean (10 year)	1.0034	1.0008	0.9868	0.9805	0.9905	1.0236
Geomean (5 Year)	1.0034	0.9988	0.9956	0.9818	0.9811	1.0277

The expected number of customers/connections for the 2023 Test Year is 42,463 which is a 1% increase compared to the 2018 OEB Approved customers/connections of 42,050.

Further explanations of for the Load Forecast are included in Exhibit 3.

1.2.3 Rate Base and Distribution System Plan

Rate Base

The 2023 Rate Base calculated in Exhibit 2 of this Application is \$136,089,188 and is comprised of the average of the balances at the beginning and the end of the 2023 Test Year, plus a working capital allowance, calculated as 7.5% of the sum of the cost of power and controllable expenses.

Table 1-4 below provides a comparison of the 2018 Board approved Rate Base of \$99,658,054.

The cumulative change in rate base was \$36,431,134 which represents a 36.56% increase. This

larger than normal increase is mainly the result of the two previously approved ICMs for Sub-16 and SSG.

Table 1-4: 2018 Board Approved Rate Base vs 2023 Test Year

Description	2018 board Approved	2023 Test Year	Change \$	Change %
Average Gross Fixed Assets	\$ 108,733,229	\$ 166,892,585	\$ 58,159,357	53.49%
Average Accumulated Depreciation	\$ (15,770,354)	\$ (36,460,700)	\$ (20,690,346)	131.20%
Average Net Fixed Assets	\$ 92,962,875	\$ 130,431,885	\$ 37,469,011	40.31%
Working Capital	\$ 89,269,060	\$ 73,322,849	\$ (15,946,211)	-17.86%
Working Capital Allowance (%)	7.5%	7.5%	\$ -	0.00%
Working Capital Allowance	6,695,180	5,657,303	\$ (1,037,877)	-15.50%
Rate Base	\$ 99,658,054	\$ 136,089,188	\$ 36,431,134	36.56%

Distribution System Plan

PUC's DSP, filed as Appendix C in Exhibit 2, was developed to address, and appropriately balance, the needs and preferences of its customers, its distribution system requirements, and relevant public policy objectives. PUC's investment plans are the outcome of its business planning efforts, enhanced asset management and capital expenditure planning processes, customer engagement, and co-ordinated planning with third parties.

All proposed capital projects are assessed within the framework of its capital budget priority and are outlined in the DSP. The capital budget forecast for 2023 is influenced by, among other factors, PUC's priority to maintain adequate security of supply to meet customer needs, as well as to replace end-of-life assets.

Major cost drivers for the DSP in 2023 are:

- System renewal and expansion;
- Deteriorating condition of distribution infrastructure and assets reaching end-of-life;

- Customer connections and regulatory requirements;
- System growth and planning criteria; and
- SSG.

Gross Capital Expenditures proposed for the 2023 Test Year are \$10,705,871 (excluding capital contributions) per Table 1-5 below. This represents an increase of \$5,317,695 or 98.69% over the 2018 DSP Capital Expenditures. 2023 Test Year expenditures includes \$3,190,371 in carry over expenses from the SSG ICM Application.

Table 1-5: 2018 OEB Approved vs. 2023 Test Year Capital Expenditures

Planned Capital Expenditures	2018 OEB Approved	2023 Test	Change \$	Change %
System Access	\$ 1,540,849	2,339,499	\$ 798,650	51.83%
System Renewal	\$ 3,761,033	4,598,966	\$ 837,933	22.28%
System Service	\$ 86,294	3,190,371	\$ 3,104,077	3597.09%
General Plant	\$ -	577,035	\$ 577,035	0.00%
Total Expenditures, Gross	\$ 5,388,176	\$ 10,705,871	\$ 5,317,695	98.69%
Capital Contributions	\$ (450,000)	\$ (592,500)	\$ (142,500)	31.67%
Total Expenditures, Net	\$ 4,938,176	\$ 10,113,371	\$ 5,175,195	104.80%

Further explanations of for the changes are included in Exhibit 2.

1.2.4 Operations, Maintenance and Administration Expenses

PUC is proposing recovery through distribution rates of \$13,533,701 in OM&A costs for the 2023 Test Year as detailed in Exhibit 4.

In 2018, PUC's actual OM&A expenditures were \$11,250,796 compared to the approved amount in rates of \$11,176,156 (\$11,474,633 Board approved excluding property taxes).

These costs were necessary for PUC to safely operate and maintain the distribution system and to meet all incremental regulatory requirements.

As shown in Table 1-6 below, PUC is requesting 2023 test year OM&A expenses of \$13,533,701 which is \$2,357,545, or a 21.1% increase over the 2018 Approved amount.

Table 1-6: 2018 Board Approved Vs. 2023 Test Year OM&A

Test Year vs 2018 Board Approved	2018 Board Approved	2023 Test Year	Variance
Operations	\$4,029,899	\$4,434,334	\$404,435
Maintenance	\$2,106,659	\$2,901,131	\$794,472
Customer Service	\$2,037,039	\$2,043,800	\$6,762
Administration	\$3,002,559	\$4,154,436	\$1,151,876
Total OM&A	\$11,176,156	\$13,533,701	\$2,357,545
Percentage change			21.1%

The graph in Table 1-7 below shows that OM&A expenses have approximated inflation less the productivity factor for 2019 through 2022. PUC recognizes that the Input Price Index ("IPI") has been on the rise, with an IPI of 3.30% for 2022. PUC expects the IPI to increase further in 2023 to above 7.7%² (CPI May 2021 to May 2022).

² Consumer Price Index, monthly, not seasonally adjusted (statcan.gc.ca) as of July 2022

Table 1-7: 2018 Board Approved Vs. 2023 Test Year OM&A Graph

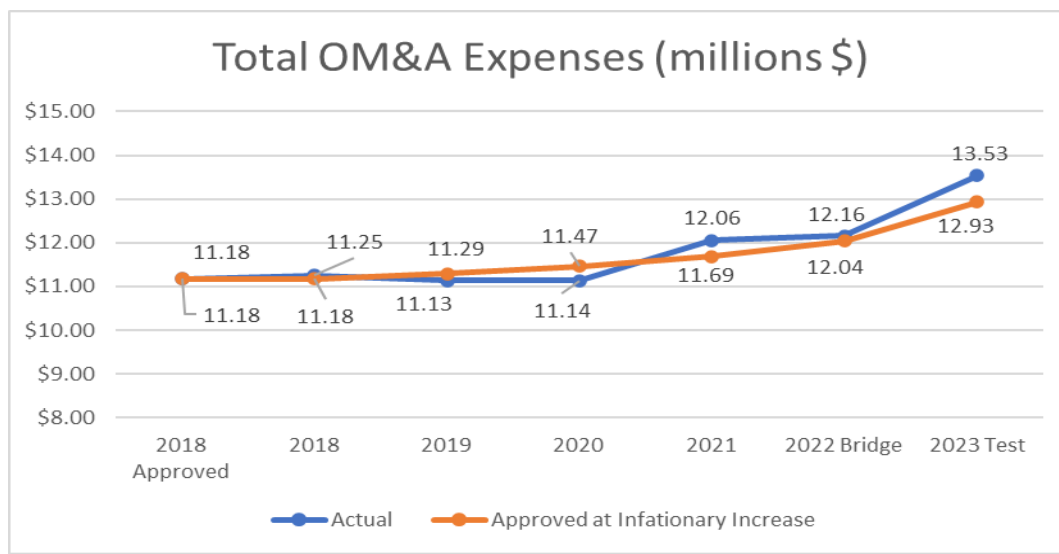


Table 1-8: 2023 Test Year Compared to Inflation

Description	2023 Test Year	2023 inflationary	Variance
OM&A	\$ 13,533,701	\$ 12,927,793	\$ 605,908

Table 1-8 above shows the 2023 test year OM&A compared to inflationary impacts only results in a difference of \$605,908. In addition to inflation, PUC is requesting the following items not currently recovered in rates:

- 2.5 FTEs as a result of the ongoing OM&A associated with SSG, estimated at \$260,000 [ICM SSG EB-2018-0219/2020-0249];
- Updates to the PUC Services Shared Cost Allocation Model, filed as Appendix G in Exhibit 4, outlining an increase of \$160,000; and

- Increased Cyber Security, Regulatory and IT resources (i.e. Green Button and APB Benchmarking) resulting in increased costs of \$123,000.

Further explanations of the changes are included in Exhibit 4.

1.2.5 Cost of Capital

PUC has prepared its Application in accordance with the OEB Staff Report *Review of the Cost of Capital for Ontario's Regulated Utilities*, issued January 14, 2016. PUC has used the most recent cost of capital parameters issued by the OEB on October 28, 2021. There are no deviations from the Board's cost of capital methodology in this Application.

PUC has a promissory demand note with its parent, PUC Inc., bearing interest at 6.10%. For the purposes of this Application, PUC has used the current deemed long-term debt rate of 3.49% for this related-party debt. Also included is the remainder of financing to be finalized with Infrastructure Ontario ("IO") for the completion of SSG. PUC has been closely monitoring the financing rate environment with IO and has used a rate of 5.00% for this additional planned borrowing.

Taking into consideration the remainder of PUC's debt results in the following Weighted Average Cost of Capital in Table 1-9. Further details on all of PUC's debt's is provided in Exhibit 5.

Table 1-9: Weighted Average Cost of Capital

Description	Deemed Portion	Effective rate
Long-Term Debt	56.00%	3.97%
Short-Term Debt	4.00%	1.17%
Return on Equity	40.00%	8.66%
Weighted Debt Rate		3.78%
Regulated Rate of Return		5.73%

PUC acknowledges that the OEB will update the cost of capital parameters for 2023 Cost-Based rates before the OEB renders a decision on this 2023 application. Once the OEB has issued the new cost of capital parameters for 2023 cost-based rates, PUC will update its application accordingly.

Further explanations of for the changes are included in Exhibit 5.

1.2.6 Cost Allocation and Rate Design

PUC has not deviated from the Board's cost allocation and rate design methodology. PUC has consulted with the one customer of its Sentinel Light rate class and is agreeable to the rate increase of 13.13%.

Cost Allocation

The data used in the updated 2023 cost allocation study is consistent with PUC's cost data that supports the proposed 2023 revenue requirement outlined in this Application. The breakout of assets, capital contributions, depreciation, accumulated depreciation, customer data and load data by primary, line transformer and secondary categories were developed from the

best data available to PUC from its engineering records, and its customer and financial information systems.

In 2018, PUC aligned its revenue-to-cost ratios for the Street Lights and Unmetered Scattered Load classes. The revenue from PUC's 2023 cost allocation does not require any adjustments as all rate classes fall within their proposed bands. Table 1-10 below shows the updated cost allocation percentages from this Application along with the OEB targets.

Table 1-10: Revenue-to-Cost Ratios

Rate Class	2023 Cost Allocation Study	2023 Proposed Ratios	Board Targets	
			Min to Max	
Residential	99.95%	99.95%	85.00%	115.00%
General Service < 50 kW	117.87%	117.87%	80.00%	120.00%
General Service ≥ 50 to 4999 kW	91.16%	91.16%	80.00%	120.00%
Streetlights	90.84%	90.84%	80.00%	120.00%
Sentinel Lights	99.81%	99.81%	80.00%	120.00%
Unmetered Scattered Load	109.87%	109.87%	80.00%	120.00%

Rate Design

PUC is proposing to increase the fixed monthly charge for Residential class by 25%. PUC proposes to maintain the fixed/variable proportions assumed in the current rates to design the proposed monthly service charges. PUC has fully transitioned its Residential Rate Class to fixed rates.

Table 1-11 below provides a comparison of PUC's current 2022 distribution rates and the proposed 2023 distribution rates.

Table 1-11: Distribution Charges

Customer Class	Monthly Fixed Charge			Unit of Measure	Distribution Volumetric Charge		
	2022 Current	2023 Proposed	% Difference		2022 Current	2023 Proposed	% Difference
Residential	33.72	42.15	25.00%	\$/kWh	N/A	N/A	-
GS < 50 kW	22.32	27.90	25.00%	\$/kWh	0.0268	0.0334	24.63%
GS >50 to 4,999 kW	123.27	154.07	24.99%	\$/kW	7.2479	9.0363	24.67%
Unmetered and Scattered	13.67	17.09	25.02%	\$/kW	0.0412	0.0516	25.24%
Sentinel Lighting	3.83	4.78	24.80%	\$/kW	35.7037	44.6252	24.99%
Street Lighting	1.47	1.84	25.17%	\$/kWh	9.6161	12.0191	24.99%

Further explanations of for the changes are included in Exhibit 8.

1.2.7 Deferral and Variance Accounts

PUC typically disposes of its Group 1 Deferral and Variance Accounts (“DVAs”) on an annual basis with its Incentive Rate Mechanism (“IRM”) applications. Group 1 DVAs track the difference between revenues collected from customers and costs paid by PUC for the cost of power. Group 2 DVAs are typically associated with policy changes and track costs and revenues incremental to that which was approved in rates. PUC has been accumulating balances in its Group 2 accounts since the 2018 COS application. In addition, PUC has been tracking costs and carrying costs associated with the Sub-16 ICM and the SSG ICM. With approval of these amounts in this Application, they will be brought into rates and removed from Account 1508.

As outlined in Exhibit 9, PUC is requesting approval for the disposition of Group 1, Group 2 and Other Accounts in the amount of \$143,472 as identified in Table 1-12 below. The amount allocated to Regulated Price Plan (“RPP”) and non-RPP customers is also identified.

Table 1-12: Deferral and Variance Accounts

Accounts Requested for Disposal	Account Number	Claim	RPP	Non RPP
Group 1 Accounts:				
Smart Metering Entity Charge Variance Account	1551	(\$17,032)	(\$16,289)	(\$743)
RSVA - Wholesale Market Service Charge	1580	\$905,532	\$595,207	\$310,325
RSVA - Wholesale Market Service Charge - CBR	1580	(\$75,701)	(\$53,236)	(\$22,465)
RSVA - Retail Transmission Network Charge	1584	\$448,439	\$294,759	\$153,680
RSVA - Power (excluding Global Adjustment)	1588	(\$902,204)	(\$593,019)	(\$309,184)
RSVA - Global Adjustment	1589	(\$347,605)	\$0	(\$347,605)
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	\$28,031	\$18,425	\$9,606
Subtotal - Group 1 Accounts		\$39,461	\$245,847	(\$206,387)
Group 2 Accounts:				
Other Regulatory Assets - Sub-Account - Pole Attachment Variance	1508	(\$27,302)	(\$17,946)	(\$9,356)
COVID-19 Rate Implementation Delay Variance Account (net)	1509	\$14,747	\$9,693	\$5,054
COVID-19 Incremental Expense Variance Account	1509	\$401,767	\$264,082	\$137,685
Retail Cost Variance Account - Retail	1518	(\$18,683)	(\$12,280)	(\$6,403)
Retail Cost Variance Account - STR	1548	\$65,199	\$42,856	\$22,344
PILs & Taxes Variance	1592	(\$613,546)	(\$403,284)	(\$210,262)
Subtotal - Group 2 Accounts		(\$177,818)	(\$116,880)	(\$60,938)
Other Accounts:				
LRAM Variance Account	1568	\$196,576	\$129,592	\$66,984
Subtotal - Other Accounts		\$196,576	\$129,592	\$66,984
Total		\$58,219	\$258,559	(\$200,341)

The rationale for these proposals and further details on PUC's DVAs are provided in Exhibit 9. PUC is proposing a disposition period of one year for its DVAs and is requesting to establish new, continue and discontinue DVAs as proposed in Table 1-13 below.

Table 1-13: DVAs Commence/Continue/Discontinue

Group 2 and Other Accounts	Account Number	Commence Continue Discontinue	Explanation
Other Regulatory Assets - Sub Account - Incremental VVO Savings or Costs	1508	Commence	To record on-going SSG VVO impacts.
Other Regulatory Assets - Sub Account - EPC Contract Liquidated Damages	1508	Commence	To record liquidated damages due to performance or delay in EPC contract.
Other Regulatory Assets - Sub-Account - Pole Attachment	1508	Continue	On-going in event of a decrease in expected Pole Rental charge.
PILs and Tax Variance	1592	Continue	Remain available to use for other legislative tax changes not reflected in rates.
LRAM Variance Account	1568	Continue	On-going in event of future CDM programs.
Other Regulatory Assets - Sub-Account - ICM Sub-station 16	1508	Discontinue	Rate Rider in effect until April 30, 2023
Other Regulatory Assets - Sub-Account - Sault Smart Grid	1508	Discontinue	Rate Rider in effect until April 30, 2023
COVID-19 Deferral Account	1509	Discontinue	Final disposition at rebasing; no activity expected
Retail Cost Variance Account - Retail	1518	Discontinue	Final disposition at rebasing; forecast activity to April 30, 2023
Retail Cost Variance Account - STR	1548	Discontinue	Final disposition at rebasing; forecast activity to April 30, 2023

Further explanations for the changes are included in Exhibit 9.

1.2.8 Bill Impacts

PUC provides a summary of the bill impacts for typical customers in all customer classes in Table 1-14 below. The proposed electricity distribution rates are reasonable and do not require rate mitigation. The total bill impacts for a PUC residential RPP customer at the 10th consumption percentile is 6.16%. This impact is within the standard acceptable impact of 10.00%.

Table 1-14: Customer Bill Impacts

Bill Impacts			Total Bill Impacts		Distribution only Imacts	
Class	Consumption (kWh)	Consumption (kW)	Total Bill Increase/Decrease	Total Bill Impact %	Total Distribution Bill Increase/Decrease	Total Distribution Bill Impact %
Residential	750	0	\$3.16	2.59%	\$5.67	15.79%
GS<50	2,000	0	(\$1.40)	(0.5%)	\$5.09	6.13%
GS>50	57,220	145	(\$265.91)	(2.8%)	\$190.24	15.28%
USL	3,600	0	\$9.17	1.58%	\$26.29	15.27%
Sentinel Light	50	1.00	\$6.34	13.13%	\$6.61	15.77%
Street Light	199,852	585	\$2,184.67	5.28%	\$3,912.43	21.15%

As mentioned in the rate design section above, the only customer that is greater than 10.00% bill impact is the Sentinel Light Class. PUC has consulted with its one customer of the Sentinel Light Class and determined that no further mitigation is required. All other bill Impacts remain at acceptable levels.

Incorporated in the overall monthly bill impact is the effect of the following major components of the electricity bill:

- Distribution rates (monthly service charge and volumetric rates);
- Disposition of deferral and variance accounts;
- Revised Retail Transmission rates;
- Regulatory charges;
- Loss factors;
- Revised Embedded Generation Rate Rider Refund; and
- Rate Rider Refund for Loss Carry forwards.

1.2.9 Additional Application Items

- PUC prepares budget information for the three major components of the budgeting process: revenue forecasts, operating and maintenance expense items, and capital

1 requirements. This budget information was compiled for both the 2022 bridge year and
2 the 2023 test year.

- 3 • The budget for the 2023 test year was prepared and approved by management in April
4 2022.
- 5 • The Business Plan is forward looking from 2023 and was approved by the PUC Board of
6 Directors on August 10, 2022.
- 7 • Labour costs reflect the annual wage rate adjustments that were negotiated under
8 collective agreements with its unionized employees.
- 9 • For non-unionized employees, the labour cost forecast is largely driven by increases that
10 reflect market competitive compensation.
- 11 • PUC recognizes that the Input Price Index (“IPI”) has been rising as of late with the 2022
12 IPI of 3.30%. PUC expects the IPI to increase further in 2023 to above 7.7% (CPI May
13 2021 to May 2022).
- 14 • The Applicant submits the proposed distribution rates contained in this Application are
15 just and reasonable on the following grounds:
 - 16 ○ the proposed rates for the distribution of electricity have been prepared in
17 accordance with the Filing Requirements;
 - 18 ○ the proposed adjusted rates are necessary to meet the Applicant's market-based
19 rate of return and PILs (Payments in Lieu of Taxes) requirements;
 - 20 ○ unless otherwise noted in this Application, there are no impacts to any of the
21 customer classes or consumption level subgroups that are so significant as to
22 warrant the deferral of any adjustments being requested by the Applicant;
 - 23 ○ the other service charges proposed by the Applicant are the same as those
24 previously approved by the Board; and

- such other and further grounds and material as counsel may advise and this tribunal may permit.

1.3 ADMINISTRATION

1.3.1 Executive Certification

Please see Appendix C for a signed certification.

1.3.2 Primary Contact Information

The Applicant:

PUC Distribution Inc.
500 Second Line East, P.O. Box 9000
Sault Ste. Marie, Ontario
P6A 6P2

Primary Application Contact:

Tyler Kasubeck,
Regulatory Financial Analyst
Telephone: 705-759-3009
Fax: 705-759-6553
Email: tyler.kasubeck@ssmpuc.com

1.3.3 Legal Representation

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON M5H 4E3

Primary Contact:

John A.D. Vellone

Partner

Telephone: 416-367-6730

Fax: 416-367-6749

Email: jvellone@blg.com

1.3.4 Internet Address and Social Media Accounts

The Application and related materials will be posted on PUC's website and will be available for viewing at the following internet address:

[Ontario Energy Board Rate Application - Sault Ste. Marie PUC \(ssmpuc.com\)](http://www.ontarioenergyboard.ca/rate-applications/sault-ste-marie-puc)

PUC also has the following social media accounts to communicate with customers. These accounts can be found at the following internet addresses:

<http://www.facebook.com/SSMPUC>

<https://twitter.com/ssmpuc>

<https://www.linkedin.com/company/puc-services-inc>

1.3.5 Impacted Customers

Residents, businesses and institutions in the City of Sault Ste. Marie (with exception of all or part of six municipal addresses as listed on its distribution license), Township of Prince, Rankin Reserve, Township of Dennis (concessions 3, 4 and 5) who receive electricity distribution services from PUC will be affected by the Application. This includes customers within the following rate classes:

- Residential

- General Service Less Than 50 kW
- General Service 50 to 4999 kW
- Unmetered Scattered Load
- Sentinel Lighting
- Street Lighting

1.3.6 Statement of Publication of Notice of Hearing

PUC will follow the Board's instructions regarding the publication of Notice in relation to this Application. We recommend that the Application and related materials be published on PUC's website. If the OEB decides that publication in a paper format is necessary, then we recommend the Sault This Week. The Sault This Week is a weekly newspaper with circulation to 33,425 homes and covers PUC's entire service territory.

1.3.6 Bill Impacts for Notice of Application

The bill impacts resulting from this Application are within the Board's requirements, as shown in Table 1-15 below.

Table 1-15: Bill Impacts

Customer Class	Typical Usage per Month (kWh)	Distribution Bill Impact (\$ per month)
Residential	750	\$ 5.67
General Service less than 50 kW	2,000	\$ 5.09

1.3.7 Form of Hearing Requested

PUC requests that this Application be completed through a written hearing to allow for greater cost-effectiveness and allow for added due diligence.

1.3.8 Requested Effective Date

PUC requests that the OEB make its Rate Order effective May 1, 2023.

In the event that the Board is unable to provide a Decision and Order in this Application for implementation by the Applicant as of May 1, 2023, the Application requests that the Board declare its current rates interim, effective May 1, 2023, pending the implementation of the Board's Rate Order for the 2023 rate year.

In the event that the effective date does not coincide with the Board's decided implementation date for 2023 distribution rates and charges, PUC requests permission to recover the incremental revenue from the effective date to the implementation date.

1.3.9 Statement of Deviations

PUC has not deviated from the Filing Requirements in preparing its Application, except where expressly mentioned. PUC has worked with OEB Staff to make updates to certain areas of the models for 2023 Cost of Service filers. These were the most up-to-date models available as models for 2023 filers. PUC made changes to some of the models to accommodate a 2023 Test Year.

1.3.9 Change in Methodology Used

The methodologies used in this Application are generally consistent with those applied in PUC's 2018 COS. PUC has made changes as required by the Filing Requirements which have evolved since the 2018 Application.

PUC has made some changes to its methodology for load forecasting in order to address the cessation of the Conservation First Framework for Conservation and Demand Management ("CDM"), as well as adjustments to address unusual customer patterns resulting from the COVID-19 pandemic. Please refer to Exhibit 3 for additional discussion of these items.

Consistent with the Filing Requirements, PUC has updated its load profiles from the version used in prior Cost of Service Applications. Please refer to Exhibit 7 for a discussion of the process and assumptions used.

1.3.10 Identification of Board Directives from Previous Board Decisions

Since PUC's 2018 COS application, the following board directives and applicable file numbers with reference to the completion of each action item is listed in Table 1-16 below.

Table 1-16: List of Prior Commitments

	Action Item	File # and Reference	Completion
1	"PUC's cost structure remains higher than its rate structure [...] This settlement, <u>when combined with a continued focus on cost control and productivity by PUC</u> , will facilitate the alignment of rates and costs	EB-2017-0071 Schedule A pg. 8	As per table 1-7, PUC's costs have aligned very closely to OEB inflationary increase since 2018. The OEB's approved OM&A increase in 2018 has allowed PUC to deliver safe, reliable distribution service to its customers and return

	over the next five years, and thus will benefit consumers."		to an ROE that is more in line with the Board Approved Cost of Capital Parameters.
2	"PUC has agreed to file the Shareholder Agreement between the City of Sault Ste. Marie and PUC Inc. dated July 25, 2000, as amended and to provide the publicly available 2017 Audited Financial Statements of PUC Services and PUC Inc."	EB-2017-0071 Schedule A pg. 9	PUC has filed the Shareholder Agreement between the City of Sault Ste. Marie and PUC Inc. and provided the publicly available 2017 Audited Financial Statements of PUC Services and PUC Inc. This was filed on September 14, 2018 as "PUC_IRR_SUPP_VECC_20180914".
3	PUC Distribution will provide an update on the in-service date at the time of the 2022 IRM update.	EB-2020-0249 EB-2018-0219 pg. 14	As of the 2022 IRM Rate application, the in-service date of December 31, 2022 had not changed.
4	PUC Distribution shall include the approved ICM rate riders on its proposed tariff for its 2022 rate application	EB-2020-0249 EB-2018-0219 pg. 24	PUC included the approved ICM rate rider on its proposed tariff for its 2022 rate application (Eb-2021-0054 pg. 13).
5	As part of PUC 2023 rebasing application, the OEB can assess the impact of the in-service date for the Project. Per the ICM policy, if there are significant variances between the revenue requirement based on actual in-service capital and the revenues collected through the ICM rate riders, the OEB may decide to true up any differences	EB-2020-0249 EB-2018-0219 pg. 17	PUC has provided its analysis on the project amount of assets considered used and useful by December 31, 2022 and the resulting Revenue Requirement reconciliation in Exhibit 2 Section 2.8.
6	PUC Distribution shall file its next rebasing application for 2023 rates no later than August 31, 2022	EB-2020-0249 EB-2018-0219 pg. 24	PUC has filed its rebasing application by August 31, 2022.
7	File an updates DSP at the time of next rebasing application which demonstrates how the SSG project is being accommodated through the re-prioritization of other capital expenditures	EB-2020-0249 EB-2018-0219 pg. 24	PUC has filed a stand-alone DSP as an Appendix C to Exhibit 2 which includes an Asset Condition Assessment.

8	PUC Distribution shall provide a detailed report as part of its next rebasing application, which compares the SSG project costs, and benefits as implements to what was forecast in this application	EB-2020-0249 EB-2018-0219 pg. 24	PUC has updated the customer net benefit table and sensitivity analysis based on the most recently readily available information (COP rates, Cost of Capital Parameters) in the DSP as part of Section 5.3.6.2.2.
9	PUC Distribution shall file all available information on the proposed Project performance metrics that it intends to track, along with proposed targets, in its next rebasing application. This shall include an appropriate metric and targets to symmetrically link the VVO performance of the Project to PUC's allowable ROE for this project.	EB-2020-0249 EB-2018-0219 pg. 11 & 24	PUC has provided the performance metrics table within the DSP, section 5.3.6.2.3. This includes a section titled VVO Link to ROE outlining PUC's proposed methodology in connecting the VVO Savings and PUC's allowable ROE
10	PUC Distribution shall post on its public website a report, within 18 months of Project completion, and with annual updates for 10 years thereafter which shows the actual benefits of the SSG Project, broken down by customer class.	EB-2020-0249 EB-2018-0219 pg. 24	PUC is proposing to post annual updates at the same time as RRR filing deadline of April 30 th yearly. The first report will be provided within 18 months of project completion and then yearly by April 30 th , thereafter.
11	Any EPC Contract liquidated damages resulting from "performance" or "delay" shall be used to reduce the Project capital cost and would be settled at the time of the next rebasing	EB-2020-0249 EB-2018-0219 pg. 24	At this current time, there are no liquidated damages expected. If liquidated damages occur after the filing of this application, but before any decision is received, PUC is recommending revising the application information accordingly. If liquidated damages occur after the resulting decision, PUC is recommending the use of a DVA account to record the variance in revenue requirement as a result of the number of liquidated damages. The damages would be treated as contributed capital, thus reducing the net book value of the assets in rate base.

1.3.11 Conditions of Service & Tariff of Rates and Charges

PUC's current Conditions of Service are available for viewing on its website at <https://ssmpuc.com/electricity/conditions-of-service/>

PUC reviewed and updated its Condition of Service on June 30, 2022 and gave customers until August 1, 2022 to comment. Updates included various 'housekeeping' changes, and changes for greater alignment with the Distribution System Code.

PUC did not receive any comments from customers and has provided the updated Conditions of Service to the OEB via email on August 10, 2022.

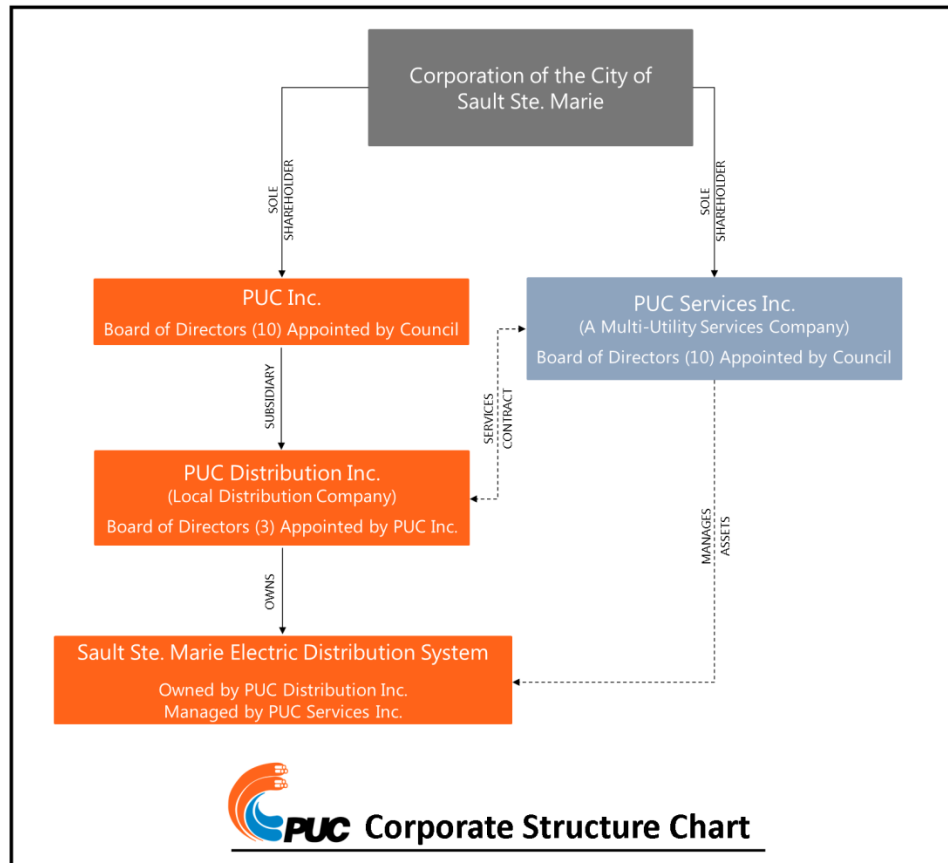
PUC confirms that there are no rates or charges listed in the Conditions of Service that are not on the Tariff of Rates and Charges.

1.3.12 Corporate and Utility Organizational Structure

PUC Inc. is a holding company that is 100% owned by its shareholder, the Corporation of the City of Sault Ste. Marie. PUC Distribution Inc. ("PUC") is a subsidiary of PUC Inc. and PUC Services Inc. is also 100% owned by the Corporation of the City of Sault Ste. Marie. There are no employees in PUC Inc. or PUC Distribution Inc. As part of a management service contract, PUC Services Inc. provides the necessary workforce to operate PUC. Collective agreements with unionized employees of PUC Services Inc. are in effect until April 30, 2024. Figure 1-1 provides a chart of the corporate structure.

1

Figure 1-1: PUC Corporate Structure



2

3 PUC Services Inc. is an integrated utility service provider, servicing its affiliated utility
4 companies at cost. In addition to providing services to PUC, services are provided to the Public
5 Utilities Commission on the same terms.

6

7 PUC Services Inc. also provides services to entities outside the affiliated group – water
8 treatment, wastewater treatment, and billing and customer care services – under a number
9 of contracts. These services are provided at rates negotiated between the parties, but in all
10 cases are on a for-profit basis.

11

1 PUC is a local distribution company which provides regulated services in its service territory.
2 The company owns the distributions assets (land and land rights, poles, conduit, conductors,
3 transformers and meters) and operates the distribution system through an affiliated company,
4 PUC Services Inc. Direct services from PUC Services Inc. to PUC, such as capital additions or
5 maintenance of the distribution system, are charged at cost. Services such as billing, customer
6 care, administration, etc., which are provided by PUC Services Inc. to all the affiliates are also
7 charged at a cost using allocation factors based on the type of shared service provided. The
8 fees paid by PUC to PUC Services Inc. are determined annually, in compliance with the Affiliate
9 Relationships Code.

10 11 **PUC's Board Representation**

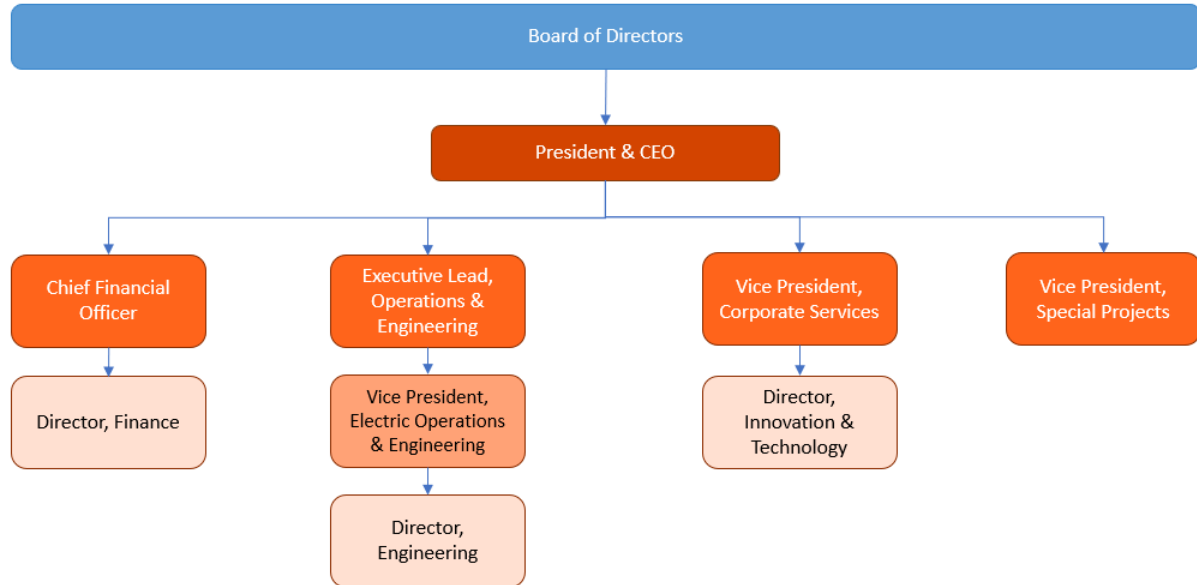
12
13 The Board of Directors of both PUC and PUC Services Inc. are appointed by City council.
14 Currently there are 8 board members. PUC Inc. appoints 5 board members to PUC's Board of
15 Directors, of which 3 are independent members.

16
17 The Board of Directors has the authority and obligation to protect and enhance the assets
18 (tangible, intangible, human resources) of PUC in the interest of the stakeholders
19 (Shareholder, customers, employees, suppliers, and community) and is responsible under law
20 for overseeing the actions of management.

21
22 Figure 1-2 provides the organizational structure of the Senior Leadership Team of PUC. Senior
23 leaders of the organization are made up of the Executive and Director levels.

24

Figure 1-2: Executive and Board Organization Chart



The Executive Team at PUC Services Inc. is comprised of the President and Chief Executive Officer (CEO), Chief Financial Officer (CFO), Executive Lead Operations & Engineering, Vice President (VP) of Electrical Operations and Engineering, VP of Corporate Services, and the VP of Special Projects. Reporting directly to the President & CEO are the Information Security and Communications teams. The CFO Division is comprised of Finance, Accounting, Billing, Regulatory Affairs and Purchasing departments. The Electric Operations and Engineering Division is comprised of Line Operations, Stations and Metering. The Corporate Services Division is comprised of IT, People & Culture, Health & Safety, Facilities, Locates and Customer Experience. The VP of Special Projects is currently leading the SSG project.

The Executives and Director roles are employed by PUC Services Inc. and allocated to PUC appropriately for its distribution services. There are no planned changes to corporate or operational structure, including no planned changes to legal organization or control.

1.3.13 List of Specific Approvals Requested

In this Application PUC is requesting the following approvals:

- Approval to charge rates effective May 1, 2023 to recover a revenue requirement of \$27,752,199 which includes a revenue deficiency of \$3,918,555 as set out in Exhibit 6;
- Approval of the proposed loss factor of 1.0462 as set out in Exhibit 8;
- Approval to charge a Retail Transmission Network Service rate as proposed and described in Exhibit 8;
- Approval to continue to charge Wholesale Market Service Charge;
- Approval to continue the Specific Service Charges and Transformer Allowance;
- Approval of the updated province-wide fixed monthly charge of \$4.55 for Micro FIT Generator Service Classification;
- Approval of the DSP as outlined in Exhibit 2, Appendix C;
- Approval to dispose of the following 1508 Accounts, Other Regulatory Assets, associated with Sub-16 ICM Application EB-2019-0170:
 - Account 1508 Other Regulatory Assets, Sub-account Incremental Capital Expenditures;
 - Account 1508 Other Regulatory Assets, Sub-account ICM Carrying Charges
 - Account 1508 Other Regulatory Assets, Sub-account ICM Depreciation Expense;
 - Account 1508 Other Regulatory Assets, Sub-account Accumulated Depreciation;
 - Account 1508 Other Regulatory Assets, Sub-account ICM Rate Rider Revenue; and

1 ○ Account 1508 Other Regulatory Assets, Sub-account ICM Rate Rider Carrying
2 Charges.

- 3 • Approval to dispose of the following 1508 Accounts, Other Regulatory Assets,
4 associated with SSG ICM Application EB-2018-0219 / EB-2020-0249:

5 ○ Account 1508 Other Regulatory Assets, Sub-account Incremental Capital
6 Expenditures;

7 ○ Account 1508 Other Regulatory Assets, Sub-account ICM Carrying Charges;

8 ○ Account 1508 Other Regulatory Assets, Sub-account ICM Depreciation
9 Expense;

10 ○ Account 1508 Other Regulatory Assets, Sub-account Accumulated
11 Depreciation;

12 ○ Account 1508 Other Regulatory Assets, Sub-account ICM Rate Rider
13 Revenue;

14 ○ Account 1508 Other Regulatory Assets, Sub-account ICM Rate Rider Carrying
15 Charges;

16 ○ Account 1508 Other Regulatory Assets, Sub-account Deferred Revenue -
17 Contributed Capital;

18 ○ Account 1508 Other Regulatory Assets, Sub-account Deferred Revenue
19 Carrying Charges; and

20 ○ Account 1508 Other Regulatory Assets, Sub-account Deferred Revenue
21 Amortization.

- 22 • Approval of the rate riders for a one-year disposition of the Lost Revenue
23 Adjustment Mechanism Variance Account ("LRAMVA") and Lost Revenue
24 Adjustment Mechanism ("LRAM") for lost revenue for the 2018 and 2019 program
25 years, with persistence through 2022. This amount includes carrying charges to
26 December 31, 2022;

- Approval of the revised rate rider refund to customers for embedded generation adjustment;
- Approval of a new DVA account associated with VVO savings and systematically linked to ROE as per the SSG ICM application deliverables (EB-2018-0219 / EB-2020-0249);
- Approval of the rate riders for a one-year disposition of the Group 1 and Group 2 and Other DVAs as detailed in Exhibit 9;
- Approval of the rate rider for the refund of Tax Loss Carry Forwards over a period of two years; and
- Approval of a new DVA account to record the difference in revenue requirement of net book value of PUC rate base if it receives liquidated damages as a result of the EPC Contract.

1.3.14 Materiality Threshold

Chapter 2 of the Filing Requirements issued by the Board on April 18, 2022 sets out the materiality levels based on the magnitude of the revenue requirement. PUC's revenue requirement is greater than \$10 million and less than \$200 million, therefore its materiality level is 0.5% of distribution revenue requirement. PUC's materiality threshold for the 2023 Test Year is \$135,000 as provided in Table 1-17 below. PUC has used a threshold of \$135,000 for assessing materiality for the purposes of this Application.

Table 1-17: Materiality Threshold for the 2018 Test Year

Description	2018 Test Year
Distribution Service Revenue Requirement	\$27,654,449
Materiality Threshold	0.5%
Materiality Calculated	\$138,272
Materiality Used	\$135,000

1.4 DISTRIBUTION SYSTEM OVERVIEW

Description of Service Area

PUC is a local distribution company serving more than 33,000 customers in the City of Sault Ste. Marie (with exception of all or part of six municipal addresses as listed on its distribution license), Township of Prince, Rankin Reserve, and Township of Dennis (concessions 3, 4 and 5) as outlined in Figure 1-3 below.

Figure 1-3: PUC Service Area

Service Area:

COMMUNITY SERVED:

TOTAL SERVICE AREA:

RURAL SERVICE AREA

URBAN SERVICE AREA

DISTRIBUTION TYPE:

MUNICIPAL POPULATION:

Description of the Applicant:

City of Sault Ste. Marie (with exception of all or part of six municipal addresses as listed on its distribution license), Township of Prince, Rankin Reserve, and Township of Dennis (concessions 3, 4 and 5)

342 square kilometers

284 square kilometers

58 square kilometers

Electricity Distribution

75,300

1 A map of PUC's service territory is provided in Appendix J.

2
3 PUC owns, operates and maintains approximately 614 kilometers of overhead primary
4 distribution circuits, and 124 kilometers of underground primary distribution circuits.

5
6 PUC owns and operates two transformer stations which step down power received from the
7 transmitter at 115kV to 34.5kV. The 34.5kV feeders supply a total of 14 distribution stations
8 which step down power to 12.5kV and 4.2kV. PUC employs approximately 383,430 km of 3-
9 phase and approximately 231,270 kms of single-phase overhead lines operating at 115kV,
10 34.5kV, 12.5kV, 7.2kV, 4.2kV, and 2.4kV and low voltage. The underground distribution
11 network consists of approximately 7,573 km of 3-phase cable circuits and approximately 4,983
12 km of single-phase cable circuits. There are approximately 12,700 wood poles and 80 other
13 types of poles, 6,225 transformers and 33,417 revenue meters in service.

14
15 **Host/Embedded Distributor**

16
17 PUC is neither a host distributor nor an embedded distributor.

18
19 **Transmission or High Voltage Assets**

20
21 PUC has transmission assets (>50kV) deemed by the Board as distribution assets. PUC has
22 included the OEB determination on distribution assets dated October 3, 2000 (ED-1999-0161)
23 in Appendix D.

24
25 PUC is not asking the OEB to deem any new transmission assets as distribution assets in this
26 Application.

27

1.5 CUSTOMER ENGAGEMENT

PUC has modernized its infrastructure, innovated systems, and led the industry in projects that have had a positive impact on the way we serve customers.

1.5.1 Overview

As a trusted utility provider for over 100 years, PUC is continually looking for ways to create positive experiences for customers, while at the same time encouraging behaviour that is more responsive to energy conservation. PUC is always striving to use innovation to improve communication and trust with customers. PUC recognizes that as the utility industry evolves, so do their customers' needs and expectations.

PUC's five-year strategic direction provides clarity, direction and focus connecting PUC's vision to improve communities through curiosity and innovation, with the company's core strategies and strategic objectives. Customers are one of PUC's three areas of strategic focus, along with employees and PUC's shareholder. PUC's strategic long-term goal is to achieve and maintain an exceptional satisfaction rating, and strategies to achieve success in this area include advancing customer communications and engagement, and creating an improved, ease of use experience.

Over the past five years, improving communications, community relations and the overall customer experience have been identified as strategic priorities for the company. Through this focused approach, PUC has been able to effectively engage with customers through meaningful, two-way communication, and improve upon the customer experience through a "one-stop-shop" methodology for first point of contact.

1 In 2020, PUC developed a new brand promise to customers that states *“we lead the way*
2 *through innovation and compassion to deliver outstanding service every single day.”*
3 Combined with PUC’s core value of being ‘customer-centric,’ PUC has continually
4 demonstrated their commitment to engaging customers over the past five years.

5
6 The following sections outline the various communication tactics under ‘Digital,’ ‘Traditional’
7 and ‘Community Outreach’ that PUC has implemented to best serve its customers.

8 9 1.5.2 Communication Tactics

10 11 **Digital**

12 13 *Enhancing Digital Platforms*

14
15 PUC is leveraging digital technology to facilitate and improve customer communications. The
16 result has been improved integration through a variety of technologies (App, social media,
17 etc.) into PUC’s channel portfolio to improve customer communication and engagement,
18 while at the same time reducing PUC’s carbon footprint. PUC recognizes that companies who
19 embrace digital communication also see higher levels of engagement from their customers;
20 digital communication is a core element of a good customer experience strategy. PUC’s digital
21 strategies, such as its mobile App, website, video, social media, and digital advertising, are
22 easier to measure, adapt and optimize, and are often more cost efficient with a larger reach
23 than traditional methods.

1 i. Mobile App

2
3 Today's customers are looking for fast, easy avenues through which they can gather
4 information and manage their accounts, while conserving energy and saving money. One
5 available solution to improve a customer's experience is to develop a 'free to user' branded
6 mobile App. Overall, in the utility industry, the emerging trend in this area is that more utilities
7 are using mobile Apps to support demand response and energy efficiency efforts.

8
9 This initiative not only follows current industry trends, but it also responds to many of PUC's
10 customers who have inquired about the availability of a PUC app to receive up-to-date
11 information (i.e., outage alerts) and the ability to manage their accounts. An App is aligned
12 with strategic goals of the company related to conservation management and efforts to go
13 paperless.

14
15 Through public consultation, customers told PUC they wanted a mobile communications
16 solution that made it easier to manage their usage and accounts, receive up-to-date
17 information on power and enable two-way communication.

18
19 In 2021, PUC identified this as an opportunity to develop and market a mobile app ("MyPUC")
20 that would do all of the above and more.

21
22 Through an effective communications plan, 3,360 customers (as of August 2022) are now
23 using the MyPUC App. It has allowed customers to submit outage tips to PUC's customer
24 experience team quickly and easily, allowing PUC to respond and repair outages quicker.

25
26 Conservation tips, price plan comparisons and daily and historical data usage are available to
27 customers to help them reduce their energy consumption, and ultimately save money. PUC
28 recently introduced a 'Green House Gas (GHG)' page that easily displays customers' GHG

1 output based on their recent bill. In addition, when customers download and activate the
2 MyPUC App, they are also enrolled in e-billing. This saves PUC and ratepayers money and helps
3 PUC achieve the five-year goal to go paperless.

4
5 ii. Website

6
7 To improve customer ease of use, PUC has made ongoing updates and improvements to its
8 company website, www.ssmruc.com. The website is a user-friendly site that provides
9 information on planned and unplanned power outages, news items, information on electrical
10 safety tips, electricity rates, conditions of service, Ontario Energy Board (OEB) scorecard, and
11 other information such as updates on SSG.

12
13 Ongoing improvements to the site also included new online forms to make it easier for
14 customers to do business with PUC. Examples include the 'moving within service area' form,
15 'close account' form and 'new customer' form. Customers can also report issues online in a
16 quick and easy fashion, such as street light outage and tree trimming requests through the
17 'Report an Issue' section of the website. In addition, the site contains easy to find links to the
18 Customer Connect portal and social media sites. Customers can also sign up for PUC's email
19 distribution list through the website.

20
21 iii. Customer Connect Portal

22
23 PUC customers have access to a secure online service portal, 'Customer Connect.' The portal
24 allows customers to easily access account information, view current and past bills, view
25 account payment history, keep track of utility consumption history and conservation efforts
26 and enroll in e-billing.

1 PUC has increased the production and use of video to communicate effectively with
2 customers. Video allows PUC to tell its story, while providing visually appealing images that
3 appeal to a segment of PUC customers.

4
5 In 2019, PUC launched the Day in the Life Video Series that documented the operations of
6 several PUC departments. The stories in the videos are told through the lens of PUC's team
7 members. The videos have created an opportunity for PUC to increase understanding and
8 awareness of PUC's operations.

9
10 iv. Social Media

11
12 PUC has implemented a comprehensive social media strategy, which includes regular
13 customer engagement on Facebook, Twitter, LinkedIn and YouTube. PUC uses Sprout Social
14 to manage the accounts and measure the effectiveness of the platforms.

15
16 Customers are able to send messages directly to PUC Communications through Facebook and
17 Twitter. Messages are responded to in a timely fashion, and act as another communications
18 tool customers can take advantage of. Social media accounts are also used to update
19 customers on power outages, news, contests, safety reminders, cultural days, days of
20 recognition, community engagement events, and more.

21
22 Figures 1-4 and 1-5 below demonstrate the growth in followers on PUC's Facebook and Twitter
23 pages.

Figure 1-4: Facebook Followers Growth

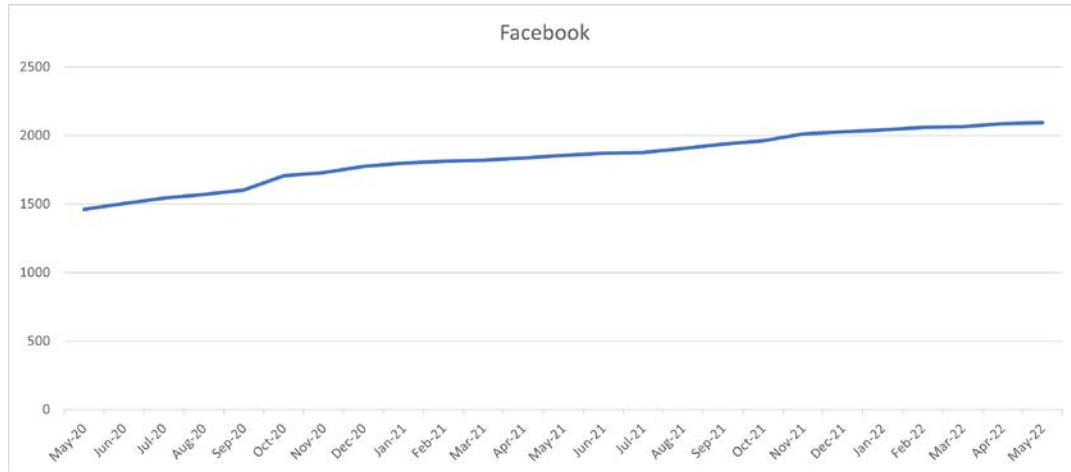
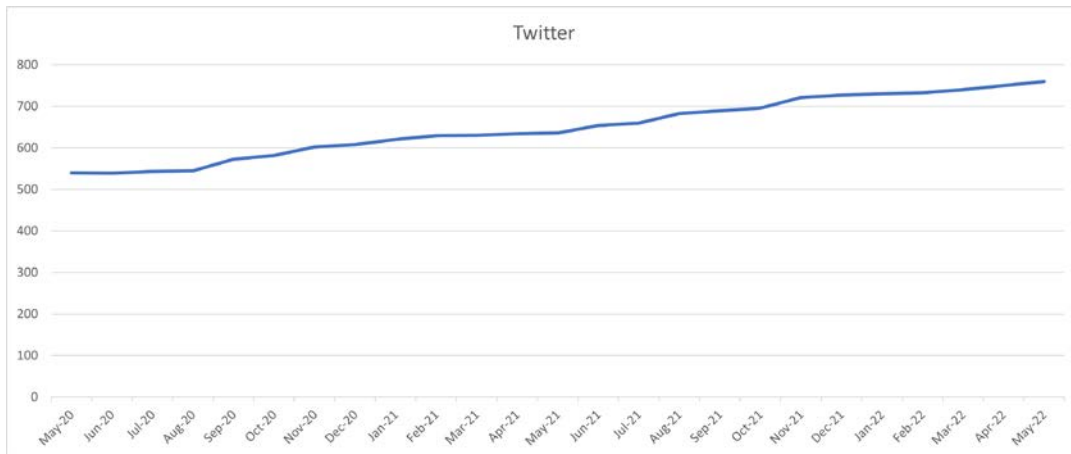


Figure 1-5: Twitter Followers Growth



v. Digital Advertising

PUC uses digital awareness campaigns as another method of communicating with customers.

1 **Traditional**

2
3 In addition to the digital communications outlined above, PUC continues to provide customers
4 with options that suit their lifestyle. While PUC aims to transition to digital and reduce their
5 carbon footprint, it is understood that customers want choice and PUC accommodates
6 individual needs and preferences.

7
8 *Phone and Mail*

9
10 PUC continues to reach out to customers via Customer Experience department phone calls,
11 personalized letters, bill inserts, and hand delivered door-to-door notices. In addition, PUC
12 uses its ATLAS phone notification system to send out automated phone calls to customers in
13 the event of a planned power outage, or other messages that are program related, for
14 example, to those customers who participated in the Affordability Fund Trust program.

15
16 *Traditional Media*

17
18 PUC has continued to use traditional media tactics, such as press releases, media advisories
19 and press conferences to inform customers of power outages, news updates, customer
20 warnings, safety messages, etc. PUC works with local outlets such as Sootoday.com, CTV News
21 Northern Ontario, Sault Online, and the Sault Star (among others) to get messages out to
22 customers in a timely and effective manner.

23
24 PUC also held press conferences (i.e., Sub-16 opening, SSG updates) to inform customers of
25 important announcements, infrastructure renewal projects, and other issues that may impact
26 them.

1 *Print and Radio Advertising*

2
3 PUC places ads on the radio and in print, as another method of communicating with
4 customers.

5
6 **Community Outreach**

7
8 It is important that PUC have a physical presence in the communities it serves. Connecting
9 with community members is vital to PUC's communication and engagement strategy.
10 Significant efforts have been made to get PUC employees out in the community on a more
11 regular basis to interact with customers face-to-face and receive input. The COVID-19
12 pandemic had a negative impact on these efforts in 2020-2021, however, virtual events were
13 held, as discussed under the section 'Town Halls & Open Houses'. Further, throughout the
14 pandemic, PUC took a leadership role in the community by donating KN95 masks and other
15 PPE to the Sault Area Hospital and promoting vaccine clinics through the Algoma Vaccination
16 Support Council. PUC created a new program that saw the company organize and pay for taxi
17 rides for those needing transportation to their vaccine appointment. PUC also supported
18 volunteers who ran the numerous vaccine clinics by paying for their lunches and dinners and
19 supplying them with volunteer clothing. PUC is dedicated to one of its most proud slogans
20 "PUC Cares".

21
22 *Attendance at Community Events*

23
24 PUC has increased attendance at community events significantly over the past five years. Most
25 recent events include participating in the Community Rotary Fest, Community Festival of
26 Trees, PUC Lights Up Downtown and the Emergency Preparedness Showcase. *(see Appendix K*
27 *for more information).*

1 *Town Halls & Open Houses*

2
3 PUC has hosted several town halls and open houses including the Emergency Preparedness
4 Event in 2020. Due to the COVID-19 pandemic, PUC adapted the way in which we delivered
5 open houses and held several open houses and public information sessions related to various
6 projects (*see Appendix K for more information*).

7
8 *School Safety Program*

9
10 PUC's commitment to safety extends to the communities it serves and begins with youth. For
11 over 25 years, PUC has delivered the Caution and Chance Program to local schools (grades
12 three to five) across the Sault Ste. Marie community. This program is an interactive electrical
13 presentation, taught by knowledgeable members of the PUC team who have worked in the
14 utility industry for many years.

15
16 As a partner in school safety, this initiative provides education on electrical safety awareness,
17 thereby increasing knowledge of potential electrical hazards and encouraging a respect for
18 electricity. PUC is committed to educating youth in the community and fostering a positive
19 understanding of electrical hazards. By cultivating a healthy relationship with electricity at a
20 young age, children will learn to respect and have knowledge of potential dangers with
21 electrical energy.

22
23 Over the past five years, PUC has continued to deliver the 'Caution and Chance' Safety
24 program in elementary schools, reaching hundreds of students each year. Unfortunately, the
25 COVID-19 pandemic had a negative impact on delivery of the program in 2020 and 2021. In
26 2022, a School Safety Award was introduced and given to 13 graduating grade 8 students,
27 recognizing outstanding commitment to safety in their schools.

28

Electrical Safety Awareness Training

As a community partner, the safety of PUC's fellow community members is a top priority. In 2019, PUC offered electrical safety awareness training for educational purposes to workplaces in the City of Sault Ste. Marie. PUC powerline technicians provided the training to increase knowledge about hazards when working around electricity. The goal was to provide workers with a heightened level of electrical awareness, so that those who may work near electrical circuits or equipment can do so safely and effectively. The training is customized to each workplace and workers are left with the knowledge of how to manage potential work area electrical hazards.

Affordability Fund Trust

The mandate of the Affordability Fund Trust ("AFT") program was to make energy more affordable for the Fund's beneficiaries – Ontarians who do not qualify for low-income programs, but who want to conserve energy to reduce their electricity bills now and in the future.

PUC identified the Ontario government's AFT program as a tangible and effective way to support its customers. The program provided an opportunity for local electricity distributors and utilities to help customers reduce their hydro bills. While the province funded the program, it was up to individual utilities to make their customers aware of the program and encourage them to sign up. Because of an effective, inclusive communications and engagement plan, PUC had by far the highest per capita benefit in Ontario for the program. From 2017 to 2021, PUC delivered the program to 6,811 customers.

1.5.3 Investing in Improvements to the Customer Experience

One-stop-shop

In 2019, PUC changed how customers interacted with the Customer Experience (call centre) team by creating a 'one-stop shop' structure for customer's first point of contact. Previously, when customers called regarding issues relating to billing and collections, they were transferred to a different department, causing confusion and longer response times for customers. In order to make a more positive experience for customers, all Customer Experience clerks were trained to handle issues with billing and collections, so customers would no longer need to be transferred. The result has been an improved process for customers at first point of contact.

Electronic Billing

PUC continues to promote Electronic billing (e-billing) as a way to improve the overall customer experience, while at the same time reducing the use of paper and PUC's carbon footprint. E-billing makes it easy for PUC customers to receive bills online via the Customer Connect portal, MyPUC App or e-mail, and pay electronically. PUC has established a quick, 7-step sign-up process to ensure a smooth transition for all customers. Customers who sign-up for the MyPUC App are automatically enrolled in e-billing unless they opt-out of that feature. PUC has run several communication campaigns to encourage PUC customers to enroll in e-billing. One such campaign donated money to the 'Every Breakfast Counts' charity for every new enrollment. To date, over 25% of PUC customers are now enrolled in e-billing.

1.5.4 Customer Surveys

Through regular customer engagement surveys, PUC has been able to incorporate important customer feedback when evaluating PUC's priorities moving forward. Surveys have also provided opportunities for education and awareness regarding PUC's operations, improvements to service and strategic initiatives.

Since PUC's 2018 COS filing, it has engaged customers in the following eight surveys:

- Two UtilityPULSE Customer Satisfaction Surveys (2019, 2021);
- Four Customer Pulse surveys (in 2020); and
- Two Cost of Service-related surveys (2021, 2022).

As each survey is analyzed, several common themes have surfaced, providing PUC with greater insight into the needs and wants of customers. Those common themes include:

- Customers want improved communications;
- Customers place a high value on energy saving initiatives and PUC lowering their carbon footprint;
- Customers place a high value on reliability, cyber security and upgrades to infrastructure; and
- Customers place high importance on reasonable electricity rates.

Below provides a more detailed summary of the surveys conducted, and how PUC has responded.

1 As part of ongoing efforts to improve customer engagement, the proposals in the COS
2 application were communicated with customers via an online customer engagement survey
3 conducted during a three-week time period between May 20 and June 10, 2022. The purpose
4 of the survey was to provide customers with information on the proposed rate increase, along
5 with the opportunity to share feedback into future investment decisions for PUC, ultimately
6 informing PUC's 2023 COS application.

7
8 The survey was communicated with customers via several different methods, including e-mail,
9 digital ads on PostMedia networks (e.g. Sault This Week, Sault Star), Sault Online and
10 Sootoday, as well as ads on social media (Facebook and Instagram). In total, the ads received
11 a reach of over 150,000 people through various online channel and local media. This resulted
12 in 816 residential and commercial customer who completed the survey in its entirety.

13
14 Information within the survey stated, "If PUC's application to the OEB is approved, a current
15 750kWh avg. residential electricity bill of \$122.56 would increase by approximately \$3.19 per
16 month or 2.6%." The survey also included educational information on the COS Application,
17 updates on how PUC is investing in infrastructure to improve reliability and communications,
18 and PUC's bill breakdown. Within the survey, customers were asked questions specifically
19 related to the application, such as the following: "PUC is committed to keeping our portion of
20 your bill affordable, while providing safe and reliable electricity. As previously mentioned, cost
21 increases and infrastructure investments will result in a rate increase for PUC Customers;
22 estimates at this time are an approximate increase of \$3.19/month on a \$122.56 bill for an
23 average residential customer. On a sliding scale, please let us know what is more important to
24 you?"

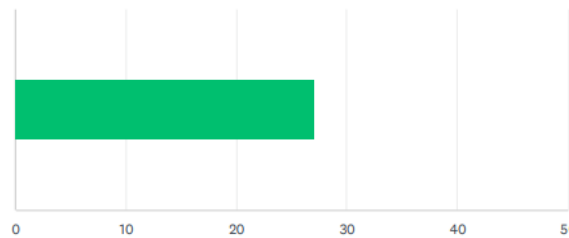
25
26 As depicted in the graph below, customers responded that both keeping PUC's portion of the
27 bill affordable and providing safe and reliable electricity are important to them.

28

Figure 1-6: Survey Results Investments in Infrastructure Question

Q4 PUC is committed to keeping our portion of your bill affordable, while providing safe and reliable electricity. As previously mentioned, cost increases and infrastructure investments will result in a rate increase for PUC Customers; estimates at this time are an approximate increase of \$3.19/month on a \$122.56 bill for an average residential customer. On a sliding scale, please let us know what is more important to you?

Answered: 816 Skipped: 0



ANSWER CHOICES	AVERAGE NUMBER	TOTAL NUMBER	RESPONSES
	27	22,068	816
Total Respondents: 816			

In addition, based on the results of this survey, it was noted that PUC should focus its priorities on delivering reasonably priced electricity prices and ensuring safe and reliable electricity services, provide a variety of options for customers when accessing services, with a focus on online tools, and provide both reliable information and services regarding the adoption of electric vehicles.

The feedback collected from this survey has informed the application in a number of ways. By making significant investments in the SSG, PUC has made major efforts to keep the proposal rate increase as low as possible. Once operational in 2023, over time, the SSG will result in a more reliable system and average energy savings of 2.7%. If PUC's application to the OEB is approved, a current 750kWh avg. residential electricity bill of \$122.56 would increase by approximately \$3.19 per month or 2.6% - below the approx. 7.7% inflation environment.

1 Not only is PUC making efforts to help customers reduce their energy costs, PUC is making
2 unprecedented investments in customer service tools and aging infrastructure that will result
3 in increased reliability today - and well into the future. For example, PUC's new MyPUC App
4 now allows customers to track energy consumption in an easy and convenient way, resulting
5 in better energy management and lower bills. PUC is also renewing and replacing important
6 assets like aging infrastructure, resulting in safer and more reliable service.

7
8 Finally, PUC is electrifying its fleet, and exploring opportunities that would promote use of
9 electric vehicles within and around the community. This aligns with Canada's commitment to
10 mandating all new light-duty vehicles sold be zero-emission by 2035, with an interim sales
11 target of at least 50 percent by 2030.

12 13 **UtilityPULSE Customer Satisfaction Surveys**

14
15 In 2019 and 2021, PUC conducted its biennial Customer Satisfaction Surveys with UtilityPULSE.
16 The objective of these surveys is to capture perceptions about customer needs and wants as
17 well as gather information to support discussions and improve the customer experience at
18 every level in the organization.

19 20 *2019 Summary (Appendix F)*

21
22 During the period of September 2019, 400 customers completed a telephone interview,
23 providing a confidence level of 95% (+/- 4.9%). The survey represented 85% residential and
24 15% commercial.

25
26 PUC received a Credibility and Trust Rating of 87% and an Overall Satisfaction Rating of 94%.
27 From this survey, customers expressed that the following should be priorities for PUC:

- 1 • Pro-actively maintaining and upgrading equipment;
- 2 • Reducing response times to outages;
- 3 • Investing in projects to reduce the environmental impact of the utility's operations;
- 4 and
- 5 • Investing more in the electricity grid to reduce outages.

6
7 Based on this feedback, PUC has made significant investments through the SSG project that
8 will result in upgrades to equipment, a reduction in the response times to outages, a reduction
9 in the number of outages and a reduction of PUC's environmental impact through more
10 efficient energy consumption. In addition, PUC has purchased electric vehicles and developed
11 a plan to further electrify their fleet to lower maintenance and fuel costs and lower their
12 carbon footprint.

13
14 *2021 Summary (Appendix F)*

15
16 During the period of September 2019, 401 customers completed a telephone interview,
17 providing a confidence level of 95% (+/- 4.9%). The survey represented 85% residential and
18 15% commercial.

19
20 PUC received an A rating. PUC received a score of 83% on the customer centric engagement
21 index (CCEI), compared to 82% in Ontario.

22
23 From this survey, customers expressed that the following should be priorities for PUC:

- 24 • Movement to more digitization;
- 25 • Improvements to communication (more pro-active approaches);
- 26 • Better prices and lower rates;

- Simplified billing; and
- Enhance cyber security measures.

Based on this feedback, PUC has put in place a digitization strategy, with a goal of going paperless by 2024. Since the initiative was launched in 2019, PUC has reduced day-to-day printing dramatically, increased on-line payments to vendors, enhanced the customer experience by providing flexibility, and restructured processes internally for employees to promote efficiencies. Some specific examples include the promotion of e-billing for customers, the development of the MyPUC App, the elimination of printed paystubs, an increase in Electronic Fund Transfers from 8% to over 82%, and the development of an online self-serve employee portal.

PUC has improved pro-active communications through the development of the MyPUC App, and the increased use of social media platforms and PUC's website. For example, in addition to ATLAS phone notifications, the MyPUC app and website now display information on planned power outages in advance, so that customers can properly prepare for the interruption.

PUC recognizes the threat that cyber security represents and is taking measures to mitigate that risk. PUC has made significant investments in our cyber security infrastructure, including the addition of a Manager of Information Security. Cyber risk is PUC's #1 risk and due to its significance, the President & CEO is the accountable Risk Owner.

In order to simplify billing, PUC has continued to encourage customers to sign up for preauthorized payments, e-billing and the MyPUC App.

1 Lastly, PUC has made significant investments through the SSG project that will result in
2 customers saving approximately 2.7% of their energy consumption.

3
4 **Customer Pulse Surveys**

5
6 *2020 Summary & Results (Appendix F)*

7
8 In 2020, PUC conducted four online pulse surveys throughout the year to provide education
9 and gain insight into how to better serve customers related to PUC's strategic and long-term
10 planning. The message to customers was as follows:

11
12 *"New Advances in technology are changing the way we distribute electricity, and as a result,*
13 *are providing new options for customers. With new technologies, customers will be better*
14 *equipped to exercise more control on their energy consumption, and technological advances*
15 *mean safer options and an eventual decrease in the price of electricity. All of this is possible,*
16 *but it requires investments today so electricity will continue to be safe, reliable, and affordable*
17 *for tomorrow."*

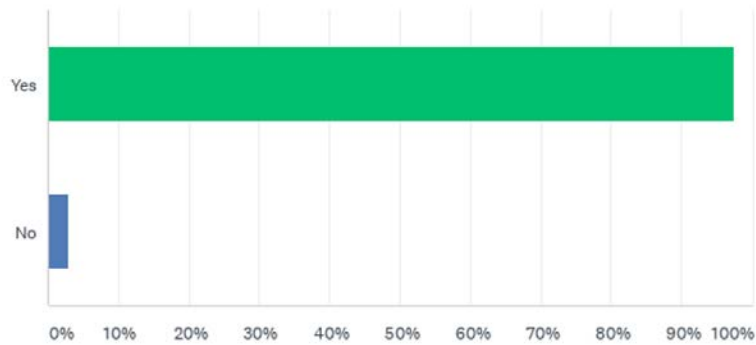
18
19 Based on the results of those surveys, it was noted that PUC should:

20
21 **Look at ways to create energy savings for customers.** The graph below displays this, as 97.39%
22 of customers state that energy savings is important to them.

1

Figure 1-7: Survey Results Energy Savings Question

Q5: Is energy saving important to you?



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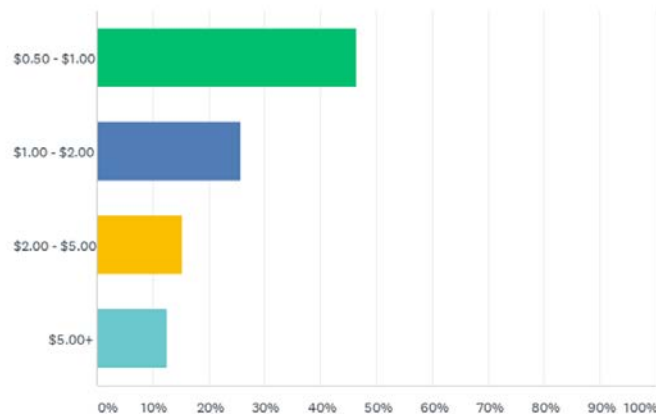
8

9

Consider increasing bills, if it means improvements to reliability, efficiency and communications. The graph below displays this, as 72.12% customers stated they would place a value between \$0.50 - \$2.00 on future bills to improve reliability, efficiency and communications.

Figure 1-8: Survey Results Value of Communication Question

Q7: What value would you place on future bills to improve reliability, efficiency and communications?



10

Make major investments in how PUC operates to reduce their carbon footprint. The first graph below displays that 60% customers stated reducing PUC's carbon footprint by making major investments in how it operates is either extremely or very important. The second graph below displays that 67% of customers stated that it is either extremely important or very important that PUC play a role in the community to promote the reduction of greenhouse gas emissions.

Figure 1-9: Survey Results Carbon Footprint Question

Q: PUC is taking initiative to reduce our own carbon footprint by making major investments in how we operate. How important is it to you that PUC lower our carbon footprint?

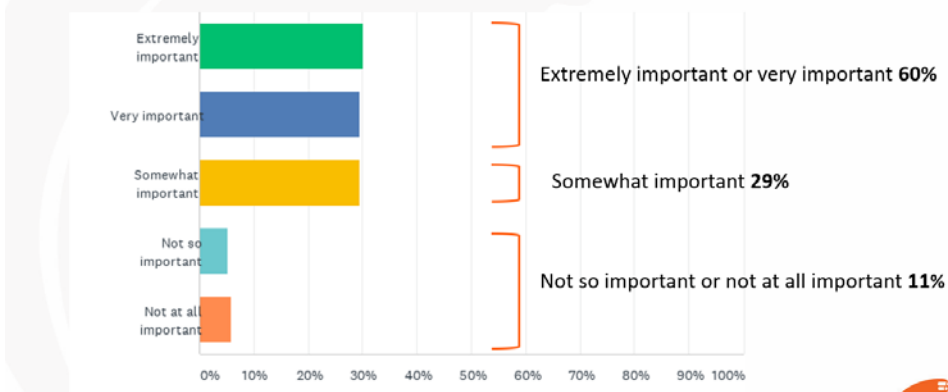
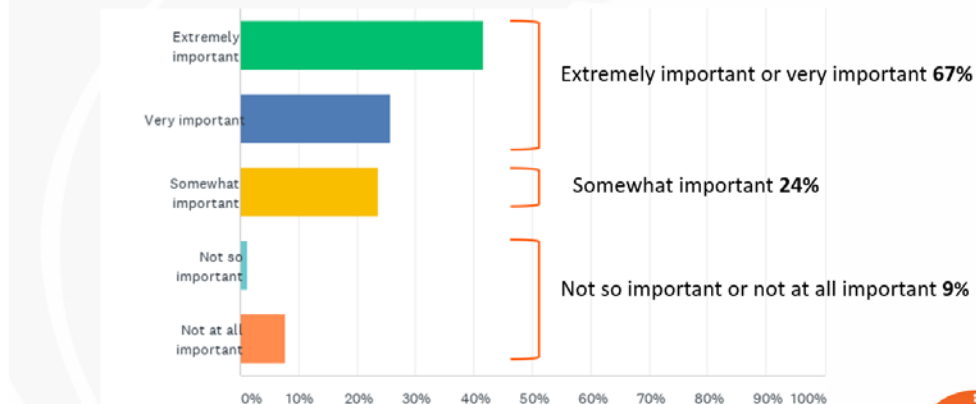


Figure 1-10: Survey Results Greenhouse Gas Emissions Question

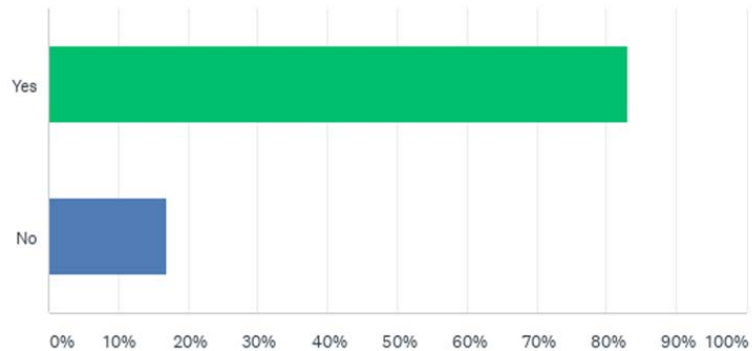
Q: How important is it to you that PUC play a role in the community to promote the reduction of greenhouse gas emissions?



Improve and enhance the customer experience. The graph below displays that 82.95% of customers stated they would like to see improvements to communication related to power outages.

Figure 1-11: Survey Results Power Outage Communication Question

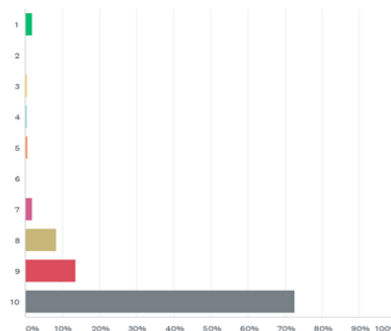
Q4: Would you like to see improvements to communications related to power outages?



Look at ways to improve electrical reliability. The graph below displays that 72.64% of customers rated reliability as a 10 (on a scale from 1-10, 10 being the most important).

Figure 1-12: Survey Results Reliability Question

Q4: On a scale from 1-10, how important is electrical reliability to you in your home and/or business? (1 being not important, 10 being very important)



1 Based on this feedback, PUC is making significant investments through the SSG project that
2 will result in upgrades to equipment, a reduction in the response times to outages, a reduction
3 in the number of outages and a reduction to PUC's environmental impact through more
4 efficient energy consumption. In addition, PUC has purchased electric vehicles and developed
5 a plan further electrify their fleet to lower maintenance and fuel costs and lower their carbon
6 footprint.

7
8 Through the increased use of social media platforms and website, and the development of the
9 MyPUC App, PUC has made major efforts to be more proactive with customer
10 communications. For example, in addition to ATLAS phone notifications, the MyPUC app and
11 website now display information on planned power outages in advance, so that customers
12 can properly prepare for the interruption.

13
14 **Cost of Service-related Surveys**

15
16 In 2021 and 2022, PUC conducted two online Customer Engagement Surveys. The purpose of
17 the surveys was to provide customers with a better understanding of the details behind PUC's
18 proposed rate increase, along with an opportunity to share their feedback into future
19 investment decisions at PUC which will inform PUC's 2023 COS Application.

20
21 *2021 Summary (Appendix L)*

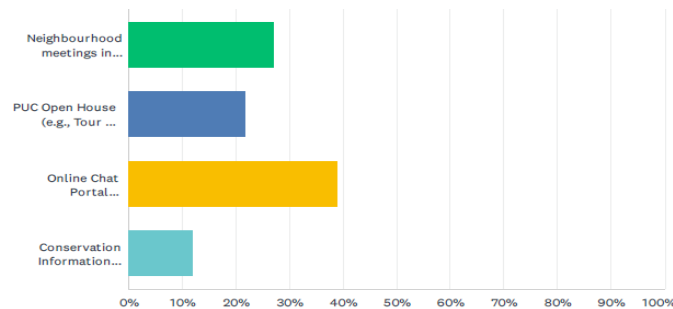
22
23 The first survey (part one of two), attached as Appendix L, was conducted in August-
24 September 2021. 906 customers completed an online survey. Based on the results of this
25 survey, it was noted that PUC should:
26

Explore more options for customer communications and energy savings tools. The graph below shows that 38.96% of customers would like PUC to move ahead with an online chat portal. The second graph below shows that 74.56% of customers would be interested in tools to help decide between tiered and time-of-use pricing. The third graph below shows that 44.12% of customers would like a notification when they hit certain consumption levels. All of these examples reflect customer's desire for new tools to support customer communications and energy savings.

Figure 1-13: Survey Results Improved Communication Options Question

Q31 As we move forward, PUC Distribution would like to improve communications and engagement with our community. Of the following ideas, what would you prefer to see?

Answered: 906 Skipped: 0

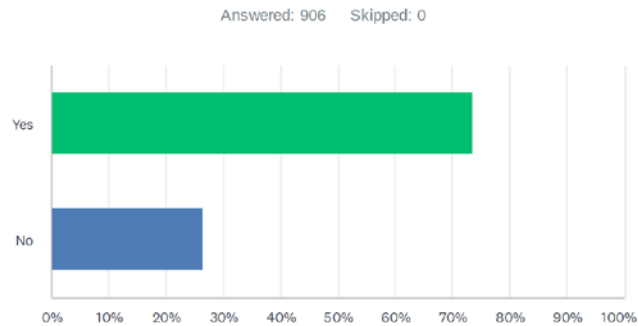


ANSWER CHOICES	RESPONSES	
Neighbourhood meetings in advance of planned projects	27.15%	246
PUC Open House (e.g., Tour PUC facilities)	21.85%	198
Online Chat Portal (Connected to PUC website)	38.96%	353
Conservation Information Booths (e.g., Bushplane Days, RotaryFest)	12.03%	109
TOTAL		906

1

Figure 1-14: Survey Results TOU vs. Tiered Pricing Tools Question

Q26 Would you be interested in the tools available to help you choose between Time of Use pricing or tiered pricing and how it can possibly save you money on your bill?



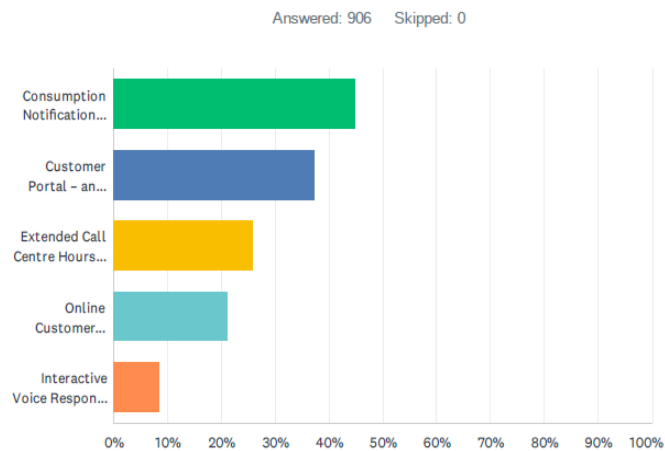
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Figure 1-15: Survey Results Customer Service Question

Q38 In addition to the amount you currently pay on your electricity bill, would you be willing to pay for the following customer services? Please click box if you agree.



ANSWER CHOICES	RESPONSES
Consumption Notification – getting notified via email, text alert when consumption hits certain level	44.92% 407
Customer Portal – an updated customer portal giving more detailed information on Billing, Usage, Outages, etc.	37.31% 338
Extended Call Centre Hours beyond M-F 9:00am – 4:30pm (i.e. 7 days a week 9:00am-9:00pm)	25.72% 233
Online Customer service – live chat with customer service representative during M-F 9:00am – 4:30pm	21.08% 191
Interactive Voice Response – telephone system that allows our computer system to interact with customer through a telephone keypad, providing account status, and outage updates	8.61% 78
Total Respondents: 906	

5

PUC should invest in maintaining reliable electricity services. The graph below shows that maintaining reliable electricity services is the number one priority for customers.

Figure 1-16: Survey Results Summary

	1	2	3	4	5	6	7	8	TOTAL
Maintaining reliable electrical service (i.e. prevent/reduce power outages)	49.78% 451	21.30% 193	14.02% 127	5.74% 52	3.42% 31	2.21% 20	1.21% 11	2.32% 21	906
Helping customers reduce/manage consumption and by doing so reducing bills	14.57% 132	34.11% 309	21.41% 194	14.35% 130	6.95% 63	4.53% 41	2.21% 20	1.88% 17	906
Keep rates as low as practical while maintaining good quality electrical service	23.07% 209	24.39% 221	29.25% 265	13.13% 119	5.96% 54	2.21% 20	0.99% 9	0.99% 9	906
Community Engagement/Communication	1.43% 13	3.64% 33	9.38% 85	25.39% 230	16.00% 145	13.80% 125	12.14% 110	18.21% 165	906
Ensuring safety of the electrical system infrastructure	5.74% 52	8.61% 78	11.04% 100	17.77% 161	32.12% 291	16.56% 150	6.29% 57	1.88% 17	906
Providing more information during power outages	1.55% 14	2.87% 26	5.41% 49	10.71% 97	17.66% 160	37.31% 338	16.56% 150	7.95% 72	906
Modernizing the electrical system (e.g. electric vehicles, net-metering, etc.) to support the reduction of greenhouse gases and lessen climate change.	2.54% 23	3.31% 30	6.51% 59	8.06% 73	12.03% 109	12.47% 113	38.85% 352	16.23% 147	906
Providing Enhanced Customer Service (mobile app, customer connect, PUC website)	1.32% 12	1.77% 16	2.98% 27	4.86% 44	5.85% 53	10.93% 99	21.74% 197	50.55% 458	906

Based on this feedback, PUC is making significant investments through the SSG project that will result in upgrades to equipment, a reduction in the response times to outages, a reduction in the number of outages and a reduction PUC's environmental impact through more efficient energy consumption. In addition, PUC has purchased electric vehicles and developed a plan to further electrify their fleet to lower maintenance and fuel costs and lower their carbon footprint.

1 Improved communications through proactive measures like the MyPUC App, website tools
2 and more consistent use of social media platforms, PUC has been able to get in front of issues
3 (including outages) for a better overall customer experience. Customers can now access
4 information on planned outages, news updates, changes in electricity rates, etc. on multiple
5 platforms, thereby improving a customer's overall experience with PUC.

6
7 *2022 Summary (Appendix M)*
8

9 Building from the results of the first survey, the second survey, attaches as Appendix M, (part
10 two of two) was conducted in May-June 2022. 816 customers completed an online survey
11 during a three-week time period between May 20th and June 10th 2022. Based on the results
12 of this survey, it was noted that PUC should:

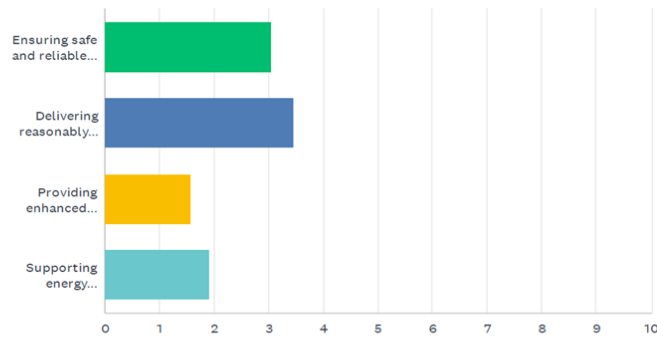
13
14 **Focus its priorities on delivering reasonably priced electricity prices and ensuring safe and**
15 **reliable electricity services.** The graph below displays that 92.15% of customers ranked either
16 delivering reasonably priced electricity prices or ensuring safe and reliable electricity services
17 as their top priority.
18

1

Figure 1-17: Survey Results Customer Priorities Question

Q3 In an effort to better understand your current priorities, please rank the following, 1 being the most important:

Answered: 816 Skipped: 0



	1	2	3	4	TOTAL	SCORE
Ensuring safe and reliable electricity services	32.84% 268	44.73% 365	17.28% 141	5.15% 42	816	3.05
Delivering reasonably priced electricity services	59.31% 484	30.02% 245	7.97% 65	2.70% 22	816	3.46
Providing enhanced customer service	2.08% 17	7.84% 64	36.15% 295	53.92% 440	816	1.58
Supporting energy efficiencies and a lower carbon footprint	5.76% 47	17.40% 142	38.60% 315	38.24% 312	816	1.91

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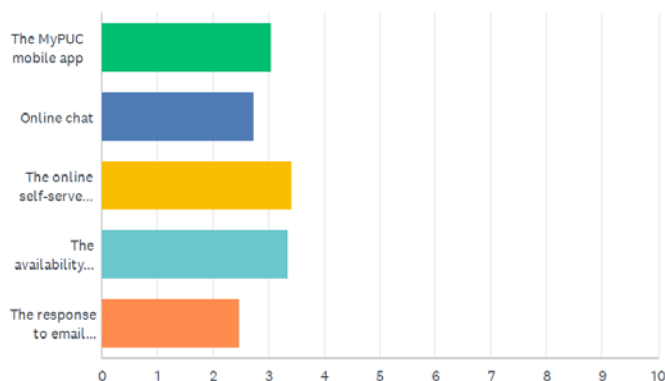
PUC should provide a variety of options for customers when accessing services, with a focus on online tools. In the graph below, customers noted that the MyPUC mobile app, the online self-serve options for managing their account and the availability of call centre staff are the most important options when accessing services.

1

Figure 1-18: Survey Results Customer Convenience Question

Q5 PUC has made it an ongoing strategic priority to improve our customer's experience. As it relates to the convenience of accessing customer services, please rank the following in order of importance.

Answered: 816 Skipped: 0



	1	2	3	4	5	TOTAL	SCORE
The MyPUC mobile app	26.35% 215	18.01% 147	14.22% 116	16.30% 133	25.12% 205	816	3.04
Online chat	6.62% 54	21.69% 177	28.31% 231	24.51% 200	18.87% 154	816	2.73
The online self-serve options for managing your account (Customer Connect)	26.59% 217	23.04% 188	25.12% 205	16.54% 135	8.70% 71	816	3.42
The availability of call centre staff	33.95% 277	16.42% 134	14.83% 121	19.00% 155	15.81% 129	816	3.34
The response to email questions	6.50% 53	20.83% 170	17.52% 143	23.65% 193	31.50% 257	816	2.47

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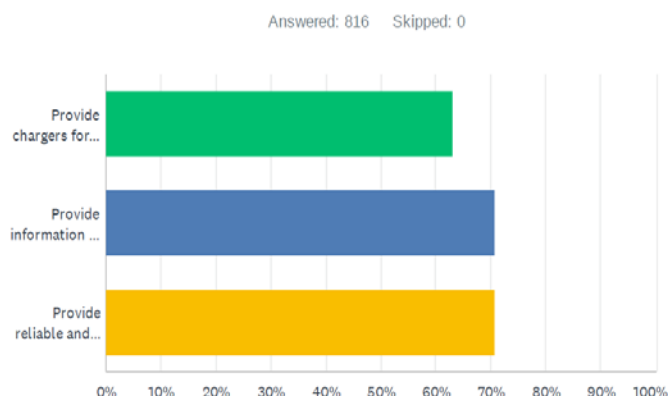
8

PUC should provide both reliable information and services regarding the adoption of electric vehicles. In the graph below, 63.11% of customers stated they would like PUC to provide chargers for residential and commercial customers through rental or purchase programs, and 70.71% and 70.83% would like PUC to provide information on government incentives and more general reliable information on electric vehicles, respectively.

1

Figure 1-19: Survey Results Electric Vehicles Question

Q9 As a trusted community partner, how would you like to see PUC involved in the adoption of electric vehicles? Select all that apply:



ANSWER CHOICES	RESPONSES	
Provide chargers for residential and commercial customers through rental or purchase programs	63.11%	515
Provide information on Government programs and incentives for the purchase of electric vehicles and chargers	70.71%	577
Provide reliable and accurate information about electric vehicles and chargers	70.83%	578
Total Respondents: 816		

2

3 By having a presence in the community, developing and improving upon communication
4 channels and engaging customers through meaningful surveys, PUC has been able to
5 effectively gather information from customers when making decisions. Improving upon the
6 overall customer experience has been a top priority for PUC over the past five years, as
7 demonstrated by the many innovations and improvements that have been made. Ensuring
8 that customer voices are heard has pushed PUC leadership to be innovative and make smart
9 decisions that are in the best interests of its customers, its employees and its shareholder.

10

11 1.5.5 Response to Customer Preferences

12

13 Many steps have been taken to increase customer engagement. PUC has adopted a customer-
14 centric (core value) approach that will continue to build trust with customers and provide
15 services based on customer needs and priorities. Through multiple customer engagement

1 methods, PUC has provided customers opportunities to share their priorities. PUC will
2 continue with these engagements to listen to customer preferences as the company evolves.

3
4 During the customer engagement activities, the PUC's engineering team heard feedback
5 received from customers during the engagement phase of the DSP planning work. The DSP
6 was developed to ensure that the rate increases were minimized, while considering the Asset
7 Management Plan for necessary system renewal projects in order to maintain reliability. PUC
8 has strictly managed any increases to its OM&A budget in the test year. PUC will continue its
9 on-going customer engagement initiatives while taking customer preferences into
10 consideration in its business planning.

11 12 **Unmetered Loads**

13
14 PUC communicates with unmetered load customers, including Street Lighting customers, to
15 assist them in understanding the regulatory context in which distributors operate and how it
16 affects unmetered load customers. This communication takes place on an on-going basis and
17 is not driven by the rate application process.

18 19 **1.6 PERFORMANCE MEASUREMENT**

20 21 **1.6.1 Performance Evaluation**

22
23 Under the renewed regulatory framework (RRFE), a distributor is expected to continuously
24 improve its understanding of the needs and expectations of its customers and its delivery of
25 services. To facilitate performance monitoring and benchmarking of distributors the OEB uses
26 a scorecard approach.

1 In this Application, PUC has presented its performance for each of the Board's performance
2 outcomes over the last five years, its current performance, and its projections for continuous
3 improvements over the term of the Application. PUC has projected an increase to its efficiency
4 percentage in the 2023 Test Year due to the inclusion of ICM Sub 16 and SSG Assets in rate
5 base. PUC has taken this influx into consideration for its business plan projections for 2024-
6 2027.

7 8 1.6.2 Scorecard

9
10 The Scorecard Approach, issued on March 5, 2014 details the scorecard measures approach
11 which the Board expects to use in order to monitor and assess a distributor's effectiveness
12 and improvement in achieving the four performance outcomes – Customer Focus, Operational
13 Effectiveness, Public Policy Responsiveness and Financial Performance – and to facilitate
14 distributor benchmarking. The Board has set industry targets for New Residential/Small
15 Business Services Connected on Time, Scheduled Appointment Met on Time, Telephone Calls
16 Answered on Time and Billing Accuracy. Other metrics such as Level of Compliance with O.
17 Reg 22/04, number of public incidents, SAID and SAIFI have a trend indicator to identify how
18 each LDC is trending in comparison to previous years. PUC reviews these metrics yearly to
19 identify positive trending results and those that may require areas of improvement.

20
21 PUC has published its most recent scorecard for public viewing on its website at:

22 [OEB Scorecard - Sault Ste. Marie PUC \(ssmpuc.com\)](https://ssmpuc.com/OEB-Scorecard-Sault-Ste-Marie-PUC)

23 Table 1-18 below provides PUC's 2016 to 2018 performance on its Scorecard metrics as
24 reported to the OEB in the annual RRR filings. PUC's Scorecard, including its MD&A for 2021 is
25 provided as Appendix E.

Table 1-18: PUC's 2016-2018 OEB Scorecard Results

Performance Outcomes	Performance Categories	Measures	2016	2017	2018	2019	2020	2021
CUSTOMER FOCUS	Service Quality	New Residential/Small Business Services Connected on Time (Target: 90%)	98.90%	96.67%	99.12%	100.00%	100.00%	97.60%
		Scheduled Appointments Met on Time (Target: 90%)	98.30%	97.62%	98.48%	98.65%	100.00%	99.92%
		Telephone Calls Answered on Time (Target: 65%)	81.30%	79.88%	77.70%	72.43%	68.88%	71.13%
	Customer Satisfaction	First Contact Resolution	99.58%	99.74%	99.80%	99.82%	99.76%	99.63%
		Billing Accuracy (Target: 98%)	99.97%	99.94%	99.97%	99.98%	99.96%	99.97%
		Customer Satisfaction Survey Results	80%	80%	80%	92%	92%	88%
OPERATIONAL EFFECTIVENESS	Safety	Level of Public Awareness	86%	85%	85%	85%	85%	85%
		Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C	C
		Number of General Public Incidents	-	-	1	1	2	-
		Rate per 10, 100, 1000 km of line	-	-	0.135	0.135	0.271	n/a
	System Reliability	Average Number of Hours Power to Customer is Interrupted	1.49	1.43	1.27	1.45	2.12	1.81
		Average Number of Times Power to Customer is Interrupted	1.41	1.21	1.28	1.55	1.74	1.32
	Asset Management	Distribution System Plan Implementation on Progress	In Progress	In Progress	100%	79%	90%	104%
	Cost Control	Efficiency Assessment (1 = most efficient 5 = least efficient)	4	4	4	4	3	3
		Total Cost (\$) per Customer	\$ 695	\$ 673	\$ 690	\$ 697	\$ 673	\$ 696
		Total Cost (\$) per Km of Line	\$ 31,314	\$ 30,541	\$ 31,338	\$ 31,775	\$ 30,794	\$ 31,915
PUBLIC POLICY RESPONSIVENESS	Energy Savings	Net Cumulative Energy Savings (Percent of Target Achieved)	52.97%	92.47%	104.84%	111.46%	n/a	n/a
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed on Time	n/a	100%	n/a	100%	n/a	n/a
		New Micro-Embedded Generation Facilities Connected on Time (Target: 90%)	100%	n/a	n/a	n/a	n/a	n/a
FINANCIAL PERFORMANCE	Financial Ratios	Liquidity: Current Ratio	1.52	1.62	1.33	0.94	0.99	0.8
		Leverage: Total Debt to Equity Ratio	2.34	2.04	2.02	2.03	2.07	2.09
		Profitability: Regulatory Return on Equity - Deemed	8.98%	8.98%	9.00%	9.00%	9.00%	9.00%
		Profitability: Regulatory Return on Equity - Achieved	0.98%	1.78%	4.25%	8.87%	8.75%	7.60%

1.6.3 Customer Focus

Service Quality

Table 1-19: Scorecard Performance Category - Service Quality

Performance Year	New Residential/Small Business Services Connected on Time (Target: 90%)	Scheduled Appointments Met on Time (Target: 90%)	Telephone Calls Answered on Time (Target: 65%)
2021	97.60%	99.92%	71.13%
2020	100.00%	100.00%	68.88%
2019	100.00%	98.65%	72.43%
2018	99.12%	98.48%	77.70%
2017	96.67%	97.62%	79.88%

New Residential/Small Business Connected on Time

As shown in Table 1-19 above, over the last 5 years, PUC has consistently exceeded the OEB mandated target of at least 90% in connecting new residential or small business customers on time. In the last 3 years (2018-2021), PUC has maintained an exceptional level of connections on time. During that time PUC connected 176, 193 and 244 eligible low-voltage residential and small business customers 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.

PUC's target for this metric in 2023 is 90%.

Scheduled Appointments Met On Time

As a result of our emphasis on customer satisfaction, over the last 5 years PUC has consistently exceeded the OEB mandated target of at least 90% in scheduled appointments met on time. PUC has scheduled 1,020, 1,119 and 1,251 appointments in 2019, 2020 and 2021 respectively in relation to meter installs and removals, service disconnects and reconnects, and meter locates etc. and has yielded an average on time completion percentage within a 4-hour window of 98.93% over the last 5 years.

PUC's target for this metric in 2023 is 90%.

Telephone Calls Answered on Time

Between 2017 and 2021, PUC has experienced an average of 46,545 calls from customers per year, which equals approximately 186 calls per working day. PUC has seen a slight downward trend in telephone calls answered on time. In 2020, the COVID 19 pandemic hit creating a shift to a work-from-home environment. PUC experienced increased talk times due to the COVID-19 pandemic and was still able to exceed the OEB's mandated target. Additionally, PUC has been looking to other forms of communication via MyPUC App and Customer Chat to help with call volumes. In spite of this large call volume, PUC's Customer Experience department has answered these calls within 30 seconds or less 74% of the time on average over the last 5 years. This result significantly exceeds the OEB mandated 65% target for timely call response.

PUC's target for this metric in 2023 is 65%.

Customer Satisfaction

Table 1-20: Scorecard Performance Category - Customer Satisfaction

Performance Year	Billing Accuracy (Target: 98%)	First Contact Resolution	Customer Satisfaction Survey Results
2021	99.97%	99.63%	88%
2020	99.96%	99.76%	92%
2019	99.98%	99.82%	92%
2018	99.97%	99.80%	80%
2017	99.94%	99.74%	80%

First Contact Resolution

PUC's First Contact Resolution ("FCR") was measured by tracking the number of electric related calls which were escalated to a Senior Customer Experience Representative or Supervisor/Manager. This was accomplished by creating two specific call types in PUC's Customer Information System (CIS) which could then be tracked to provide the number of customer concerns that were escalated. To establish the number of calls which were handled without escalation, the total number of calls escalated to a higher level were subtracted from the total number of calls received. However, it should be noted that FCR can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors. As shown in Table 1-20 above thus far, PUC has maintained a FCR percentage above the distributor target of 99%, averaging 99.75% since 2017.

PUC's target for this metric in 2023 is 99%.

Billing Accuracy

PUC issues approximately 366,565 bills annually and has achieved an average accuracy percentage of 99.97% over the 3-year period of 2019 to 2021. 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.

PUC's target for this metric in 2023 is 98%.

Customer Satisfaction Survey

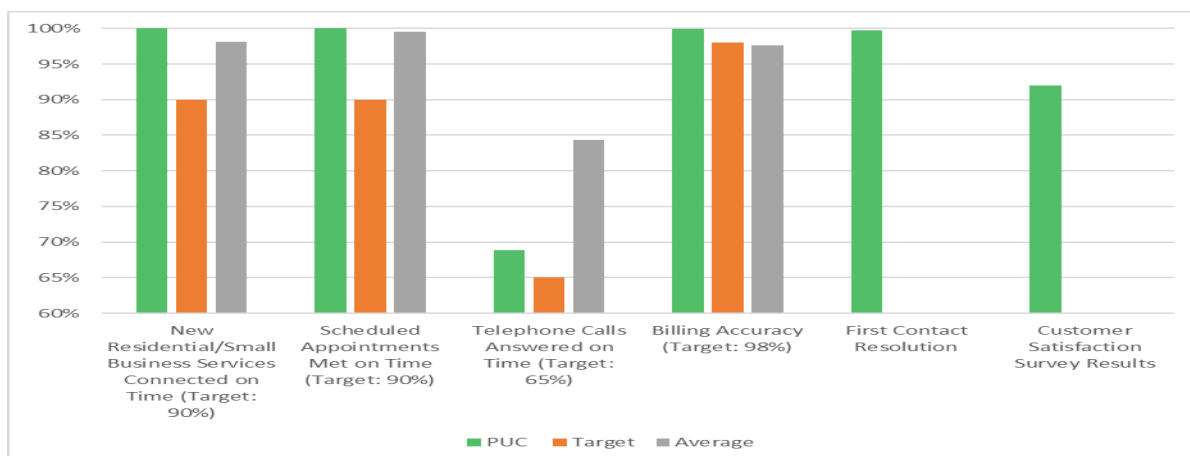
PUC engaged the UtilityPULSE Division of Simul Corporation to conduct PUC's 2019 and 2021 customer satisfaction surveys. The survey is attached as Appendix F. The UtilityPULSE Electric Utility Survey is in its 23rd year of annual surveys and is used by a significant number of Ontario distributors. In 2019, the final report on our customer satisfaction survey was received in March 2019, and PUC received a customer satisfaction score of 92% (post survey result) which is above the Ontario benchmark survey that had a grade of "B". For 2021, the final report on PUC's customer satisfaction survey was received in March 2022, and PUC received an A customer satisfaction score of 88% (post survey result). Overall PUC has seen significant improvement from its 2017 survey results of 85%. The survey asked customers questions on a broad range of topics, including overall satisfaction with reliability, customer service, outages, billing and corporate image. These customer satisfaction surveys are an important element in our overall customer engagement strategy providing further insight towards planning and supporting customer service improvement at all levels within PUC.

PUC's target for this metric in 2019 is "A-" or 85%.

Figure 1-20 below compares PUC's 2021 Service Quality and Customer Satisfaction results to the provincial target and the average for all LDCs in the province. Currently there are no provincial targets for FCR and Customer Satisfaction Survey.

As indicated, PUC met all provincial targets in 2021. For the telephone call answered metric, although PUC exceeds the provincial target, it is below the provincial averages of 84.3%. As noted above PUC is exploring options to reduce telephone traffic to improve the calls answered metric and provide a more efficient method for customers to interactive with the LDC. For Customer Satisfaction, PUC has improved significantly from its previous survey as a result of the activities outlined in Appendix K.

Figure 1-20: Provincial Comparison - Customer Focus – Service Quality and Customer Satisfaction



1.6.4 Operational Effectiveness

Safety

Table 1-21: Scorecard Performance Category – Safety

Performance Year	Level of Public Awareness	Level of Compliance with Ontario Regulation 22/04 (Target: substantially)	Number of General Public Incidents	Rate per 10, 100, 1000 km of line
2021	85%	C	0	0
2020	85%	C	2	0.271
2019	85%	C	1	0.135
2018	85%	C	1	0.135
2017	85%	C	0	0

The public safety measure was introduced by the OEB in 2015 and focuses on Component A - 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

1 Ontario Regulation 22/04 Electrical Distribution Safety (“O.Reg. 22/4” or “the Regulation”) and
2 Component C – Serious Electrical Incident Index (see Table 1-21 above).

3
4 *Component A - Public Safety Awareness*

5
6 The Public Awareness of Electrical Safety measure is determined by public survey. The purpose
7 of the survey is to monitor the effort and impact LDC’s are having on improving public
8 electrical safety for the Distribution Network. This public safety survey is intended to be
9 conducted every two (2) years. The questions on the survey are standardized across the
10 province.

11
12 PUC’s third safety awareness survey was conducted in 2020 and resulted in a score of 85%.
13 This was consistent with the previous Safety survey.

14
15 PUC continues to look for every opportunity to communicate and engage with the public to
16 promote electrical safety awareness within PUC’s service area. Through participation with the
17 Association of Electrical Utility Safety Professionals (“AEUSP”), PUC has contributed to the
18 production of a series of electricity safety videos for television broadcast in various Ontario
19 markets including its own service area.

20
21 PUC promotes electrical safety awareness in a variety of other forms. The importance of
22 awareness of electrical hazards is conveyed throughout the community via safety related
23 communications in newspapers, on the radio and at public events. Detailed hazard awareness
24 presentations are made available to external contractors and joint use parties. In the broader
25 community, public safety presentations are provided to elementary school students.

26
27 PUC’s target for this category is 85% in 2023.
28

Component B - Regulatory Compliance with Ontario Reg. 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 new assets are put into service. Component B includes an External Audit, a Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations. ESA evaluates these elements in order to determine the status of compliance.

For the past 10 years, PUC was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This success was achieved through PUC's strong commitment to safety and adherence to regulatory requirements, company policies and procedures.

PUC's target for this metric in 2023 is to have zero (0) safety non-compliance.

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 2021 reporting period, there were zero reportable serious electrical incidents.

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.

PUC's target for this metric in 2023 is to have zero (0) serious electrical incidents reported.

System Reliability

Table 1-22: Scorecard Performance Category – System Reliability

Performance Year	Average Number of Hours Power to Customer is Interrupted (SAIDI)	Average Number of Times Power to Customer is Interrupted (SAIFI)
2021	1.81	1.32
2020	2.12	3.14
2019	1.7	1.68
2018	1.28	1.27
2017	1.21	1.43

Table 1-22 above displays the system reliability data from 2017-2021. A key change for 2016, as required by the OEB, is the revised reporting of reliability data with respect to Major Events. Specifically, the change serves to adjust the reliability data to remove the impact of Major Events. Additionally, distributors are required to report criteria to monitor the distributor's performance related to the Major Event. The 2017-2021 Scorecard's system reliability data, excludes both Loss of Supply and Major Events. The adjusted reliability measures capture interruptions caused by circumstances within the distributor's control and are published in the 2021 scorecard. A "Major Event" is defined as an event that is beyond the control of the distributor and is unforeseeable, unpredictable, unpreventable, or 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, take significantly longer than usual to repair, and affect a substantial number of customers. PUC calculates major event day scope

1 using the IEEE Standard 1366-2003, "IEEE Guide for Electric Power Distribution Reliability
2 Indices".

3
4 *SAIDI and SAIFI*

5
6 The average duration of outages is often due to the severity of weather events – System
7 Average Interruption Duration Index ("SAIDI") and the number of times power to a customer
8 is interrupted is often due to accidents, storms, lightning, high wind and defective equipment
9 – System Average Interruption Frequency Index ("SAIFI").

10
11 Approximately 40% of all of PUC's outages can be attributed to defective equipment. PUC also
12 experienced large number of outages caused by adverse weather which typically included high
13 winds (resulting in tree contact), snowstorms and rainstorms.

14
15 PUC programs in place to address reliability include:

- 16 • Use of high-quality engineering design standards;
17 • Proactive upgrading of equipment (switches, restricted wire);
18 • Smart meter data to quickly identify outages;
19 • Preventative maintenance such as infrared scanning and pole testing; and
20 • Diligent tree-trimming program.

21
22 System Average Number of Hours that Power to a Customer is Interrupted (SAIDI)

23
24 The System Average Interruption Duration Index ("SAIDI") of 1.81 in 2021 was above the
25 distributor target of 1.38. In recent years PUC has seen a slight increase in its SAIDI as seen in
26 Table 1-23 below. There are ongoing efforts to improve reliability including replacing aging

1 infrastructure and improving vegetation management. PUC is also in the process of
2 completing its SSG project, which once fully commissioned, is expected to help improve its
3 reliability results. Since 10 substations and multiple circuits will be turned off at different
4 stages of the construction project, it is anticipated that potential planned outages will impact
5 more customers or may take longer to remediate, possibly resulting in a short-term reliability
6 performance metric decline for the end of 2022 and the first quarter of 2023.

7
8 Still in 2023, PUC's target for SAIDI is 1.62.
9

10 **Table 1-23: Historical SAIDI Results**

Performance Year	Average Number of Hours Power to Customer is Interrupted (SAIDI)
2021	1.81
2020	2.12
2019	1.45
2018	1.27
2017	1.43

11
12
13 **System Average Interruption Frequency Index (SAIFI)**
14

15 The System Average Interruption Frequency Index ("SAIFI") of 1.32 in 2021 was just below the
16 target of 1.33. Consistent with SAIDI, there are ongoing efforts to improve reliability including
17 replacing aging infrastructure and improving vegetation management. Table 1-24 shows the
18 historical SAIFI results.
19
20
21

Table 1-24: Historical SAIFI Results

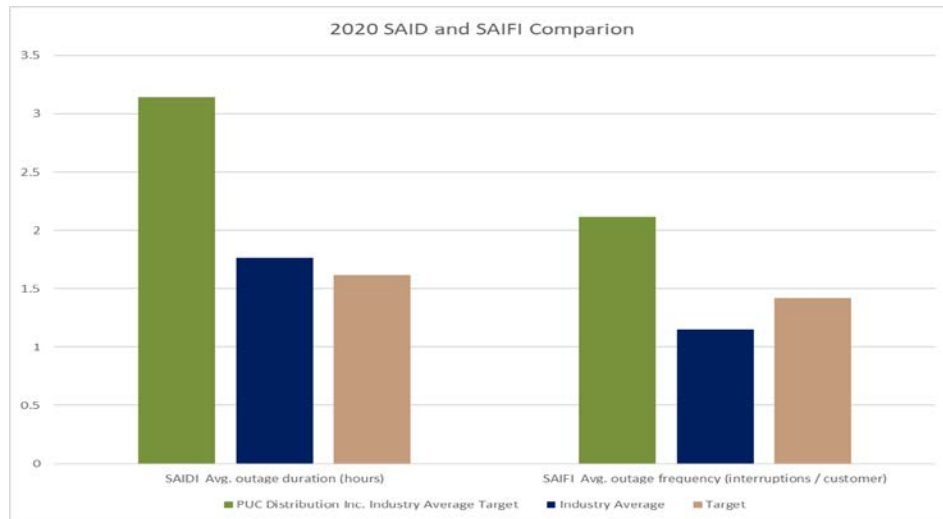
Performance Year	Average Number of Times Power to Customer is Interrupted (SAIFI)
2021	1.32
2020	1.74
2019	1.55
2018	1.28
2017	1.21

PUC's target for SAIFI in 2023 is 1.42.

Figure 1-21 below compares PUC's 2020 Operational Effectiveness in the system reliability area to the industry average and its scorecard target for 2023.

As indicated, PUC 's SAIDI and SAIFI has been higher in recent years. Equipment failures have been the predominant cause of outages in the last several years. To improve reliability, all of the investments in the "System Renewal" category of fixed assets are aimed at replacing assets in very poor or poor condition with priority given to renewal of those assets in highest risk of failure with most serious consequences.

Figure 1-21: Reliability & Scorecard Target



Asset Management

Table 1-25: Scorecard Performance Category – Asset Management

Performance Year	Distribution System Plan Implementation on Progress
2021	104%
2020	90%
2019	79%
2018	100%
2017	In Progress

Table 1-25 above displays the Asset Management progress from 2017 to 2021.

Distribution System Plan (DSP) 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 COS 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 scorecard 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 2021 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 2023 to 2027 period as part of its 2023 COS application.

The calculated value for this performance metric for 2021 is 104%. 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 (Sub-16) from 2019 to 2020/2021.

PUC has prepared a 2023-2027 DSP for its 2023 COS Application. As an ongoing target to meet the requirements of this DSP, PUC will continue to revisit and revise its capital spending based on system needs, cash flow forecasting, and the overall DSP plan itself.

Cost Control

Table 1-26 below summarizes PUC's Cost Control results from 2017 to 2021 which are explained further below.

Table 1-26: Scorecard Performance Category – Cost Control

Performance Year	Efficiency Assessment (1 = most efficient 5 = least efficient)	Total Cost (\$) per Customer	Total Cost (\$) per Km of Line
2021	3	696	31,915
2020	3	673	30,791
2019	3	697	31,775
2018	4	690	31,338
2017	4	673	30,541

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 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. Table 1-27 below summarizes the distribution of all distributors across the 5 groupings for 2021.

Table 1-27: Distribution of Distributors

Group	Demarcation Points for Relative Cost Performance	Group Ranking	# of Ontario LDCs in Group
1	Actual costs are 25% or more below predicted costs	Most Efficient	13
2	Actual costs are 10% to 25% below predicted costs	More Efficient	15
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	23
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

Since PUC's last rebasing application in 2018, it has been working towards improvement in its efficiency performance. Table 1-28 below shows PUC's actual vs predicted costs since 2017 and its resulting Group Ranking. In 2019, PUC moved from group 4 to group 3 and has remained there. PUC has completed a prediction of 2022 and 2023 based on its OM&A and Capital Budget for those respective years.

Table 1-28: Actual vs. Predicted Costs

Year	Actual Costs	Predicted Costs	Cost Efficiency Assessment	3 Year Average	Stretch Factor Assisngment Group
2023 Projection	\$32,892,271	\$28,463,204	14.5%	5.6%	3
2022 Projection	\$25,198,794	\$25,039,845	0.6%	1.2%	3
2021 Actual	\$23,585,229	\$23,172,578	1.8%	2.8%	3
2020 Actual	\$22,723,503	\$22,474,823	1.1%	4.9%	3
2019 Actual	\$23,450,122	\$22,196,232	5.5%	8.3%	3
2018 Actual	\$23,190,013	\$21,371,771	8.2%	11.1%	4
2017 Actual	\$22,600,176	\$20,196,516	11.2%	13.8%	4

In 2023, PUC is projecting higher actual costs due to the reporting required for Sub-16 ICM and SSG ICM. Both ICM's are reported as capital expenditure in 2023 as per the RRR filing requirements and therefore inflate PUC's actual costs for that year. PUC expects its actual costs to stabilize in 2024, thus bringing back down its efficiency percentage. Additionally, it should be noted that PUC has additional costs and savings that are not accounted for in the PEG model.

Included in PUC's operating, maintenance and administrative expenses is a charge from PUC Services Inc. that is based on depreciating and financing of vehicles, tools, computer equipment, office equipment etc. that are utilized to provide utility services to PUC. For utilities that own the vehicles and equipment to service their customers, these expenses are included in depreciation and financing (i.e. interest) costs. As the total costs would be the same, removing the depreciation and financing costs from PUC's operating costs would better align costs comparisons in the PEG model with other utilities.

In 2023, VVO savings from SSG, are not accounted for in the PEG model methodology due to the unique, innovative nature of the project. Rather than SSG improving PUC's Financial Performance, it improves the financial situation for its customers, saving them an estimated 2.70% on their cost of power. There are 3 inputs into the PEG Benchmarking model ("PEG Model") that are unique to PUC and should be considered in the assessment of PUC's PEG Model results. Table 1-29 below shows adjustments for capital additions, kWh delivered and cost of power savings to customers.

Table 1-29: PEG Benchmarking Model Adjustments

Input	Default	Adjustment	Revised
Capital Additions	\$45,437,837	(\$7,355,438)	\$38,082,399
Deliveries	578,722,961	16,059,116	594,782,077
Cost of Power Savings to customer 2.70%	\$0	\$1,950,831	\$1,950,831

The first adjustment is to account for the amount of NRCan funding PUC is receiving for the SSG project. In the PEG Model, total gross capital additions are used as the basis of this input. However, if we take into consideration the amount of NRCan funding PUC will receive, it significantly reduces the calculation of actual costs.

The second adjustment is for the input relating to kWh deliveries in a given year. PUC is investing this large amount into its infrastructure to benefit customers which will reduce their consumption and provide energy savings. This reduction in consumption predicts that PUC should have lower costs. While this is true in years beyond 2023, it is not something PUC anticipates will be immediately experienced in 2023. Therefore, an adjustment of 2.70% in consumption is added back for this input within the PEG model.

The third adjustment is for the total cost of power savings PUC customers will receive. As presented in Table 5.327 of the DSP, the total power savings is \$1,950,000. If this adjustment is reflected in the actual costs, it further reduces PUC's actual costs when compared to predicted costs.

After taking these adjustments into consideration, the revised efficiency percentage is 5.80% as outlined in Table 1-30 below. As such, PUC's target is to remain in Group 3 in 2023.

Table 1-30: Revised Efficiency Percentage

Year	Actual Costs	Predicted Costs	Cost Efficiency Assessment	3 Year Average	Stretch Factor Assisngment Group
2023 Projection	\$30,149,181	\$28,463,204	5.8%	2.7%	3

Total Cost per Customer

Total cost per customer is calculated as the sum of PUC's capital and operating costs, including certain adjustments to make the costs more comparable between distributors (i.e., under the PEG econometrics model), and dividing this cost figure by the total number of customers that PUC serves. PUC's cost performance results, from 2017 to 2021, have increased from \$673 to \$696 per customer. Overall, the company's total cost per customer has increased on average by 3.42% per annum over the period 2017 through 2021. For the period of 2017 to 2021, the total cost per customer on average has increased by approximately 0.84% per year. PUC will continue to replace aging distribution assets proactively in a manner that balances system risks and customer rate impacts. The company continues to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives that commenced in 2021 will continue in order to ensure customers have an opportunity to share their viewpoint on PUC's capital spending plans.

As with PUC's efficiency ranking above, this calculation uses PUC's actual costs in calculating the total cost per customer. In 2023, PUC is projecting an outlier year in actual costs due to the reporting of Sub-16 and SSG as capital additions to rate base. This will inflate PUC's total cost per customer to \$967 for 2023 and should return to more normalized levels in 2024. The table below shows PUC's historical results and projections for 2022 and 2023.

Table 1-31: Actual Total Cost Per Customer

Year	Total Cost per Customer
2023 Projection	\$965
2022 Projection	\$742
2021 Actual	\$696
2020 Actual	\$673
2019 Actual	\$697
2018 Actual	\$690
2017 Actual	\$673

After taking the adjustments outlined in Table 1-31 above, the total cost per customer is \$885. Furthermore, if you remove Sub-16 and SSG spending it drops the projection to \$823.

Table 1-32: 2023 Projection Total Cost Per Customer

Year	Total Cost per Customer
2023 Projection	\$885
2023 Projection (SSG Sub 16 Removed)	\$823

PUC's target is a total cost per customer of \$823 after excluding costs for Sub-16, SSG, and non-operational costs discussed above.

Total Cost Per Km of Line

LDC costs can differ significantly based on service territory size, physical attributes of the service territory, rural vs. urban customer mix, local weather conditions, etc. PUC is one member of the group of provincial LDCs that has less than 50 customers per kilometer of line.

1 PUC has used data from the 2021 PEG Benchmarking Spreadsheet to compare costs against
2 LDCs with less than 50 customers per kilometer of line.

3
4 As discussed above, included in PUC's OM&A expenses is a charge from PUC Services that is
5 based on depreciating and financing of vehicles, tools, computer equipment, office equipment
6 etc. that is utilized to provide utility services to PUC. For utilities that own the vehicles and
7 equipment to service their customers, these expenses are included in depreciation and
8 financing costs. As the total costs would be the same, removing the depreciation and financing
9 costs from PUC's costs would better align cost comparisons. The following comparison utilizes
10 the data from the '2021 PEG Benchmarking Spreadsheet. To better align with similar utilities,
11 PUC compared to utilities that have less than 50 customers per kilometer of line. As outlined
12 in Table 1-33 below, when analysing the total cost per customer for the 2021 year, PUC's cost
13 per customer is \$696. The average for all utilities in the province with less than 50 customers
14 per kilometer of line is \$711 per customer.

15

1 **Table 1-33: 2021 Total Cost per Customer Comparison (<50 Customers per Km of Line)**

Distributor	Year	Stretch Fact	Cohort Num	Efficiency Assessment	Cost per Customer	Cost per km of Line	Cost	Customers	km	Customer/Km of Line
Algoma Power Inc.	2021	0.60	5.00	63.3%	2,338	13,025	28,589,748	12,227	2,195	6
Toronto Hydro-Electric System Limited	2021	0.60	5.00	53.0%	1,189	32,110	933,973,904	785,667	29,087	27
Hydro One Networks Inc.	2021	0.45	4.00	17.5%	1,033	11,940	1,487,153,374	1,440,315	124,556	12
Atikokan Hydro Inc.	2021	0.30	3.00	2.8%	1,024	18,024	1,658,233	1,619	92	18
Canadian Niagara Power Inc.	2021	0.45	4.00	12.8%	905	17,810	27,177,914	30,042	1,526	20
Innpower Corporation	2021	0.30	3.00	-5.8%	897	12,072	17,674,127	19,703	1,464	13
Wellington North Power Inc.	2021	0.30	3.00	1.9%	831	15,101	3,276,916	3,942	217	18
Waterloo North Hydro Inc.	2021	0.30	3.00	5.2%	826	29,276	48,509,585	58,747	1,657	35
Sioux Lookout Hydro Inc.	2021	0.00	1.00	-26.6%	818	3,335	2,374,552	2,904	712	4
Halton Hills Hydro Inc.	2021	0.00	1.00	-33.3%	813	10,928	18,479,532	22,738	1,691	13
Chapleau Public Utilities Corporation	2021	0.45	4.00	16.1%	781	17,697	955,648	1,224	54	23
Niagara-on-the-Lake Hydro Inc.	2021	0.15	2.00	-11.8%	768	23,000	7,474,877	9,731	325	30
Niagara Peninsula Energy Inc.	2021	0.30	3.00	-3.2%	750	9,522	43,324,122	57,769	4,550	13
North Bay Hydro Distribution Limited	2021	0.30	3.00	2.2%	729	30,857	17,711,815	24,280	574	42
Lakeland Power Distribution Ltd.	2021	0.15	2.00	-16.9%	715	27,856	10,139,728	14,180	364	39
Bluewater Power Distribution Corporation	2021	0.30	3.00	-3.9%	714	21,932	26,427,868	37,016	1,205	31
Espanola Regional Hydro Distribution Corporation	2021	0.15	2.00	-24.0%	713	23,638	2,387,478	3,348	101	33
Oakville Hydro Electricity Distribution Inc.	2021	0.30	3.00	-3.3%	710	26,506	53,303,374	75,110	2,011	37
Northern Ontario Wires Inc.	2021	0.00	1.00	-42.0%	704	11,287	4,176,217	5,934	370	16
PUC Distribution Inc.	2021	0.30	3.00	2.8%	696	31,915	23,585,229	33,865	739	46
Alectra Utilities Corporation	2021	0.30	3.00	-3.7%	691	14,252	739,257,355	1,069,684	51,872	21
Milton Hydro Distribution Inc.	2021	0.15	2.00	-23.1%	683	10,221	28,760,591	42,082	2,814	15
Burlington Hydro Inc.	2021	0.15	2.00	-12.1%	683	30,949	46,918,216	68,742	1,516	45
Greater Sudbury Hydro Inc.	2021	0.30	3.00	3.2%	679	31,877	32,483,130	47,865	1,019	47
Energy+ Inc.	2021	0.15	2.00	-14.1%	677	29,990	46,183,891	68,201	1,540	44
EnWin Utilities Ltd.	2021	0.15	2.00	-15.9%	675	12,989	61,098,531	90,556	4,704	19
Fort Frances Power Corporation	2021	0.30	3.00	-9.8%	669	30,891	2,502,140	3,739	81	46
Centre Wellington Hydro Ltd.	2021	0.30	3.00	-9.7%	660	30,457	4,873,175	7,385	160	46
Elsexon Energy Inc.	2021	0.30	3.00	-2.7%	652	28,531	111,811,625	171,564	3,919	44
Synergy North Corporation	2021	0.30	3.00	2.0%	651	29,384	37,052,809	56,945	1,261	45
Newmarket-Tay Power Distribution Ltd.	2021	0.15	2.00	-14.4%	649	28,216	28,892,924	44,519	1,024	43
Westario Power Inc.	2021	0.30	3.00	-9.7%	610	25,340	14,773,458	24,201	583	42
Grimsby Power Incorporated	2021	0.00	1.00	-34.9%	602	10,315	7,148,156	11,870	693	17
EPCOR Electricity Distribution Ontario Inc.	2021	0.15	2.00	-10.1%	584	28,487	10,796,649	18,485	379	49
Hearst Power Distribution Company Limited	2021	0.00	1.00	-30.3%	570	15,946	1,546,725	2,715	97	28
Essex Powerlines Corporation	2021	0.15	2.00	-24.8%	564	10,789	17,423,626	30,908	1,615	19
Entegris Powerlines Inc.	2021	0.00	1.00	-25.0%	558	10,670	34,303,560	61,508	3,215	19
Ottawa River Power Corporation	2021	0.15	2.00	-24.0%	521	11,805	6,020,446	11,549	510	23
Lakefront Utilities Inc.	2021	0.00	1.00	-26.2%	518	24,743	5,567,079	10,756	225	48
Welland Hydro-Electric System Corp.	2021	0.00	1.00	-29.5%	494	24,455	12,154,000	24,627	497	50
Wasaga Distribution Inc.	2021	0.00	1.00	-48.7%	427	21,189	6,187,118	14,488	292	50

3 This measure uses the same total cost that is used in the cost per customer calculation above.

4 The total cost is divided by the kilometers of line that the company operates to serve its

5 customers. PUC's cost performance results, from 2017 to 2021, have increased from \$30,541

6 to \$31,915 per km of line.

7

8 PUC continues to experience a low level of growth in its total kilometers of lines due to a low

9 annual customer growth rate. Such a low growth rate has reduced the ability to fund capital

10 renewal and increasing operating costs through customer growth. As a result, total cost per

11 km of line has increased 4.50% since 2017 with the increase in capital and operating costs. For

the period of 2017 to 2021, the total cost per km of line has increased by approximately 0.90% per year. A summary of the results is provided in table 1-34.

Table 1-34: Total Cost per Km of Line

Year	Total cost per Km of Line (revised)	Total cost per Km of Line
2023 Projection	\$38,018	\$44,569
2022 Projection	\$34,145	\$34,145
2021 Actual	\$31,915	\$31,915
2020 Actual	\$30,791	\$30,791
2019 Actual	\$31,775	\$31,775
2018 Actual	\$31,338	\$31,338
2017 Actual	\$30,541	\$30,541

PUC is projecting a spike in 2023 for the same reasons mentioned above. This spike is a one-time outlier. After adjusting for the increased costs due to Sub-16, SSG, and non operating costs discussed above, PUC is projecting a target of \$38,018 in 2023.

1.6.5 Public Policy Responsiveness

Conservation and Demand Management

In 2019, conservation programs were centralized through the IESO by the government. Utilities no longer receive incentive payments for achieving targets.

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 ESA. In 2021, PUC received no renewable generation CIA applications.

PUC’s target for this metric in 2023 is to complete all assessments within the prescribed timelines.

New Micro Embedded Generation Facilities Connected on Time

Distributors are required to connect micro-embedded generation facilities within five business days of receiving all required authorizations, signed agreements and connection fees for a micro-embedded generation facility. PUC connected three net-metered facilities in 2021 on time, in which the application and offer to connect for one were completed at the end of 2020 and two were completed fully in 2021.

PUC’s target for this metric in 2023 is to connect micro-embedded generation facilities within 5 business days of all service connection requirements being met.

1.6.6 Financial Performance

Financial Ratios

Table 1-35 below details the financial ratios from 2017 to 2021.

Table 1-35: Scorecard Performance Category – Financial Ratios

Performance Year	Liquidity: Current Ratio	Leverage: Total Debt to Equity Ratio	Profitability: Regulatory Return on Equity - Deemed	Profitability: Regulatory Return on Equity - Achieved
2021	0.80	2.10	9.00%	7.60%
2020	0.99	2.07	9.00%	8.75%
2019	0.94	2.03	9.00%	8.87%
2018	1.33	2.02	9.00%	4.25%
2017	1.62	2.04	8.98%	1.78%

In the Board's Scorecard Report, Board staff recommended three measures to assess a distributor's financial viability: current ratio, total debt to equity ratio, and achieved regulated return on equity.

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. Since 2017, PUC has seen a downward trend, however, this is misleading as it is being skewed by certain affiliate transactions that are treated as current versus long-term for financial statement purposes. Specifically, the current ratio is affected by how PUC funds its capital expenditures and the timing of third-party financing arrangements. Going forward PUC will look at obtaining financing prior to its year ends which will shift more of the current liability to long-term debt and improve the presentation of its current ratio.

PUC's target for this metric in 2023 is a current ratio above 1.

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. Historically, PUC's debt to equity has remained at a level close to 2:1. PUC will be undergoing additional financing for the completion of the SSG project in 2022. This will increase debt to equity in 2023 to approximately 2.36:1. PUC's long-range plan is to push the debt to equity back towards the deemed 60/40 level.

PUC's target for this metric in 2023 is to reduce the debt to equity to 60%/40%.

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 ("ROE") of 9.00%. 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

PUC's return on equity in 2021 is 7.60% which is within the +/- 3 percentage points of the expected ROE. Return on Equity has stabilized just below the deemed ROE embedded in existing rates of 9.00% in recent years with a slight dip in 2021 due to the realization of COVID related expenses. PUC will be rebasing its rates in 2023 with rates effective May 1, 2023. As of August 2022, the deemed Return on Equity as part of the OEB's Cost of Capital Parameters is 8.66%. PUC expects the Cost of Capital Parameters to undergo an increase due to the rising cost of inflation. Since PUC currently has more debt than the OEB deemed structure of 60/40 debt to equity, PUC is projecting its ROE to be under 7.00% in 2023. As PUC's rate base increases through to 2027 and the amount of debt moves closer to 60/40 level, ROE will improve by 2027.

In 2023, PUC is projecting an ROE of 6.80% based on current OEB Cost of Capital Parameters.

1.6.7 Activity and Program Based Benchmarking

On February 25, 2022, the OEB announced changes to the Activity and Program-Based Benchmarking (APB) framework in line with its commitment to drive utility performance and support efficiencies in the regulatory process. Utilities were required to gather 3 years of historical data (2018, 2019 and 2020) to be used in unit cost metric calculations which compares all LDC's amongst each other. PUC has been in communication with the OEB to revise its data reported for the APB metrics. On May 4, 2022, the OEB published a new APB report with unit cost results updated by the OEB and econometric results updated by the project consultant, Pacific Economics Group Research LLC. PUC has been in communication with the OEB to revise its data reported for the APB metrics which have now been rectified. The following analysis is based on the updates provided. Table 1 -36 shows the revised inputs

used in the analysis below. Given the APB initiative is a newer requirement, PUC is currently in the process of how to address future planning as a result of these outcomes.

Table 1-36: Revised APB Results

(2) Please provide the quantity of equipment installed that corresponds to the capital additions above for the two asset types (per USoAs) for the fiscal year in the table below

Fiscal Year	Account 1830, Poles Towers and Fixtures	Account 1850, Line Transformers	Account 1860 Meters	Comments
2021	188	118	50	
2020	165	80	215	
2019	169	101	413	
2018	262	113	782	

Notes: The installed poles and towers comprise all types of poles (e.g., wood, concrete and steel) placed in service in the year

(3) Please provide the total quantity of equipment that existed as installed or in-service within the distributors' system at the end of the fiscal year for each of the asset types (per USoA) listed below

Fiscal Year	Total Number of Stations	Total Number of Station Transformers (Account)	Total MVA of Station Transformers (Account)	Total Number of Poles and Towers (Account 1830)	Total Number of Line Transformer (Account)	Comments
2021	14	28	260	18186	6225	poles and towers includes both PUC and third party poles.
2020	14	28	260	18125	6215	poles and towers includes both PUC and third party poles.
2019	14	28	260	18125	6208	
2018	14	28	260	18125	6188	

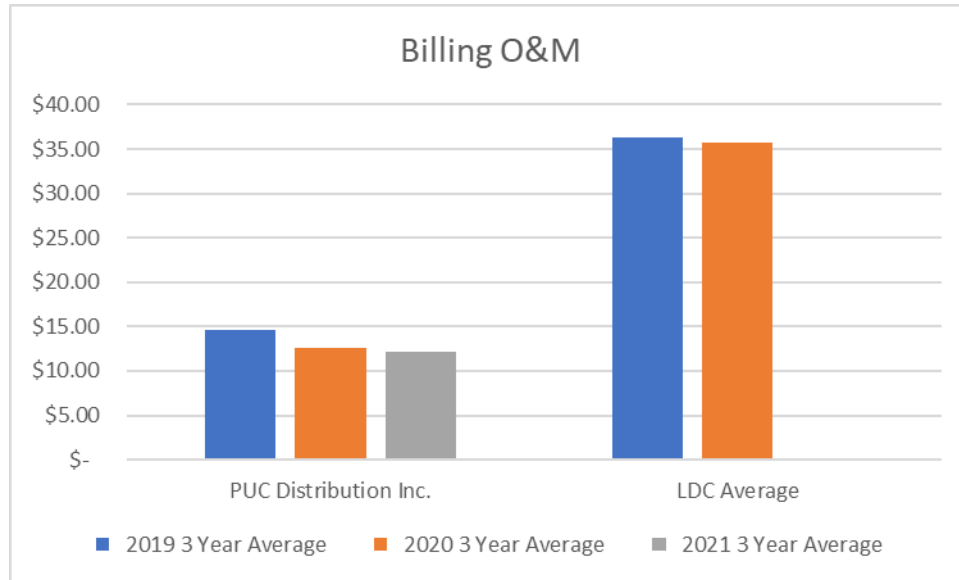
Notes: All of these data points for (3) are the same type as requested in Q5 of the November 2020 APB questionnaire (<https://www.oeb.ca/sites/default/files/OEB-Ltr-APB-Info-Request-20201112.pdf>)

Billing O&M

PUC's 3-year average for billing cost O&M is \$12.57/customer for 2018-2020. In 2021 the 3-year average is reduced to \$12.13. PUC ranks among the lowest in billing cost O&M as presented in the graph below. Given PUC's excellent results, no immediate remedial action is required. The following graph provides PUC's results.

1

Figure 1- 22: Billing O&M



2

3

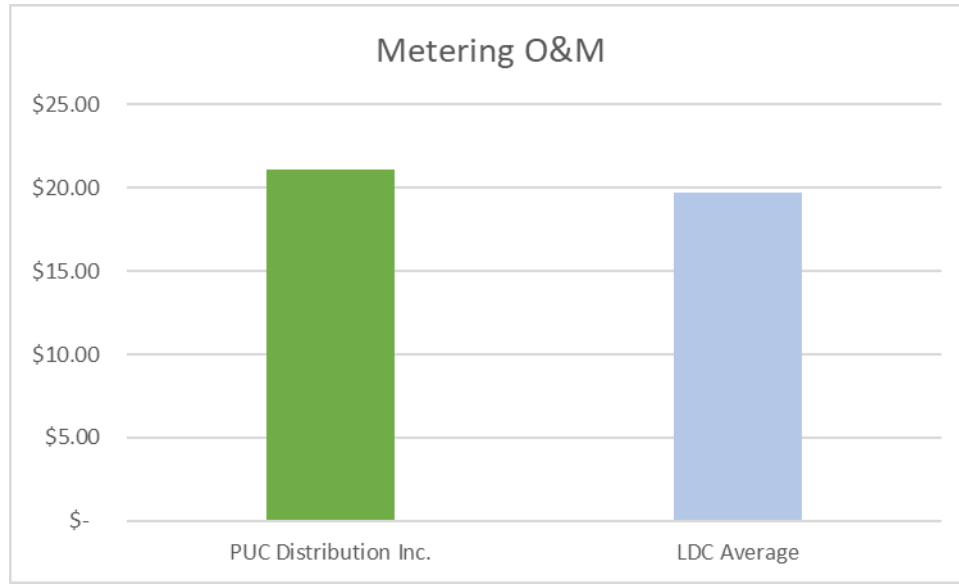
Metering O&M

5

6 PUC's 3-year average for metering O&M is \$21.12 from 2018-2020. That number improves to
7 \$20.23 for the 3-year period from 2019-2021. PUC is slightly above the average of all LDC's of
8 \$19.68. PUC is in the process of investigating why it has a higher unit cost for metering O&M
9 including a review of accounts 5065, 5175, 5310. PUC's metering capital expenditures is one
10 of the lowest among LDC's suggesting that PUC expenses more metering costs as OM&A as
11 compared to capital. This will be reviewed in further detail for possible future revisions. The
12 following graph provides PUC's results.

13

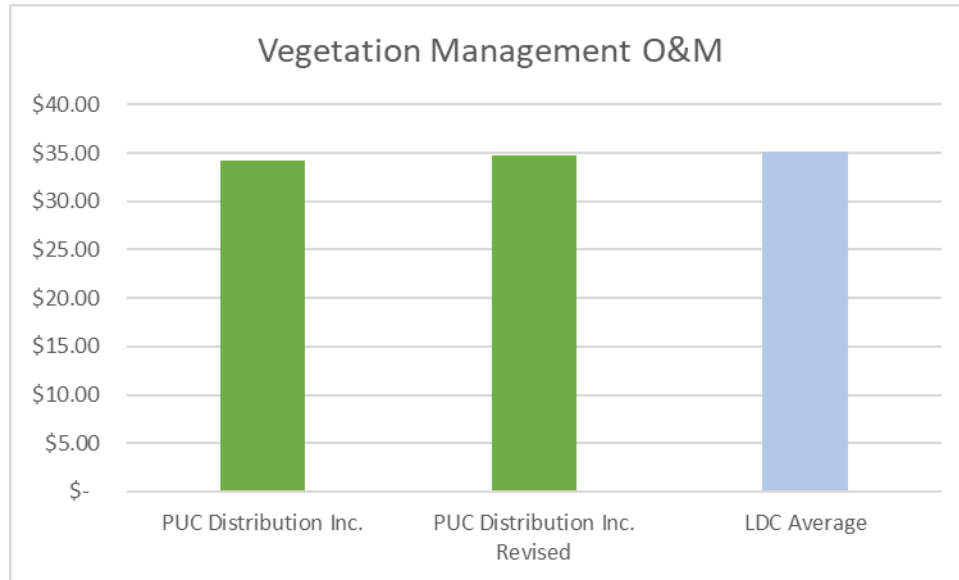
Figure 1-23: Metering O&M



Vegetation Management O&M

PUC's revised 3-year average for the years 2018-2020 for Vegetation Management O&M is \$34.78 and \$35.79 for 2019-2021. The average for LDC's as of 2020 is \$35.11 making PUC just below the industry average. As part of PUC's 2018 COS application, it updated its vegetation management to a 4-year cycle. PUC has identified that its environmental features and plans will vary greatly thus creating difficulty in the comparison of results. PUC's results are also dependent on customer demand, and front vs. rear lot tree trimming. PUC is continually monitoring this metric for comparability and accuracy of reporting of information as to better create a like for like comparison in future years. The following graph provides PUC's results. As PUC is close to the LDC average, no immediate remedial action is required.

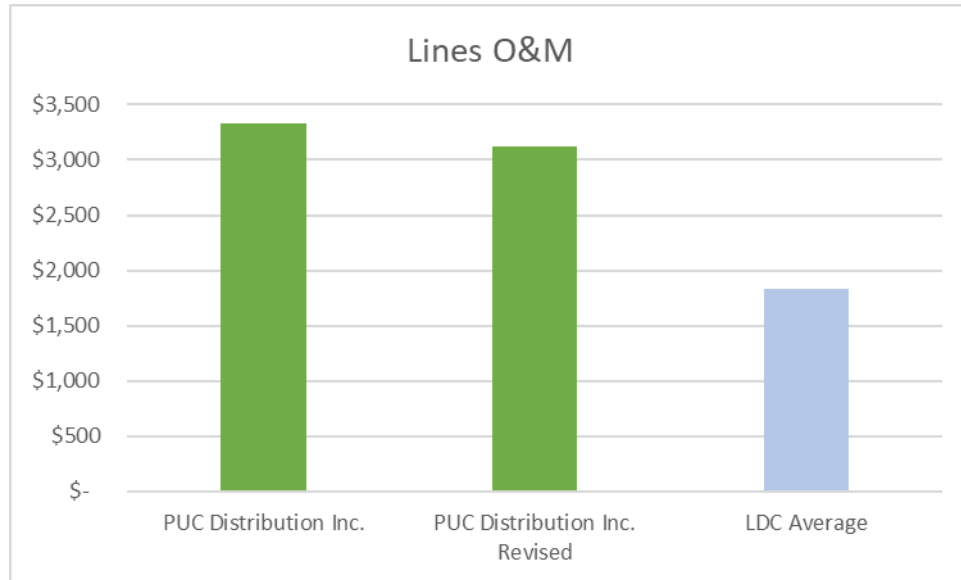
Figure 1-24: Vegetation Management O&M



Lines O&M

PUC's revised 3-year average for the years 2018-2020 is \$3,121 and \$3,069 for 2019-2021 for Lines O&M. The average for LDC's as of 2020 is \$1,837 making PUC one of the higher amongst other LDC's. Upon review of PUC's results in this metric, it was determined that revisiting how PUC codes some work orders needs review as to properly align costs with the OEB's uniform system of accounts. This is an ongoing process. The following graph provides PUC's results.

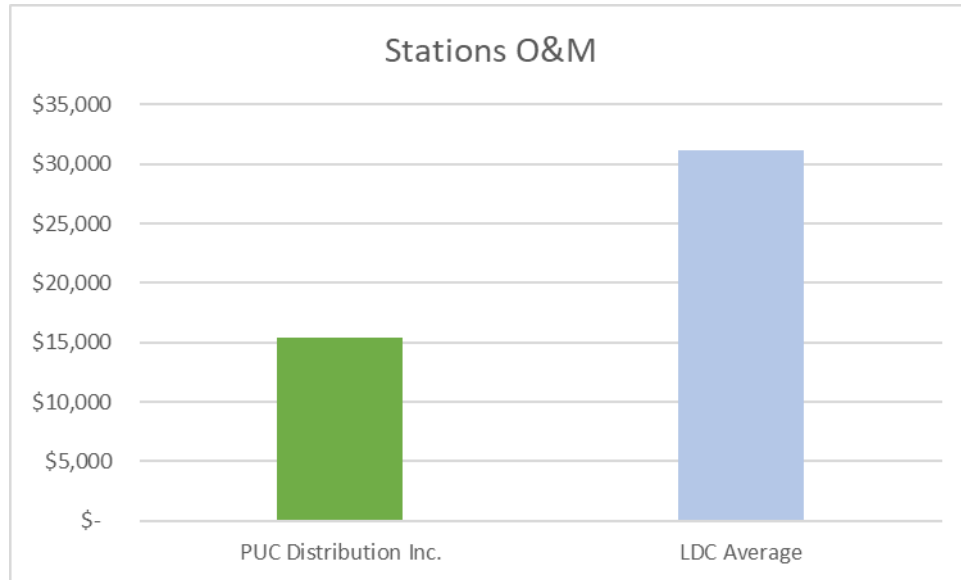
Figure 1-25: Lines O&M



Stations O&M

PUC 's 3-year average for the years 2018-2020 is \$15,452 and \$21,909 for 2019-2021 for Stations O&M. Many LDC's do not have the data for this metric and Hydro One is abnormally high. PUC has excluded those results from the LDC average. When PUC did an internal review of this category, it was determined that further analysis was required for the amounts going into the OEB accounts used as the numerator. Additionally, in 2020, PUC started a station maintenance program as a result of new standards. PUC also has 2 transmission stations that when comparing to other LDC's is unique to PUC. PUC will be looking to separate out the transmission costs to a separate sub account as to give a better comparison among LDC's. The following graph provides PUC's results. At this time no immediate remedial action is required.

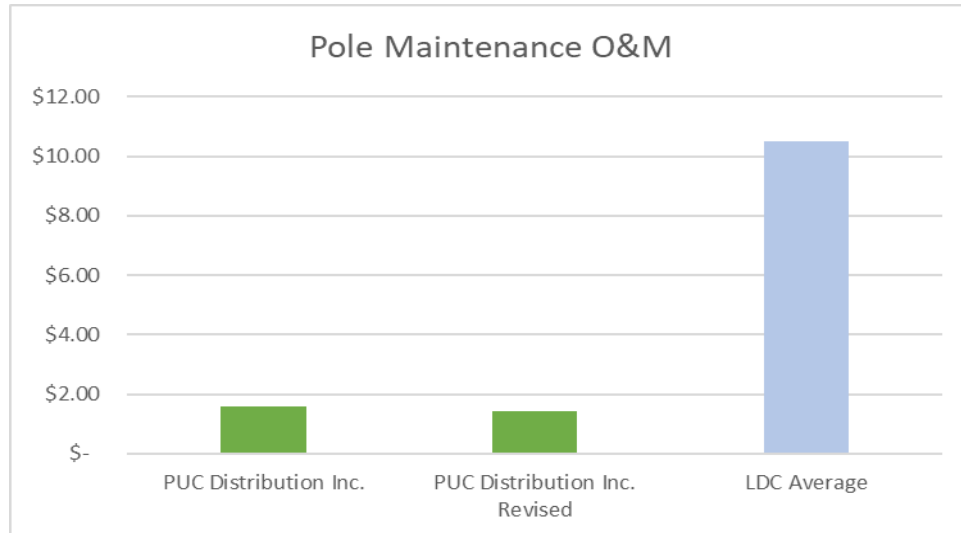
Figure 1-26: Station O&M



Pole Maintenance O&M

PUC's revised 3-year average for Pole Maintenance O&M for the years 2018-2020 is \$1.43 and \$1.00 for 2019-2021. The average for LDC's as of 2020 is \$10.51 which makes PUC well below the industry average. As PUC is well below industry average, no immediate remedial action is required. The following graph provides PUC's results.

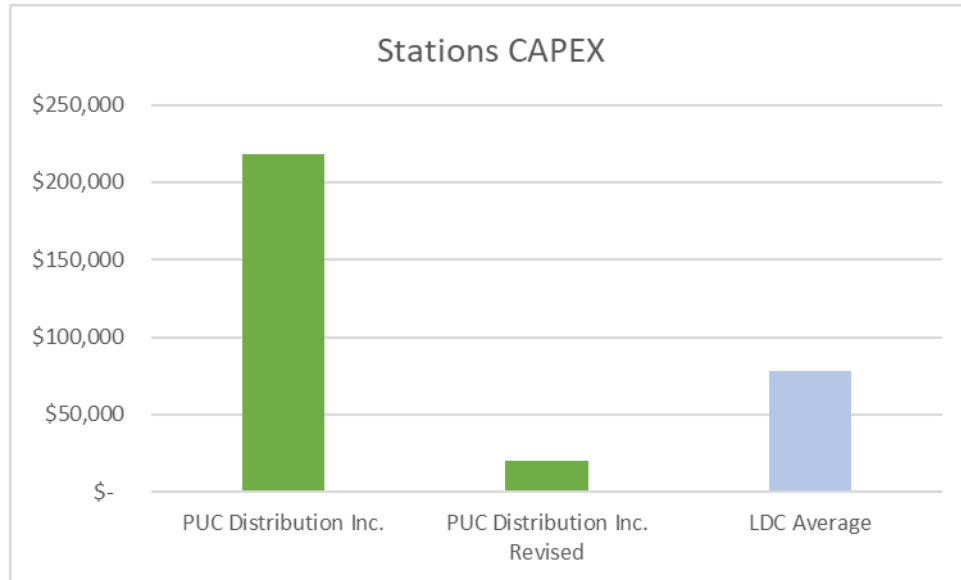
Figure 1- 27: Pole Maintenance O&M



Stations Capital Expenditures

PUC's revised 3-year average for Stations capital expenditures for the years 2018-2020 is \$19,672 and \$23,923 for 2019-2021. The revised PUC 3-year average is significantly different because PUC accidentally reported the total value of all OEB station fixed asset accounts rather than just the yearly additions. This revised PUC's result to significantly below the LDC average. Many LDC's do not have the data for this metric and Hydro One is abnormally high. Therefore, PUC has excluded them from the industry average. The following graph provides PUC's results. Since PUC is well below the industry average, no immediate remedial action is required.

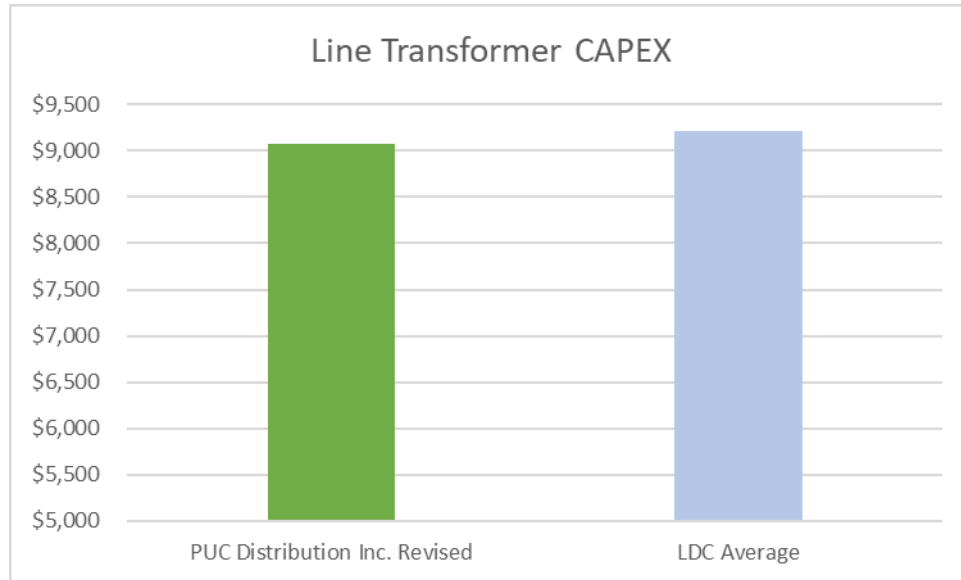
Figure 1-28: Stations CAPEX



Line Transformer Capital Expenditures

PUC originally was missing the data required for reporting in this category. Since the report has been published PUC has compiled the necessary data. PUC's revised 3-year average for Line Transformer capital expenditures for the years 2018-2020 is \$9,068 and \$9,122 for 2019-2021. The average for LDC's as of 2020 is \$9,212 (excluding Alectra Utilities), which makes PUC below the industry average. PUC reviewed this category in further detail and believes it will have yearly fluctuations based on number of transformers due for PCB content, the number of transformers installed vs. put in inventory, and the type of transformer being installed. Also, comparison from one LDC to the next could be affected by high density vs low density areas, and localized utility programs. PUC will continue to monitor its results within this category but at this time no immediate remedial action is required. The following graph provides PUC's results.

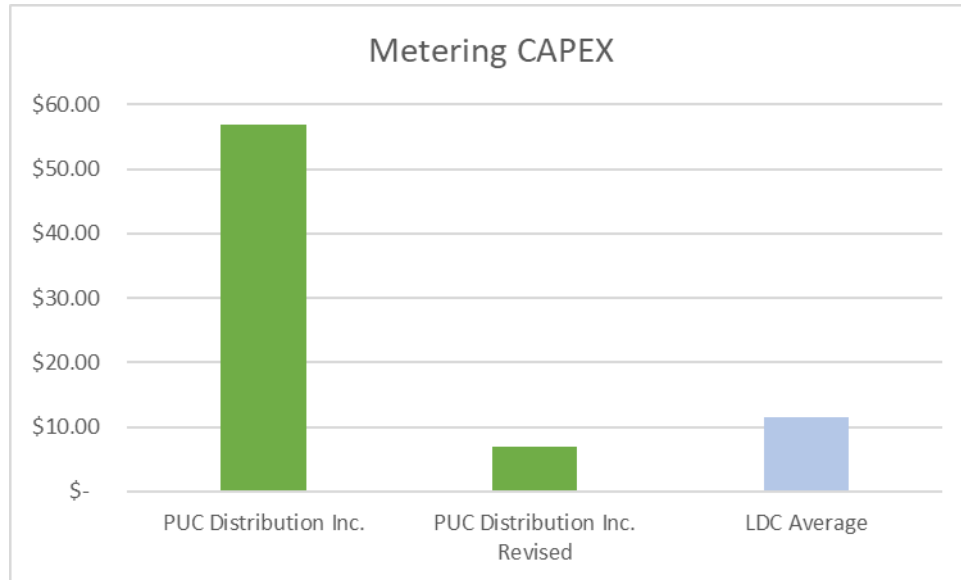
Figure 1-29: Line Transformer CAPEX



Metering Capital Expenditures

PUC accidentally reported total capital as opposed to 2020 only capital additions for this category. This results in PUC's being second highest for Metering capital expenditures. PUC's revised 3-year average for the years 2018-2020 is \$6.91 and \$7.59 for 2019-2021. The average for LDC's as of 2020 is \$11.51 (excluding PUC incorrect amount and Hydro One) making PUC one of the lowest amongst other LDC's for Metering capital expenditures. As mentioned above PUC is looking into its capital versus expense accounting treatment of meter costs. This could have an impact on both metering O&M and capital expenditures results. At this time no immediate remedial action is required. The following graph provides PUC's results.

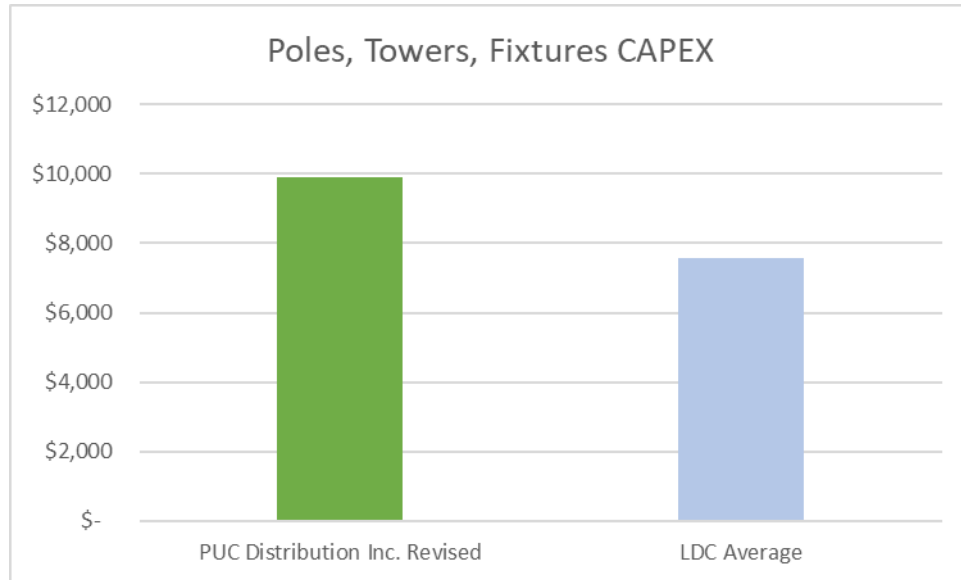
Figure 1-30: Metering CAPEX



Poles, Towers, Fixtures Capital Expenditures

PUC's revised 3-year average for Poles, Towers, Fixtures capital expenditures for the years 2018-2020 is \$9,911 and \$10,484 for 2019-2021. The average for LDC's as of 2020 is \$7,568 making PUC slightly above average. Similar to the metering categories, PUC is higher in either capital expenditures or O&M for poles, towers and fixtures. PUC is undergoing a review of the items it capitalizes vs. expenses to gain a better understanding of its results in the two categories. At this time, no immediate remedial action is required. The following graph provides PUC's results.

Figure 1-31: Poles, Towers, Fixtures CAPEX



Comparison of PUC Distribution Rates (with TX) to Northern LDC's

PUC owns and operates its own transmission assets, which are deemed distribution assets. Therefore, PUC distribution takes service directly from Hydro One network assets and thus only has to pay the network service charge at the Hydro One Level. The additional RTSR rates that other LDC's may pay, Transmission Line and Connection and Low Voltage Rates, are not included in their service charge. Therefore, for comparability purposes PUC has compared its 2021 service charges including RTSR Network charge to other Northern LDC's, including applicable RTRS Network, Line Connection and Low Voltage Rates, in Table 1-37 below.

Table 1- 37: Comparison of PUC Distribution Rates (with TX) to Northern LDC's

Residential (750 kWh Monthly Bill)					
2021 Rates					
Rate	PUC	Greater Sudbury	North Bay	Synergy North - Thunder Bay	Average
Monthly Service Charge	32.74	29.99	32.64	25.63	30.25
Variable Rate	0	0	0		0
LV Rate	0.0000	0.0004	0.0002	0.0000	0.0001
RTSR Network	0.0076	0.0074	0.0086	0.0076	0.0078
RTSR Connection	0.0000	0.0053	0.0069	0.0054	0.0044
Monthly Bill Total	38.44	39.82	44.38	35.38	39.50
GS<50 (2000 kWh Monthly Bill)					
2021 Rates					
Rate	PUC	Greater Sudbury	North Bay	synergy North - Thunder Bay	Average
Monthly Service Charge	21.67	22.85	26.84	28.63	25.00
Variable Rate	0.026	0.022	0.0206	0.0186	0.0218
LV Rate	0	0.0003	0.0001	0	0.0001
RTSR Network	0.0071	0.0056	0.0082	0.0072	0.0070
RTSR Connection	0	0.0038	0.0061	0.005	0.0037
Monthly Bill Total	87.87	86.25	96.92	90.23	90.32
GS>50 (145 kW Monthly Bill)					
2021 Rates					
Rate	GS >50 to 4999 PUC	GS >50 to 4999 Greater Sudbury	GS>50 to 2,999 North Bay	GS>50 to 999 synergy North - Thunder Bay	Average
Monthly Service Charge	119.68	174.27	345.89	215.49	213.83
Variable Rate	7.0368	5.004	2.8704	3.5035	4.603675
LV Rate	0	0.2117	0.05359	0	0.0663
RTSR Network	2.8728	4.173	3.2616	2.8474	3.2887
RTSR Connection	0	2.8633	2.419	1.8971	1.7949
Total	1556.57	1950.81	1593.56	1411.45	1628.10

PUC's rates are second lowest and below the average of the four LDC's combined for the for all rate classes.

1.7 FACILITATING INNOVATION

PUC is continuously striving to use innovation in many business areas including, communication with its customers, internal business processes, driving costs savings and serving safe and reliable power to customers. PUC's five-year business plan strategic direction provides clarity, direction and focus connecting PUC's vision to improve communities through curiosity and innovation, with the company's core strategies and strategic objectives. The following sections outline how PUC is delivering on its promise to be innovative.

The environment in which PUC operates is constantly changing. Differing customer expectations paired with improved environmental pressures has required PUC to be responsive and adaptable, transforming at a rapid pace to meet the needs of today – and being prepared for tomorrow.

PUC's vision is to focus on sustainability in developing strategies to lower its carbon footprint, support its communities, and maintain exceptional customer service well into the future. Whether it is a health and safety initiative, a financial investment, community involvement, or an operational decision, PUC is always asking "how does this make the organization more sustainable, improve customer experience and tie to our long-term vision?".

PUC operates as a virtual utility which provides significant efficiency benefits across all of the utilities under the PUC umbrella. PUC Services Inc. shares certain resources with affiliates to create economies of scale and scope. By having such a corporate structure in place, it allows PUC Services Inc. to explore additional business opportunities further benefiting from the economies of scale.

SSG is an innovative project in itself by changing the way electricity is delivered which will help reduce customer bills and create better system reliability. SSG is a unique project because it is

1 the first of its kind in Canada. PUC's strategic approach allowed it to take advantage of NRCAN
2 funding equal to 25% of the project value. This is innovating because it allows PUC to add VVO
3 savings and DA, while ensuring a bill neutral impact. Over time, the benefits of this project
4 only increases to customers as the NBV of the assets begin to decrease and the cost of power
5 is expected to increase.

6
7 PUC's customers can now report outages quickly and easily on the MyPUC app, and the results
8 are quicker response times to restore power. Updates provided through the App improves
9 customer experience by eliminating the unknown. Since its launch in July 2021, thousands of
10 PUC customers are using the APP, conserving more energy and enjoying a better overall
11 experience through their community utility.

12
13 With COVID-19, PUC had to adapt quickly to be able to continue operating during the
14 pandemic with most of its office workers at home. This caused a number of paperless
15 initiatives to result and solutions to be created that have streamlined processes. Many
16 departments implemented process improvements that have carried on now that employees
17 have returned to the office. For example, PUC implemented a "Office in a Truck" where
18 employees in the field are equipped with an IPAD and cell phone to better process work orders
19 and communicate remotely. Another example, in Finance most processes were digitized.
20 PUC's goal is to become a paperless operation by 2024.

21
22 PUC has partnered with Demand Power Group Inc. to help the Sault Area Hospital with a new
23 innovative program that will save millions on energy costs. The Customer Energy Management
24 (CEMa) program will help larger customers reduce their electricity bill by providing improved
25 power reliability and quality while reducing energy through the use of a battery energy storage
26 system. This will allow the customer to store electricity during off peak hours and use it during
27 peak rate times.

28

1 PUC was a leader in promoting the Affordability Fund Trust program amongst LDC's in Ontario.
2 The goal of the program was to help Ontarians who did not qualify for low-income programs
3 but wanted to conserve energy to help reduce their electricity bills. The AFT program had an
4 overall positive impact on the energy use within the community. PUC and the AFT were able
5 to provide energy saving measures to 6,800 residences in Sault Ste Marie which, represented
6 8% of the total provincial uptake for the program.

7
8 PUC is constantly looking to make improvements across its organization that will result in
9 increased quality, productivity, customer satisfaction, employee/customer safety, and
10 employee morale. It's vision of "improving communities through curiosity and innovation"
11 speaks to making innovation a priority.

12 13 1.8 FINANCIAL INFORMATION

14 15 Non-Consolidated Audited Financial Statements

16
17 PUC has included its non-consolidated Audited Financial Statements ("AFS") for the years 2020
18 and 2021 as Appendix G and H respectively.

19 20 Annual Report and MD&A for Parent Company

21
22 PUC Inc. does not have an updated Annual Report and MD&A. PUC Services completed an
23 annual sustainability report that encompasses all of PUC's group of companies. The 2021
24 annual report is attached as Appendix I.

25 26 Rating Agency Reports

27
28 PUC does not hold public debt, therefore, does not require a rating agency report.

1 **Prospectus, Information Circulars for Recent and Planned Issuances**

2
3 PUC has no past or planned prospectuses, information circulars, or other similar documents.
4

5 **Changes in Tax Status**

6
7 PUC has not had a change in Tax Status since its 2018 COS Application.
8

9 **Existing Accounting Orders**

10
11 PUC confirms that it has applied the accounting principles from the Board's Accounting
12 Procedures Handbook. PUC has one specific accounting order from its 2021 ICM application
13 for SSG (EB-2018-0219/EB-2020-0249). This accounting order is attached as Appendix A in
14 Exhibit 9. PUC has and will continue to follow this accounting order for the completion of the
15 SSG project in 2022.
16

17 **Uniform System of Accounts**

18
19 PUC confirms there are no departures from the Uniform System of Accounts.
20

21 **Accounting Standards**

22
23 PUC transitioned to IFRS on January 1, 2015. This Application is being filed using MIFRS
24 Accounting Standards. PUC has prepared its historical financial statements from 2018 to 2021
25 along with the 2022 bridge year and 2023 test year in accordance with the Modified
26 International Financial Reporting Standards ("MIFRS").
27

Accounting Treatment of Non-Utility Businesses

PUC confirms that it does not have any non-utility business activities.

1.9 DISTRIBUTOR CONSOLIDATION

PUC confirms that it has not been a party to a Merger, Amalgamation, Acquisition, or Divestiture transaction with any other distributor(s) since its last rebasing application.

1.10 IMPACTS OF COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. This pandemic had a huge impact on all of PUC's departments and overall business continuity plan. PUC began action in response to COVID-19 at the end of March 2020 when it began setting up employees in a work from home environment for those who were able. PUC enacted a multitude of business continuity plans in order to protect the safety of its workers and to continue to operate a safe and reliable distribution system. However, PUC operations and spending plans had to be adjusted to accommodate the changing landscape of the pandemic. Some of the items are highlighted below. The paragraphs to follow outline how PUC was affected in terms of its load forecast, OM&A, business operations, and capital spending and planning.

Load Forecast

PUC first prepared its load forecast using historical actuals up to the end of 2021. Upon completion of the regression analysis and resulting output, PUC felt it had to make an adjustment in 2020 and 2021 to account for the change in consumption and customers that

1 resulted from the COVID-19 pandemic. As a result, PUC updated its load forecast after
2 normalizing the consumption and customer amounts for the small and large general service
3 classes for 2020 and 2021. Full details of the changes can be reviewed in Exhibit 3 Subsection
4 1 – COVID Findings in Regression Analysis.

5 6 **OM&A and Business Continuity**

7
8 PUC's Executive and Management teams were focused in constantly reviewing of, monitoring
9 of, and adapting to the working environment to ensure the safety of employees and its service
10 to its customers. A cross-functional team was created for this purpose. Upfront and most
11 critical was the update of Business Continuity plans, workplace policies and accommodations
12 for staff.

13
14 PUC invested in the additional health and safety of its workers by allowing them to work from
15 home. This required a transition that increased costs to accommodate the work from home
16 environment. PUC also mandated certain rules around exposure of its workforce to COVID 19
17 requiring some workers to isolate if exposed. Employees were offered flexible arrangements
18 to accommodate various personal requirements. Field workers were assigned to pods to
19 reduce the exposure or cross infection if a worker were to get sick. As with most businesses,
20 PUC purchased the necessary products to keep its workers safe such as masks, gloves, cleaners
21 and sanitizing products. All of these measures were different from PUC's normal course of
22 duties that made up its existing OM&A budget and thus had an impact on 2020 and 2021
23 OM&A results.

24
25 OM&A was also impacted by regulatory and billing changes mandated by the OEB. The OEB
26 enacted emergency TOU pricing a few different times during the COVID-19 pandemic
27 requiring multiple billing updates not accounted for. The OEB also made available additional
28 LEAP funding to customers who qualified under the OEB's new guidance. This required the

1 processing of many applications to determine if customer qualified for additional Leap
2 funding.

3
4 From a regulatory perspective, the OEB issued an emergency accounting order on March 25,
5 2020 acknowledging that distributors may incur incremental costs as of the result of the
6 ongoing covid-19 pandemic. The OEB also required LDC's to complete monthly reporting for a
7 period of 1 year to ensure that each LDC could continue to operate from a cash flow
8 perspective during the pandemic.

9
10 During the pandemic, the OEB suspended disconnections until September 1, 2020. PUC
11 increased the threshold for disconnection during the period from September 1, 2020 and the
12 moratorium date of November 14, 2020 resulting in minimal disconnections. For some
13 individuals and businesses, the pandemic has resulted in financial hardship and as a result PUC
14 has seen greater challenges for customers to pay their bills. Despite government programs
15 available to assist customers, PUC has seen an increasing trend in non-payment of accounts
16 which has created larger overdue accounts and bad debts that PUC continues to manage.

17 18 **Capital Spending and Planning**

19
20 As outlined in detail in Exhibit 2 Section 2.1.8 PUC had to delay the replacement of Sub-16 by
21 one year to protect the health and safety of its workers. This caused increased costs with the
22 project that are proposed for reconciliation as part of this application.

23 24 **Summary**

25
26 PUC felt additional impacts from the COVID -19 pandemic that it continues to deal with today.

1 The entire economy continues to deal with the effects of the COVID-19 pandemic. There are
2 supply constraints that PUC continues to navigate, rapidly increased pricing on infrastructure
3 and the rising cost of inflation that has not slowed in recent months. PUC continues to address
4 these issues each day with the close monitoring of its budget, the health and safety of its
5 employees and the longer-term cash flow forecasting as presented in its budget. A global
6 health pandemic risk is one of the top ten risks that the company actively updates its
7 mitigation plans (CFO is the accountable risk owner) and PUC believes it is prepared to adapt
8 accordingly.

9
10

APPENDIX A

2023 Cost of Service

Checklist

2023 Cost of Service Checklist

PUC Distribution Inc.

EB-2022-0059

Date: 2022 08 31

Filing Requirement Page # Reference	Evidence Reference, Notes (Note: if requirement is not applicable, please provide reasons)
GENERAL REQUIREMENTS	
Ch1, p4	Confidential Information - Practice Direction has been followed
Ch1, p5	Certification by a senior officer that the application and any evidence filed in support of the application does not include any personal information unless it is filed in accordance with Rule 9A of the OEB's Rules (and the Practice Direction, as applicable).
Ch1, p5	Certification by a senior officer that the evidence filed (including the models and appendices) is accurate, consistent and complete to the best of their knowledge
Ch1, p5	Certification by the Chief Executive Officer, or Chief Financial Officer, or equivalent, that the distributor has the appropriate processes and internal controls for the preparation, review, verification and oversight of all deferral and variance accounts, regardless of whether the accounts are proposed for disposition
Ch2, p2	COS checklist filed and statement identifying all deviations from Filing Requirements
2 & 3	Chapter 2 appendices in live Excel format; PDF and Excel copy of current tariff sheet
3	If distributor updates/amends an OEB model, reference made in corresponding exhibit re: what was amended
3	Regulated entity shown separately from parent company or any other affiliates
3	If applicable, if cost of service filed earlier than scheduled, threshold for early rebasing as established in April 2020 letter met
4	If applicable, late applications filed after the commencement of the rate year for which the application is intended to set rates is converted to the following rate year
4	All of the following exhibits filed: Administrative Documents, Rate Base (including DSP), Customer and Load Forecast, Operating Expenses, Cost of Capital and Capital Structure, Revenue Requirement and Revenue Deficiency/Sufficiency, Cost Allocation, Rate Design, Deferral and Variance Accounts
5	General requirements applicable throughout application: -written evidence included before data schedules -avg. of opening and closing fiscal year balances used for items in rate base (unless alternative method justified) -debt + equity = total rate base -data for test year, bridge year, three most recent historicals (or as many needed to provide actuals back to last OEB-approved), most recent OEB-approved test
5	Text searchable and bookmarked PDF documents
6	Links within Excel models are broken and models named so that they can be identified (e.g. RRWF instead of Attachment A)
6	Materiality threshold; explanations for rate base, capex, and OMA&A if revenue requirement impact is greater than the materiality threshold; additional details below the threshold if necessary
EXHIBIT 1 - ADMINISTRATIVE DOCUMENTS	
Table of Contents	
7	Table of Contents listing major sections and subsections of the application
Application Summary and Business Plan	
7	Distributor with less than 30k customers: Business and/or Strategic Plan. If no Business or Strategic plan: key planning assumptions, description of material factors (internal and external) that may affect the operation of the utility and major goals of the distributor in the test year and remaining years of the five-year term.
7 & 8	Distributor with 30k or more customers: Business Plan underpinning application - can be augmented by plain language summary of distributor's goals that informed the application if this is not otherwise in the business plan. Brief, plain language summary of the application which includes the main requests with section references and rationale behind each request. Must include: -Revenue requirement (service revenue requirement requested for test year, increase/decrease (\$ and %) from most recent approved, main drivers of revenue requirement changes -Load forecast summary (load and customer growth (% change in kWh, kW and change in customer its from last OEB-approved)) -Rate base and DSP (major drivers of DSP, rate base requested, change in rate base from last OEB-approved (\$ and %), CAPEX for test year, change in CAPEX from last OEB-approved (\$ and %) -OMA&A (OMA&A for test and change from last OEB-approved (\$ and %), drivers and cost trends) -Cost of capital (table showing proposed capital structure and parameters resulting in WACC, statement confirming use of OEB's cost of capital parameters, summary of deviations from OEB methodology) -Cost allocation and rate design (proposed new customer classes and/or customer definition changes, significant changes proposed to rev. cost ratios and fixed/variable split, mitigation plans) -DVA's (total disposition (\$ including split between RPP and non-RPP, disposition period, new DVA's and requested discontinuation of DVA's) -Bill Impacts (\$ and %) for residential customer at 750kWh, and typical customers for all other classes (based on commodity rates on TOU with regulatory charges held constant; bill impacts to be used for Notice (Sub-total A) for residential customer at 750kWh and GS-50 at 2000kWh as well as a typical consumer for a distributor's service area for all customer classes, and bill impacts based on alternative consumption profiles and customer groups as appropriate
Administration	
9	Primary contact information (name, address, phone, email)
9	Identification of legal (or other) representation
9	Applicant's internet address for viewing of application and any social media accounts, with addresses, used by the applicant to communicate with customers
9	Statement identifying where notice should be published and why
9	Form of hearing requested and why
9	Requested effective date
9	Statement identifying and describing any changes to methodologies used vs previous applications
9	Identification of OEB directions from any previous OEB Decisions and/or Orders, including commitments made as part of approved settlements. Indication of how these are being addressed in the current application
9	Reference to Conditions of Service - provide reference to website and confirm version is current; identify if there are changes to Conditions of Service (a) since last CoS application and/or (b) as a result of the current application. Confirmation that there are no rates and charges linked in the Conditions of Service that are not in the distributor's Tariff of Rates and Charges must be provided
9 & 10	Description of the corporate and utility organizational structure showing the main units and executive and senior management positions within the distributor; corporate entities relationship chart, showing the extent to which the parent company is represented on the distributor company's Board of Directors; description of the reporting relationships between distributor and parent company management. Also include any planned changes in corporate or operational structure, including any changes in legal organization and control
10	List of approvals requested (and relevant section of legislation). All approvals including accounting orders, new rate classes, revised specific service charges or retail service charges which the distributor is seeking, must be documented - Appendix 2-A provided, but not required to be used by LDC
Distribution System Overview	
10	Description of Service Area - general description and map showing where distributor operates and communities served
Customer Engagement	
10	Discussion on how utility communicates with customers on a regular basis
10	Discussion on how the proposals in the application were communicated to customers
10	Discussion of any feedback provided by customers and how the feedback informed the final application
10	Customer consultation with customers who would be affected by proposals related to new classes, elimination of classes, change in class definition, and change in charges such as RSCs, Specific Service Charges and standby rates
10	Documentation of communications with unmetered load customers (incl. Street lighting), and how distributor helped them to understand the regulatory context in which the distributor operates and how it affects unmetered scattered load customers
10	Description of any other communication sent to customers about the application such as bill inserts, town hall meetings or other forms of outreach. Appendix 2-AC Customer Engagement Activities Summary may be used to assist in listing customer engagement activities
11	All responses to matters raised in letters of comment filed with the OEB

Performance Measurement			
11		Link to most recent scorecard	Exhibit 1 Section 1.6.2
11		Identification of performance improvement targets	Exhibit 1 Section 1.6 Target explained at end of each scorecard section
11		PEG Model for the test year showing efficiency assessment, discussion on how the results obtained from the PEG model has informed the distributor's business plan and application	Exhibit 1 Section 1.6.2
11		Distributors may wish to provide table showing respective OEB-approved IRM increases for each of the last historical years from last rebasing, and assigned cohort as per PEG model	Exhibit 1 Section 1.6.2
11		Activity and Performance-based Benchmarking (APB) results - discussion of performance for each of the ten programs and provide any immediate remedial actions distributor plans to take, how the APB results will influence future planning	Exhibit 1 Section 1.6.7
Facilitating Innovation			
12		Distributors are encouraged to include a description of the ways their approach to innovation have shaped the application. Could include an explanation of approach to innovation in its business more generally, or related to specific projects or technologies, including enabling characteristics or constraints in its ability to undertake innovative solutions, for enhancing the provision of distribution services in a way that benefits customers, or facilitating customers ability to innovate in how it receives electricity. Distributors could also include an explanation of how innovative alternatives have been considered in place of traditional investments	Exhibit 1 Section 1.7
Financial Information			
12 & 13		Audited Financial Statements (excluding operations of affiliated companies that are not rate regulated) for two most recent historical years (i.e. one year's statements must be filed, covering two years of historical actuals); if most recent finals n/a, draft financial statements filed and finals, along with summary of main changes if there are any, provided as soon as they are available. Alternatively, if distributor publishes financial statement on its website, a link may be provided	Exhibit 1 Section 1.8
13		Annual Report and MDA for most recent year of distributor and parent company, as available and applicable	Exhibit 1 Section 1.8
13		Rating Agency Reports, if available. Prospectuses, information circulars etc. for recent and planned public issuances	Exhibit 1 Section 1.8
13		Any change in tax status	Exhibit 1 Section 1.8
13		Description of existing accounting orders and departures from those orders, as well as any departures from the USoA	Exhibit 1 Section 1.8
13		Accounting Standards used for financial statements and when adopted	Exhibit 1 Section 1.8
13		If distributor conducting non-distribution businesses, confirmation that accounting treatment used has segregated these activities from rate regulated activities	Exhibit 1 Section 1.8, PUC does not have any non utility business activities
Distributor Consolidation			
13		Distributor with less than 30k customers: information filed on the extent to which the distributor has investigated opportunities from consolidation or collaboration/partnerships with other distributors (contained within a dedicated section of the application); conclusions from investigations, including future plans	
13		If distributor has become party to a proposed or approved MAADs transaction since last rebasing, disclosure of this information in current application	
A distributor filing an application to rebase following a consolidation must:			
14		Identify any incentives that formed part of the acquisition or amalgamation transaction if the incentive represents costs that are being proposed to remain or enter rate base and/or revenue requirement - list the exhibits in which incentives are discussed	Exhibit 1 Section 1.9
14		Specify whether and which commitments made to shareholders are to be funded through rates	
14		Detail of realized and projected savings as a result of consolidation compared to what was in the approved consolidation application and explanation of the nature of these savings (e.g. one-time, ongoing etc.)	PUC has not been a party to a Merger, Amalgamation, Acquisition, or Divestiture transaction with any other distributor(s) since its last rebasing application
14		Detail of efficacy of any rate plan confirmed as part of MAADs	
14		Identify approved ACM or ICM from a previous Price Cap IR application it proposes be incorporated into rate base	
Impacts of COVID-19 Pandemic			
14		Distributors generally expected to reflect the impacts of the COVID-19 pandemic in their applications, including applicable forecasted information. This includes, but is not limited to, applicant's load forecast, capital forecast, and OMSA forecast in the applicable sections of the application	Exhibit 1 Section 1.10
EXHIBIT 2 - RATE BASE			
Rate Base			
14		Indication of whether capital expenditures are equivalent to in-service additions, and if so, variance explanations only required once. Specify whether variance explanations are on CAPEX or in-service additions basis	Exhibit 2, Section 2.1
14 & 15		For rate base, opening and closing balances for each year, and the average of the opening and closing balances for gross assets and accumulated depreciation (discussion of methodology if applicant uses an alternative method); working capital allowance	Exhibit 2, Section 2.1 Table 2-3
15		Table showing components of the last OEB-approved rate base, the proposed test year rate base and the variances	Exhibit 2, Section 2.1 Table 2-2
Fixed Asset Continuity Schedule			
15		Completed Appendix 2-BA for each year - in Excel format	Live Excel file TPUC 2023 Filing Requirements Chapter2 Appendices 20220831.pdf
15		Continuity statements and year-over-year variance analysis must be provided (year end balance, including capitalized interest during construction and overhead costs). Explanations provided where there is a year-over-year variance greater than the applicable materiality threshold If applicable, explanation for any restatement (e.g. due to change in accounting standards) and reconciliation to original statements Year over year variance analysis; explanation where variance greater than materiality threshold. The following comparisons must be provided: Hist. OEB-Approved vs Hist. Actual (for the most recent historical OEB-approved year) Hist. Act. vs. preceding Hist. Act. (for the relevant number of years) Hist. Act. vs. Bridge Bridge vs. Test	Exhibit 2, Section 2.2
15		Opening and closing balances of gross assets and accumulated depreciation correspond to fixed asset continuity statements. If not, an explanation and reconciliation must be provided (e.g. COVID, ARD). Reconciliation must be between net book value balances reported on Appendix 2-BA and balances included in rate base calculation	Exhibit 2, Section 2.2 Table 2-4
15		Distributor may include in-service balances previously recorded in DVAs, such as renewable generation/smart grid related accounts, in its opening test year property, plant and equipment balances, if these costs have not been previously reviewed and approved for disposition, and disposition is being requested in this application. In this situation, the distributor must clearly show in its evidence (e.g. Appendix 2-BA) that the addition was included in the opening test year balances and must reconcile the closing bridge year and opening test year figures. Distributors must provide the same reconciliation for accumulated depreciation	Exhibit 2, Section 2.2
Gross Assets - PP&E and Accumulated Depreciation			
16		Groupings by function (transmission or high voltage plant, distribution plant, general plant, other plant) for required statements and analyses	Exhibit 2, Section 2.3
16		Componentization by major plant account for each functionalized plant item; for test year, each plant item must be accompanied by description	Exhibit 2, Section 2.3
16		Summary of approved and actual costs for any ICM(s) and/or ACM approved in previous IRM applications	Exhibit 2, Section 2.3
16		Continuity statements must reconcile to calculated depreciation expenses and presented by asset account	Exhibit 2, Section 2.3 Tables reconcile to Chapter 2 Appendices
16		All asset disposals clearly identified in the Chapter 2 Appendices for all historical, bridge and test years	Live Excel file TPUC 2023 Filing Requirements Chapter2 Appendices 20220831.pdf
Depreciation, Amortization and Depletion			
17		Explanations for any useful lives of an asset that are proposed that are not within the ranges contained in the Kinectrics Report	Exhibit 2 Section 2.4
17		Depreciation, amortization and depletion details by asset group for historical, bridge and test years. Include asset amount and rate of depreciation/amortization. Must complete Appendix 2-C which must agree to accumulated depreciation in Appendix 2-BA under rate base	Exhibit 2 Section 2.4
17		Identification of any Asset Retirement Obligations and associated depreciation or accretion expense - includes the basis for and calculation of these amounts	Exhibit 2 Section 2.4
17		Identification of historical depreciation practice and proposal for test year. Variances from half year rule must be documented and supporting rationale provided	Exhibit 2 Section 2.4
17		Copy of depreciation/amortization policy if available. If not, equivalent written description; summary of changes to depreciation/amortization policy since last CoS	Exhibit 2 Section 2.4
17		If filing under MIFRS, explanation of any deviations from the practice of depreciating significant parts or components of PP&E separately	Exhibit 2 Section 2.4
18		If no changes have been made to depreciation policy or service lives since last rebasing, a statement confirming that this is the case is required. For any depreciation expense policy or asset service lives changes since its last rebasing application: - identification of the changes and detailed explanation for the causes of the changes - use of Kinectrics study or another study to justify changes in useful life - list detailing all asset service lives tied to USoA and reconcile this list to the USoA, detail differences in asset service lives and the TULs from Kinectrics and explain differences outside of minimum and maximum TUL range from Kinectrics; Appendix 2-BB if there have been changes in asset service lives since last rebasing	Exhibit 2 Section 2.4

Allowance for Working Capital			
18	Working Capital - 7.5% allowance or Lead/Lag Study or Previous OEB Direction		Exhibit 2, Section 2.5
18	Lead/Lag Study - leads and lags measured in days, dollar-weighted and reflects the distributor's actual billing and settlement processing timelines and considers relevant changes to operating environment		Exhibit 2, Section 2.5
19	Cost of Power must be determined by split between RPP and non-RPP Class A and Class B customers based on actual data, use most current RPP (TOU) price. Calculation must include the impact of the most up to date Ontario Electricity Rebate. Distributors must complete Appendix 2-Z - Commodity Expense.		Exhibit 2, Section 2.5
19	Use most recent approved UTRs, Smart Metering Entry Charge and regulatory charges		Exhibit 2, Section 2.5
Distribution System Plan			
19	DSP filed as a stand-alone, self-sufficient element within Exhibit 2		Exhibit 2 Section 2.6 and Appendix C
Policy Options for the Funding of Capital			
19	Distributor may propose ACM capital project coming into service during Price Cap IR (a discrete project documented in DSP) - provide information on need and prudence		
19	Identification that distributor is proposing ACM treatment for these future projects, and provide the preliminary cost information and ACM/ICM materiality threshold calculations - ACM Report provides further details on information required		Exhibit 2 Section 2.7
19	Complete Capital Module Applicable to ACM and ICM		
Addition of Previously Approved ACM and ICM Project Assets to Rate Base			
20	Distributor with previously approved ACM(s) and/or ICM(s) - schedule of ACM/ICM amounts proposed to be incorporated into rate base (i.e. PP&E and associated depreciation). Comparison of actual capital spending with OEB-approved amount and explanation for variances		
21	Balances in Account 1508 sub-accounts; rate of interest prescribed by the OEB for DVAs for the respective quarterly period as published on the OEB's website		
21	True-up calculation if material, comparing the recalculated revenue requirement based on actual capital spending relating to the OEB-approved ACM/ICM project(s) to the rate rider revenues collected in the same period; assumptions used in the calculation noted (e.g. half-year rule)		Exhibit 2 Section 2.8
21	Accelerated capital cost allowance (CCA) should not be reflected in the ACM/ICM revenue requirement associated with these projects. Distributors should include the impact of the CCA rule change associated with the ACM/ICM project(s) in Account 1592 - PILs and Tax Variances - CCA Changes sub-account for CCA changes		
Capitalization			
22	Capitalization Policy: provide policy including changes since last rebasing application		Exhibit 2 Section 2.9
22	Overhead Costs: complete Appendix 2-D		Live Excel file "PUC_2023_Filing_Requirements_Chapter2_Appendices_20220831.pdf"
22	Burden Rates: identification of burden rates; if burden rates were changed since last rebasing, identification of the burden rates prior to the change		Exhibit 2 Section 2.9
Costs of Eligible Investments for the Connection of Qualifying Generation Facilities			
22	See Appendix A		Exhibit 2 Section 2.10
General & Administrative Matters			
Ch5, p2	Use of terminology and formats set out in Ch. 5		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan
Investment Categories			
Ch5, pp 2, 3 & 4	Investment projects and programs grouped into one of four investment categories (i.e. system access, system renewal, system service, general plant)		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan
Distribution System Plan			
Ch5, p4	If a distributor's application uses alternative section headings and/or arranges the information in a different order, table provided that cross-references the headings/subheadings used in the application to the section headings/subheadings indicated in Ch. 5		N/A - The DSP follows the chapter and section headings in accordance with the Ch. 5, Filing Requirements.
Ch5, p4 & 5	DSP duration minimum of 10 years, comprising of a historical and forecast period. The historical period is the first five years of the DSP duration, consisting of five historical years, ending with the bridge year. For distributors that have not filed a DSP within the past five years, the historical period is from the test year of a distributor's last cost or service application to the bridge year. The forecast period is the last five years of the DSP duration, consisting of five forecast years, beginning with the test year.		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan
Distribution System Plan Overview			
Ch5, p5	High-level overview of information filed in DSP which includes capital investment highlights and changes since last DSP; objectives distributor plans to achieve through DSP		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 2.1
Coordinated Planning with Third Parties			
Ch5, p5	Demonstration of OEB's expectations related to coordinated planning with third parties where appropriate. Explanation of whether consultations affected distributor's DSP, and if so, how; for consultations that affected DSP - overview of consultation, material used, copy of final deliverable if available		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.2.2
Ch5, p5	Description of consultation should include: purpose, whether the distributor initiated the consultation or was invited to participate in it, and the other participants in the consultation process		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.2.2
Ch5, p5 & 6	Identification of any inconsistencies between DSP and any current Regional Plan. If there are any inconsistencies, explanation of the reasons why, particularly where a proposed investment in their DSP is different from the recommended optimal investment identified in the Regional Plan		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.2.2.3
Ch5, p5 & OEB Letter, Jan. 11, 2022	Telecommunications Entities: -see January 11, 2022 letter for further guidance to the regulation that requires distributors to consult with any telecommunications entity that operates within its service area when preparing a capital plan for submission to the OEB, for the purpose of facilitating the provision of telecommunications services, and include information in its capital plan		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.2.2.4
Ch5, p6	REG: -confirmation if there are no REG investments in region -if there REG investments proposed in DSP, demonstration of coordination with IESO, other distributors/transmitters (as applicable), and that investments proposed are consistent with Regional Infrastructure Plan -IESO letter in relation to REG investments		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.2.2.6; Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Appendix F & Appendix G
Performance Measurement for Continuous Improvement			
Ch5, p6	Distribution System Plan: Summary of objectives for continuous improvement set out in last DSP and discussion on whether these objectives achieved or not. For objectives not achieved, explanation of how this affects current DSP and if applicable, improvements implemented to achieve the objectives in current DSP		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.2.3.1
Ch5, pp 6 & 7	Service Quality and Reliability: -5 historical years of SGRs: explanations for material changes in service quality and reliability and whether and how DSP addresses these issues -for reliability, any declining 5 year SAIDI/SAIFI trends explained -if reliability targets established in last DSP, any under-performance explained		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.2.3.2
Ch5, p7	Completed Appendix 2-G; confirmation that the data is consistent with scorecard, or explanation of any inconsistencies		Live Excel file "PUC_2023_Filing_Requirements_Chapter2_Appendices_20220831.pdf"
Ch5, p7	Summary of performance for historical period using methods and measures (metrics/targets) identified and how performance has trended over the period. Summary must include historical period data on: -all interruptions -all interruptions excluding loss of supply -all interruptions excluding major events and loss of supply for: SAIFI, SAIDI		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.2.3.2
Ch5, p7	Summary of major events that occurred since last cost of service		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.2.3.2.3
Ch5, p7	For each cause of interruption for last five historical years: number of interruptions that occurred as a result of the cause of interruption, number of customer interruptions that occurred as a result of interruption, number of customer-hours of interruptions that occurred as a result of the cause of interruption		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.2.3.2.3
Ch5, pp7 & 8	Distributor Specific Reliability Targets: -if establishing performance expectations based on something other than historical performance, evidence provided of capital and operational plan and other factors that justify the reliability performance the distributor plans to deliver -summary of any feedback from customers regarding reliability on distributor's system -distributors that use SAIDI and SAIFI performance benchmarks that are different than the historical average - evidence provided to support reasonableness of benchmarks		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.2.3.4

Planning Process			
Ch5, p8	Overview of planning process that has informed five-year capital expenditure plan; flowchart accompanied by explanatory text may be helpful	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.1.1	
Ch5, p8	Summary of important changes in distributor's AM process since last DSP	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.1.2	
Ch5, p8 & 9	Process: - provide processes used to identify, select, prioritize (including reprioritization over 5 year term), and pace execution of investments - demonstration that distributor has considered correlation between plan and customer's feedback and needs - demonstration that distributor has considered potential risks of proceeding/not proceeding with individual capital expenditures - consideration, where applicable, of assessing the use of non-distribution alternatives, cost-effective implementation of distribution improvements affecting reliability, and meeting customer needs as acceptable costs to customers, other innovative technologies, and consideration of dx funded CDM activities	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.1.3	
Ch5, p9	Data - identification, description and summary of data used in processes above to identify, select, prioritize and pace investments over DSP	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.1.4	
Overview of Assets Managed			
Ch5, p9	Overview of service area (e.g. system configuration, urban/rural etc.) to support capital expenditures over forecast period; asset information (e.g. capacity, condition, asset risks etc.) by major asset type that may help explain the specific need of the capital expenditure and demonstration of consideration of economical alternatives	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.2; Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Appendix H	
Ch5, p9	Statement as to whether or not distributor has had any transmission or high voltage assets deemed previously by the OEB as distribution assets, and whether or not there are any such assets that the distributor is asking the OEB to deem as distribution assets in the current application	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.2.3	
Ch5, p9	Description of whether distributor is a host and/or embedded distributor; identification of any embedded and/or host distributors; partially embedded status identified (including % of total load supplied through host); if host distributor, identification of whether there is a separate embedded class or if any embedded distributors are included in other classes	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.2.4	
Asset Lifestyle Optimization Policies and Practices			
Ch5, p10	Demonstration that distributor has carried out system O&M activities to sustain as asset to the end of its service life (can include references to the Distribution System Code)	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.3	
Ch5, p10	Explanation of processes and tools used to forecast, prioritize and optimize system renewal spending and how distributor intends to operate within budget envelopes	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.3.3	
Ch5, p10	Demonstration of consideration of potential risks of proceeding/not proceeding with individual capital expenditures	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.3.5	
Ch5, p10	Summary of important changes to the distributor's asset life optimization policies and processes since last DSP	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.3.4	
System Capability Assessment for REG			
Ch5, p10	If a distributor has costs to accommodate and connect renewable generation facilities that will be the responsibility of the distributor under the DSC, refer to Appendix A	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.4	
CDM Activities to Address System Needs			
Ch5, p10	Description of how distributor has taken CDM into consideration in its planning process	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.5	
Ch5, p11	Any application for CDM funding to address system needs must include a consideration of the projected effects to the distribution system on a long-term basis and the forecast expenditures.	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.5	
Ch5, p11	Explanation of proposed activity in the context of the DSP or explanation of any changes to system plans that are pertinent to the activity	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.5	
Capital Expenditure Summary			
Ch5, p11	Provide capital expenditure plan that sets out proposed expenditures on distribution system and general plant over a five-year planning period, including investment and asset-related operating and maintenance expenditures	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4	
Ch5, p11	Provide a snapshot of a distributor's capital expenditures over a 10-year period, including five historical years and five forecast years	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4.1	
Ch5, p11	The entire cost of individual projects or programs allocated to one of the four investment categories based on the primary driver of the investment	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4.1.2	
Ch5, p11	Completed Appendices 2-AA and 2-AB	Filed with Chapter 2 Appendices	
Ch5, p11	Analysis of distributor's capital expenditure performance for the DSPs historical period - should include explanation of variances by investment category, including actuals v. OEB-approved amounts for the applicant's last OEB-approved CoS or Custom IR application and DSP - explanation of variances that are much higher or lower than the historical trend	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4.1.1	
Ch5, pp12	Analysis of distributor's capital expenditure performance for the DSPs forecast period; for investments that have a lifecycle >1yr, the proposed accounting treatment, including the treatment of the cost of funds for CWIP	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4.1.2	
Ch5, p12	Analysis of capital expenditures in DSP forecast period v. historical	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4.1.3	
Ch5, p12	Description of the impacts of capital expenditures on O&M for each year or statement that the capital plans did not impact O&M costs	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4.1.4	
Ch5, p12	Statement that there are no expenditures for non-distribution activities in the applicant's budget	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4.1.5	
Justifying Capital Expenditures			
Ch5, p12	Context on how overall capital expenditures over 5 years will achieve distributor's objectives; comment on lumpy investment years and rate impacts of capital investments in long term	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4.2	
Material Investments			
For each project that meets materiality threshold set in Ch 2A or deemed by applicant to be distinct for any other reason, guidelines are:			Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan
Ch5, p13	General information on the project/program - Need, scope, key project timings (incl. key factors that affect timing), total expenditures (inc. contributions and economic evaluation as per DSC, as applicable), comparative historical expenditures, priority, alternatives considered, cost/benefit of recommended alternative, description of the innovative nature of investment if applicable. - Where an investment within the five year forecast period involves a Leave to Construct approval, provide summary of the evidence (as available), for that investment consistent with Chapter 4 of the filing requirements	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4.2.1; Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Appendix A	
Ch5, p13	Evaluation criteria and information requirements for each project/program - Demonstration of need, and may include the need to address safety, cyber security, grid innovation, environmental, statutory/regulatory obligations - Where investment substantially exceeds materiality - business case justifying expenditure, alternatives (including CDM activities if applicable), benefits for customers, impact on distributor costs - If a distributor is requesting funding for a CDM activity, additional guidance on evidentiary requirements is provided in the CDM Guidelines	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4.2.1; Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Appendix A	
Ch5, p14	Explanation of how innovative project is expected to benefit customers, such as improved reliability, enhanced customer services, CDM, efficient use of electricity, load management, greater efficiency through grid optimization, lower rates (long-term or short-term), enhanced customer choice, or any other benefit consistent with the OEB's mandate	Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.4.2.1; Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Appendix A	

Appendix A (if applicable)			
Ch5, Appendix A	Information on the capability of distribution system to accommodate REG, including a summary of the distributor's load and renewable energy generation connection forecast by feeder/substation (where applicable); and information identifying specific network locations where constraints are expected to emerge due to forecast changes in load and/or connected renewable generation capacity.		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.4
Ch5, Appendix A	In relation to renewable or other distributed energy generation connections, the information that must be considered by a distributor and documented in an application (where applicable), includes: - applications from renewable generators > 10 kW, number and MW of REG connections for forecast period, information from IESO and any other information about the potential for renewable generation in distributor's service area, capacity of Dx to connect REG, connection constraints		Exhibit 2, Appendix C: PUC Distribution Inc. Distribution System Plan, Section 5.3.4
EXHIBIT 3 - CUSTOMER AND LOAD FORECAST			
Load Forecasts			
23	Weather normal load forecast provided		Live Excel Model "PUC_2023_Load forecast - With Regression Analysis_20220831"
23	Table outlining any factors that influence the load forecast in distributor's service territory (e.g. demographics, customer composition etc.)		N/A, PUC does not have any factors that influence the load forecast in its service territory.
23	Explanation of the causes, assumptions and adjustments for the volume forecast, including all economic assumptions and data sources used (e.g. housing outlook & forecasts, other variables used in forecasting volumes)		Exhibit 3, Section 3.1: COVID Findings in Regression Analysis
23	Explanation of weather normalization methodology		Exhibit 3, Section 3.1.2 Multivariate Regression Model
23	Completed Appendix 2-IB; the customer and load forecast for the test year entered on RRWF, Tab 10		Live Excel Model "PUC_2023_Chapter 2 Appendices" and "PUC_2023_Revenue Requirement Workform_20220831"
23 & 24	Multivariate Regression Model - rationale to support change if the proposed model's methodology differs from the methodology used in the most recent load forecast; discussion of modelling approaches considered and alternative models tested - statistics of the regression equations coefficients and intercepts (e.g. t-stats, model statistics including R2, adjusted R2, F-stat, root-mean-squared-error), including explanation for any resulting non-intuitive relationships - explanation of weather normalization methodology (including if monthly HDD and/or CDD used they are based on either: 10 year avg. or proposed alternative approach with supporting evidence) - definitions of HDD and CDD including: climatological measurement points and why appropriate as well as identification of base degrees - sources of data for endogenous and exogenous variables. Where a variable has been constructed, explanation of the variable data used and source. Where a distributor has constructed the demand variable to model billed consumption on a class-specific basis, a full explanation of the approach used to pro-rate or interpolate non-internal data (i.e. if billing data are not based on calendar monthly readings as obtained from interval or smart meters) must be provided, including an explanation of why the constructed demand series is suitable for modelling - any binary variables used must be explained and justified - the use of binary variables should be limited and overlap with other variables should be avoided - explanation of any specific adjustments made (e.g. to adjust for loss or gain of major customers or load, significant re-classifications of customers, etc.). Note locally purchased generation should be included in the total - description of how CDM impacts and other exogenous factors have been accounted for in the historical period, and how CDM impacts, including any CDM targets or forecasts in the bridge and test years, are factored into the test year load forecast - data and regression model and statistics used in customer and load forecast in Excel format		Exhibit 3, Section 3.1.2 Multivariate Regression Model
25	NAC Model - rationale to support NAC methodology if the model use differs from the method used in the most recent load forecast - data supporting calculation of NAC values for each rate class - description of how CDM impacts and other exogenous factors have been accounted for in historical period and how CDM impacts, including any CDM targets or forecasts in the bridge and test years, are factored into test year forecast - discussion of weather normalization considerations		N/A, Exhibit 3, Section 3.1.3, PUC does not use the NAC Model
Incorporating CDM Impacts in the Load Forecast for Distributors			
25 & 26	Distributor may request approval for the use of the LRAMVA for a new CDM activity (a distribution-rate funded CDM activity or the Local Initiatives Program (LIP)), which would require establishing an LRAMVA threshold. If a distributor does request to establish an LRAMVA threshold, documentation of the CDM savings to be used as the basis for the 2023 LRAMVA threshold, and description of how these savings are aligned with the 2023 load forecast		Exhibit 3, Section 3.1.4: CDM Adjustment
26	If proposing different savings values for a CDM activity in the load forecast and LRAMVA threshold, description of rationale for these differences (e.g., timing of CDM activity, line loss factor, net-to-gross conversion factor)		Exhibit 3, Section 3.1.4: CDM Adjustment
Accuracy of Load Forecast and Variance Analysis			
26	Completed Appendix 2-IB (2-IA provides further instructions for filling out 2-IB) For customer/connection counts: - identification as to whether customer/connection count is shown in year end or average format - year-over-year variances in changes of customer/connection counts with explanation for changes in the definition of, or major changes made in the composition of each customer class - explanations of bridge and test year forecasts by rate class - for last rebasing, variance analysis between last OEB-approved and actuals with explanations for material differences		Live Excel Model "PUC_2023_Chapter 2 Appendices"
26 & 27	For consumption and demand: - explanation and details to support how kWh are converted to kW for applicable demand-billed classes - year-over-year variances in consumption (kWh) and demand (kW or kVA - the latter for demand billed rate classes) by rate class and for system consumption overall (kWh) with explanations for material changes in the definition of or major changes over time (comparison done for both historical actuals against each other and historical weather-normalized actuals over time) - explanations of the bridge and test year forecasts by rate class (and how these vary from or are trending from both historical actuals and from weather-normalized actuals) - for last rebasing variance analysis between the last OEB-approved and the actual results with explanations for material differences		Exhibit 3, Section 3.1.2: Subsection: Billed kW Load Forecast
27	All data and equations used to determine customers/connections, demand and load forecasts provided in Excel format		Live Excel Model "PUC_2023_Load forecast - With Regression Analysis_20220831"
Exhibit 4, Section 4 - OPERATING EXPENSES			
Overview			
27	Brief explanation (quantitative and qualitative) of test year OM&A levels, how the distributor develops and receives approval of their OM&A budget, cost drivers and significant changes relative to historical and bridge years, trends in costs and relevant metrics including OM&A per customer (and its components) for the historical, bridge and test years, inflation rate assumed (if proposing different rate than IPI - provide explanation supporting proposal), business environment changes		Exhibit 4, Section 4.1 Overview
OM&A Summary and Cost Driver Tables			
Inclusion of the following tables in evidence and all OM&A appendices filed:			
27	Summary of recoverable OM&A expenses; Appendix 2-JA		Exhibit 4, Section 4.2 Table 4-6, Live Excel Model "PUC_2023_Chapter 2 Appendices"
27	Recoverable OM&A cost drivers; Appendix 2-JB		Exhibit 4, Section 4.2 Table 4-7, Live Excel Model "PUC_2023_Chapter 2 Appendices"
27	OM&A programs table - Appendix 2-JC or OM&A by USoA Table - Appendix 2-JD		Exhibit 4, Section 4.3 Table 4-9, Live Excel Model "PUC_2023_Chapter 2 Appendices"
28	Recoverable OM&A Cost per customer and per FTE; Appendix 2-L		
28	Distributors with 30k or more customers: present OM&A by program; Appendix 2-JC filed to provide OM&A details and variance analysis on a program basis. For each program, provide a definition of the USoA accounts included.		Exhibit 4, Section 4.3, Live Excel Model "PUC_2023_Chapter 2 Appendices"
28	Distributors with less than 30k customers: option to file OM&A by program or USoA. If USoA chosen, 2-JD filed		N/A
28	The table provided (2-JC or 2-JD) must reflect the entire OM&A amount proposed to be recovered through rates. Information provided for bridge and test years.		Exhibit 4, Section 4.3 Table 4-9, Live Excel Model "PUC_2023_Chapter 2 Appendices"
28	Appendix 2-JB populated to provide information on the cost drivers of OM&A expenses; 2-JA broken down into major categories		Exhibit 4, Section 4.2 Table 4-6, Table 4-7, Live Excel Model "PUC_2023_Chapter 2 Appendices"
28	Identification of change in OM&A in test year in relation to change in capitalized overhead		Exhibit 4, Section 4.3 Table 4-10
OM&A Variance Analysis			
28	Re: 2-JC or 2-JD - variance analysis between: - test year vs last OEB approved - historical OEB-approved vs historical actuals (for the most recent historical OEB-approved year) - test year vs bridge year		Exhibit 4, Section 4.3 Table 4-9, Live Excel Model "PUC_2023_Chapter 2 Appendices"
28 & 29	If OM&A expense detailed on USoA basis, variance analysis and explanation broken down by the five major OM&A categories as per 2-JA		Exhibit 4, Section 4.2 Table 4-6, Live Excel Model "PUC_2023_Chapter 2 Appendices"
29	Variance analysis includes explanation of whether the change was within the distributor's control or not - distributors encouraged to provide explanations for costs above the threshold which have impacted historical trend		Exhibit 4, Section 4.3 OM&A Variance, pg. 25
Workforce Planning and Employee Compensation			
29	Completed Appendix 2-K; information on labour and compensation includes total amount, whether expensed or capitalized		Exhibit 4, Section 4.3.1.3 Table 4-15, Live Excel Model "PUC_2023_Chapter 2 Appendices"
29	If there are three or fewer employees in any category, aggregate with the category to which it is most closely related. This higher level of aggregation must be continued, if required, to ensure that no category contains three or fewer employees.		Complete
29	Description of proposed workforce plans, including compensation strategy and any changes from previous plan Discussion of the outcomes of previous plans and how those outcomes have impacted their proposed plans including an explanation of the reasons for all material changes to FTEs and compensation. Explanation for all years includes: - Variances with an explanation of contributing factors, inflation rates used for forecasts, and the plan for any new employees - basis for performance pay, eligible employee groups, goals, measures, and review process for pay-for-performance plans - relevant studies (e.g. compensation benchmarking)		Exhibit 4, Section 4.3.2
29	Details of employee benefit programs including pensions, OPEBs, and other costs charged to OM&A. A breakdown of the pension and OPEBs amounts included in OM&A and capital provided for the last OEB-approved rebasing application, and for historical, bridge and test years		Exhibit 4, Section 4.3.2
29	Most recent actuarial report; tax section of evidence agrees with this analysis		Exhibit 4, Section 4.3.2
29 & 30	For virtual utilities - Appendix K completed in relation to the employees of the affiliates who are doing the work of the regulated utility. Provide the status of pension funding and all assumptions used in the analysis		Exhibit 4, Section 4.3.2
30	Indication if pension and OPEBs to be recovered using cash or accrual method; if cash method, sufficient supporting rationale and evidence for adopting cash method. If proposing to change the basis in which pension and OPEB costs are included in OM&A from last rebasing, quantification of impact of transition provided		Exhibit 4, Section 4.3.2

Shared Services and Corporate Cost Allocation			
30	Identification of all shared services among affiliates; identification of the extent to which the applicant is a "virtual utility" and justification of proposed shared services and cost allocation	Exhibit 4, Section 4.3.3	
30	For shared services among affiliated entities: type of service provided or received, pricing methodology	Exhibit 4, Section 4.3.3	
30	Allocation methodology for corporate services, list of shared services, list of costs and allocators and how the allocator was derived, any third party review of cost allocation methodology	Exhibit 4, Section 4.3.3, Appendix B	
30 & 31	Completed Appendix 2-N for service provided or received for historical actuals, bridge and test; including reconciliation with revenue included in Other Revenue	Exhibit 4, Section 4.3.3, Live Excel Model "PUC, 2023, Chapter 2 Appendices"	
31	Shared Service and Corporate Cost Variance Analysis - test year vs last OEB approved and test year vs most recent actual	Exhibit 4, Section 4.3.3	
31	Identification of any Board of Director costs for affiliates included in LDC costs	Exhibit 4, Section 4.3.3	
Non-Affiliate Services, One-Time Costs, Regulatory Costs			
31	Purchases of Non-Affiliated Services - copy of procurement policy (including information on signing authority, tendering process, non-affiliate service purchase compliance)	Exhibit 4, Section 4.3.4	
31	For material transactions not in compliance with procurement policy, or that were undertaken pursuant to exceptions contemplated within the policy, an explanation as to why as well as a summary of the nature and cost of the product, and a description of the specific methodology used for selecting the vendor		
31	Identification of one-time costs in historical, bridge, test; explanation of cost recovery in test year. If no recovery of one-time costs is being proposed in the test year and subsequent IRM term, an explanation must be provided	Exhibit 4, Section 4.3.4	
32	Regulatory costs - breakdown of actual and anticipated regulatory costs including OEB cost assessments and expenses related to the CoS application (e.g. legal fees, consultant fees), information supporting incremental level of costs for preparation and review of current application, proposed recovery (i.e. amortized?), explanation if different than 5 years, completed Appendix 2-M	Exhibit 4, Section 4.3.5	
LEAP, Charitable and Political Donations			
32	LEAP - the greater of 0.12% of forecasted service revenue requirement or \$2,000 should be included in OM&A and recovered from all rate classes. If proposing LEAP funding higher than 0.12%, details of demographics provided	Exhibit 4, Section 4.3.6, Table 4-24	
32	For any charitable contributions claimed for recovery, detailed information provided	N/A, PUC has no other charitable donation other than LEAP	
32	Confirmation that no political contributions have been included for recovery	Exhibit 4, Section 4.3.7	
Conservation and Demand Management			
33	Statement confirming that no costs for dedicated CDM staff to support IESO programs funded under the 2021-2024 CDM Framework are included in the revenue requirement	Exhibit 4, Section 4.4	
33	If distributor plans to partner with the IESO for the LIP at the time of its cost of service application, description of proposed approach to partnership, including a forecast of LIP costs	NA	
Funding Options for Future Conservation and Demand Management Activities			
33	If CDM activities included in COS where CDM activities expected to come into service during Price Cap IR term, identification of if costs of such CDM activities included in the revenue requirement, or if the distributor intends to propose treatment similar to an ACM for these future CDM activities	NA	
33	If the latter as noted above, supporting rationale provided (e.g., the preliminary cost information and ACM/ICM materiality threshold calculations to show that a similar capital project would qualify for ACM treatment based on the forecasted information at the time of the DSP and cost of service application)	NA	
EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE			
Capital Structure			
34	Use of most recent parameters issued by the OEB, subject to update if new parameters available prior to OEB decision. Alternatively - utility specific cost of capital with supporting evidence and justification	Exhibit 5, Section 5.2 Cost of Capital	
34	Completed Appendix 2-OA for last OEB approved and test years	Exhibit 5, Section 5.2.3 Capital Structure and Cost of Capital	
34	Completed Appendix 2-OB for historical, bridge and test years	Exhibit 5, Section 5.2.4 Weighted Average Cost of Long Term Debt	
34	Explanation for any material changes in capital structure or material differences between actual and deemed capital structure including: retirement of debt or preference shares and buy-back of common shares, short-term debt, long-term debt, preference shares and common share offerings	NA, there are no material changes in capital structure or material difference between actual and deemed capital structure.	
Cost of Capital (Return on Equity and Cost of Debt)			
The following provided for each year:			
34	Calculation of cost for each capital component	Exhibit 5, Section 5.2 Capital Structure and Cost of Capital Appendix 2-OA	
34	Profit or loss on redemption of debt, if applicable	NA	
35	Copies of current promissory notes or other debt arrangements with affiliates	Exhibit 5, Appendix 1	
35	Explanation of debt rate for each existing debt instrument including an explanation on how the debt rate was determined and is in compliance with the policies documented in the 2009 Report or applicant's proposed approach	Exhibit 5, Section 5.2.2 Cost of Debt: Long Term	
35	Forecast of new debt in bridge and test year - details including estimate of rate and other pertinent information (e.g. affiliated debt or third party?)	Exhibit 5, Section 5.2.2 Cost of Debt: Long Term for Loan #6 and Loan #7	
35	If proposing any rate that is different from the OEB guidelines, a justification of the proposed rate(s), including key assumptions	Exhibit 5, Section 5.2.2 Cost of Debt: Long Term Explains OEB Cost of Capital Parameters used for Affiliate debt (Promissory Note)	
35	Historic return on equity achieved	Exhibit 5, Section 5.2.6 Historical Return on Equity	
Not-for-Profit Corporations			
35	Requested capital structure and cost of capital (including the proposed cost of long-term and short-term debt and proposed return on equity)		
35	Statement as to whether the revenues derived from the return on equity component of the cost of capital is to be used to fund reserves or will be used for other purposes		
35	If the revenues derived from the return on equity component will be used to fund reserves, specifications for each proposed reserve fund and a description of the governance (policies, procedures, sign-off authority, etc.) that will be applied		
35 & 36	If the revenues derived from the return on equity component will be used for other purposes, statement as to whether these revenues will be used for non-distribution activities (in the situation where the excess revenues are greater than the amounts needed to fund distribution activities); rationale provided supporting the use of the revenues in this manner. Also, governance (policies, procedures, sign-off authority, etc.) that will be applied to the funding of non-distribution activities provided	NA, PUC is a For Profit Corporation.	
36	If there are approved reserves from previous OEB decisions provide the following: -the limits of any capital and/or operating reserves as approved by the OEB, and identifying the decisions establishing these reserve accounts and their limits -the current balances of any established capital and/or operating reserves		
EXHIBIT 6 - REVENUE REQUIREMENT AND REVENUE DEFICIENCY OR SUFFICIENCY			
36	The following information must be provided in this exhibit (with cross references to where in the application further details can be found for each): -determination of net utility income, statement of rate base, actual return on rate base, indicated rate of return, requested rate of return, deficiency or sufficiency in revenue, gross deficiency or sufficiency in revenue	Exhibit 6 Revenue Requirement Table 6-1	
36	Revenue deficiency or sufficiency calculations net of electricity price differentials captured in the Retail Settlement Variance Accounts (RSVAs) and also net of any cost associated with low voltage (LV) charges or DVA balances of distribution expenditures/revenues being tracked through approved deferral and variance accounts for certain distribution assets (e.g. ICM and ACM capital projects, MIST meters) and for which disposition is not being sought in the application.	Exhibit 6 Calculation of Revenue Deficiency/Sufficiency	
36	Summary of drivers for test year deficiency/sufficiency, how much each driver contributes; references in application evidence mapped to drivers	Exhibit 6 Cost Drivers on Revenue Deficiency	
37	Impacts of any changes in methodologies on deficiency/sufficiency and on individual cost drivers contributing to it	NA, no changes in methodologies	
Revenue Requirement Work Form			
37	Completed RRWF. Revenue requirement, def/sufficiency, data entered in RRWF must correspond with other exhibits	Exhibit 6, Appendix A	
37	If the enhanced RRWF cannot reflect a distributor's proposed rates accurately, the distributor must file its rate generator model	NA, RRWF is able to reflect rates accurately.	
37	For revenues - calculation of bridge year forecast of revenues at existing rates; calculation of test year forecasted revenues at each of existing rates and proposed rates	Exhibit 6, Table 6-8	
Income Tax or PILs			
38	Detailed calculations of income tax or PILs as applicable. Completed version of the PILs model, derivation of adjustments for historical, bridge, test years	Exhibit 6, Section 6.2	
38	Supporting schedules and calculations identifying reconciling items	Exhibit 6, Section 6.2	
38	Most recent federal and provincial tax returns	Exhibit 6, Appendix B	
38	Financial Statements included with tax returns if different from those filed with application	Exhibit 6, Appendix B	
38	Calculation of tax credits; refund where required (filing of unredacted versions is not required)	Exhibit 6, Section 6.2	
38	Supporting schedules, calculations and explanations for other additions and deductions	Exhibit 6, Section 6.2	
38	Completion of the integrity checks in the PILs Model	Exhibit 6, Section 6.2	
39	Accelerated CCA - full revenue requirement impact recorded in Account 1592 and the balance sought for review and disposition, method used in calculating the revenue requirement impact recorded in Account 1592, detailed calculations by year for the full revenue requirement impact recorded in Account 1592	Exhibit 6, Section 6.2	
39 & 40	May propose smoothing mechanism proposal	Exhibit 6, Section 6.2	
Other Taxes			
40	Excluded from all OM&A totals. Explanation of how these tax amounts are derived	Exhibit 6, Section 6.2	
Non-recoverable and Disallowed Expenses			
40	Exclude from regulatory tax calculation any non-recoverable or disallowed expenses	NA, PUC does not have any non-recoverable or disallowed expenses.	
Other Revenue			
40	Completed Appendix 2-H, including the breakdown of each account showing the components of each	Exhibit 6, Section 6.3.1	
40	For each other distribution revenue account: -comparison of actual revenues for historical years to forecast revenue for bridge and test year, including explanations for significant variances year-over-year -revenue from any new proposed specific service charges, changes to rates, or new rules for applying existing specific service charges (incl. any credits to customers) -revenue from affiliate transactions, shared services, or corporate cost allocation. For each affiliate transaction identification of service, the nature of service provided, accounts used to record revenue, and costs to provide service -revenue from affiliate transactions recorded in Account 4375 -expenses from affiliate transactions recorded in Account 4380	Exhibit 6, Section 6.3.1	
41	Balances recorded in Account 4375 and Account 4380 reconcile to the balances recorded in Appendix 2-N - Shared Services and Corporate Allocation for the three historic years, the bridge year and the test year. Any differences must be reconciled	Exhibit 6, Section 6.3.1	
41	Revenue related to microFIT recorded as revenue offset in Account 4235 and not included as part of base revenue requirement	Exhibit 6, Section 6.3.1	
41	Transfer pricing and allocation of cost methods do not result in cross-subsidization between regulated and non-regulated lines of business and compliance with article 340 of APH; explanations for any deviations	Exhibit 6, Section 6.3.1	
41	Identification of any discrete customer groups that may be materially impacted by changes to other rates and charges.	Exhibit 6, Section 6.3.1	

EXHIBIT 7 - COST ALLOCATION			
Cost Allocation Study Requirements			
42	Completed cost allocation study using the OEB-approved methodology or the distributor's study and model reflecting forecasted test year loads and costs and supported by appropriate explanations and live Excel spreadsheets; sheets 11 and 13 of the RRWF complete		Live Excel Models "PUC_2023_Cost Allocation Model_20220831" and "PUC_2023_Rev_reg_workform_20220831"
42	Description of weighting factors, rationale for use of default values (if applicable)		Exhibit 7, Section 7.1.1 Weight Factors, 7.1.2 Services and 7.1.3 Billing and Collection
42	If distributor is choosing to use the same weightings as its previous rebasing application, a reference to the previous application provided		Exhibit 7, Section 7.1.1 Weight Factors, 7.1.2 Services and 7.1.3 Billing and Collection
42	Complete live Excel cost allocation model, whether using the OEB-issued one or a different model. If using the OEB-issued model, Input sheet 1.2, cells c15 and c17 must be used to identify the final run of the model on each sheet. If using another model, the distributor must file equivalent information.		OEB's Cost allocation model was used and has been filed in the Live Excel format.
Load Profiles and Demand Allocators			
43	Updated all classes' load profiles and updated demand allocators		Exhibit 7, Section 7.1.7 Load Profiles and Demand Allocations and 7.1.7.1 Demand Profile Methodology
43	Discussion of how load profiles have been normalized for weather and any notable events impacting usage patterns		Exhibit 7, Section 7.1.7 Load Profiles and Demand Allocations and 7.1.7.1 Demand Profile Methodology
43	If multivariate regression used, the following provided: - statistics of regression equation(s) coefficients and intercept - explanation of the weather-normalization methodology including: relationship between demand and Heating and/or Cooling requirements, determination of normal weather: the hourly for daily Heating and/or Cooling required - sources of data used for both endogenous and exogenous variables. Where a variable has been constructed, explanation of the variable, data used and the source of the data provided - explanation of any specific adjustments made (e.g. to address gaps in historical meter data)		Exhibit 7, Section 7.1.7 Load Profiles and Demand Allocations and 7.1.7.1 Demand Profile Methodology
43	Data and regression model and statistics used in customer and load forecast provided in Excel format (includes showing the derivation of any constructed variables)		Exhibit 7, Section 7.1.7 Load Profiles and Demand Allocations and 7.1.7.1 Demand Profile Methodology
44	Demand Allocators: spreadsheet and a description with calculations to show how demand allocators are derived from the historical weather normal or weather actual load profiles		Exhibit 7, Section 7.1.7 Load Profiles and Demand Allocations and 7.1.7.1 Demand Profile Methodology
44	Historical Average: Where the annual demand allocators are based on weather actual load profiles, at least three, and ideally five years of historical data should be used to perform weather normalization. Where the annual demand allocators are based on weather normalized load profiles, fewer years may be used		Exhibit 7, Section 7.1.7 Load Profiles and Demand Allocations and 7.1.7.1 Demand Profile Methodology
44 & 45	Host Distributor only - evidence of consultation with embedded Dx - statement regarding embedded Dx support for approach to allocation of costs - if embedded Dx is separate class - class in cost allocation study and RRWF - if new embedded Dx class - rationale and supporting evidence (cost of serving, load served, asset ownership information, distribution charges levied); include in cost allocation study and RRWF - if embedded Dx billed as GS customer - include with the GS class in cost allocation model and the RRWF. Provide cost of serving, load served, asset ownership information, distribution charges levied, appropriateness of rates for the GS class recovering costs of providing low voltage dx services to embedded distributor(s). Completed Appendix 2-G.		N/A
45	microFIT - If the applicant believes that it has unique circumstances which would justify a different rate than the generic rate, documentation to support rate must be provided		PUC has used the generic rate
46	Standby Rates - distributors should request approval for its standby rates to be made final and provide evidence confirming that they have advised all affected customers of the proposal. A distributor that seeks changes to its standby charges, including a change in the methodology on which these rates are based, must provide full documentation supporting its proposal, and confirm that all affected customers have been notified of the proposed change(s).		N/A, PUC does not charge Standby Rates.
46	If new customer class or changing definition of existing classes, rationale and restatement of revenue requirement from previous cost of service		N/A, no changes to customer classes.
46	If eliminating or combining customer classes, rationale and restatement of revenue requirement from previous cost of service		N/A, PUC is not eliminating or combining customer classes.
46 & 47	To support a proposal to rebalance rates, information on the revenue by class that would apply if all rates were changed by a uniform percentage provided. Ratios compared with the ratios that will result from the rates being proposed by the distributor.		Exhibit 7, Section 7.2 Class Revenue Requirements
Revenue to Cost Ratios			
47 & 48	If R:C ratios outside dead band - cost allocation proposal to bring them within the OEB-approved ranges provided. In making any such adjustments, potential mitigation measures addressed if the impact of the adjustments on the rates of any particular class or classes is significant.		
48	If distributor proposes to continue rebalancing rates after the cost of service test year, the ratios proposed for subsequent year(s) must be provided		Exhibit 7.3 Revenue-to-Cost Ratios
48	If Cost Allocation Model other than OEB model used - exclude LV, exclude DVA such as smart meters		
EXHIBIT 8 - RATE DESIGN			
48	Monthly fixed charges - 2 decimal places; variable charges - 4 decimal places; if departing from this approach, explanation provided as to why necessary and appropriate		PUC has not departed from this approach.
Fixed Variable Proportion			
48	The following is to be provided in relation to the fixed/variable proportion of proposed rates: - Current F/V for each rate class with supporting info - Proposed F/V for each rate class with explanation for any changes from current proportions - Table comparing current and proposed monthly fixed charges with the floor and ceiling as in cost allocation study - Analysis must be net of rate adders, funding adders, and rate riders		Exhibit 8, Section 8.1
RTSRs			
49	Completed RTSR Model in Excel		Confirmed filed in Live Excel model "PUC_2023_RTSR_Workform_20220831"
49	RTSR information consistent with working capital allowance calculation; explanation for any differences		No differences
Retail Service Charges			
49	Distributors that are still using the Retail Service Costs Variance Accounts (RCVAs) or Retail Service Charges Incremental Revenue Sub-account are to dispose of the balances and the OEB will eliminate the sub-accounts. Distributors should forecast retail services revenues based on the updated charges and include the costs of providing retail services in revenue requirement		Exhibit 8, Section 8.3
Regulatory Charges			
50	If applying for a rate other than the generic rate set by the OEB, distributors must provide justification as to why their specific circumstances would warrant a different rate, in addition to a detailed derivation of their proposed rate		Exhibit 8, Section 8.4 puc has used the generic rates set by the OEB.
Specific Service Charges			
50	If requesting new specific service charge or a change to the level of an existing charge, description of the purpose of charge, or reason for change to an existing charge; calculations to support charges		
50	Identification in the Application Summary all proposed charges that will have an impact on customers, including changes to other rates and charges that may affect a discrete group; identification of specific customers or customer groups impacted by each proposal		
50	Calculation of charge includes: direct labour, labour rate, burden rate, incidental, tariff		Exhibit 8, Section 8 Section 2.8.5 PUC is not requesting any new specific services charges.
51	Identification of any rates and charges in Conditions of Service that do not appear on tariff sheet. Explain nature of costs, provide schedule outlining revenues or capital contributions recovered from these rates from last OEB-approved year to most recent actuals and the revenue or capital contributions forecasted for the bridge and test years. A proposal and explanation as to whether these charges should be included on tariff sheet		
51	Revenue from SSCs corresponds with Operating Revenue evidence		
Wireline Pole Attachment Charge			
51	Distributor disposing of Wireline account may forecast the balance up to the effective date of new rates, provided it can do so with reasonable accuracy, and the OEB may consider disposing of the forecasted amount		Exhibit 8, Section 8.5
Low Voltage Service Rates			
If the distributor is fully or partially embedded, information on the following must be provided:			
52	Forecast LV Cost		
52	Actual LV Cost for the last three historical years along with bridge and test year forecasts; year-over-year variances and explanations for substantive changes in costs over time up to and including test year forecast		N/A, PUC does not charge low voltage rates.
52	Support for forecasted LV, e.g., Hydro One Sub-Transmission charges		
52	Allocation of forecasted LV cost to customer classes (typically proportional to Tx connection revenue)		
52	Proposed LV rates by customer class		
Smart Meter Entity Charge			
53	Current OEB-approved SMC charged until the OEB approved any updated SMC		Exhibit 8, Section 8.7
Loss Factors			
53	Proposed SFLF and Total Loss Factor for test year		
53	Statement as to whether LDC is embedded including whether fully or partially		
53	Study of losses if required by previous decision		
53	3-5 years of historical loss factor data - Completed Appendix 2-R		Exhibit 8, Section 8.8
53	If proposed distribution loss factor >5%, explanation for level of losses, details of actions taken to reduce losses in the previous five years, and actions planned to reduce losses going forward		
53	Explanation of SFLF if not standard		
53	Reconciliation between the application and RRR filing		
Tariff of Rates and Charges			
53 & 54	Current and proposed Tariff of Rates and Charges - must be filed in Excel format and PDF format Explanation and support of each change in the appropriate section of the application		Exhibit 8.9 and Appendix 2 and 3 of Exhibit 8. Also filed in Live Excel model, "PUC_2023_Tariff Schedule and Bill Impact Model_20220831"
54	Completed Bill Impacts Model		Filed in Live Excel format and attached as Appendix 4 to Exhibit 8
54	Explanation of changes to terms and conditions of service if changes affect application of rates and rationale behind those changes		Exhibit 8, Section 8.9
54	Proposed tariffs must include applicable regulatory charges, and any other generic rates as ordered by the OEB		Exhibit 8, Section 8.9 - Completed
Revenue Reconciliation			
54	Calculations of revenue per class under current and proposed rates; reconciliation of rate class revenue and other revenue to total revenue requirement (i.e. breakout volumes, rates and revenues by rate component etc.)		Exhibit 8, Section 8.9, Table 8-12
54	Completed RRWF - Sheet 13 (table reconciling base revenue requirement against revenues recovered through proposed rates)		
Bill Impact Information			
54	Completed Tariff Schedule and Bill Impacts Model. Bill impacts must identify existing rates, proposed changes to rates, and detailed bill impacts (including % change in distribution including pass through costs - Sub-Total A, % change in distribution - Sub-Total B, % change in delivery - Sub-Total C, and % change in total bill)		Filed in Live Excel Format and in PDF as Appendix 4 to Exhibit 8
54	Impact of changes resulting from the as-filed application on representative samples of end-users (i.e. volume, % rate change and revenue). Commodity and regulatory charges held constant		Exhibit 8 Live Excel file
55	Bill impacts provided for typical customers and consumption levels. Must provide residential 750 kWh and GS<50 2,000 kWh. Bill impacts must be provided for a range of consumption levels relevant to the service territory for each class		Exhibit 8 Live Excel file
55	If applicable, for certain classes where one or more customers have unique consumption and demand patterns, the distributor must show a typical impact and provide an explanation		N/A, no unique consumption patterns.
Rate Mitigation			
55	Mitigation plan if total bill increase for any customer class is >10% including: specification of class and magnitude of increase, description of mitigation measures, justification for mitigation measure including reasons if no mitigation proposed, other relevant information. The Tariff Schedule and Bill Impacts Model must reflect any mitigation plan proposed.		Exhibit 8, Section 8.12
Rate Harmonization Mitigation Issues			
56	If part of a MAADs transaction, and rate harmonization plan not yet approved by the OEB, a rate harmonization plan must be filed		
56	Plan includes a detailed explanation and justification for the implementation plan, and an impact analysis		
56	If impact of COS increases and harmonization effects result in total bill increases for any customer class exceeding 10%, discussion of proposed measures to mitigate increases in its mitigation plan, or justification provided as to why mitigation is not required		N/A, PUC has no rate harmonization issues
56	Migration plan that includes fully harmonizing rates that is to be accomplished over more than one year must be supported by a detailed plan for accomplishing this during the subsequent Price Cap IR period		

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS		
56	Table showing all DVAs not disposed of yet, showing principle and interest/carrying charges, total balance for each account, and whether account being proposed for disposition	Exhibit 9, Table 9-2
56	If applicable, description of DVAs that were used differently than as described in the APH, relevant accounting order or other OEB document	NA
56	Completed DVA continuity schedule for period from last disposition to present - live Excel format. Continuity schedule must show separate itemization of opening balances, annual adjustments, transactions, dispositions, interest and closing balances for all outstanding DVAs. The opening principal amounts and interest amounts for Group 1 and 2 balances, shown in the DVA Continuity Schedule, must reconcile with the last applicable approved closing balances.	Exhibit 9, Section 9.1 paragraph "DVA Continuity Schedule" Live Excel DVA Continuity Schedule spreadsheet submitted
57	Confirmation of use of interest rates established by the OEB by month or by quarter for each year, most recently published rate used for future periods	Exhibit 9, Section 9.4 Interest rates applied
57	Explanation if account balances in continuity schedule differs from trial balance reported through RRR and documented in AFS - included in tab Appendix A of DVA schedule. This includes all Account 1508 sub-accounts. A reconciliation of all the Account 1508 sub-accounts to the Account 1508 control account reported in the RRR is to be provided in the continuity schedule.	Exhibit 9, Section 9.2 and Table 9-1
57	Identification of any Group 2 accounts proposed to continue/discontinue going forward, with explanation	Exhibit 9, Table 9-15
57	Identification of any new accounts or sub-accounts, and justification; must correspond with info in Exhibit 1	Exhibit 9, Section 9.7, Table 9-15, New accounts being requested as per Accounting Orders attached, Appendix B and C
57	Statement whether any adjustments made to DVA balances previously approved by OEB on final basis - the OEB expects that no adjustment will be made to any deferral and variance account balances previously approved by the OEB on a final basis. If any adjustments have been made, explanation for the nature and the amount of the adjustment(s), and appropriate supporting documentation, under a section titled "Adjustments to Deferral and Variance Accounts"	Exhibit 9, Section 9.2
57	Statement confirming distributor has complied with OEB guidance of February 21, 2019 on the accounting for Accounts 1588 and 1589	Exhibit 9, Section 9.5.1.5
Disposition of Deferral and Variance Accounts		
57	For accounts as identified in summary table not being proposed for disposition, explanations provided	Exhibit 9, Section 9.5 - Accounts 1508 ICM
58	For any distributor-specific accounts requested for disposition, supporting evidence showing how the annual balance is derived and the relevant accounting order	Exhibit 9, Section 9.5 - Accounts 1508 ICM - reconciliations in Exhibit 2
58	If proposing to allocate a DVA which the OEB has not established an allocator, proposed allocation based on cost driver must be provided with justification; indication of proposed allocation determinants, including charges type for recovery purposes and included in cont. schedule	NA
58	Propose rate riders that dispose of the balances. If the applicant is proposing an alternative recovery period other than one year, explanation provided	Exhibit 9, Section 9.9
58	Rate riders where volumetric rider is \$0.000 for one or more classes not included in the tariff for those classes	Exhibit 9, Section 9.9
Disposition of Accounts 1588 and 1589		
55	If a distributor has not implemented OEB's February 21, 2019 accounting guidance, indication that this is the case	NA, PUC implemented the OEB's February 21, 2019 accounting guidance.
55	Indication of the year in which Account 1588 and Account 1589 balances were last approved for disposition, and whether the balances were approved on an interim or final basis. If the balances were last disposed on an interim basis, indicate the year in which balances were last disposed on a final basis	Exhibit 9, Section 9.2
59	If requesting final disposition of balances for the first time following implementation of the accounting guidance, confirmation that accounting guidance has been implemented fully effective January 1, 2019	NA
59 & 60	In order to request for final disposition of historical balances as part of the current application, confirmation that these balances have been considered in the context of the accounting guidance and provide a summary of the review performed. Discussion on the results of the review, any systemic issues noted, and whether any material adjustments to those balances have been recorded. Summary and description of each adjustment made to the historical balances provided	NA
60	GA Analysis Workform (in live Excel format) for each year that has not previously been approved by the OEB for disposition. If the distributor is adjusting the Account 1589 GA balance that was previously approved on an interim basis, the GA Analysis Workform must be completed from the year after the distributor last received final disposition for Account 1589	Exhibit 9, Section 9.5.1.6, GA Analysis Workform, Live Excel file "PUC 2023_GA_Analysis_Workform_20220831"
60	As described in Note 5 in the GA Analysis Workform, reconciliation of any discrepancy between the actual and expected balance by quantifying differences (e.g. true-ups between estimated and actual costs and/or revenues). Any remaining unexplained discrepancy that is greater than +/- 1% of the total annual IESO GA charges will be considered material and warrant further investigation.	Exhibit 9, Section 9.5.1.6, GA Analysis Workform, Live Excel file "PUC 2023_GA_Analysis_Workform_20220831, is less than +/- 1% of the total annual IESO GA charges.
60	Completed reasonability test for the balance in Account 1588. The reasonability test is included in the GA Analysis Workform.	Exhibit 9, Section 9.5.1.6, GA Analysis Workform, Live Excel file "PUC 2023_GA_Analysis_Workform_20220831"
Disposition of CBR Class B Variance		
60 & 61	Proposed disposition of Account 1580 sub-account CBR Class B in accordance with the CBR Accounting Guidance. Must be disposed over one year. In the DVA continuity schedule, indicate whether any Class A customers served during the period where Account 1580 CBR Class B sub-account balance accumulated. In the event that the allocated CBR Class B amount results in a volumetric rate rider that rounds to zero at the fourth decimal place in one or more rate classes, the entire balance in Account 1580 CBR Class B sub-account will be added to the Account 1580 - WMS control account to be disposed through the general purpose Group 1 DVA rate riders Account 1580 sub-account CBR Class A is not to be disposed through rate proceedings but rather follow the OEB's accounting guidance	Exhibit 9, Section 9.5.1.2, Live Excel "DVA Continuity Schedule" spreadsheet, number of Class A customers remained the same throughout the year, no transitions, no CBR - Class A amount being disposed.
Disposition of Account 1595		
61	Applicants are expected to request disposition of residual balances in Account 1595 Sub-accounts for each vintage year once, on a final basis	Exhibit 9, Section 9.5.1.7, Live Excel file "PUC 2023_1595_Analysis_Workform_20220831"
62	Explanation for any material residual balances being proposed for disposition, including quantifying significant drivers of the residual balance	Exhibit 9, Section 9.5.1.7, Live Excel file "PUC 2023_1595_Analysis_Workform_20220831"
Disposition of Retail Service Charges		
62	If there is a balance in 1518 or 1548, distributor must: - confirm variances are incremental costs of providing retail services; identify drivers for balances - provide schedule identifying all revenues and expenses listed by USAR that are incorporated into the variances - state whether Article 490 of APH has been followed; explanation if not followed	Exhibit 9, Section 9.5.2.4
62 & 63	The OEB established a new variance account for electricity distributors that no longer used the RCIVAs. The balance in the account would be refunded to ratepayers in a future rate application, and the new account subsequently closed. Distributors may forecast a balance up to the effective date of new rates and the OEB may consider disposing of the forecasted amount	
Disposition of Account 1592, Sub-account CCA Changes		
63	Calculations for accelerated CCA differences per year, based on actual capital additions. Calculations include: underprepaid capital cost continuity schedules for each year itemized by CCA class, calculated PL/IL/ALX differences, grossed-up PL/IL/ALX differences, other applicable information	
63	Confirmation that Account 1592 amounts related to ICM/ACM have been included in the account, if applicable	Exhibit 9, Section 9.2.5.8
63	Reconciliation of these amounts to the amounts presented in Account 1592 sub-account CCA changes in the DVA continuity schedule	
Disposition of Account 1509 Impacts Arising from the COVID-19 Emergency		
64	If requesting disposition of any amounts related to the COVID-19 Account, the following, at a minimum is to be provided: - Discussion regarding the interactions between the COVID-19 Account and other existing generic or utility-specific accounts, including a determination that there is no double-counting between multiple ratemaking mechanisms - Calculation showing that the distributor passes the ROE-based means tests, including limitations on recoveries when various ROE thresholds are reached, and that the appropriate recovery rates for each sub-account have been applied - Supporting calculations for the annual amounts recorded in each of the sub-accounts, including the methodology used to measure incremental costs and savings, as applicable - Discussion of causation, materiality, prudence of any amounts recorded in the sub-accounts, including all identified savings and cost reductions - Discussion of whether the distributor would be able to reasonably forecast any further entries in the account, up to the effective date of the new rates, so that the account may be disposed in its entirety in the current proceeding (and whether the distributor would be amenable to such an approach) - Statement confirming proposed discontinuation of the COVID-19 Account, effective the same date as the new rates. If this is not the case, supporting rationale provided	Exhibit 9, Section 9.5.2.5
Establishment of New Deferral and Variance Accounts		
64 & 65	If a DVA evidence provided when demonstrates that the requested DVA meets the following criteria: causation, materiality, prudence; include draft accounting order	Exhibit 9, Section 9.7, Appendix B and C
Lost Revenue Adjustment Mechanism Variance Account		
65	In preparing claims related to disposition of outstanding LRAMVA balances, distributors may seek to claim savings from Conservation First Framework (CFF) programs, and from programs they delivered through the Local Program Fund that was part of the Interim Framework. Distributors should provide sufficient supporting documentation on project savings to support their claim	Exhibit 9, Section 9.5.2.7
Disposition of LRAMVA		
66	Disposition sought of all outstanding LRAMVA balances related to previously established LRAMVA thresholds	
67	Current version of LRAMVA Work Form (Excel)	
An application for lost revenues should include:		
67	Final Verified Annual Reports if claiming lost revenues from savings from CDM programs delivered in 2017 or earlier	
67	Participation and Cost reports and detailed project level savings in Excel format made available by the IESO	
67	Other supporting evidence with an explanation and rationale should be provided to justify the eligibility any other savings from a program delivered by a distributor after April 15, 2019	
67 & 68	Personal information and commercially sensitive information removed, or if required, filed in accordance with OEB's Rules of Practice and Procedure and Practice Direction on Confidential Filings	
An application for lost revenues should also provide:		
68	Statement identifying the year(s) of new lost revenues and prior year savings persistence claimed in the LRAMVA disposition	
68	Statement confirming LRAMVA based on verified savings results supported by the distributors final Verified Annual Reports and Persistence Savings Report (both filed in Excel format)	
68	Statement indicating that the distributor has relied on the most recent input assumptions available at the time of program evaluation	
68	Summary table with principal and carrying charges by rate class and resulting rate riders	
68	Statement confirming recovery period, rationale provided for disposing the balance in the LRAMVA if one or more classes do not generate significant rate riders	
68	Details related to the approved CDM forecast savings from the last rebasing application	
69	Statement explaining how rate class allocations for actual CDM savings were determined by class and program for each year	
69	Statement confirming whether additional documentation was provided in support of projects that were not included in distributors final Verified Annual Reports and Participation and Cost Reports (Tab 8 of LRAMVA Work Form as applicable)	
69	If not already filed in support of a previous LRAMVA application, provide Participation and Cost Reports and detailed project level savings files made available by the IESO and/or other supporting evidence to support the clearance of energy- and/or demand-related LRAMVA balances where final verified results from the IESO are not available - filed in Excel format	Live Excel file "PUC 2023_LRAMVA_Workform_20220831" Live Excel file "PUC 2023_Participation and Cost Report (2019 04)_20220831" Exhibit 4, Section 4.4.1 Exhibit 4, Appendix D, IndEco LRAMVA 2023 report (2022-07-12) Exhibit 9, Section 9.5.2.7
69	For a distributor's street lighting project(s) which may have been completed in collaboration with local municipalities, the following must be provided: explanation of the methodology to calculate street lighting savings, confirmation whether the street lighting projects received funding from the IESO and the appropriate net-to-gross assumption used to calculate interdigitation savings	
For the recovery of lost revenues related to demand savings from street light upgrades, distributors should provide the following information:		
69	Explanation of the forecast demand savings from street lights, including assumptions built into the load forecast from the last CoS application	
69	Confirmation that the street light upgrades represent incremental savings attributable to participation in the IESO program, and that any savings not attributable to the IESO program have been removed	
69	Confirmation that the associated energy savings from the applicable IESO program have been removed from the LRAMVA workform so as not to double count savings	
69	Confirmation that the distributor has received reports from the participating municipality that validate the number and type of bulbs replaced or retrofitted through the IESO program	
69 & 70	A table, in live Excel format, that shows the monthly breakdown of billed demand over the period of the street light upgrade project, and the detailed calculations of the change in billed demand due to the street light upgrade project (including data on number of bulbs, type of bulb replaced or retrofitted, average demand per bulb)	
For the recovery of lost revenues related to demand savings from other programs that are not included in the monthly Participation and Cost Reports of the IESO (for example Combined Heat and Power projects), distributors should provide the following information:		
70	The third party evaluation report that describes the methodology to calculate the demand savings achieved for the program year. In particular, if the proposed methodology is different than the evaluation approaches used by the IESO, an explanation must be provided explaining why the proposed approach is more appropriate	
70	Rationale for net-to-gross assumptions used	
70	Breakdown of billed demand and detailed level calculations in live Excel format	
For program savings up to December 31, 2022 for projects completed after April 15, 2019, a distributor should provide the following:		
70	Related to CFF programs: explanation as to how savings have been estimated based on the available data (i.e., IESO's Participation and Cost Reports) and/or rationale to justify the eligibility of the program savings	
70	Related to programs delivered by a distributor through the Local Program Fund under the Interim CDM Framework: explanation and rationale to justify the eligibility of the additional program savings	
Continuing Use of the LRAMVA for New CDM Activities		
70	Indication of whether distributor is requesting the continued use of the LRAMVA for one or more activities related to distribution rate-funded CDM activities or LIP activities	Exhibit 9, Section 9 Section 9.5.2.7
70	If requesting access to, or use of, the LRAMVA for these activities, demonstration of need for the LRAMVA (or similar mechanism), the proposed LRAMVA threshold, how it intends to support the tracking of lost revenues, and the nature of the documentation that it proposes to provide at the time of LRAMVA disposition	NA
70 & 71	Allocation of the CDM savings for both the LRAMVA and the load forecast provided by customer class and for both kWh and, as applicable to a customer class, kW. Document how CDM savings will be tracked and reported in order to account for differences between forecast revenue loss attributable to CDM activity embedded in rates and actual revenue loss due to the impacts of CDM programs	NA
Appendix A Cost of Eligible Investments for the Connection of Qualifying Generation Facilities		
Appendix A	If applicable, proposal to divide the costs of eligible investments between the distributor's ratepayers and all Ontario ratepayers per O.Reg. 330/09	NA
Appendix A	Appendices 2-FA through 2-FC identifying all eligible investments for recovery	NA
Appendix A	For distributors that are already receiving rate protection as a result of a previous application the new (current) cost of service application should include an update to include the actual costs incurred for investments as well as a depreciation adjustment to calculate a new capital amount for input into Appendices 2-FA through 2-FC. This would generate a new up-to-date rate protection amount for the test year and beyond, which will be subject to the materiality threshold	NA

APPENDIX B

PUC Distribution's

5 Year Business

Plan



Five Year Business Plan

2023 Budget and 2024-2027 Projections

The background of the slide is a photograph of a utility worker in a yellow hard hat and safety vest, working on a wooden utility pole. The worker is in a bucket, and a crane arm is visible on the left. The image is overlaid with a semi-transparent orange filter. The text 'Your Trusted Utility' is written in a large, white, sans-serif font, with 'Utility' underlined in blue.

Your Trusted Utility

for a Brighter Tomorrow

August 2022

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Table of Contents

1. Executive Summary	2
2. Overview and Ownership	2
3. COS Filing	4
4. Mission and Strategic Objectives	5
5. Key Success Factors	8
6. Key Challenges, Risks and Mitigation	9
7. Financial Performance Projections	13
8. Revenue Requirement/Revenue Deficiency	18
9. Bill Impacts	19
10. Conclusion	20
Appendix A - Financial Projections	21
Appendix B - Customer Engagement	24
Appendix C - Scorecard Metrics	30

1. Executive Summary

PUC Distribution Inc. (“PUC”) has developed this business plan to address the expectations of the Ontario Energy Board (“OEB”)’s “Handbook for Utility Rate Applications,” issued October 13, 2016. It outlines how key challenges associated with PUC’s service areas, PUC’s core values, and the preferences of PUC’s customers have been integrated into its Cost-of-Service Rate Application (“COS”) and Distribution System Plan (“DSP”) in a manner that is consistent with the outcomes of the OEB’s Renewed Regulatory Framework (“RRF”). This business plan also summarizes PUC’s target and forecasted performance with respect to performance metrics to ensure that PUC delivers its strategic objectives.

PUC’s vision is to improve communities through curiosity and innovation. Today more than ever, PUC’s focus is on a sustainable company which is developing strategies to lower its carbon footprint, support communities, and offer excellent customer service.

This 2023-2027 business plan is reflective of that vision, as it balances reliability and affordability for customers and allows PUC to invest in the communities it serves.

All costs and projected revenues have been closely examined and reasonable assumptions respecting growth and expected OEB rate increases have been used. PUC’s five (5) year financial projections are provided in Appendix A.

The OEB’s framework will continue to challenge PUC’s management and staff to find operational savings and efficiencies throughout the organization to achieve reasonable financial results. Although a capital replacement plan is in place, ongoing monitoring of cash flow levels and updated asset condition assessments will necessitate constantly reviewing the plan as more information becomes available to balance sustainability and affordability.

Management remains confident that with a successful outcome to the COS, the financial challenges will not hinder PUC’s goals of exceeding the service quality indicators as detailed on the local distribution company (“LDC”) scorecard, improving customer communication and advocacy, replacing infrastructure in an effective and prudent manner, maintaining rates at a reasonable level, and providing a return to the shareholder.

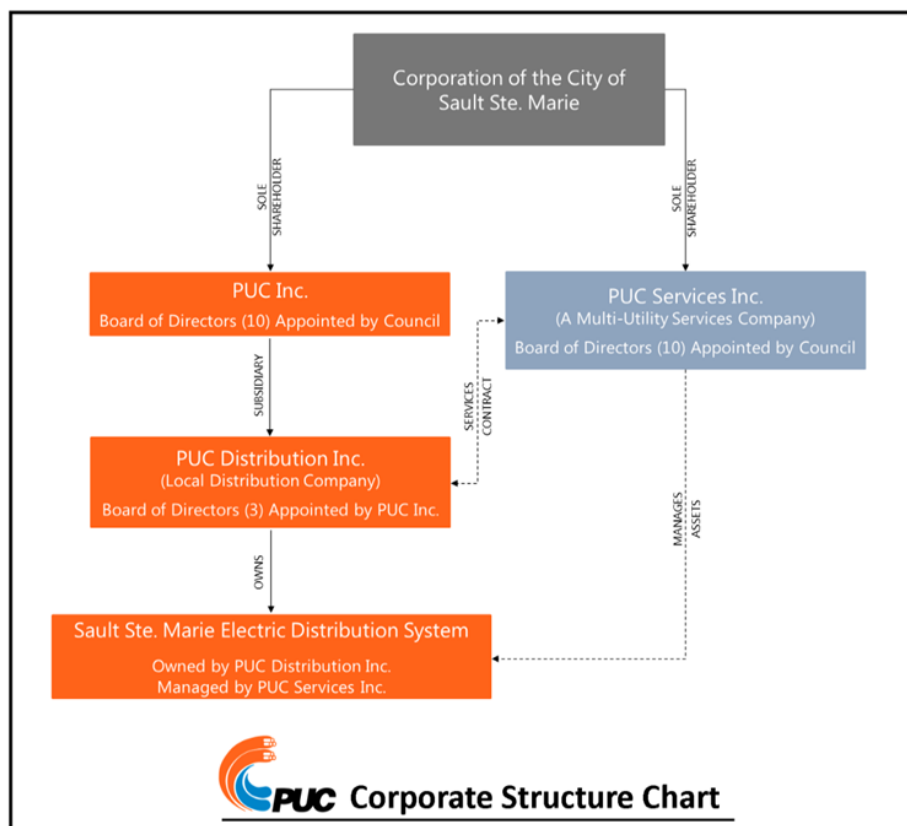
2. Overview and Ownership

PUC is an LDC licensed to distribute electricity in its service territory which includes most of Sault Ste. Marie, Batchewana First Nation (Rankin Reserve), Prince Township and parts of Dennis Township. In addition to distributing electricity, PUC is the default supplier of energy to customers within its service territory that do not contract with a retailer for their energy supply.

In accordance with Section 142 of the Electricity Act, 1998 the existing electricity assets of the City of Sault Ste. Marie Public Utilities Commission were transferred to PUC, a “for profit” corporation incorporated under the Ontario Business Corporations Act. PUC is 100% owned by PUC Inc., a holding company owned 100% by the City of Sault Ste. Marie (“the City”). The transfer was completed in 2000 and as required by Bill 210 in 2003, the City, through a Council resolution, affirmed that the electric utility should remain an OBCA “for profit” corporation.

PUC must operate its business in compliance with all applicable laws, including the Electricity Act, 1998, the Ontario Energy Board Act, 1998, the Ontario Business Corporations Act, and the rules, policies and requirements of the OEB including the Distribution System Code, the Affiliate Relationships Code, the Retail Settlement Code, the Standard Supply Service Code, the Accounting Procedures Handbook and Uniform System of Accounts, as well as the applicable Rate Handbook and Filing Requirements.

PUC, through its affiliate PUC Services Inc., operates using a shared services model. PUC regularly updates the allocation model as validated through a third-party provider (BDR – 2021). This model provides significant efficiency benefits across all of the utilities under the PUC umbrella. PUC Services Inc. shares certain resources with affiliates to create economies of scale and scope. The corporate structure and ownership of PUC is illustrated in the diagram below.



The Business is structured and operated to earn returns permitted under the provincial regulatory framework. PUC has its rates approved by the OEB. Although PUC does not pay corporate income taxes, as a municipally owned licensed LDC in the province of Ontario, PUC is required to remit Payments in Lieu of Taxes (PILS) to the province. The amount payable is generally calculated based on Federal and Provincial tax rules for corporations.

As of 2022, PUC serves an area of approximately 342 square kilometers, with a combined population of approximately 75,300. The service territory includes approximately 33,865 customers.

3. COS Filing

A COS, scheduled to be filed by PUC on August 31, 2022, for May 2023 rates, sets a price for a service based on the costs to provide it. The OEB will approve the revenue for PUC's 2023 year based on the sum of a prescribed rate of return on rate base (net fixed assets and working capital); operating, maintenance and administration ("OM&A") expenses; depreciation, interest expense; and tax. Distribution rates for the subsequent four years are limited to inflationary increases with a productivity adjustment and as a result, the COS Application will set the basis for the next five years of distribution revenue.

The OEB will review the COS Application through a public process. Documents are posted on the OEB's website and updated as the OEB reviews the application. Consumer groups and other affected groups (intervenors) may also take part in the process and provide comments. A series of clarification questions will be exchanged between the parties – PUC and intervenors/OEB staff. A full hearing may also ensue. The process will likely continue into 2023 in advance of the OEB's final decision on the application.

A successful COS outcome is critical to PUC's success, and management is committed to ensuring the following COS objectives are met:

- Incorporate customer interests and preferences
- Ensure all assets are constructed, operated and maintained in a condition which is safe for all employees, contractors, and the public
- Demonstrate ongoing continuous improvement while delivering on system reliability and quality objectives
- Demonstrate value for money
- Replace deteriorated aging infrastructure where warranted
- Address innovation and grid modernization

- Ensure reasonable distribution rates
- Effectively manage risk – financial, operational, cyber security, regulatory, privacy
- Ensure public policy responsiveness

4. Mission and Strategic Objectives

In 2020, PUC undertook a process to develop a strategic plan that would provide the company with clarity and direction, connecting PUC’s vision for the future with its strategic objectives. The process, which included participation from community members, employees, PUC’s shareholder, and the Board of Directors, resulted in updates to PUC’s Mission, Vision, and Core Values



The PUC Mission, Vision and Core Values were further refined to ensure alignment with the OEB's Renewed Regulatory Framework for Electricity Distributors ("RRFE"). It is a performance-based approach identifying four desirable outcomes:

RRFE Performance Outcomes	Strategy	Strategic Objectives
Customer Focus	Build a customer-centric organization	Services are provided in a manner that responds to identified needs and preferences of customers.
Operational Effectiveness	Build a future company that is sustainable Maximize value	Continuous improvement in productivity and cost performance is achieved while LDC delivers on system reliability and quality objectives.
Public Policy Responsiveness	Regulatory Compliance	LDC delivers on obligations mandated by governments.
Financial Performance	Financial integrity and accountability Drive profitable and sustainable growth	Financial viability is maintained and savings from operational effectiveness are sustainable.

In conjunction with the Mission, Vision, and Core Values, PUC has set three strategic Focus Areas and Aspirations:



Focus Area & Aspiration	Strategic Long-Term Goals	Strategy to Achieve Success	Objectives
Customers “Our customers trust us”	Achieve and maintain an exceptional customer satisfaction rating Meet or exceed all OEB scorecard targets	Improve service quality management (responsiveness, entrepreneurial, high quality) Advance customer focus (customer satisfaction, communication, engagement, education)	Achieve OEB scorecard targets Increase MyPUC app usage
Employees “Our Employees Appreciate us”	Recognized as one of Canada’s top 100 Employers A culture of safety excellence	Implement leading organizational transformation (employee engagement, operational excellence, talent management) Continuous improvement of safety culture and performance through an Integrated Safety Management Program	Continue accountability leadership training for all staff Develop a diversity, equity, and inclusion strategy Zero high-risk lost time incidents Zero high-risk employee safety incidents Contractor safety program
Shareholder “Our Shareholder Commends us”	Achieve OEB deemed return on equity for shareholder Achieve infrastructure sustainability Continuous productivity/business process improvement Increase enterprise value	Ensure sustainability of assets and system Productivity/business process improvements Explore permitted business opportunities	Achieve infrastructure sustainability File cost of service rate application Complete Sault Smart Grid (SSG) project Continuous productivity/business improvements

PUC’s focus on sustainability has been an effective way to increase innovation capability, reduce the company’s carbon footprint and enable significant growth. By weighing all decisions through this lens, PUC has identified, pursued, and launched several new opportunities that are rooted in community partnerships and innovative ideas.

5. Key Success Factors

The following five key success factors will help PUC create a best-in-class utility:

1. **Completion of a DSP** – This comprehensive engineering plan outlines PUC’s asset management strategy and capital expenditure plans over a five-year horizon. PUC’s plan provides clarity, direction and focus connecting PUC’s vision for the future to its core strategies and strategic objectives. Customers, Employees, and Shareholders are the focus and at the forefront of PUC’s DSP.

In addition to the core values above, the fundamental objective of PUC’s asset management program is to manage planning and engineering prudently and efficiently. This entails ensuring the design, inspection, maintenance, replacement, and retirement of all distribution assets are done in a sustainable manner that maximizes safety and customer reliability, while optimizing asset lifecycle costs.

2. **People, Culture and Safety Strategy** – Succession planning, employee growth and engagement will ensure that PUC has the right people in the right jobs over the coming years. Human resources and safety policies will position PUC as one of the top employers in Canada. Safety is always a top priority in PUC’s plans and budgets. This includes both safety for the public and the safety of PUC employees.

PUC is dedicated to creating a welcoming environment that encourages and promotes diversity, cross-culture working experiences and strong relationships within the community and with partners. PUC will strive to demonstrate leadership and foster a workplace culture where all employees feel empowered to bring their authentic selves to the workplace and do their best work.

3. **Customer-Centric** – With its COS, PUC reached out to customers through the biennial customer satisfaction survey as well as through specific COS surveys to gather feedback and confirmation on how PUC is doing. PUC is continually looking for ways to create positive experiences for customers, while at the same time encouraging behaviour that is more responsive to energy conservation. This has resulted in the launch of the MyPUC app, along with other consistent, proactive communication methods that are conducive to two-way interaction. A summary of PUC’s customer engagement and how it impacts this business plan is provided in Appendix B.
4. **Financial Success** – PUC strives to produce consistent, allowable earnings, with returns that meet the expectation of PUC’s Shareholder. The focus is on growing value through

investment and innovation. PUC continues to build on partnerships with other LDCs and organizations to strengthen the utility.

5. **Innovation** – Building on the strong culture of innovation PUC has created throughout the organization, PUC will engage all staff to look for ways to improve efficiency and reduce costs through innovation. This includes initiatives such as “becoming paperless” with creating electronic forms, promoting e-billing to customers, and also improving efficiencies in how we operate.

6. Key Challenges, Risks and Mitigation

PUC continues to set risk management as a top priority. It has implemented an Enterprise-wide Risk Management (ERM) program whereby the Senior Leadership Team become Risk Owners for one or more risks. They assume full accountability for successful management of their risk(s), including actions plans for risk mitigation and report on progress regularly. Over the COS horizon, the corporate risk register will continue to be reviewed to ensure that risks with a potential to affect the organization from a safety, reputation, financial and personnel perspective are identified and addressed. This will enable PUC to deliver on its commitments as presented with the COS.

The following business risks have been identified, and mitigation strategies are in place:

Weather

Mitigation of material weather-related impacts on costs (e.g., ice storms, high winds, etc.) can be achieved in different ways, including by improving the resiliency of PUC’s assets through design changes and proactive management of right-of-way. Risk exposure can also be reduced through a request for a z-factor adjustment application before the OEB. The current materiality threshold for z-factor adjustments is 0.5% of distribution revenue, which for PUC is approximately \$0.1 million per event.

Weather-related impacts on distribution revenue, as well as energy conservation efforts, cannot be mitigated in the short term, although evidence will be presented in the COS to mitigate the future impact of a weather-related declining revenue trend. Such evidence would generally include the presentation of weather-normalized data as a basis for determining customer-specific volumetric distribution charges. In addition, the transition to a fully fixed monthly charge for residential customers was completed in 2020, resulting in approximately 67% of distribution revenue being fixed monthly.

Local Economy and Credit Risks

LDCs in general are challenged to mitigate short-term impacts on distribution revenue resulting from declining consumption and poor economic conditions. These aspects are considered to be normal business risks for LDCs and must be taken into consideration as part of the development of the load forecast underlying the COS.

As part of its COS, PUC will provide a load forecast derived from a multi-factor, single-equation econometric model. The model includes such parameters as weather (heating degree-days, cooling degree-days), number of customers, calendar variables (days in month, number of peak hours), and a trend variable. LDCs are exposed to revenue fluctuations during the IRM rate periods from variances between actual loads and the load forecasts underlying distribution rates at the time of the COS filing.

PUC faces credit risk primarily from non-payment of hydro bills by large commercial account customers. The company's revenue is earned from a broad base of customers; it does not earn a significant amount of revenue from any single customer. Although not a direct customer of PUC, the performance of the City's largest employer poses a material risk to PUC because of its impact on residents and businesses that are customers of PUC.

PUC's top ten customers represent 6% of distribution revenue, which exposes PUC to credit risk from these customers. However, of the top ten customers, only one is a private corporation, the remainder are federal, provincial, or municipal government entities which reduces the credit risk. Additionally, a systemic downturn could also expose PUC to credit risk from other customer classes. To deal with this risk, PUC has adopted credit policies as permitted by OEB regulation that result in a reasonable level of credit risk mitigation. PUC does not provide significant electric supply to the major industries in the municipality, however, financial difficulties at these companies could adversely affect the entire community and thus the distribution utility.

Equipment Failure

Equipment failures have an effect on service reliability to customers. By recently completing an Asset Management Plan ("AMP") and a DSP, PUC has adopted a systematic plan to replace its aging infrastructure. Equipment failure risk is managed through such programs as the annual tree-trimming program, infrared surveys of plant and equipment, non-destructive pole testing and treatment, oil testing of power transformers, and by maintaining an adequate inventory of replacement parts.

Regulatory Risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that significantly reduce the rate of return that can be earned by electricity distributors. In addition, the ability to maintain the distribution system depends on, among other factors, the OEB allowing recovery of the OM&A and capital costs required in the future. Lower rates arising from these types of changes could result in distribution earnings and cash flow being lower than the rate increases assumed in the Business Plan.

Failing to continually be aware of and applying changing government regulations is also a corporate risk. The company monitors developments in the electricity industry and relies on the Electricity Distributors Association (“EDA”) to monitor and act on its behalf. Consultants with expertise in certain fields are utilized as required. Further, PUC is a member of the Utilities Standards Forum (“USF”) and actively participates in various Regulatory Working Groups as a means to keep abreast of changes in Regulations, provide insight on emerging issues and network industry best practices.

In the past, OEB amendments to regulations, codes and guidelines have been experienced in the following areas such as:

- Restrictions on disconnecting electric services for non-payment;
- Length of advance notice prior to a disconnection;
- Bill due dates and late payment charges;
- Security deposits;
- Allocation of payments;
- Equal monthly billing plans; and
- Arrears payment arrangements.

Management continues to monitor the OEB’s amendments to customer service rules and will analyze the financial impact of any changes required by the OEB in a timely manner.

Human Resources Risk

Acquisition and retention of human resources to support existing operations and new business requirements remain a continuous risk to manage. PUC Services Inc., like others in the utility services industry, faces a significant number of retirements over the next several years. The retirement of individuals in technical, trades and management positions will result in the loss of a significant pool of expertise, therefore where

practical replacements are hired in advance of projected retirements to promote the transfer of knowledge. Further, management and staff have committed to making a priority to develop and implement a talent strategy that attracts and retains qualified candidates to meet the company's recruitment needs.

As part of the management services contract, PUC Services Inc. provides the workforce necessary to operate PUC. Labour disruptions can affect ongoing operations. Collective agreements with the union employees in PUC Services Inc. are in effect until April 30, 2024.

Technology Risk

The use and complexity of the company's electronic infrastructure continue to increase, and its reliability and security are critical to all areas of operation. As part of the management service contract with PUC Services Inc., an information technology (IT) department oversees networks, voice over internet protocol communications, enterprise software, smart meter operation, systems security, and other emerging IT issues. Further, PUC Services Inc., has established a dedicated Information Security (IS) department that reports directly to the President & CEO. This department oversees the cybersecurity configuration of all systems and network devices within the technology infrastructure. It monitors all cyber alerts and ensures mitigating solutions are in place to protect confidentiality, integrity, and availability of all data and applications. It delivers a corporate-wide staff training program to address cybersecurity issues and is actively participating in the USF's Cybersecurity and Privacy working groups. PUC completed the Cybersecurity implementation plan developed to meet the requirements of the OEB Cyber Security Framework. PUC continues to strive for full compliance with the recommended measures and reporting requirements to mitigate cyber security risks.

Business Continuity Risk

Business Continuity Planning (BCP) is an important part of PUC's risk management strategy. During the COVID pandemic, PUC's Business Continuity Plan was challenged and updated to ensure PUC could continue to operate safely and efficiently. Every department in the organization was involved in the process of creating systems of prevention and recovery to ensure PUC's goal of enabling ongoing operations and delivery of essential services to customers was met. This process included comprehensive tabletop exercises that took into account critical resource planning, alternate facilities, mission essential functions, succession planning and worker and public safety procedures.

7. Financial Performance Projections

This report summarizes PUC's estimated results for 2022 and 2023 budgets (test year budget) and 2024 – 2027 projections.

The Business Plan is based on the following assumptions and constraints:

1. A distribution revenue increase in 2023 of approximately \$4.1M based on the estimated increase as a result of the COS to be submitted (rebased recovery of requested OM&A expenses, depreciation expense and PILs expense, plus a return on asset base as prescribed by the OEB).
2. An annual distribution revenue increase in 2024 to 2027 of 2.0% based on the estimated Incentive Rate Mechanism (IRM) annual increase leading up to the next COS in 2028. The projections are also based on historical consumption levels.
3. Subsequent to 2023, expense increases are estimated at 2.0% per year.
4. Prudent investment in distribution plant so that ratepayers can continue to be provided with excellent service and reliability.
5. Continued improvement to customer communication and engagement to best serve customers.
6. Long-term view of return on shareholder investments.
7. Continuing to seek improvements in productivity in order to provide current and future mandated levels of service to customers at a cost at inflation or less.
8. Managing economic and political uncertainty.
9. Reducing the debt-to-equity ratio over a number of years to the OEB deemed level of 60/40%.

PUC High-Level Financial Budgets and Projections:

PUC's Financial Plan summary is provided in Appendix A. The Plan provides for prudent and sustainable investment in core business operations and subject to certain material risks, results in the following metrics:

Description	2023 Test	2024 Projection	2025 Projection	2026 Projection	2027 Projection
Liquidity: Current Ratio	0.89	1.01	1.07	1.23	1.14
Debt to Equity Ratio	2.36	2.24	2.11	1.99	1.85
Projected Return on Equity	6.80%	7.61%	7.50%	7.29%	7.14%
Deemed Return on Equity	8.66%	8.66%	8.66%	8.66%	8.66%
Interest payments to S/H	\$1.62M	\$1.62M	\$1.62M	\$1.62M	\$1.62M
Dividends to S/H	\$0.61M	\$0.61M	\$0.61M	\$0.61M	\$0.61M

PUC's future target is to achieve its deemed return on equity while maintaining liquidity and leverage ratios that are relatively consistent with historical levels.

The Business Plan provides for prudent and sustainable investment in core business operations. The achievement of this plan is subject to obtaining approval for rates in 2023 as requested and to business risks as noted above. Following is a summary of the five-year financial plan that is attached in Appendix A:

Description (\$ M)	2023 Test	2024 Projection	2025 Projection	2026 Projection	2027 Projection
Net Income	\$3.12	\$3.60	\$3.75	\$3.90	\$4.07
Distribution Revenue	\$23.78	\$25.28	\$25.79	\$26.30	\$26.83
OM&A Expenses	\$13.53	\$14.20	\$14.48	\$14.77	\$15.06
Depreciation	\$5.43	\$5.67	\$5.85	\$6.04	\$6.47
Capital Expenditures (net)	\$10.11	\$7.24	\$7.47	\$6.61	\$10.79
Working Capital	(\$5.97)	(\$3.20)	(\$2.10)	(\$0.01)	(\$2.45)

Net Income

Overall, net income is increasing from 2023 to 2027 as a result of the rebasing of distribution rates. The 2023 budget includes only a portion of the increase, as it is anticipated that the rate increase will take place on May 1, 2023. Net income increases again in 2024 as the rebased rates will be effective for the entire year. The principal driver of the increase in net income in 2023 corresponds to the significant capital investments over the past five years leading to an increase in rate base.

Distribution Revenue

The 2023 planned distribution revenue has been determined based on re-setting the distribution rates that PUC charges its customers to be applied for with the OEB in PUC's 2023 COS. It is expected that PUC will file its application with the OEB on August 31, 2022. Revenue is based on PUC's budget for OM&A and depreciation expenditures, payments in lieu of taxes, and an allowable regulatory return on capital. PUC is requesting that the OEB approve an average increase to its 2023 distribution rates of 18% when compared to 2022 rates. This increase is mainly driven by the return on rate base, and associated depreciation due to the increase in Net Book Value of capital assets.

Preliminary bill impacts indicate that a typical Residential customer consuming on average, 750 kWh per month, would see their total bill increase by about 3.03%. Bill impacts for the typical General Service customer consuming on average, 2,000 kWh per month, would see their total bill increase by about 4.4%. However, the final bill impacts that will be requested from the OEB are not known yet as PUC is still working on preparing its application, and the application will be subject to review by the OEB and intervenors through the rate application process. The outcome of the rate proceeding may result in OEB approving a different revenue requirement than is originally requested.

PUC is preparing a strong case, supported by third-party expert reports to justify the need for rate increases. PUC needs to continue investing in people, technologies, and processes to support its customers and to operate a sustainable business that provides a safe and reliable service expected by its customers. The COS provides justification for the level of expenditures needed to run PUC effectively, in addition to providing value to its customer base and earn its regulated rate of return.

Operating Expenses

The average non-labour OM&A inflation rate in the 2023 test year is 3.0% per year and 2.0% in 2024 through 2027. The 2.0% for 2024 through 2027 is the benchmark that the Bank of

Canada is striving to achieve. Therefore, this is applied to both revenue and expenditures so that any change to inflation will be stabilized in the financial forecast.

A collective agreement was ratified in March 2022, providing the terms and conditions of employment for unionized staff within PUC from April 1, 2021, to April 30, 2024. Annual general union and non-union labour inflation is assumed to be 2.0% for the years 2023-2027.

The following table provides the 2023 to 2027 sources of OM&A expenditures.

Description (\$M)	2023 Test	2024 Projection	2025 Projection	2026 Projection	2027 Projection
Operations	\$7.28	\$7.43	\$7.57	\$7.73	\$7.88
Billing and Collecting	\$2.04	\$2.08	\$2.13	\$2.17	\$2.21
Administrative	\$4.21	\$4.68	\$4.78	\$4.87	\$4.97
Total OM&A	\$13.53	\$14.19	\$14.48	\$14.77	\$15.06

Working Capital

Working capital remains at a low level through the earlier years of the projection period. Elevated capital expenditures, including SSG and the Substation 16 rebuild, in addition to current debt service obligations, have outweighed cash generated from operations and new borrowings. PUC's challenge is to continue to provide service to customers in the regulated rate environment where revenue increases are capped at less than inflation and ever-evolving regulations increase OM&A expenses in a local economy that is not expanding. An increase in working capital will be attained through lower capital expenditures and additional financing.

Despite the moderate rate increases expected in the IRM years, management believes that it can deliver PUC's capital plan and manage costs effectively and in a manner that continues to deliver quality distribution service safely and reliably for ratepayers. The Business Plan reflects managed increases in expenditures with due regard for the following:

- Expectations set by the OEB regarding the nature and magnitude of expenditures.
- Prioritization of investments in the context of requirements for distribution system renewal and the needs of PUC's ratepayers.
- Advancement of business processes through replacement or new investments in information technology systems and technology-based processes.
- Continued improvement to customer engagement and communication.
- Customer affordability.
- A reasonable rate of return for the shareholder.

PUC's target for the forecast period is to balance inflationary OM&A cost increases with productivity and efficiency improvements, consistent with the price-cap adjustment factors inherent in the OEB's IRM rate-setting framework.

Capital Expenditures

PUC's overall system planning, and capital expenditure planning process ensures PUC continues to provide safe, reliable, and efficient distribution of electricity to its customers. Capital investments are required to maintain adequate security of supply to meet customer needs, as well as to replace end-of-life assets. PUC has updated its DSP and AMP that both identify areas of the distribution system that should be the focus of resources in order to maintain reliable service to customers. In 2022, capital expenditures include the substantial completion of the SSG as part of System Service assets.

Planned Capital Expenditures

Planned Capital Expenditures (\$M)	2022 Budget	2023 Test	2024 Projection	2025 Projection	2026 Projection	2027 Projection
System Access	\$ 1.84	\$ 2.34	\$ 2.67	\$ 2.79	\$ 2.49	\$ 2.36
System Renewal	\$ 6.63	\$ 4.60	\$ 4.24	\$ 3.44	\$ 3.55	\$ 2.57
System Service	\$ 28.71	\$ 3.19	\$ 0.13	\$ 0.84	\$ 0.75	\$ 5.86
General Plant	\$ -	\$ 0.58	\$ 0.81	\$ 1.03	\$ 0.43	\$ 0.63
Total Expenditures, Gross	\$ 37.18	\$ 10.71	\$ 7.85	\$ 8.11	\$ 7.22	\$ 11.42
Capital Contributions	\$ (7.85)	\$ (0.59)	\$ (0.62)	\$ (0.64)	\$ (0.61)	\$ (0.62)
Total Expenditures, Net	\$ 29.33	\$ 10.11	\$ 7.24	\$ 7.47	\$ 6.61	\$ 10.79

Financing

No changes have been made to the current financial structure in this financial plan. Debt to equity, which includes shareholder debt, is currently 69% debt and 31% equity in comparison to the deemed debt to equity of 60/40%. The interest payment to the shareholder remains at \$1.62M throughout the projection period. The financial plan results in a debt-to-equity level of 70/30% by 2023, falling to 65/35% by 2027.

8. Revenue Requirement/Revenue Deficiency

PUC's COS is intended to set rates that will recover the 2023 base revenue requirement identified in the table below. The following illustrates that revenues at current rates are insufficient to recover this revenue requirement, resulting in a net revenue deficiency of \$4.07M, confirming the need for PUC to proceed with its scheduled COS.

Revenue Deficiency Determination (\$M)			
Description	Current Rates		Proposed Rates
Revenue			
Revenue Deficiency from below		\$	4.07
Distribution Revenue	\$	20.84	\$ 20.84
Other Operating Revenue offsets	\$	2.75	\$ 2.75
Total Revenue	\$	23.59	\$ 27.66
Costs and Expenses			
Operating Expenses	\$	19.37	\$ 19.37
Deemed Interest Expense	\$	3.09	\$ 3.09
Total Costs and Expenses	\$	22.46	\$ 22.46
Utility Income Before Income Taxes	\$	1.13	\$ 5.20
Income Taxes:			
Corporate Income Taxes	\$	(0.59)	\$ 0.49
Total Income Taxes	\$	(0.59)	\$ 0.49
Utility Net Income	\$	1.72	\$ 4.71
Utility Rate Base	\$	135.93	\$ 135.93
Actual Return on Rate Base		3.54%	5.74%
Target Return - Equity on Rate Base		5.74%	
Deficiency/Sufficiency in Return on Equity		-2.20%	
Revenue Deficiency/(Sufficiency) after tax	\$	2.99	
Gross Revenue Deficiency/(Sufficiency)	\$	4.07	

PUC has incorporated these final projections for 2024 and its effect on revenue requirement on its scorecard metrics provided in Appendix C.

9. Bill Impacts

Based on a new revenue requirement of \$27.6M in 2023, the following table outlines the bill impacts for the following rate classes:

Average monthly Total Bill	Current Approved Rates	Proposed Rates	Change	
			\$	%
Residential Customer (750 kWh)	\$ 122.56	\$ 126.28	\$ 3.72	3.03%
Small General Customer (2,000 kWh)	\$ 309.53	\$ 323.16	\$ 13.63	4.40%
Large General Customer (145 kw)	\$ 9,533.29	\$ 9,335.77	\$ (197.52)	-2.07%

Distribution Rate only Impact	Current Approved Rates	Proposed Rates	Change	
			\$	%
Residential Customer (750 kWh)	\$ 35.88	\$ 42.48	\$ 6.60	18.39%
Small General Customer (2,000 kWh)	\$ 80.27	\$ 95.49	\$ 15.22	18.96%
Large General Customer (145 kw)	\$ 1,244.61	\$ 1,440.10	\$ 195.49	15.71%

Incorporated in the overall monthly bill impact is the effect of the following major components of the electricity bill:

- Distribution rates (monthly service charge and volumetric rates);
- Disposition of deferral and variance accounts;
- Revised Retail Transmission rates;
- Regulatory Charges; and
- Loss Factors.
- Revised Embedded Generation Rate Rider Refund
- Rate Rider Refund for Loss Carry forwards
- VVO Consumption Savings from Sault Smart Grid

Overall PUC believes that the bill impacts are reasonable for its customers and properly aligns its rising costs with affordable rates.

10. Conclusion

This 2023-2027 Business Plan for PUC reflects its focus on being sustainable while balancing reliability and affordability for customers. Overall, the plan supports a successful COS, and management remains committed to being prudent in its expenditures and investments throughout the five-year period while not sacrificing the excellent service customers have come to rely on.

Appendix A - Financial Projections

PUC Distribution Inc. Balance Sheet



For the Year Ending December 31

2022

	Budget	2023	Budget 2024	Projected 2025	Projected 2026	Projected 2027	Projected
<u>Assets</u>							
Current Assets	\$21,518,045	\$22,847,794		\$25,951,171	\$27,475,780	\$31,527,525	\$29,249,329
Future Taxes	\$0	\$0		\$0	\$0	\$0	\$0
Net Fixed Assets	\$131,086,455	\$135,426,047		\$136,987,384	\$138,611,506	\$139,151,077	\$143,705,283
Regulatory Assets	\$9,437,146	\$9,437,146		\$9,437,146	\$9,437,146	\$9,437,146	\$9,437,146
	<u>\$ 162,041,646</u>	<u>\$ 167,710,987</u>	<u>\$ 172,375,701</u>	<u>\$ 175,524,432</u>	<u>\$ 180,115,747</u>	<u>\$ 182,391,758</u>	
<u>Liabilities</u>							
Current Liabilities	\$27,912,361	\$28,224,789		\$28,390,228	\$28,599,927	\$29,583,468	\$29,662,991
Notes Payable	\$83,669,826	\$86,520,291		\$88,030,694	\$87,831,397	\$88,148,560	\$86,886,200
Deferred Revenue	\$7,034,528	\$7,034,528		\$7,034,528	\$7,034,528	\$7,034,528	\$7,034,528
Regulatory Liabilities	\$696,821	\$696,821		\$696,821	\$696,821	\$696,821	\$696,821
Deferred tax liabilities	\$1,989,000	\$1,989,000		\$1,989,000	\$1,989,000	\$1,989,000	\$1,989,000
	<u>\$121,302,537</u>	<u>\$124,465,429</u>	<u>\$126,141,271</u>	<u>\$126,151,674</u>	<u>\$127,452,377</u>	<u>\$126,269,540</u>	
<u>Shareholder Equity</u>							
Common Shares	\$20,062,107	\$20,062,107		\$20,062,107	\$20,062,107	\$20,062,107	\$20,062,107
Retained Earnings	\$20,677,002	\$23,183,451		\$26,172,323	\$29,310,651	\$32,601,263	\$36,060,111
	<u>\$ 40,739,109</u>	<u>\$ 43,245,558</u>	<u>\$ 46,234,430</u>	<u>\$ 49,372,758</u>	<u>\$ 52,663,370</u>	<u>\$ 56,122,218</u>	
Total Liabilities and Shareholder Equity	<u>\$ 162,041,646</u>	<u>\$ 167,710,987</u>	<u>\$ 172,375,700</u>	<u>\$ 175,524,432</u>	<u>\$ 180,115,747</u>	<u>\$ 182,391,758</u>	

PUC Distribution Inc.
Statement of Comprehensive Income



	For the Year Ending December 31											
	2022											
	Budget	2023	Budget	2024	Projected	2025	Projected	2026	Projected	2027	Projected	
<u>Revenue</u>												
Net Electricity Distribution Revenue	\$	20,336,375	\$	23,782,600	\$	25,281,653	\$	25,787,286	\$	26,303,032	\$	26,829,093
Other Revenue	\$	2,509,522	\$	2,750,265	\$	2,770,628	\$	2,791,398	\$	2,812,583	\$	2,834,192
	\$	22,845,897	\$	26,532,865	\$	28,052,281	\$	28,578,684	\$	29,115,615	\$	29,663,284
<u>Expenses</u>												
Operations	\$	6,680,445	\$	7,280,465	\$	7,426,074	\$	7,574,596	\$	7,726,088	\$	7,880,609
Billing and Collecting	\$	1,934,849	\$	2,043,800	\$	2,084,676	\$	2,126,370	\$	2,168,897	\$	2,212,275
Administrative	\$	3,540,744	\$	4,209,435	\$	4,684,217	\$	4,777,902	\$	4,873,460	\$	4,970,929
Operating Expenses	\$	12,156,038	\$	13,533,701	\$	14,194,968	\$	14,478,867	\$	14,768,444	\$	15,063,813
Depreciation	\$	4,473,172	\$	5,425,413	\$	5,669,538	\$	5,850,310	\$	6,037,171	\$	6,201,589
Property Taxes and LEAP	\$	369,215	\$	415,575	\$	423,887	\$	432,364	\$	441,012	\$	449,832
Operating and Depreciation	\$	16,998,425	\$	19,374,689	\$	20,288,392	\$	20,761,541	\$	21,246,627	\$	21,715,234
Income from Operating	\$	5,847,472	\$	7,158,177	\$	7,763,889	\$	7,817,143	\$	7,868,988	\$	7,948,050
Interest Expense	\$	3,094,507	\$	3,943,634	\$	4,053,307	\$	3,952,721	\$	3,847,818	\$	3,753,730
Income before taxes	\$	2,752,965	\$	3,214,543	\$	3,710,582	\$	3,864,422	\$	4,021,170	\$	4,194,320
Income taxes	\$	84,299	\$	98,013	\$	111,631	\$	116,013	\$	120,479	\$	125,392
Net Income	\$	2,668,666	\$	3,116,529	\$	3,598,951	\$	3,748,408	\$	3,900,692	\$	4,068,928
Opening Retained Earnings	\$	18,456,616	\$	21,125,282	\$	24,241,812	\$	27,840,763	\$	27,840,763	\$	31,589,172
Net Income	\$	2,668,666	\$	3,116,529	\$	3,598,951	\$	3,748,408	\$	3,900,692	\$	4,068,928
Dividends	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Closing Retained Earnings	\$	21,125,282	\$	24,241,812	\$	27,840,763	\$	31,589,172	\$	31,741,455	\$	35,658,100

PUC Distribution Inc.
Statement of Working Capital



	For the Year Ending December 31 2022										
	Budget	2023	Budget	2024	Projected	2025	Projected	2026	Projected	2027	Projected
Opening Working Capital	(\$7,342,222)		(\$6,678,829)		(\$5,973,935)		(\$3,201,437)		(\$2,096,226)		(\$11,563)
Net Income	\$ 2,668,666	\$	3,116,529	\$	3,598,951	\$	3,748,408	\$	3,900,692	\$	4,068,928
Add Depreciation	\$ 4,473,172	\$	5,425,413	\$	5,669,538	\$	5,850,310	\$	6,037,171	\$	6,201,589
Less Net Capital Expenditures	\$23,097,501		\$9,765,005		\$7,230,875		\$7,474,433		\$6,576,741		\$10,755,796
Add Loan Proceeds	\$ -	\$	-	\$	4,000,000	\$	4,000,000	\$	5,500,000	\$	4,000,000
Less Principle Repayments	\$2,011,730		\$2,324,158		\$2,489,597		\$2,699,296		\$3,682,837		\$3,762,360
Ending Working Capital	<u>\$ (25,309,615)</u>	<u>\$</u>	<u>(10,226,050)</u>	<u>\$</u>	<u>(2,425,918)</u>	<u>\$</u>	<u>223,553</u>	<u>\$</u>	<u>3,082,058</u>	<u>\$</u>	<u>(259,202)</u>
Working Capital	(\$6,678,829)		(\$5,973,935)		(\$3,201,437)		(\$2,096,226)		(\$11,563)		(\$2,448,805)

Appendix B - Customer Engagement

As a trusted utility provider for over 100 years, PUC is continually looking for ways to create positive experiences for customers, while at the same time encouraging behaviour that is more responsive to energy conservation. PUC is always striving to use innovation to improve communication – and trust – with customers. PUC recognizes that as the utility industry evolves, so do their customers' needs and expectations.

PUC's five-year strategic direction provides clarity, direction and focus connecting PUC's vision to improve communities through curiosity and innovation, with the company's core strategies and strategic objectives. Customers are one of PUC's three areas of strategic focus, along with employees and PUC's shareholder. PUC's strategic long-term goal is to achieve and maintain an exceptional satisfaction rating, and strategies to achieve success in this area include advancing customer communications and engagement, and creating an improved, ease of use experience.

Over the past five years, improving communications, community relations and the overall customer experience have been identified as strategic priorities for the company. Through this focused approach, PUC has been able to effectively engage with customers through meaningful, two-way communication, and improve upon the customer experience through a “one-stop-shop” methodology for first point of contact.

In 2020, PUC developed a new brand promise to customers that states “we lead the way through innovation and compassion to deliver outstanding service every single day.” Combined with PUC's core value of being ‘customer-centric,’ PUC has continually demonstrated their commitment to engaging customers over the past five years.

PUC uses various communication tactics to best serve its customers, such as:

- Digital Platforms (i.e., Mobile App, PUC website, Customer Connect Portal, social media, and digital advertising);
- Traditional Platforms (i.e., phone and mail, media, print, radio advertising);
- Community Outreach (i.e., attendance at community events, townhalls, open houses, school safety program); and
- Customer Surveys.

Through regular customer engagement surveys, PUC has been able to incorporate important customer feedback when evaluating PUC's priorities moving forward. Surveys have also provided

opportunities for education and awareness regarding PUC's operations, improvements to service and strategic initiatives.

Since PUC's last cost of service application filing, it has engaged customers in the following eight surveys:

1. Two (2) UtilityPULSE Customer Satisfaction Surveys (2019, 2021)
2. Four (4) Customer Pulse surveys (in 2020)
3. Two (2) Cost of Service-related surveys (2021, 2022)

As each survey is analyzed, several common themes have surfaced, providing PUC with greater insight into the needs and wants of customers. Those common themes include:

- Customers want improved communications;
- Customers place a high value on energy saving initiatives and PUC lowering their carbon footprint;
- Customers place a high value on reliability, cyber security, and upgrades to infrastructure;
- Customers place high importance on reasonable electricity rates.

Below provides a more detailed summary of the surveys conducted, and how PUC has responded.

UtilityPULSE Customer Satisfaction Surveys

In 2019 and 2021, PUC conducted its biennial Customer Satisfaction Surveys with UtilityPulse. The objective of these surveys is to capture perceptions about customer needs and wants as well as gather information to support discussions and improve the customer experience at every level in the organization.

During the period of September 2019, 400 customers completed a telephone interview, providing a confidence level of 95% (+/- 4.9%). The survey represented 85% residential and 15% commercial.

PUC received a Credibility and Trust Rating of 87% and an Overall Satisfaction Rating of 94%. From this survey, customers expressed that the following should be priorities for PUC:

- Pro-actively maintaining and upgrading equipment
- Reducing response times to outages
- Investing in projects to reduce the environmental impact of the utility's operations
- Investing more in the electricity grid to reduce outages

Based on this feedback, PUC has made significant investments through the Sault Smart Grid project that will result in upgrades to equipment, a reduction in the response times to outages, a reduction in the number of outages and a reduction PUC's environmental impact through more efficient energy consumption. In addition, PUC has purchased electric vehicles and developed a plan to further electrify their fleet to lower maintenance and fuel costs and lower their carbon footprint.

PUC received an A rating. PUC received a score of 83% on the customer centric engagement index (CCEI), compared to 82% in Ontario.

From this survey, customers expressed that the following should be priorities for PUC:

- Movement to more digitization
- Improvements to communication (more pro-active approaches)
- Better prices and lower rates
- Simplified billing
- Enhance cyber security measures

Based on this feedback, PUC has put in place a digitization strategy, with a goal of going paperless by 2024. Since the initiative was launched in 2019, PUC has reduced day to day printing dramatically, increased on-line payments to vendors, enhanced the customer experience by providing flexibility, and restructured processes internally for employees to promote efficiencies. Some specific examples include the promotion of e-billing for customers, the development of the MyPUC App, the elimination of printed paystubs, an increase in Electronic Fund Transfers from 8% to over 40%, and the development of an online employee portal, Dayforce.

PUC has improved pro-active communications through the development of the MyPUC App, and the increased use of social media platforms and PUC's website. For example, in addition to ATLAS phone notifications, the MyPUC app and website now display information on planned power outages in advance, so that customers can properly prepare for the interruption.

PUC recognizes the threat that cyber security represents and is taking measures to mitigate that risk. PUC has made significant investments in cyber security infrastructure, including the addition of a Manager of Information Security.

In order to simplify billing, PUC has continued to encourage customers to sign up for preauthorized payments, e-billing and the MyPUC App. Lastly, PUC has made significant investments through the Sault Smart Grid project that will result in average customer savings of 2.7%.

Customer Pulse Surveys

In 2020, PUC conducted four online pulse surveys throughout the year to provide education and gain insight into how to better serve customers related to PUC's strategic and long-term planning. The message to customers was as follows:

"New Advances in technology are changing the way we distribute electricity, and as a result, are providing new options for customers. With new technologies, customers will be better equipped to exercise more control on their energy consumption, and technological advances mean safer options and an eventual decrease in the price of electricity.

All of this is possible, but it requires investments today so electricity will continue to be safe, reliable, and affordable for tomorrow."

Based on the results of those surveys, it was noted that PUC should:

- Look at ways to create energy savings for customers.
- Consider increasing bills if it means improvements to reliability, efficiency, and communications. The graph below displays this, as 72.12% customers stated they would place a value between \$0.50 - \$2.00 on future bills to improve reliability, efficiency, and communications.
- Make major investments in how PUC operates to reduce their carbon footprint. The first graph below displays that 60% customers stated reducing PUC's carbon footprint by making major investments in how it operates is either extremely or very important. The second graph below displays that 67% of customers stated that it is either extremely important or very important that PUC play a role in the community to promote the reduction of greenhouse gas emissions.
- Improve and enhance the customer experience. The graph below displays that 82.95% of customers stated they would like to see improvements to communication related to power outages.
- Look at ways to improve electrical reliability. The graph below displays that 72.64% of customers rated reliability as a 10 (on a scale from 1-10, 10 being the most important).

Through the increased use of social media platforms and website, and the development of the MyPUC App, PUC has made major efforts to be more pro-active with customer communications. For example, in addition to ATLAS phone notifications, the MyPUC app and website now display information on planned power outages in advance, so that customers can properly prepare for the interruption.

Cost of Service-related surveys

In 2021 and 2022, PUC conducted two online Customer Engagement Surveys. The purpose of surveys was to provide customers with a better understanding of the details behind PUC's proposed rate increase, along with an opportunity to share their feedback into future investment decisions at PUC which will inform PUC's Cost of Service Application.

The first survey (part one of two) was conducted in August-September 2021. 906 customers completed an online survey. Based on the results of this survey, it was noted that PUC should:

- Explore more options for customer communications and energy savings tools. The graph below shows that 38.96% of customers would like PUC to move ahead with an online chat portal. The second graph below shows that 74.56% of customers would be interested in tools to help decide between tiered and time-of-use pricing. The graph below shows that 44.12% of customers would like a notification when they hit certain consumption levels. All of these examples reflect customer's desire for new tools to support customer communications and energy savings.
- PUC should invest in maintaining reliable electricity services. The graph below shows that maintaining reliable electricity services is the number one priority for customers.
- Improved communications through pro-active measures like the MyPUC App, website tools and more consistent use of social media platforms, PUC has been able to get in front of issues (including outages) for a better overall customer experience. Customers can now access information on planned outages, news updates, changes in electricity rates, etc. on multiple platforms, thereby improving a customer's overall experience with PUC.

Building from the results of the first survey, the second survey (part two of two) was conducted in May-June 2022. 816 customers completed an online survey during a three-week time period between May 20th and June 10th 2022.

PUC should focus its priorities on delivering reasonably priced electricity prices and ensuring safe and reliable electricity services. Finding show that 92.15% of customers ranked either delivering reasonably priced electricity prices or ensuring safe and reliable electricity services as their top priority.

PUC should provide a variety of options for customers when accessing services, with a focus on online tools. In the graph below, customers noted that the MyPUC mobile app, the online self-serve options for managing their account and the availability of call centre staff are the most important options when accessing services.

PUC should provide both reliable information and services regarding the adoption of electric vehicles. In the graph below, 63.11% of customers stated they would like PUC to provide chargers for residential and commercial customers through rental or purchase programs, and 70.71% and 70.83% would like PUC to provide information on government incentives and more general reliable information on electric vehicles, respectively.

By having a presence in the community, developing, and improving upon communication channels and engaging customers through meaningful surveys, PUC has been able to effectively gather information from customers when making decisions. Improving upon the overall customer experience has been a top priority for PUC over the past five years, as demonstrated by the many innovations and improvements that have been made. Ensuring that customer voices are heard has pushed PUC leadership to be innovative and make smart decisions that are in the best interests of its customers, its employees, and its shareholder.

Appendix C - Scorecard Metrics

As part of its business plan PUC assess its performance in each of the OEB's performance outcomes over the last five years, how improvements are being made and its projections for continuous improvements. The following is a summary of the of PUC's 2021 OEB scorecard results for Customer Focus, Operational Effectiveness, Public Policy Responsiveness and Financial Performance.

Customer Focus

Service Quality

PUC continuously has met OEB approved target for New Services Connected on Time, Scheduled Appointment Met on Time, and Telephone Class Answered on Time. The table below summarizes the previous five (5) years historical results.

PUC is able to achieve high levels of compliance in new services connected on time due to its existing workflow process and expects this to continue into 2023 with a target for this metric of 90%.

Performance Year	New Residential/Small Business Services Connected on Time (Target: 90%)	Scheduled Appointments Met on Time (Target: 90%)	Telephone Calls Answered on Time (Target: 65%)
2021	97.60%	99.92%	71.13%
2020	100.00%	100.00%	68.88%
2019	100.00%	98.65%	72.43%
2018	99.12%	98.48%	77.70%
2017	96.67%	97.62%	79.88%

PUC has consistently met the number of scheduled appointments on time even with the increasing demand in the category. PUC will continue to excel in this category with a target of 90% in 2023.

PUC has had fluctuations in its results for telephone calls answered on time over the last five (5) years. PUC has been working on balancing the high demand in call volume while trying to maintain lower costs for its customers. PUC will continue to look to different avenues to communicate with its customers such as its Mobile App and Customer Chat function to help alleviate the high demand. PUC believes these initiatives will help alleviate the call volumes and improve PUC's results in this category over time. PUC 's target for this metric is 65%.

Customer Satisfaction

PUC's billing accuracy and first contact resolution has and continuous to achieve high level results with an average over 99%. PUC has been improving as of late on its customer satisfaction results. The below table summarizes the past five (5) years.

Performance Year	Billing Accuracy (Target: 98%)	First Contact Resolution	Customer Satisfaction Survey Results
2021	99.97%	99.63%	88%
2020	99.96%	99.76%	92%
2019	99.98%	99.82%	92%
2018	99.97%	99.80%	80%
2017	99.94%	99.74%	80%

PUC continues to strive for high performance in this category. PUC's target in 2023 is 98%, 99% and 85% respectively for billing accuracy, first contact resolution and customer satisfaction survey results.

Operational Effectiveness

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 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 within PUC's 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.

PUC promotes electrical safety awareness in a variety of other forms. The importance of awareness of electrical hazards is conveyed throughout the community via safety related communications in newspapers, on the 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.

PUC's target for this category is 85% in 2023.

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 new assets are put into service. Component B includes an External Audit, a Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations. ESA evaluates these elements in order to determine the status of compliance.

For the past ten (10) years, PUC was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This success was achieved through PUC's strong commitment to safety and adherence to regulatory requirements, company policies and procedures.

PUC's target for this metric in 2023 is to have zero (0) safety non-compliance.

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 2021 reporting period, there were zero reportable serious electrical incidents.

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.

PUC's target for this metric in 2018 is to have zero (0) serious electrical incidents reported.

System Reliability

In recent year PUC has seen a slight increase in its SAIDI and SAIFI results. Ongoing efforts to improve reliability, with a focus on effective maintenance activities and replacing aging infrastructure as indicated in PUC's Distribution System Plan, form part of PUC's strategies. PUC is also in the process of completing its Sault Smart Grid project installation, which once fully commissioned, is expected to help improve its reliability results. Since 10 substations and multiple circuits will be turned off at different stages of the construction project, it is anticipated that potential outages will impact more customers or may take longer to remediate, possibly resulting in a short-term reliability performance

metric decline for the end of 2022 and the first quarter of 2023. Still in 2023, PUC's target for SAIDI is 1.62 and SAIFI is 1.42.

Performance Year	Average Number of Hours Power to Customer is Interrupted (SAIDI)	Average Number of Times Power to Customer is Interrupted (SAIFI)
2021	1.81	1.32
2020	2.12	1.74
2019	1.45	1.55
2018	1.27	1.28
2017	1.43	1.21

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 2021 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 2023 to 2027 period as part of its 2023 Cost of Service application.

The calculated value for this performance metric for 2021 is 104%. 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) from 2019 to 2020/2021.

PUC has prepared a 2023-2027 DSP for its 2023 Cost of Service Application. As an ongoing target to meet the requirements of this DSP, PUC will continue to revisit and revise its capital spending based on system needs, cash flow forecasting, and the overall DSP plan itself.

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 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 table below summarizes the distribution of all distributors across the five (5) groupings for 2021:

Distribution of Distributors

Group	Demarcation Points for Relative Cost Performance	Group Ranking	# of Ontario LDCs in Group
1	Actual costs are 25% or more below predicted costs	Most Efficient	13
2	Actual costs are 10% to 25% below predicted costs	More Efficient	15
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	23
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

Since PUC’s last rebasing application in 2018, it has been working towards improvement in its efficiency performance. In 2019 PUC moved from group 4 to group 3. The table below shows PUC’s actual vs predicted costs from the PEG Benchmarking model since 2017 and its resulting Group Ranking. In 2019, PUC moved from group 4 to group 3 and has remained there. PUC has completed a prediction of 2022 and 2023 based on its OM&A and Capital Budget for those respective years.

Year	Actual Costs	Predicted Costs	Cost Efficiency Assessment	3 Year Average	Stretch Factor Assisngment Group
2023 Projection	\$32,966,739	\$28,341,910	15.1%	6.0%	3
2022 Projection	\$25,198,794	\$24,943,099	1.0%	1.3%	3
2021 Actual	\$23,585,229	\$23,172,578	1.8%	2.8%	3
2020 Actual	\$22,723,503	\$22,474,823	1.1%	4.9%	3
2019 Actual	\$23,450,122	\$22,196,232	5.5%	8.3%	3
2018 Actual	\$23,190,013	\$21,371,771	8.2%	11%	4
2017 Actual	\$22,600,176	\$20,196,516	11.2%	13.8%	4

In 2023 PUC is projecting higher actual costs due to the reporting required for Substation 16 ICM and Sault Smart Grid ICM. Both ICM's are reported as capital expenditure in 2023 as per the RRR filing requirements and therefore inflate PUC's actual costs for that year. PUC expects its actual costs to stabilize in 2024, thus bringing back down its efficiency percentage. Additionally, it should be noted that PUC has additional costs and savings that are not accounted for in the PEG model.

Included in PUC's operating, maintenance and administrative expenses is a charge from PUC Services that is based on depreciating and financing of the vehicles, tools, computer equipment, office equipment etc. that is utilized to provide services to PUC. For utilities that own the vehicles and equipment to service their customers, these expenses are included in depreciation and financing costs. As the total costs would be the same, removing the depreciation and financing costs from PUC's operating costs would better align costs comparisons in the PEG model with other utilities.

In 2023, PUC's Sault Smart Grid will be live creating savings for customers that are not accounted for in this PEG model due to the unique, innovative nature of the project. Rather than SSG improving PUC's Financial Performance, it improves the financial performance for its customers, saving them an estimated 2.70% on the cost of power. Depending on what the actual cost of power in a year is, this will save customers approximately \$1.7M.

After taken into consideration the influx in capital spending reported in 2023 from SSG and Substation 16, the charge from PUC Services to PUC and the SSG consumption savings for customers, the following table represents a revised calculation of actual costs and efficiency percentage.

Revised Cost Efficiency Percentage

Year	Actual Costs	Predicted Costs	Cost Efficiency Assessment	3 Year Average	Stretch Factor Assisngment Group
2023 Projection	\$28,057,472	\$28,341,910	-1.0%	0.6%	3

PUC's target is to remain in Stretch Factor Assignment Group 3.

Total Cost Per Customer

Total cost per customer is calculated as the sum of PUC's capital and operating costs, including certain adjustments to make the costs more comparable between distributors (i.e., under the PEG econometrics model), and dividing this cost figure by the total number of customers that PUC serves. PUC's cost performance results, from 2017 to 2021, have increased from \$673 to \$696 per customer. Overall, the company's total cost per customer has increased on average by 3.42% per annum over the period 2017 through 2021. For the period of 2017 to 2021, the total cost per customer on average has increased by approximately 0.84% per year. PUC will continue to replace aging distribution assets proactively in a manner that balances system risks and customer rate impacts. The company continues to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives that commenced in 2021 will continue in order to ensure customers have an opportunity to share their viewpoint on PUC's capital spending plans.

As with PUC's efficiency ranking above, this calculation uses PUC's actual costs in calculating the total cost per customer. In 2023, PUC is projecting an outlier year in actual costs due to the reporting of Substation 16 and Sault Smart Grid as Capital additions being added to rate base. This will inflate PUC's total cost per customer to \$967 for 2023 and should return to more normalized levels in 2024. The table below shows PUC's historical results and projections for 2022 and 2023.

Year	total cost Per customer
2023 Projection	\$967
2022 Projection	\$741
2021 Actual	\$696
2020 Actual	\$673
2019 Actual	\$697
2018 Actual	\$690
2017 Actual	\$673

After taken into consideration the influx in capital spending reported in 2023 from SSG and Substation 16, the charge from PUC Services to PUC and the SSG consumption savings for customers, the following table represents a revised calculation of total cost per customer.

Year	total cost Per customer
2023 Projection	\$823

PUC's target is a total cost per customer of \$823 after excluding costs for SSG, Substation 16, and non-operational costs discussed above.

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 cost performance results, from 2017 to 2021, have increased from \$30,541 to \$31,915 per km of line.

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 low growth rate has reduced the ability to fund capital renewal and increasing operating costs through customer growth. As a result, total cost per km of line has increased 4.50% since 2017 with the increase in capital and operating costs. For the period of 2017 to 2021, the total cost per km of line has increased by approximately 0.90% per year. A summary of the results is provided in table below.

Year	Total cost per Km of Line (revised)	Total cost per Km of Line
2023 Projection	\$38,018	\$42,252
2022 Projection	\$34,145	\$34,145
2021 Actual	\$31,915	\$31,915
2020 Actual	\$30,791	\$30,791
2019 Actual	\$31,775	\$31,775
2018 Actual	\$31,338	\$31,338
2017 Actual	\$30,541	\$30,541

PUC is projecting a spike in 2023 for the same reasons mentioned above. After adjusting for the increased costs due to SSG, Substation 16 and non operating costs discussed above, PUC is projecting a target of \$38,018 in 2023.

Public Policy Responsiveness

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 2021.

- New Micro-embedded Generation Facilities Connected on Time

PUC connected three net-metered facilities in 2021 on time, in which the application and offer to connect for one were completed at the end of 2020 and two were completed fully in 2021.

Financial Performance

Financial Ratios

PUC's historical financial ratios for liquidity, Debt to Equity, and Deemed vs Achieve ROE is presented in the table below.

Performance Year	Liquidity: Current Ratio	Leverage: Total Debt to Equity Ratio	Profitability: Regulatory Return on Equity - Deemed	Profitability: Regulatory Return on Equity - Achieved
2021	0.8	2.10	9.00%	7.60%
2020	0.99	2.07	9.00%	8.75%
2019	0.94	2.03	9.00%	8.87%
2018	1.33	2.02	9.00%	4.25%
2017	1.62	2.04	8.98%	1.78%

PUC's current ratio has trended down in recent years, although this is misleading since it is being skewed by certain affiliate transactions. Specifically, the Current ratio is affected by how PUC funds its capital expenditures and the timing of financing arrangements. Going forward PUC will look at obtaining financing prior to year end which will shift more of the current liability to long term debt and improve the presentation of its current ratio. PUC's target for this category is one (1).

Debt to equity has remained at a level close to 2:1. PUC will be undergoing additional financing for the completion of the Sault Smart Grid project. This will increase debt to equity in 2023 to approximately 2.36. PUC expects this will fall below 2:1 starting in 2025. PUC's target for this category in 2023 is 2.36:1.

Return on Equity has stabilized just below the deemed ROE embedded in existing rates of 9% in recent years with a slight dip in 2021 due to the realization of COVID related expenses. PUC will be rebasing its rates in 2023 with rates effective May 1, 2023. As of August 2022, the deemed Return on Equity as part of the OEB's Cost of Capital Parameters is 8.66%. PUC expects the Cost of Capital Parameters to undergo an increase due to the rising cost of inflation. The OEB will issue its revised numbers in the fall of 2022 at which time PUC will revise its projected ROE.

APPENDIX C

Certificate of Evidence



EXECUTIVE CERTIFICATION

EB-2022-0059

I, Robert Brewer, President and Chief Executive Officer of PUC Distribution Inc., hereby
certify that, to the best of my knowledge:

- a) the evidence filed in PUC's 2023 Cost of Service Application is accurate, complete and
consistent with the requirements from Chapter 2 of the Board's *Filing Requirements for
Electricity Distribution Rate Applications* last updated on April 18, 2022;
- b) that robust processes and internal controls are in place for the preparation, review,
verification and oversight of the deferral and variance account balances being disposed
of, consistent with the certification requirement of Chapter 2 *Filing Requirements*; and
- c) the evidence filed in support of this Application does not include any personal
information, as identified in the certification requirements for personal information in
accordance with Chapter 1 of the *Filing Requirements*.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Robert Brewer', is written over a horizontal line.

Robert Brewer,
President & CEO

Dated at Sault Ste. Marie, Ontario, this 31st of August, 2022

APPENDIX D

OEB Decision ED-

1999-0161 Decision

on Distribution

Assets

Ontario Energy
Board

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Commission de l'Énergie
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Licensing and Applications Branch

October 3, 2000

Mr. Ken Wallenius
General Manager & Secretary
Public Utilities Commission of the City of Sault Ste. Marie
765 Queen Street East
P.O. Box 9000
Sault Ste. Marie, Ontario
P6A 6P2

Dear Mr. Wallenius:

**Re: Determination of Distribution Assets
ED-1999-0161**

According to the information provided on the Information Request Form for the Public Utilities Commission of the City of Sault Ste. Marie (City of Sault Ste. Marie), Transitional Distribution Licence ED-1999-0161, City of Sault Ste. Marie has equipment that operates at voltages greater than 50 kV but that is used solely for the purposes of the distribution utility.

According to the *Ontario Energy Board Act* (the *Act*) such equipment, being over the 50 kV threshold, is defined as part of a transmission system; therefore, requiring the owner or operator to be licensed as a transmitter. However, under the s. 84 (a) of the *Act*, the Director of Licensing has the authority to determine that a part of a transmission system is a distribution system.

The Director, in accordance with s. 84 (a) of the *Act*, has determined that those assets above 50 kV held by City of Sault Ste. Marie form part of its distribution system. The City of Sault Ste. Marie Transitional Distribution Licence ED-1999-0161 is deemed to be an application for the end-state licence as specified under ss. 129 (5).

If there has been a change to the information provided regarding equipment at transmission-level voltage, please notify the Director.

If you have any questions concerning this matter, please contact Brian Hewson, Manager of Energy Licensing at 416 440-7628.

Sincerely,



Anne Powell
Director of Licensing

0704 (M) (01/00)

APPENDIX E

PUC Distribution

Inc. OEB 2021

Scorecard

									Target		
Performance Outcomes	Performance Categories	Measures		2017	2018	2019	2020	2021	Trend	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		96.67%	99.12%	100.00%	100.00%	97.60%	⬆️	90.00%	
		Scheduled Appointments Met On Time		97.62%	98.48%	98.65%	100.00%	99.92%	⬆️	90.00%	
		Telephone Calls Answered On Time		79.88%	77.70%	72.43%	68.88%	71.13%	⬇️	65.00%	
	Customer Satisfaction	First Contact Resolution		99.74%%	99.80%	99.82	99.76	99.63			
		Billing Accuracy		99.94%	99.97%	99.98%	99.96%	99.97%	➡️	98.00%	
		Customer Satisfaction Survey Results		80%	80%	92	92	88			
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		85.00%	85.00%	85.00%	85.00%	85.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹		C	C	C	C	C	➡️		C
		Serious Electrical Incident Index	Number of General Public Incidents	0	1	1	2	0	➡️		1
			Rate per 10, 100, 1000 km of line	0.000	0.135	0.135	0.271	0.000	➡️		0.076
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²		1.43	1.27	1.45	2.12	1.81	⬆️		1.38
		Average Number of Times that Power to a Customer is Interrupted ²		1.21	1.28	1.55	1.74	1.32	⬆️		1.33
	Asset Management	Distribution System Plan Implementation Progress		In Progress	100%	79	90	104			
	Cost Control	Efficiency Assessment		4	4	3	3	3			
		Total Cost per Customer ³		\$673	\$690	\$697	\$673	\$696			
		Total Cost per Km of Line ³		\$30,541	\$31,338	\$31,775	\$30,791	\$31,915			
	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%				
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)		1.62	1.33	0.94	0.99	0.80			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		2.04	2.02	2.03	2.07	2.09			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	9.00%	9.00%	9.00%	9.00%			
			Achieved	1.78%	4.25%	8.87%	8.75%	7.60%			

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

2021 Scorecard Management Discussion and Analysis (“2021 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 2021 Scorecard MD&A:

<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.

PUC exceeded all performance targets in 2021. It was a year where resiliency, perseverance and hard work provided the momentum to achieve positive outcomes for PUC. In 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. Thus PUC remained in Group 3 cohort for its Stretch Factor Assignment ranking.

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 2022, 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.

Service Quality

- **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 2021, PUC connected 250 eligible low-voltage residential and small business customers to its distribution system, exceeding the OEB target of 90% by connecting 97.60% 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 2021, PUC scheduled 1,252 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 99.92% 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 2021, PUC's Customer Experience Department received 41,886 calls from its customers. Of these calls, a Customer Care Representative answered the call within 30 seconds or less 71.13% of the time. This was an increase to the 68.88% in 2020.

Although a combination of unprecedented challenges occurred in 2021 (e.g. work from home, increase in Ontario initiated programs, etc.) PUC exceeded the OEB target.

Customer Satisfaction

- **First Contact Resolution**

PUC aims to address its customers' needs as quickly as possible and strives to resolve customer 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 2021, PUC received 41,886 calls, of which 153 contacts were escalated to a Senior Representative or Supervisor. This resulted in a First Contact Resolution percentage of 99.63%. 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 2021, PUC issued approximately 370,843 bills and achieved an accuracy level of 99.97%. 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 2021, PUC did conduct a Customer Satisfaction Survey. PUC's Customer Satisfaction Survey score was 88%.

PUC engaged Utility PULSE (the electricity survey division of Simul Corporation) to conduct a bi-annual in-depth customer satisfaction telephone survey. There were 2,719 households and small business contacted and 401 completed interviews (85% residential & 15% commercial). The survey asks a core set of questions for overall satisfaction with PUC, reliability of service, outages, billing issues and corporate image. The overall scorecard combined results was an "A" rating which is in line with the reporting Ontario LDC average of "A".

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. The next survey will be conducted in 2023.

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 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 ten (10) 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 2021 reporting period, there were zero reportable serious electrical incidents.

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

The OEB requires the reporting of reliability data with respect to Major Events. Specifically, the data 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 2021 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 2021 there was one (1) major event day that occurred. The main cause of the major event day was Lightning.

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

An important feature of a reliable distribution system is the quick recovery from power outages. Accordingly, electricity distributors must track the average length of time, in hours, that their customers experienced a power outage over the past year. This measure is known as the System Average Interruption Duration Index (“SAIDI”). In 2021, PUC did not meet its SAIDI performance target with a recorded SAIDI of 1.81, below the 1.38 target. Throughout the year, PUC encountered a single major event which was attributable to cause code 4-Lightning. PUC has staff on-call to respond to emergencies and restore power as quickly as possible in the case of unforeseen outages. Ongoing efforts to improve reliability, with a focus on effective maintenance activities and replacing aging infrastructure as indicated in PUC’s Distribution System Plan (DSP), form part of PUC’s strategies.

- **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 their customers have experienced a power outage over the past year. This measure is known as the System Average Interruption Frequency Index (“SAIFI”). In 2021, PUC met its performance target for the SAIFI. PUC’s SAIFI of 1.32 was below the target of 1.33. The main outage causes in 2021 were Defective Equipment, Adverse Weather and unknown causes that could not be identified following patrols and where circuits were re-energized. Ongoing efforts to improve reliability, including looking for mitigation approaches for the main outage causes and a focus on effective maintenance activities and replacing aging infrastructure as indicated in PUC’s DSP, form part of PUC’s strategies.

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 2021 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 2023 to 2027 period as part of its 2023 Cost of Service application.

The calculated value for this performance metric for 2021 is 104%. 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) 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 2021:

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	13
2	Actual costs are 10% to 25% below predicted costs	More Efficient	15
3	Actual costs are within +/-10% of predicted costs	Average Efficiency	23
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 2021, PUC remained in Group 3, average efficiency. PUC's 3-year average of actual-to-predicted costs dropped to 2.8% for 2019-2021. This was driven mainly by lower OM&A costs and capital spending in 2021. In 2021, PUC continued to have operations impacted by COVID, and as a result we expect to see increased spending in OM&A and capital in 2022.

- **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 2021 is \$696 per customer which is a 3.44% increase over 2020. On June 17, 2021 the OEB release the outcome of the Consultation titled "Regulatory Treatment of Impacts Arising from the COVID-19 Emergency" which provided further guidance on the use of the COVID DVA. Based on the guidance provided by the OEB in their report, PUC Distribution's costs in the COVID DVA account were ineligible for recovery and \$597k was recognized as an expense in the 2021 results. This resulted in a higher total Cost per customer in 2021. In the absence of this, PUC's results would be \$679 per customer which is slightly higher than the 2020 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 2021 rate is \$31,915 per Km of line, a 3.65% increase over 2020. As mentioned above, PUC's total costs increase because of an additional \$597k that was recognized as an expense in the 2021 results. This resulted in a higher Total Cost per Km of Line. In the absence of this, PUC's results would be \$31,107 total Cost per Km of line and only a 1.03% increase from 2020.

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 2021.

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

PUC connected three net-metered facilities in 2021 on time, in which the application and offer to connect for one were completed at the end of 2020 and two were completed fully in 2021.

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 made adjusting entries in 2021 relating to costs allocated to the Deferred Regulatory account in 2020 that were determined to be expense. PUC recorded COVID related lost revenue and expenses in 2021 that were from 2020 following the guidance of the OEB treatment. This impact affected the financial ratios in 2021.

- **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 2021 was 0.80, a decrease of 0.19 from 2020.

- **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 relatively consistent, at 2.09 in 2021 above the OEB's target of 1.5. This indicates a debt-to-equity structure of 68% debt, 32% 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 2021 was 7.60% which is within the +/- 3% range allowed by the OEB. 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.

Note to Readers of 2021 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.

APPENDIX F

PUC Distribution

Inc Customer

Satisfaction Survey

PUC Distribution Inc.

21st Annual Electric Utility Customer Satisfaction Survey



Summary





The purpose of this report is to profile the connection between PUC Distribution Inc. (PUC Distribution) and its customers.

The primary objective of the Electric Utility Customer Satisfaction Survey is to provide information to support discussions about improving customer care at every level in your utility.

The UtilityPULSE Report Card® and survey analysis contained in this report is intended to capture the state of mind or perceptions about your customers' need and wants – the information contained in this report will help guide your discussions for making meaningful improvements.

This survey report is privileged and confidential material, and no part may be used outside of PUC Distribution Inc. without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation.

All comments and questions should be addressed to:

Sid Ridgley, UtilityPULSE division, Simul Corporation

Phone: 905-895-7900 x 29

Email: sridgley@simulcorp.com





The Need for Credibility and Trust

Customers continue to be concerned about the costs of electricity today and what they might be in the future. In a separate study conducted August 2019, UtilityPULSE asked 1,000 Ontarians, *“How confident are you in the new Ontario Conservative government, elected in June 2018, to deliver the additional 12% reduction in electricity costs?”* Only 27% were very or somewhat confident, 53% were very or somewhat unconfident, and 14% were neither confident or unconfident. In follow-up questions, 38% agree the savings would be achieved by reducing customer service levels, and 34% agree savings would come from a delay in maintenance of the electricity system. These findings, coupled with a revamping of the Ontario Energy Board, tell us the industry has a believability issue, and that spells opportunity for PUC Distribution.



It is human nature to seek out support during times of disruption and uncertainty. Based on our 21 consecutive years of customer research, we believe Ontario LDCs are the entities best poised to provide that support.

Why?

Credibility & Trust Index

PUC Distribution is trusted by its customers; 89% agree strongly or somewhat that the LDC is trusted and trustworthy. Your Credibility & Trust score is 87% while the Ontario benchmark is 84%, and the National benchmark is 84%.





Expectations from customers and other stakeholders continue to rise, which means, LDCs must continue to move forward to meet those expectations – and do so while mitigating the risks associated with maintaining a strong electricity delivery network. Being a monopoly isn't a license to stop improving.

Credibility & trust is a powerful currency for building relationships. Credibility & trust are outcomes based on what the LDC does, not what it might be doing. Hence a lot more pressure on the need for constantly communicating relevant information to the customer base.

Your survey was conducted from August 20 - September 21, 2019, and is based on 400 one-on-one telephone interviews with residential and small commercial customers who pay or look after the electricity bill. Also, survey findings for PUC Distribution are enhanced with the inclusion of data from our UtilityPULSE database and the independently produced Ontario and National Benchmarks.



Base: total respondents: Top 2 Boxes: "Strongly agree + agree"



Communication Score

We live in a world where polarized viewpoints are considered “normal,” and self-needs supersede social-needs. It is not that people don’t care about what is going on around them or how others may be impacted; they care more about what is happening or could happen to them first.

From a human nature point-of-view, self-interest leads to emotional reactions and decision-making. Even in a commodity purchase environment such as electricity, communicating reams of data and numbers won’t help the LDC get the support it needs to make changes. Communications cannot be an after-thought, it must be pro-active, and it must be delivered via multiple platforms.



Communication Score		
	Ontario LDCs	PUC Distribution
Communication Score	79%	82%

Base: An aggregate of respondents from 2019 participating LDCs / total respondents from the local utility

PUC Distribution received a respondent score of 83% for the attribute “is pro-active in communicating changes and issues which may affect electric service.”





Communication channels preferred by customers to receive notice about Billing Issue

UtilityPULSE database information tells us that the preferred channel for communications can change based on the type of issue which exists, e.g., a billing issue versus an unplanned outage issue. Two things we believe LDCs must be mindful of:

1. The preferred communication channel is determined by the customer, not by the LDC.
2. There is a higher expectation that the LDC will become more “outbound” communications driven.

PUC Distribution's customers' preferred or primary method for PUC Distribution to contact them about billing issues are as follows:

Preferred method of communication to receive notice of a Billing Issue		
	Ontario LDCs	PUC Distribution
Telephone	54%	64%
Voice Mail	0%	3%
Text	8%	6%
Email	35%	26%
Don't know	1%	2%

Base: An aggregate of respondents from 2019 participating LDCs / total respondents from the local utility











LDCs, for the most part, are primarily set up as “inbound” problem solvers and communicators. The notion or idea that the LDC needs to become more “outbound” with personalized channel communication is a challenge



from an organizational culture and operations perspective. Yet, if the LDC doesn't become more outbound driven, it will have to invest more into inbound methods for solving problems – which is extremely expensive.

Our data show “older” respondents have a heavier desire to communicate via the telephone, but youths, especially those in the 18-34 range, are far more comfortable getting and receiving information electronically. But preferences are changing. The UtilityPULSE database shows about 1 in 3 respondents in the 55+ age category prefer to receive notice about a billing issue via electronic means, while almost 2 in 3 respondents in the 18-34 age range prefer the electronic channels of email and text.

Communication during Unplanned Outages

Method of communication Customers prefer their LDC uses during an UNPLANNED OUTAGE							
Recorded Telephone Message or Call-in outage line	Email Notice	Outage Map posted on the utility's website	Social Media	Text Message	Alert on mobile APP	Outage Map posted on mobile APP	SMART Assistant such as Alexa or Google
							
17%	26%	8%	6%	31%	4%	3%	2%

Base: An aggregate of respondents from 2019 participating LDCs

Interesting to note, the UtilityPULSE database shows about 7 out of 10, 18 to 34-year-old respondents prefer the electronic outbound communication channels compared to about 5 out of 10, of the 55+ age group.





As it relates to inbound communications, respondents aged 18 to 34 are almost 3 times more likely to go to an outage map on a website than the 55+ age group. However, the 55+ age group is almost 5 times more likely to call into a toll-free outage line.

The Convenience of Services Score

We recommend that LDCs focus their investing on outbound communication channel technology and easy methods to look-up information or to get service because time-pressed customers appreciate when an organization is ‘easy to do business with.’ However, while some customers are comfortable with technology, they are not fully aware of what they can do or get online from the LDC website. Hence, it is extremely important to constantly and consistently communicate changes and enhances made. The UtilityPULSE database shows about 4 out of 10 respondents aged 55+ compared to 2 out of 10 for 18 to 34-year-old respondents answered, “Don’t know” to the question about being satisfied with “the online self-serve options for requesting services.”

Access to services		
Top 2 Boxes: ‘very + somewhat satisfied’	Ontario LDCs	PUC Distribution
The availability of call-centre staff Monday to Friday	74%	74%
The 24/7 availability of system operators to respond to outages	75%	78%
The online self-serve options for managing your account	61%	57%
The online self-serve options for request services	53%	50%
The ability to walk in for customer service	n/a	74%

Base: An aggregate of respondents from 2019 participating LDCs / total respondents from the local utility
Hours: Ontario LDCs 8:30 am to 4:30 pm, PUC Distribution 9:00 am to 4:30 pm



Convenience of Services Score

Based on customer responses, PUC Distribution has rated 78% for Convenience of Services while Ontario LDCs' score remains unchanged from 2018, rated 79%.

The Core Responsibilities

Talk as we might about societal changes, the reality is, LDCs have a core responsibility that no other organization owns; the safe and reliable delivery of electricity. PUC Distribution survey respondents agree strongly + agree somewhat (Top 2 boxes), their LDC: Provides consistent, reliable electricity 91%, Quickly handles outages and restores power 91%, Accurate billing 88% and Makes electricity safety a top priority for employees, contractors, and the public 90%.

Issues: Billing and Blackouts, the “Killer B’s”

As the province's interest shifts toward building a more efficient electric system capable of handling growing demand with smoother incorporation of renewable energy sources, the LDC's consistent communication about how/what you are doing to minimize risk factors and improve reliability in the electricity network, will increase the perception that the LDC is a credible organization.

Bills & Blackouts are the top two issues that cause the most disruption to customers. Our UtilityPULSE database shows 18% of respondents said they had a billing issue (Spring 2017) compared to about 8% in 2019. The drop is primarily the result of reduced prices and a better economy. In 2017, 88% of respondents' billing complaints were driven by concerns for high bills or rates.

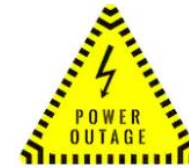


Our database shows low-income customers (<\$30,000 household) are about 35% more likely than high-income customers (>\$75,000 household) to site high bills or to have a complaint about rates as their reason for a billing problem. At risk customers are 50% more likely to site high bills or have a complaint about rates than Secure customers.

Problems: Blackouts

Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months			
	PUC Distribution	National	Ontario
2019	40%	44%	45%

Base: total respondents



Problems: Billing issues

Percentage of Respondents indicating that they had a Billing problem in the last 12 months			
	PUC Distribution	National	Ontario
2019	12%	9%	9%

Base: total respondents



Customer Service

While it is true, PUC Distribution receives good operational scores; it also has a responsibility to professionally and quickly deal with issues customers contact them about. In a complex electricity industry world, this puts additional strain on the skills and competencies of everyone who interacts with customers.





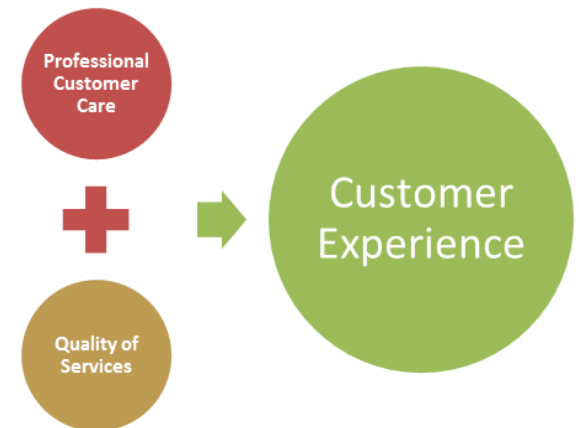
Satisfaction with Customer Service			
Top 2 Boxes: 'very + fairly satisfied'	PUC Distribution	National	Ontario
The time it took to contact someone	79%	69%	71%
The time it took someone to deal with your problem	73%	72%	70%
The helpfulness of the staff who dealt with you	76%	77%	78%
The knowledge of the staff who dealt with you	73%	74%	71%
The level of courtesy of the staff who dealt with you	79%	79%	77%
The quality of information provided by the staff who dealt with you	79%	75%	74%

Base: total respondents who contacted the utility; small data sample N=75

Customer Experience Performance rating (CEPr)

The truth is, your organization can be excellent at handling customer issues online, in-person, and on-the-telephone, with superb performance numbers. Yet, suffer in the area of corporate image.

While an excellent transaction today creates a positive experience, the perception created is, future transactions will be excellent too. Of course, a negative transaction creates the perception that future transactions will also be negative. The Professional Customer Care dimension of the CEPr represents the emotional side of an interaction, while the Quality of Service dimension represents the functional side of an interaction.





Customer Experience Performance rating (CEPr)			
	PUC Distribution	National	Ontario
CEPr: all respondents	87%	85%	86%

Base: total respondents

When the customer experience is positive and strong, the opportunity to build affinity/loyalty is great. When the experience is a negative one, customers often conclude the organization doesn't care. When a customer believes the organization doesn't care, outrage and anger are a very real possibility.

From an image point-of-view, PUC Distribution received very good scores for the attributes "keeps its promises to its customers and the community" →85% and "overall the utility provides excellent quality services" →88%.

Survey respondents gave PUC Distribution excellent operational and representative scores.

Core Operational Attributes			
	PUC Distribution	National	Ontario
Provides consistent, reliable energy	91%	91%	91%
Quickly handles outages and restores power	91%	88%	88%
Accurate billing	88%	88%	89%
Has a standard of reliability that meets expectations	91%	89%	90%
Makes electricity safety a top priority	90%	88%	89%

Base: total respondents with an opinion





Core Customer Service Quality Attributes			
	PUC Distribution	National	Ontario
Deals professionally with customers' problems	85%	85%	84%
Is 'easy to do business with'	86%	83%	83%
Customer-focused and treats customers as if they're valued	83%	82%	80%

Base: total respondents with an opinion

Customer Centric Engagement Index (CCEI)

A quick search on the internet will reveal many different definitions for the words “customer engagement.” While there may be differences, the common theme is how UtilityPULSE defines CE, which is, “*Customer engagement is the emotional connection achieved by the ongoing interactions between a customer and the organization.*”

The goal is to help customers:

- feel valued as a customer,
- appreciate being connected to a respected and trusted company and,
- have confidence the company will adapt well to changes in customer expectations.

As a reader, what you may not know is, Secure customers, demonstrate much higher levels of engagement than customers who are At Risk. It is much easier to gain support for changes from highly-engaged and Secure



customers than from those who are not engaged and virtually hate the LDC. PUC Distribution has scored well on this index.

Utility Customer Centric Engagement Index (CCEI)			
	PUC Distribution	National	Ontario
CCEI	87%	83%	83%

Base: total respondents

Customer Satisfaction

As stated in previous reports, by itself, this metric is not enough to gain a picture of how well an LDC is doing, but it is a measure about whether the LDC is doing the job of taking care of customers as expected. However, without satisfaction, there is no gateway to loyalty.

The “initial” satisfaction score is meant to capture a “top-of-mind” satisfaction rating, and it is the first question in the survey (after qualifying the respondent). Asking the general satisfaction question at the start of the survey avoids bias, and we obtain a spontaneous rating.

Towards the end of the survey, we ask the satisfaction question again, i.e., “now that we’ve been talking about your electric utility for a while, how satisfied are you?”

That is, once the respondent has been asked about bills, blackouts, and various attributes of the LDC, we gain what is called a more considered (or conditioned) response. Ideally, we like to see the PRE and POST Satisfaction scores as being quite similar, i.e., +/- 2 points.





SATISFACTION SCORES – Electricity customers' satisfaction			
Top 2 Boxes: 'very + fairly satisfied'	PUC Distribution	National	Ontario
PRE: Initial Satisfaction Scores	94%	93%	92%
POST: End of Interview	92%	93%	92%

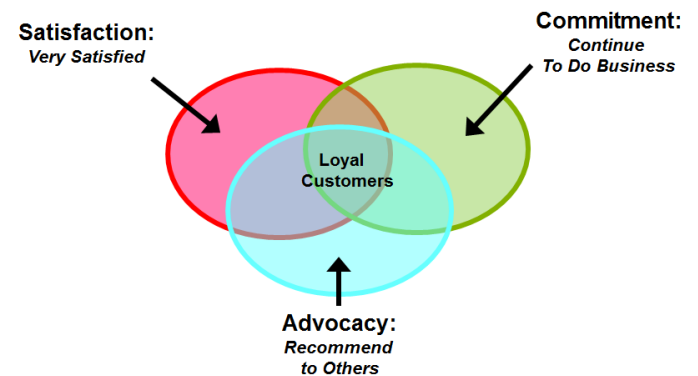
Base: total respondents

The real prize is in the development of a relationship with customers. More good things exist when a customer has a high affinity for the LDC than when they dislike it. At Risk customers are more likely to complain than other customers when there are issues. Secure customers are more likely to support the direction of their LDC.

Loyalty Groups – Customer Affinity

For electric utilities, customer affinity is an attitudinal metric, not a behavioural metric (as it would be for private industry). None-the-less, customers do feel some level of connection with their utility. There are customers who truly dislike and disrespect their utility, and there are those who feel connected to their utility. Interestingly At Risk customers seem to have more outages and more billing problems AND are more likely to contact the utility when they have a problem.

Customer Loyalty Model





Customer Loyalty Groups				
	Secure	Favorable	Indifferent	At Risk
PUC Distribution	28%	22%	43%	8%
National	27%	17%	49%	7%
Ontario	27%	16%	48%	9%

Base: total respondents

Customer Advocacy

Electricity customers' loyalty – ... is a company that you would recommend to a friend or colleague			
	PUC Distribution	National	Ontario
Top 2 boxes: 'Definitely + Probably' would recommend	78%	77%	74%

Base: total respondents

Customer Commitment

Electricity customers' loyalty – ... Is a company that you would like to continue to do business with			
	PUC Distribution	National	Ontario
Top 2 Boxes: 'Definitely + Probably' would continue	84%	83%	82%

Base: total respondents





UtilityPULSE Report Card®

The purpose of the UtilityPULSE Report Card is to provide electric utilities with a snapshot of performance – on the things customers deem to be important.

PUC Distribution's UtilityPULSE Report Card®

Performance

	CATEGORY	PUC Distribution	National	Ontario
1	Customer Care	A	B+	B+
	Price and Value	B+	B+	B+
	Customer Service	A	A	A
2	Company Image	A	A	A
	Company Leadership	A	A	A
	Corporate Stewardship	A	A	A
3	Management Operations	A	A	A
	Operational Effectiveness	A	A	A
	Power Quality and Reliability	A+	A	A
OVERALL		A	A	A

Base: total respondents



Looking to the future, where to from here?

Being future-oriented is an important dimension of customer engagement.

The following data, extracted from the UtilityPULSE database, is offered as a source of input for making priority planning decisions. The high priority items are: *‘Pro-actively maintaining and upgrading equipment,’ ‘Reducing response times to outages,’ and ‘Investing more in the electricity grid to reduce outages and to increase reliability and safety’ and ‘Investing more in projects to reduce the environmental impact of the utility’s operations.’*

Priority Planning within the next 5 years	
Top 2 Boxes: ‘very high + high priority’	Ontario LDCs
Pro-actively maintaining and upgrading equipment	88%
Reducing response times to outages	80%
Investing in projects to reduce the environmental impact of the utility’s operations	77%
Investing more in the electricity grid to reduce outages	74%
Educating customers about energy conservation	73%
Investing more in tree trimming to help reduce the number of outages	68%
Educating the public as it relates to electricity safety	68%
Burying overhead wires	54%
Providing sponsorships to local community causes	49%
Making better use of social media (such as Twitter, Facebook, etc.)	49%
Developing a SMART phone application to allow you to view usage and pay your bill	47%
Providing more self-serve services on the website	42%

Base: An aggregate of respondents from 2019 participating LDCs





Paying for electricity

For 21 years, UtilityPULSE research shows ‘ability to pay’ as having an exceptionally strong correlation to satisfaction. For example, the UtilityPULSE database from Fall 2019, based on over 7,000+ interviews, shows a 10% lower satisfaction level for those who say paying for electricity is “often a problem” versus those who say, “not a worry.” The good news for the industry as a whole is, the number of respondents who answered, “often a problem” during the Fall 2019 interviews is about 5% lower than Spring 2017 levels. For PUC Distribution, 9% of respondents identified themselves as a person who finds paying their bill was “often a problem” versus 69% who claimed to pay for electricity was “not a worry.” Despite reliability, operational efficiency, customer care professionalism, or a strong brand, for the LDC, ‘ability to pay’ is a major factor in determining a customer’s perception of LDC performance.

Is paying for electricity a worry or a major problem?				
	Not a worry	Sometimes	Often	Depends
PUC Distribution	69%	20%	9%	0%
National	74%	18%	6%	0%
Ontario	72%	19%	7%	6%

Base: total respondents

It is important to note, every age category, every income level, every kWh usage level, has respondents who identified themselves as people who find paying for electricity is “often a problem.”





Numbers at a Glance for 2019

	PUC Distribution	National	Ontario
Customer Satisfaction: Initial	94%	93%	92%
Customer Satisfaction: Post	92%	93%	92%
Communication Score	82%	--	79%
Overall Satisfaction with the most recent experience	79%	81%	79%
Convenience of Services Score	78%	--	79%
Customer Experience Performance Rating (CEPr)	87%	85%	86%
Customer Centric Engagement Index (CCEI)	87%	83%	83%
Credibility & Trust Index	87%	84%	84%
UtilityPulse Report Card®	A	A	A

While the customer base is concerned about costs and rising costs, we believe the customer base is becoming more vocal about what they are looking for from their LDC. For example, data from the UtilityPULSE database shows a 21% increase in the number of respondents providing suggestions Fall 2019 versus 2017. Suggestions which have almost doubled in frequency over the last two years include: *“Better communications”*; *“Provide more energy conservation info” [though no longer a responsibility of the LDC]*; *“Better reliability/less outages”* and *“Better information on outages”* and our favourite *“Am satisfied, keep up the good work.”*

Where to from here?





We believe that LDCs, like PUC Distribution, must promote and manage their public image. We know this because the Company Image portion of the UtilityPULSE Report Card® now represents over a 25% weighting for respondents versus a 15-17% rating when first published. Of the many items which can affect perceptions about an image, there are two which are of significance for impacting your LDC's image. Factor number one is to recognize that every customer touchpoint has the power to affect perception, and factor number two is, every employee or representative of PUC Distribution has a role to play in influencing the image of the LDC. After-all, PUC Distribution remains what we call an influential brand company.

We also know from the data that respondents for PUC Distribution who said their problem was solved had a 93% level of satisfaction, while those who said their problem wasn't solved was 65%. Quickly solving problems requires two things: (1) Processes have to be easy and fast, and (2) Employees need to be empowered – and expected --- to act. What you may not know is, employee empowerment is a huge factor for increasing employee engagement.

Based on the last few years, data also shows there are noticeable shifts away from using the telephone as the exclusive method for solving problems or getting service towards more of the electronics methods. The good news is, the shift will help the organization be more efficient, the bad news is, the LDC cannot abandon the telephone, and it must recognize that calls coming in will be more complex than in the past. The electronic methods typically help customers handle simpler requests, while people handle more complex ones. The pace for moving towards more electronic methodologies does vary by several factors, such as age, access to the internet, comfort with technology, and speed of the internet. As a rule of thumb, LDCs in larger communities need to move at a faster pace adopting technology than LDCs in rural communities.





This report started by talking about trust and credibility and its importance to customers in a world of uncertainty. High levels of trust and credibility mean high levels of affinity (loyalty) to PUC Distribution. But why should an LDC care about this, when a customer can't leave? From a satisfaction point-of-view, those who give high recommendation scores had a satisfaction score of 97% versus 78% for those with a low recommendation score. Those with high recommendation scores experience fewer outages, are less likely to contact the LDC about the outage, have fewer billing problems, and again less likely to contact the LDC about the billing issue.

The insight here is this. Satisfaction scores are affected by transactions, essentially the tangible side of service delivery. Transactions, whether good or bad, create a foundation for affinity (loyalty) to occur. Perceptions about trust and credibility are intangible and based on how a person feels.

The Ontario government hasn't been clear about how the additional 12% reduction in costs will be achieved. And, we have an Ontario Energy Board in transition. While LDCs may not have much influence over these two items, what we do know is PUC Distribution, can influence how the organization is seen by its customers and other stakeholders. We recommend ensuring the topic of customer care and the responsibility for providing excellent care, is on the meeting agendas for every department.

Sid Ridgley

Simul/UtilityPULSE

Email: sridgley@simulcorp.com

November 2019





Good things happen when workplaces work. You'll receive both strategic and pragmatic guidance about how to improve Customer satisfaction & Employee engagement with leaders who lead and a front-line which is inspired. We provide training, consulting, surveys, diagnostic tools, and keynotes. The electric utility industry is a market segment we specialize in. Both large and small utilities have received actionable insights. For 21 years, we have been talking to 1000's of utility customers in Ontario and across Canada, and we have expertise which is beneficial to every utility.

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Strategic Planning

Teambuilding

Organizational Culture Transformation

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Diagnostics**

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Effectiveness, Managerial Competencies

Surveys & Polls

Customer Satisfaction and Loyalty
Benchmarking Surveys

Organization Culture Surveys

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Service Excellence Leadership

Telephone Skills

Customer Care

Dealing with
Difficult Customers

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Your personal contact is:

Sid Ridgley, CSP

Phone: (905) 895-7900 x 29 E-mail: sridgley@simulcorp.com

PUC Distribution Inc.



23rd Annual Electric Utility Customer Satisfaction Survey

The purpose of this report is to profile the connection between PUC Distribution Inc. (PUC Distribution) and its customers.

The primary objective of the Electric Utility Customer Satisfaction Survey is to provide information to support discussions about improving customer care at every level in your utility.

The UtilityPULSE Report Card® and survey analysis in this report are intended to capture the state of mind or perceptions about your customers' need and wants – the information in this report will help guide your discussions for making meaningful improvements.

This survey report is privileged and confidential material, and no part may be used outside of PUC Distribution Inc. without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation.

All comments and questions should be addressed to:

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Continued Satisfaction and Rise of Increased Digital Communication

Nearly two years ago, the world was caught off-guard by the COVID-19 pandemic. While it may not be over quite yet, there seems to be light at the end of the tunnel, and a “new normal” appears to be emerging. There was fallout in many industries, but the pandemic has also brought about new changes to how the world conducts its business. Face-to-face communications and even telephone have decreased as more and more people opt to serve themselves online. Comfort and willingness to make purchases online, conduct online banking, and find answers to frequently asked questions have grown across the board.

Although e-commerce growth might not be as sky-high in 2020/21, online activities will continue to expand and accelerate far more than they did before pandemic-driven shutdowns and social distancing. Businesses have been more cognizant of online growth and technologies are being improved to meet the rising demand. The surge in accelerated digital transformation is expected to continue throughout the recovery from COVID-19, and electricity customers are no exception to this overall trend. Compared to before the pandemic, more electricity customers than ever before want to communicate via electronic means (e.g., email, text) with their utility. For example, customer preference for an email or text notification for an unexpected outage has grown by over 50% from 2019.





The sped-up transition to a digital world was not expected and not without its challenges. Companies, including utilities, have been forced to make changes to their websites and ensure that they can meet customers’ changing needs and demands. Pre-authorized automated payments and e-billing have also increased in importance. Many digital options that were once considered ‘nice to have’ options have become widely expected standards. “Inbound” methods of communication are very expensive, so although challenging, especially at an accelerated pace, ensuring an effective self-service strategy can help reduce costs and ensure customers are satisfied.

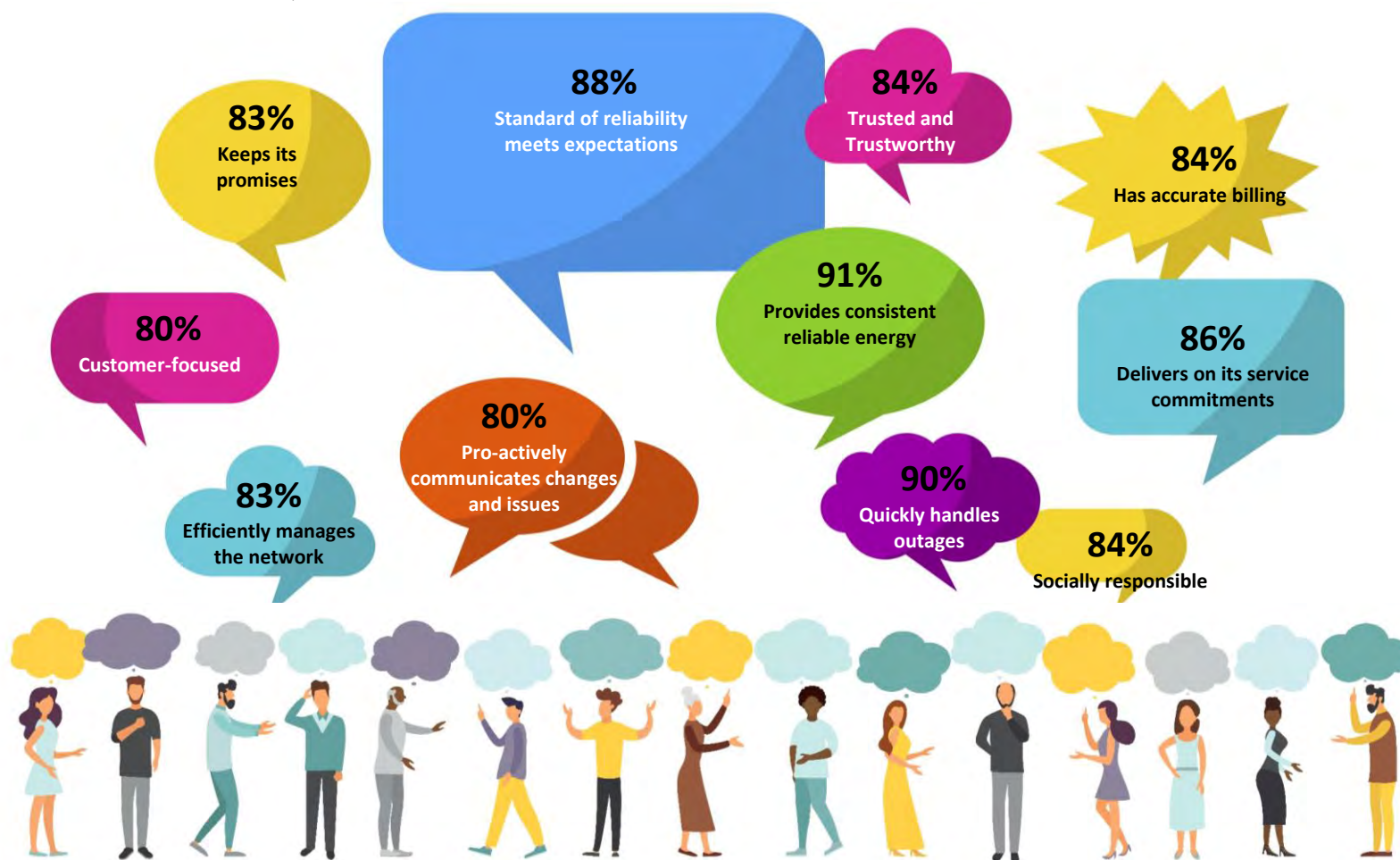
Customers are showing increased comfort levels with technology, but now they are not always knowledgeable about what they can do or get online from their LDC website. Any changes or enhancements should be consistently communicated as well as be easy to navigate and understand.

To better understand the self-service impact on utilities and track this metric going forward, a new question was added this year: “Before contacting your utility, did you visit the utility website to try to resolve your issue on your own, or to get more clarity on the issue before contacting the utility?” Prior to contacting the utility, 35% of PUC Distribution’s customers visited the website first to try to resolve their issue on their own or get more clarity.

Visited website to try to resolve issue on own, or get more clarity, before contacting utility		
	PUC Distribution	UP Database
Yes	35%	41%
No	65%	58%

Base: total respondents; small data sample; total respondents from the 2021 UtilityPULSE Database

The “COVID halo” continues. Scores were high last year, and people's utilities were one less worry on their plates during a terrible year. Scores remain high, which is very encouraging; for example, PUC Distribution's satisfaction score is 91%, and ‘delivers on its service commitments to customers’ is 86%.



Base: total respondents with an opinion

Going forward, we recommend continuing your efforts toward improving online ease and contactless self-service strategies, which are necessary to maintain a positive customer experience. Despite an appetite for more self-service, this does not mean the death of traditional forms, such as telephone. What is continually changing— are the many ways in which utilities can engage with their customers. Therefore, utilities will have to offer a wide mix of options to satisfy a customer base that increasingly wants the flexibility to interact with their utility based upon their preferences and situation. The result of all of this technological advancement is that customers are more informed and connected than ever before. Customer engagement is no longer characterized by one-way, utility-initiated communication. It's now a dynamic, multi-channel, two-way communication stream.

Customer Centric Engagement Index (CCEI)

Customer engagement is the emotional connection achieved by the ongoing interactions between a customer and the organization. Highly engaged customers are far more likely to support the LDC as it responds to changes than customers with little-to-no engagement. Highly engaged customers are less likely to complain publicly about disappointing shopping experiences, choosing to resolve issues with the company directly.

Utility Customer Centric Engagement Index (CCEI)			
	PUC Distribution	National	Ontario
CCEI	83%	83%	82%

Base: total respondents

PUC Distribution
has scored well
on this index.

The Core Responsibilities

Survey respondents gave PUC Distribution excellent operational and representative scores.

Core Operational Attributes			
	PUC Distribution	National	Ontario
Provides consistent, reliable energy	91%	90%	90%
Quickly handles outages and restores power	90%	87%	87%
Has accurate billing	84%	87%	88%
Has a standard of reliability that meets expectations	88%	88%	88%
Makes electricity safety a top priority	90%	88%	89%

Base: total respondents with an opinion

Core Customer Service Quality Attributes			
	PUC Distribution	National	Ontario
Deals professionally with customers' problems	85%	84%	84%
Is 'easy to do business with'	85%	84%	84%
Customer-focused and treats customers as if they're valued	80%	79%	79%

Base: total respondents with an opinion



Customer Satisfaction

Measuring satisfaction is the bedrock, or starting point, for the creation of loyal customers. One must do the job as expected before there is an opportunity to emotionally connect in a positive way hence the need to focus on the overall customer experience. Customer satisfaction is an effectiveness measure (not an efficiency measure) on the historical relationship or delivery of services to customers.

SATISFACTION SCORES – Electricity customers' satisfaction			
Top 2 Boxes: 'very + fairly satisfied'	PUC Distribution	National	Ontario
PRE: Initial Satisfaction Scores	91%	94%	93%
POST: End of Interview	88%	93%	92%

Base: total respondents

When it comes to the question of satisfaction, UtilityPULSE has designed the survey so that customers are asked twice, once at the beginning – this is to garner first impressions and set the tone for the survey, and again at the end – because now the respondent has context of what is being asked and is more aptly ready to address it in an informed state of mind.

Customer Loyalty Model



Loyalty Groups – Customer Affinity

Customer loyalty (affinity) is an intangible asset with positive consequences or outcomes associated with it, no matter the industry. Data shows that Secure customers have fewer outages and billing issues than At Risk customers, i.e., those that hate the utility. In private industry, Loyalty is a behavioural metric; in a monopoly, it is an attitudinal metric.

Customer Loyalty Groups				
	Secure	Favorable	Indifferent	At Risk
PUC Distribution	28%	18%	44%	9%
National	29%	17%	47%	7%
Ontario	28%	16%	48%	8%

Base: total respondents

What is the importance of Net Supporter Score™ [NSS] for LDC's?

The NSS is a metric which measures how likely customers could **support** policy changes, actions, programs, or service changes or enhancements the LDC wishes to make. The NSS is a metric developed to help the organization, and its people, continue on a path of improving customer experiences, whether those experiences are in-person, over the telephone, online, or a combination. In a nutshell, the NSS reflects the net number of customers who have confidence in the LDC to continue to serve in their best interests.



Net Promoter Score™ (NPS)

The Net Promoter Score™ (NPS) is a popular metric that measures how likely customers are to recommend a business's products and services. Your NPS score, when compared to the benchmarks, can provide some insight into the affinity level of survey respondents towards your brand image. The NPS metric was developed by and is a registered trademark of Fred Reichheld, Bain & Company, and Satmetrix in 2003.

PUC Distribution has a Net Supporter Score™ (NSS) of 19%. The Ontario benchmark is 20%, and the UtilityPULSE database average is 26%.

Net Supporter Score™ (NSS)			
	Opportunity Range <20%	Good Range 20-40%	Very Good Range 40+%
PUC Distribution	19%	--	--
Ontario Benchmark	--	20%	--

Base: total respondents; range bands represent 2021 data and can change year-to-year

PUC Distribution has a Net Promoter Score™ (NPS) of 27%. The Ontario benchmark is 24%, and the UtilityPULSE database average is 35%.

Net Promoter Score™ (NPS)			
	Opportunity Range <5%	Good Range 5-25%	Very Good Range 25+%
PUC Distribution	--	--	27%
Ontario Benchmark	--	24%	--

Base: total respondents; range bands represent 2021 data and can change year-to-year



Issues: Billing and Blackouts, the “Killer B’s”

The reliable and efficient delivery of electricity to homeowners and businesses is an essential service – especially during the personal and professional challenges of the past couple of years. Customers are comforted by the fact that standards for keeping the lights on and getting them up and running quickly have not deteriorated.

Problems: Blackouts

Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months			
	PUC Distribution	National	Ontario
2021	38%	39%	36%

Base: total respondents



Inaccurate bills cause angst and, in some cases, anger, which is why accurate billing remains an important service imperative for all utilities. PUC Distribution performs billing well despite the number of changes in pricing, including the need to communicate about various financial support options.

Problems: Billing issues

Percentage of Respondents indicating that they had a Billing problem in the last 12 months			
	PUC Distribution	National	Ontario
2021	11%	4%	6%

Base: total respondents



Communication channels preferred by customers to receive notice about Billing Issues (Other than payments owed)

UtilityPULSE database information tells us that the preferred channel for communications can change based on the type of issue, e.g., a billing issue versus an unplanned outage issue. Two things we believe LDCs must be mindful of:

1. The preferred communication channel is determined by the customer, not by the LDC.
2. There is a higher expectation that the LDC will become more “outbound” communications driven.

PUC Distribution's customers' preferred or primary method for PUC Distribution to contact them about billing issues (other than payments owed) are as follows:

Preferred method of communication to receive notice of a Billing Issue (Other than payments owed)		
	PUC Distribution	Ontario LDCs
Telephone	59%	45%
Voice Mail	1%	1%
Text	10%	10%
Email	27%	41%
Don't know	2%	1%

Base: total respondents / An aggregate of respondents from 2021 participating LDCs



LDCs, for the most part, are primarily set up as “inbound” problem solvers and communicators. The notion or idea that the LDC needs to become more “outbound” with personalized channel communication is a challenge from an organizational culture and operations perspective. Yet, if the LDC doesn’t become more outbound driven, it will have to invest more into inbound methods for solving problems – which is extremely expensive. As mentioned, increased focus on website design and self-service strategies will help alleviate potential future costs and is on trend to customer expectations.

Our data show “older” respondents have a heavier desire to communicate via the telephone, but youths, especially those in the 18-34 range, are far more comfortable getting and receiving information electronically. Preferences are changing and will continue to change as a result of previous pandemic-driven lockdowns and increased social distancing. The UtilityPULSE database shows about 1 in 3 respondents in the 55+ age category prefer to receive notice about a billing issue via electronic means. In comparison, almost 2 in 3 respondents in the 18-34 age range prefer the electronic channels of email and text.

Communication during Unexpected Outages

In times of emergency, be they extreme weather events or major equipment failures that cause blackouts and unplanned outages, customer communication can help customers understand what to expect next and when disrupted electricity service might be restored. Early and effective communication helps increase confidence in and credibility of the electricity service provider.





Respondents were asked the preferred communication channel PUC Distribution should use **during an unexpected outage**. Base: total respondents / An aggregate of respondents from 2021 participating LDCs

Preferred communication channel LDC should use during an UNEXPECTED Outage		
	PUC Distribution	Ontario LDCs
Text message alert	48%	49%
Recorded telephone message alert	35%	29%
Email alert	31%	38%
Social media alert on Twitter or Facebook, etc.	20%	14%
Outage map on utility's website	18%	18%
A toll-free outage line	16%	12%
Mobile APP alert	16%	15%
Outage map posted on mobile APP	0%	2%
Smart assistant alert such as Alexa or Google	0%	1%

Communication during Planned Outages

Respondents were asked the preferred communication channel PUC Distribution should use **during a planned outage**; times when the utility needs to undertake work on their network (poles, wires, meters, transformers, substations, etc.) to maintain a safe and reliable supply.





Preferred communication channel LDC should use during a PLANNED Outage		
	PUC Distribution	Ontario LDCs
Email alert	40%	47%
Recorded telephone message	38%	25%
Text message alert	37%	39%
Hand delivered notice	25%	20%
A toll-free outage line	16%	12%
Social media alert on Twitter, Facebook, etc.	16%	12%
Mobile APP alert	16%	13%
Other	16%	1%
Outage map on the utility's website	15%	15%
Outage map on mobile APP	12%	11%
Email invite that syncs to your calendar with the outage duration	0%	0%

Base: total respondents / An aggregate of respondents from 2021 participating LDCs

Communication Score

Customers expect that the companies they deal with will be “pro-active” communicators. They know they don’t know everything, but they are hopeful that the companies they deal with will provide them with timely information. The reality is, Ontario LDCs have been pro-active communicators over the past couple of years.

PUC Distribution received a respondent score of 80% for the attribute *“is pro-active in communicating changes and issues which may affect your electricity service.”*

Communications cannot be an afterthought; they must be pro-active and delivered via multiple platforms. Based on customer responses, PUC Distribution has achieved a **Communication Score** of 78%.

The Convenience of Services Score

We recommend that LDCs focus their investing on outbound communication channel technology and easy methods to look-up information or to get service because time-pressed customers appreciate when an organization is ‘easy to do business with’ – on this attribute, PUC Distribution received a respondent score of 85%.

However, while some customers are comfortable with technology, they are not fully aware of what they can do or get online from the LDC website. Hence, it is crucial to constantly and consistently communicate changes and enhancements made.

Access to services		
Top 2 Boxes: ‘very + somewhat satisfied’	PUC Distribution	Ontario LDCs
The availability of call-centre staff	70%	74%
The availability of system operators to respond to outages	74%	73%
The online self-serve options for managing your account	65%	73%
The online self-serve options for requesting service	57%	64%

Base: total respondents / An aggregate of respondents from 2021 participating LDCs



Convenience of Services Score

Based on customer responses, PUC Distribution has rated 77% for **Convenience of Services**.

Customer Experience Performance rating (CEPr)

Every touchpoint with customers on the phone, email, text, website, or in-person influences what customers think and feel about the organization. When an interaction with a customer meets their expectation, the opportunity to build loyalty (affinity) and support is strong. When the experience is a negative one, customers often conclude that the organization doesn't care.

A positive experience today sets up the perception that future interactions will also be excellent.



Customer Experience Performance rating (CEPr)			
	PUC Distribution	National	Ontario
CEPr: all respondents	86%	84%	85%

Base: total respondents

The CEPr rating suggests that a very large majority of customers have a belief that they will have a good to excellent experience dealing with PUC Distribution professionals.

From an image point-of-view, PUC Distribution received very good scores for the attributes “keeps its promises to its customers and the community” and “overall the utility provides excellent quality services”.

Customer Effort & Experience Score™ (CEES)

Customers are time-pressed, and they want transactions related to getting questions answered or solving problems to be easy and fast. Customers dislike non-seamless handoffs when they have to deal with different people or departments to address their issues, and they dislike a slow response to their problem or concern. Customers also dislike “surprises,”; which is why they expect their utility to communicate with them pro-actively and, when needed, be ‘easy to do business with’.

The CEES as a metric is designed to help the organization remain focused on making things easy and fast for customers. The goal is to encourage improvements in all aspects of the customer’s journey from initial contact to completion of the issue. The central idea of CEES is about getting the most from your investments in people and technology.



PUC Distribution has rated a Customer Effort & Experience Score (CEES)[™] of 30%. The Ontario benchmark is 25%, and the UtilityPULSE database average is 34%.

Customer Effort & Experience Score (CEES)			
	Opportunity Range <15%	Good Range 15-35%	Very Good Range 35+%
PUC Distribution	--	30%	--
Ontario Benchmark	--	25%	--

Base: total respondents; range bands represent 2021 data and can change year-to-year



UtilityPULSE Report Card®

The purpose of the UtilityPULSE Report Card is to provide electric utilities with a snapshot of performance – on the criteria customers deem to be important.

PUC Distribution's UtilityPULSE Report Card®

Performance

	CATEGORY	PUC Distribution	National	Ontario
1	Customer Care	B+	B+	B+
	Price and Value	B	B+	B+
	Customer Service	A	B+	A
2	Company Image	A	A	A
	Company Leadership	A	A	A
	Corporate Stewardship	A	A	A
3	Management Operations	A	A	A
	Operational Effectiveness	A	A	A
	Power Quality and Reliability	A+	A	A
OVERALL		A	A	A

Base: total respondents



Credibility & Trust Index

For most Ontario LDCs, over 40% of the customer base has been affected by the events of the past couple of years. As such, in a world with heightened unknowns, people will look for credible organizations that can be trusted. 84% of respondents agree strongly or somewhat that PUC Distribution is trusted and trustworthy. Your Credibility & Trust score is 84%, while the Ontario and National benchmarks sit at 84%.



Numbers at a Glance for 2021

	PUC Distribution	National	Ontario
Customer Satisfaction: Initial	91%	94%	93%
Customer Satisfaction: Post	88%	93%	92%
Would recommend	82%	83%	82%
Customer Experience Performance Rating (CEPr)	86%	84%	85%
Customer Centric Engagement Index (CCEI)	83%	83%	82%
Credibility & Trust Index	84%	84%	84%
UtilityPULSE Report Card®	A	A	A

As with the previous 23 years, the number one suggestion, by a wide margin, has been “better prices”. Price will always be top of mind for customers. For 2021, the second-highest suggestion was “better communications.” The third suggestion was “simplified billing.” Customers want increased ease, and we have



seen that many want the ability to self-serve. These results make sense in light of an increasing push toward and need for digitization.

People want to be recognized as individuals AND get what they perceive to be good value. By allowing customers to choose whether they want to receive communication notices via email, text, or snail mail, etc., PUC Distribution is recognizing customers' personal preferences. The more specific you can be with your communications, the more likely you are to engage your customers and build an ongoing relationship with your brand.

We recommend that LDCs continue to work as fast as possible to digitize service. The goal is to provide options for customers to access help. As stated, customers who were previously resistant to doing things online are no longer resisting; they are adapting to using online methods with much more enthusiasm. This is the “new normal” and one that must be embraced and pro-actively addressed to meet the tastes and demands of customers better.

It is true the customer base still has lots of concerns and worries, such as getting ill or having a family member or friend get ill. Losing their job, or having a reduced pay cheque, or product shortages, etc. Fortunately, PUC Distribution is not at the top of the list of day-to-day concerns. 83% believe PUC Distribution ‘efficiently manages the electricity system’ - it continues to be a source of stability and reliability.

Your survey was conducted from August 30 - October 9, 2021, and is based on 401 one-on-one telephone interviews with residential and small commercial customers who pay or look after the electricity bill. In addition, survey findings for PUC Distribution are enhanced with the inclusion of data from our UtilityPULSE database and the independently produced Ontario and National Benchmarks.



The pandemic may not be fully over, but we are seeing some light. Your customers continue to be satisfied with the operations and image of PUC Distribution has done during this pandemic. One key for maintaining excellent scores resides in the next steps you take to ensure a continued positive customer experience in an increasingly digital world.

Simul/UtilityPULSE

Sid Ridgley

sridgley@simulcorp.com

November 2021

David Malesich

david@utilitypulse.com





UtilityPULSE, through polls and surveys, provides executives and managers with customer feedback that assists in making strategic and operational decisions. You know lots of companies that can gather data and then give a report. We believe that by specializing in the utility sector with our polls and surveys, you get a stronger analysis of data and answers to critical questions that help you formulate key strategies to assist your leaders in creating a better place to work and a better place to do business with.

UtilityPULSE is uniquely positioned to help your utility get feedback from Customers through its Annual Electric Utility Customer Satisfaction Survey or customized research designed for you. In addition, we understand what it takes to create an organization where employees are engaged and enthusiastic about customers and their work.

We're the only research company with 23 continuous years of producing an independent Ontario and National benchmark.

Anyone can collect and present data – we believe understanding the industry before doing so is crucial.

Contact us when experience, expertise, and high standards are essential for your next customer engagement activity. We promise to listen to your needs and design and delivery a customer engagement activity or survey which meets your needs.

Your personal contact is:

David Malesich

Phone: (647)274-9420 E-mail: david@utilitypulse.com

APPENDIX G

PUC Distribution

Inc Audited

Financial

Statements 2021

Financial Statements of

PUC DISTRIBUTION INC.

And Independent Auditors' Report thereon
Year ended December 31, 2021



KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
Fax (705) 949-0911

INDEPENDENT AUDITORS' REPORT

To the Shareholder of PUC Distribution Inc.

Opinion

We have audited the financial statements of PUC Distribution Inc. (the "Company"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of income and comprehensive income for the year then ended
- the statement of changes in shareholder's equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

April 7, 2022

PUC DISTRIBUTION INC.

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 815,229	\$ 124,037
Accounts receivable (note 4)	6,121,404	5,738,294
Unbilled revenue	10,976,609	12,240,212
Payment in lieu of taxes recoverable	9,709	8,991
Inventory (note 5)	2,161,802	2,020,118
Prepaid expenses	200,875	67,672
Total current assets	20,285,628	20,199,324
Non-current assets:		
Property, plant and equipment (note 6)	112,462,126	105,376,966
Total assets	132,747,754	125,576,290
Regulatory balances (note 8)	9,437,146	4,570,573
Total assets and regulatory balances	\$ 142,184,900	\$ 130,146,863

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Statement of Financial Position (continued)

December 31, 2021, with comparative information for 2020

	2021	2020
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,141,711	\$ 8,419,954
Customer deposits (note 11)	313,596	712,937
Dividends payable	610,080	610,080
Due to related parties (note 17)	12,638,877	10,688,540
Current portion of long-term debt (note 10)	1,923,586	1,727,219
Total current liabilities	27,627,850	22,158,730
Non-current liabilities:		
Deferred revenue (note 9)	7,034,528	4,829,126
Deferred tax liability	1,989,000	1,387,000
Long-term debt (note 10)	66,156,179	64,079,966
Total non-current liabilities	75,179,707	70,296,092
Total liabilities	102,807,557	92,454,822
Shareholder's equity:		
Share capital (note 12)	20,062,107	20,062,107
Retained earnings	18,618,415	16,811,240
Total shareholder's equity	38,680,522	36,873,347
Total liabilities and shareholder's equity	141,488,079	129,328,169
Regulatory balances (note 8)	696,821	818,694
Commitments and contingences (note 16)		
Total liabilities, regulatory balances and shareholder's equity	\$ 142,184,900	\$ 130,146,863

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

PUC DISTRIBUTION INC.

Statement of Income and Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Electricity sales (note 13)	\$ 71,763,066	\$ 85,083,387
Distribution revenue (note 13)	19,207,805	19,032,237
	90,970,871	104,115,624
Other operating revenue (note 14)	7,281,109	7,630,820
	98,251,980	111,746,444
Expenses:		
Energy purchases	71,603,747	85,555,982
Operations and maintenance	6,406,837	6,434,364
General and administrative	4,025,734	3,129,473
Billing and collection	1,370,374	1,333,216
Depreciation and amortization	3,842,226	4,153,218
Community relations	5,206,928	5,307,274
	92,455,846	105,913,527
Income from operating activities	5,796,134	5,832,917
Net finance costs (note 15)	3,023,221	3,187,222
Income before tax and regulatory items	2,772,913	2,645,695
Income tax expense:		
Current (note 7)	71,089	76,523
Deferred (note 7)	602,000	677,000
	673,089	753,523
Income for the year before movements in regulatory deferral account balances	2,099,824	1,892,172
Net movement in regulatory deferral account balances related to income or loss	284,569	(188,490)
Income tax	(602,000)	(677,000)
	(317,431)	(865,490)
Net income, being total comprehensive income for the year	\$ 2,417,255	\$ 2,757,662

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Statement of Changes in Shareholder's Equity

Year ended December 31, 2021, with comparative information for 2020

	Share Capital	Retained Earnings	Total
Balance as at January 1, 2020	\$ 20,062,107	\$ 14,663,658	\$ 34,725,765
Net income and comprehensive income	-	2,757,662	2,757,662
Dividends on common shares	-	(610,080)	(610,080)
Balance at December 31, 2020	20,062,107	16,811,240	36,873,347
Net income and comprehensive income	-	2,417,255	2,417,255
Dividends on common shares	-	(610,080)	(610,080)
Balance at December 31, 2021	\$ 20,062,107	\$ 18,618,415	\$ 38,680,522

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in)		
Cash flows from operating activities:		
Total comprehensive income for the year	\$ 2,417,255	\$ 2,757,662
Items not involving cash:		
Depreciation and amortization	3,842,226	4,153,218
Amortization of deferred revenue	(140,229)	(123,988)
Net finance costs	3,023,221	3,187,222
Income tax expense	673,089	753,523
	9,815,562	10,727,637
Changes in non-cash working capital:		
Accounts receivable	(383,110)	(304,518)
Unbilled revenue	1,263,603	(141,968)
Inventory	(141,684)	(290,634)
Prepaid expenses	(133,203)	(2,455)
Accounts payable and accrued liabilities	3,721,757	(1,707,849)
Customer deposits	(399,341)	(354,615)
Income tax paid	(71,808)	(130,550)
Net movements in regulatory balances	(4,988,446)	(1,477,343)
Net cash from operating activities	8,683,330	6,317,705
Cash flows from financing activities:		
Repayment of long-term debt	(1,727,419)	(1,366,483)
Proceeds from issuance of long-term debt	4,000,000	5,800,000
Advances from related parties	1,950,337	1,647,268
Interest paid	(3,023,221)	(3,187,681)
Dividends paid	(610,080)	(900,000)
Net cash from financing activities	589,617	1,993,104
Cash flows from investing activities:		
Purchase of property, plant and equipment	(8,581,755)	(8,772,159)
Change in cash and cash equivalents	691,192	(461,350)
Cash and cash equivalents, beginning of year	124,037	585,387
Cash and cash equivalents, end of year	\$ 815,229	\$ 124,037

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

1. Reporting entity:

PUC Distribution Inc. (the "Company") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Company is located in the City of Sault Ste. Marie. The address of the Company's registered office is 500 Second Line East, Sault Ste. Marie, Ontario Canada.

The Company delivers electricity and related energy services to residential and commercial customers in Sault Ste. Marie. The Company is wholly owned by PUC Inc., which is itself wholly owned by The Corporation of the City of Sault Ste. Marie.

2. Basis of presentation:

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 7, 2022.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(e) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

- (i) Notes 3 (d), 6 - Property, plant and equipment: estimation of useful lives
- (ii) Note 15 - Commitments and contingencies
- (iii) Note 8 - recognition of regulatory balances
- (iv) Note 3 (k) - leased assets

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

2. Basis of presentation (continued):

(f) Rate regulation:

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

(g) Rate setting:

i) Distribution revenue:

For the distribution revenue included in electricity sales, the Company files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, debt and shareholder's equity required to support the Company's business. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

The Company filed a COS rate application in 2018 for rates effective October 1, 2018 to April 30, 2019 for which a Decision and Rate order was issued September 27, 2018.

The Company filed an IRM in 2018 requesting a 1.45% inflationary increase to distribution rates effective May 1, 2019 to be implemented July 1, 2019 for the period of May 1, 2019 to April 30, 2020. The IRM was approved on July 9, 2019.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

2. Basis of presentation (continued):

(g) Rate setting (continued):

i. Distribution revenue (continued):

The Company filed an IRM and ICM in 2019 requesting a 1.55% inflationary increase to distribution rates and a substation upgrade rate rider effective May 1, 2020. The PUC elected to defer the implementation of rates to November 1, 2020 which the OEB approved October 8, 2020.

The Company filed an IRM in 2020 requesting a 1.90% inflationary increase to distribution rates effective May 1, 2021. The IRM was approved March 25, 2021.

ii. Electricity rates:

The OEB sets Ontario electricity prices for low-volume consumers twice each year (May and November) based on an estimate of how much it will cost to supply the province with electricity for the next year

All remaining consumers pay the market price for electricity.

The Corporation is billed for the cost of the electricity that its customers use by the Independent Electricity System Operator and passes this cost on to the customer at cost without a mark-up.

iii. TOU and tiered rate changes:

On December 15, 2020, the OEB announced new RPP TOU and tiered rates to reflect a decrease in the supply cost resulting from the Ontario Government's decision to remove certain renewable generation costs from the global adjustment and funding them through the tax base. The reduction began February 23, 2021 and was accompanied by a corresponding reduction to the Ontario Electricity Rebate.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments:

All financial assets and financial liabilities are measured at amortized cost. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(e). The Company does not enter into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(b) Revenue recognition:

i) Electricity sales:

Electricity sales are recognized as the electricity is delivered to customers and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution, and any other regulatory charges. Electricity revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

The difference between the amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of electricity and related electricity service costs billed monthly by the Independent Electricity System Operator ("IESO") is recorded as a settlement variance. In accordance with IFRS 14, this settlement variance is presented within regulatory balances on the balance sheets and within net movements in regulatory balances, net of tax on the statement of income and comprehensive income.

ii) Capital contributions:

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 "Revenue from Contracts with Customers". Cash contributions are initially recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Company's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the economic useful life of the constructed or contributed asset, which represents the period of ongoing service to the customer.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 Revenue from Contracts with Customers. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

iii) Rendering of services:

Revenue earned from the provision of services is recognized as the service is rendered.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(b) Revenue recognition (continued):

iv) Conservation programs:

Incentive payments to which the Company is entitled from the IESO are recognized as revenue in the period when they are determined by the IESO and the amount is communicated to the Company.

c) Inventory:

Inventories consist of parts, supplies and materials held for the future capital expansion or replacement are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(d) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take a substantial period of time to construct.

When parts of an item of property, plant and equipment ("PP&E") have different useful lives, they are accounted for as separate items (major components) of PP&E.

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount and is recognized in income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and in service.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

The estimated useful lives are as follows:

Buildings	25 – 50 years
Transmission and distribution	15 – 60 years
Plant and equipment	5 – 40 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

(e) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(e) Impairment (continued):

(ii) Non-financial assets (continued):

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(g) Regulation:

The following regulatory treatments have resulted in accounting treatments which differ from those prescribed by IFRS for enterprises operating in an unrelated environment and regulated entities that have not adopted IFRS 14, Regulatory Deferral Accounts.

(h) Regulatory deferral accounts:

The Company has determined that certain asset and liability balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the Accounting Procedures Handbook for Electricity Distributors. Under rate-regulated accounting, the timing and recognition of certain expenses and revenues may differ from those otherwise expected under other IFRS in order to appropriately reflect the economic impact of regulatory decisions regarding the Company's regulated revenues and expenditures. These amounts arising from timing differences are recorded as regulatory asset and liability balances on the Company's statement of financial position, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on decisions and approvals by the OEB.

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(h) Regulatory deferral accounts (continued):

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances are assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates. In 2021 the rate was 0.57% for the year. Regulatory balances can be recognized for rate-setting and financial reporting purposes only if the OEB directs the relevant regulatory treatment or if future OEB direction is determined by management to be probable.

In the event that the disposition of these balances is assessed to no longer be probable based on management's judgment, the balances are recorded in the Company's statement of income and comprehensive income in the period when the assessment is made. Regulatory balances that do not meet the definition of an asset or liability under any other IFRS are segregated on the statement of financial position and on the statement of income and comprehensive income as net movements in regulatory balances, net of tax. The netting of regulatory debit and credit balances is not permitted.

The measurement of regulatory balances is subject to certain estimates and assumptions, including assumptions made in the interpretation of the OEB's regulations and decisions.

(i) Credit support for service delivery:

Credit support for service delivery represents cash deposits from electricity distribution customers as well as construction deposits.

Deposits from electricity distribution customers are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution service. Customer deposits are also refundable to residential electricity distribution customers demonstrating an acceptable level of credit risk, as determined by the Company.

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded as credit support for service delivery, a current liability. Once the distribution system asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(j) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue within non-current liabilities. Deferred revenue represents the Company's obligation to continue to provide customers access to the supply of electricity, and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(k) Leased assets:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (i) The contract involves the use of an identified asset;
- (ii) The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (iii) The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - a) The Company has the right to operate the asset; or
 - b) The Company designed the asset in a way that predetermines how and for what purposes it will be used.

Short-term leases and low value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(l) Payment in lieu of taxes:

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations' Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Company ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Company's Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

PILs comprises current and deferred payments in lieu of income tax. PILs recognized in income and loss except to the extent that it relates to items recognized directly in either comprehensive income or equity, in which case, it is recognized in comprehensive income or in equity.

Current PILS is the expected amount of tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred PILs comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

Deferred PILs assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred PILs assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred PILs asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(m) Critical accounting estimates and judgments:

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments:

The Company determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods, and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in note 16.

Payment in lieu of taxes:

The Company periodically assesses its liabilities and contingencies related to PILs for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current PILs provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the PILs liabilities.

Useful lives of depreciable assets:

Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2021, management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in note 6. Actual results, however, may vary due to technical obsolescence, particularly for software and electronic equipment.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(m) Critical accounting estimates and judgments (continued):

Impairment:

An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each asset or cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

(n) Changes in accounting policy:

The international Accounting Standards Board (IASB) has issued Standards, Interpretations and Amendments to Standards that were adopted by the Company effective January 1, 2021, including Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendment did not have an impact on the financial statements.

(o) Standards issued but not yet adopted:

The Company is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) – effective date January 1, 2022
- Annual Improvements to IFRS Standards 2018-2020 – effective date January 1, 2022
- Reference to the Conceptual Framework (Amendments to IFRS 3) – effective date January 1, 2022
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) – effective date January 1, 2022
- Definition of Accounting Estimates (Amendments to IAS 8) – effective date January 1, 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) – effective date January 1, 2023
- Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – effective date January 1, 2023
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) – effective date January 1, 2024

None of these standards or amendments to existing standards have been early adopted. The Company has not determined if there will be any impact on the financial statements related to the adoption of these new standards.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

4. Accounts receivable:

	2021	2020
Trade receivables	\$ 5,718,432	\$ 5,392,292
Other receivables	402,972	346,002
	<u>\$ 6,121,404</u>	<u>\$ 5,738,294</u>

Included in the receivables balance is an estimated credit loss in the amount of \$350,000 (2020 - \$350,000)

5. Inventory:

The amount of inventories consumed by the Company and recognized as an expense during 2021 was \$238,818 (2020 - \$272,313).

	2021	2020
Stores	\$ 1,107,180	\$ 1,003,436
Wire and cable	678,789	695,548
Poles	375,833	321,134
	<u>\$ 2,161,802</u>	<u>\$ 2,020,118</u>

6. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2021	\$ 26,215,729	\$ 78,586,665	\$21,813,511	\$4,820,290	\$131,436,195
Additions	742,167	4,411,301	646,161	7,477,832	13,277,461
Disposals/retirements	—	—	—	(2,350,075)	(2,350,075)
Balance at December 31, 2021	<u>\$ 26,957,896</u>	<u>\$ 82,997,966</u>	<u>\$22,459,672</u>	<u>\$9,948,047</u>	<u>\$142,363,581</u>

	Land And buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2020	\$ 26,075,741	\$ 73,567,004	\$21,087,433	\$1,275,692	\$122,005,870
Additions	139,988	5,019,661	726,078	3,544,598	9,430,325
Balance at December 31, 2020	<u>\$ 26,215,729</u>	<u>\$ 78,586,665</u>	<u>\$21,813,511</u>	<u>\$4,820,290</u>	<u>\$131,436,195</u>

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

6. Property, plant and equipment (continued):

(b) Accumulated depreciation:

		Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2021	\$	4,780,047	\$ 14,801,570	\$ 6,477,612	\$ –	\$ 26,059,229
Depreciation charge		706,421	2,584,825	550,980	–	3,842,226
Balance at December 31, 2021	\$	5,486,468	\$ 17,386,395	7,028,592	\$ –	\$ 29,901,455

		Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 31, 2020	\$	4,087,214	\$ 12,335,673	\$ 5,483,125	\$ –	\$ 21,906,012
Depreciation charge		692,833	2,465,897	994,487	–	4,153,217
Balance at December 31, 2020	\$	4,780,047	\$ 14,801,570	\$ 6,477,612	\$ –	\$ 26,059,229

Contributed tangible assets:

Contributed tangible assets have been recognized at a fair market value at the date of contribution. The carrying value of contributed assets at the end of the year is \$7,034,528 (2020 - \$4,829,126), comprised of distribution infrastructure (note 9).

(c) Carrying amounts:

		Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
At December 31, 2021	\$	21,471,428	65,611,571	15,431,080	9,948,047	112,462,126
At December 31, 2020	\$	21,435,682	63,785,095	15,335,899	4,820,290	105,376,966

(d) Security:

At December 31, 2021, property, plant and equipment with a carrying amount of \$112,462,126 (2020 - \$105,376,966) are subject to a general security agreement. See note 10 for additional information.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

7. Payments in lieu of income taxes:

Payment in lieu of taxes expense (recovery):

Current PILs Expense:

	2021	2020
Current payments in lieu of income tax	\$ 71,089	\$ 76,523
Payment in lieu of income tax expense	\$ 71,089	\$ 76,523

Deferred PILs Expense:

	2021	2020
Origination and reversal of timing differences	\$ 602,000	\$ 677,000
Total payment in lieu of income tax expense	\$ 673,089	\$ 753,523

Reconciliation of effective tax rate:

	2021	2020
Net income being total comprehensive income for the year	\$ 2,536,549	\$ 2,834,185
Statutory rate	26.5%	26.5%
Income tax	672,185	751,059
Increase (decrease) resulting from:		
Permanent difference	430	1,563
Other	474	901
	\$ 673,089	\$ 753,523

Significant components of the Company's deferred tax balances are as follows:

	2021	2020
Deferred tax assets (liabilities):		
Plant and equipment	\$ (3,152,000)	\$ (2,424,000)
Reserves	92,000	92,000
CMT credit	437,000	366,000
Non-capital loss carry forward	627,000	579,000
Donations	7,000	—
	\$ (1,989,000)	\$ (1,387,000)

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

8. Regulatory deferral account balance:

The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	January 1, 2021	Balances arising in the period	Recovery/ reversal	December 31, 2021	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances					
Settlement Variance	\$ 2,629,422	\$ (24,790)	\$ 4,330,252	\$ 6,934,884	< 2
Deferred taxes	1,886,000	—	602,000	2,488,000	
LRAMVA	55,151	237	(41,126)	14,262	< 1
Total amount related to regulatory deferral account debit balances	\$ 4,570,573	\$ (24,553)	\$ 4,891,126	\$ 9,437,146	

Regulatory deferral account credit balances

Deferred Taxes	\$ (499,000)	\$ —	\$ —	\$ (499,000)	
Smart Meter Entity Charges	(24,157)	(469)	7,918	(16,708)	< 1
Regulatory Asset Recovery Account Phase 10	(11,432)	9,658	—	(1,774)	< 1
Regulatory Asset Recovery Account Phase 11	—	5,040	226,595	231,635	< 1
Accelerated CCA	(284,105)	(1,619)	(125,250)	(410,974)	< 2
Total amount related to regulatory deferral account credit balances	\$ (818,694)	\$ 12,610	\$ 109,263	\$ (696,821)	

	January 1, 2020	Balances arising in the period	Recovery/ reversal	December 31, 2020	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances					
Settlement Variance	\$ 2,439,984	\$ (56,265)	\$ 245,703	\$ 2,629,422	< 1
Deferred taxes	966,000	—	920,000	1,886,000	
LRAMVA	307,609	1,439	(253,897)	55,151	< 1
Total amount related to regulatory deferral account debit balances	\$ 3,713,593	\$ (54,826)	\$ 911,806	\$ 4,570,573	

Regulatory deferral account credit balances

Deferred Taxes	\$ (256,000)	\$ —	\$ (243,000)	\$ (499,000)	
Stranded Meters	(34)	34	—	—	
Smart Meter Entity Charges	(23,822)	(276)	(59)	(24,157)	< 1
Regulatory Asset Recovery Account Phase 5-9	(567,447)	(32,584)	600,031	—	
Regulatory Asset Recovery Account Phase 10	(591,756)	175,023	405,301	(11,432)	< 1
CGAAP Accounting Changes	2	(284,107)	—	(284,105)	
Total amount related to regulatory deferral account credit balances	\$ (1,439,057)	\$ (141,910)	\$ 762,273	\$ (818,694)	

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

8. Regulatory deferral account balance (continued):

The regulatory deferral account balances are recovered or settled through rates set by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory deferral account balances.

Group 1 deferral and variance accounts (Group 1 accounts) track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

9. Deferred revenue:

Deferred revenue relates to capital contributions received from customers and others for distribution assets.

	2021	2020
<i>Cost or deemed cost</i>		
Balance at January 1,	\$ 5,288,573	\$ 4,630,407
Contributions received during the year	2,345,631	658,166
Balance at December 31	\$ 7,634,204	\$ 5,288,573

	2021	2020
<i>Accumulated amortization</i>		
Balance at January 1,	\$ 459,447	\$ 335,459
Amounts amortized during the year	140,229	123,988
Balance at December 31	\$ 599,676	\$ 459,447

Carrying amounts at December 31,	\$ 7,034,528	\$ 4,829,126
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Contributions received include \$1,759,824 (2020 – \$Nil) related to construction in process projects.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

10. Long-term debt:

	2021	2020
Notes payable:		
i. Ontario Infrastructure smart meter loan	\$ 2,686,370	\$ 3,015,290
ii. Ontario Infrastructure building loan	16,687,088	17,331,453
iii. Ontario Infrastructure term loan 1	12,676,549	13,126,402
iv. Ontario Infrastructure term loan 2	5,495,718	5,800,000
v. Ontario Infrastructure construction loan	4,000,000	–
vi. Note payable to parent company, PUC Inc.	26,534,040	26,534,040
	68,079,765	65,807,185
Current portion of long-term debt	(1,923,586)	(1,727,219)
	\$ 66,156,179	\$ 64,079,966

- i) Smart Meter Loan with Ontario Infrastructure and Lands Corporation (OILC): Reducing Debenture Facility, amortization period of 15 years to July 17, 2028 with loan interest rate of 3.82%. Interest of \$106,837 (2020 - \$119,245) was paid and expensed during the year. The loan is payable in the amount of \$220,496 in semi-annual principal and interest repayments. Security is in the form of a second ranking general security agreement.
- ii) Land and Building Loan with OILC: Reducing Debenture Facility, amortization period of 25 years to October 1, 2038, with loan interest rate of 4.57%. Interest of \$778,457 (2020 - \$807,576) was paid and expensed during the year. The loan is payable in the amount of \$118,568 monthly which includes principal and interest. Security is in the form of a first charge over the Company's land and building and a third ranking general security agreement.
- iii) Ontario Infrastructure term loan 1, for electric distribution infrastructure, with interest rate of 3.47%, repayable over 25 years by a blended principal and interest payment of \$74,852 monthly maturing on May 16, 2041. Interest of \$448,376 (2020 - \$463,697) was paid and expensed during the year. Security is in the form of a fourth ranking general security agreement and a guarantee and assignment of shares from the company's shareholder, PUC Inc.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

10. Long-term debt (continued):

- iv) Ontario Infrastructure term loan 2, for electric distribution infrastructure, with interest rate of 2.11%, repayable over 15 years by a blended principal and interest payment of \$37,618 monthly maturing on January 15, 2036. Interest of \$123,055 (2020 - \$33,436) was paid and expensed during the year. Security is in the form of a fifth ranking general security agreement and a guarantee and assignment of shares from the company's shareholder, PUC Inc.
- v) Ontario Infrastructure revolving loan, to a maximum of \$30,000,000 available until September 30, 2024. Draws on the revolving loan are repayable in interest only payments at floating interest rates. Interest of \$26,395 (2020 - \$Nil) was paid and expensed during the year. The construction loan was converted to long-term debt on March 1, 2022, at an interest rate of 3.65%, repayable in blended monthly principal and interest payments of \$23,508, maturing March 1, 2042. As of December 31, 2021, \$20,200,000 remains available under the facility after the draw of the construction loan of \$4,000,000 and the term loan 2 of \$5,800,000 in 2020. Security is in the form of a second ranking general security agreement.
- vi) Note payable to parent company, PUC Inc., bears interest payable quarterly at rates periodically negotiated and principal payable one year after demand. The average interest rate for 2021 was 6.1% (2020 - 6.1%). The balance outstanding for 2021 is \$26,534,040 (2020 - \$26,534,040).

Borrowing costs include interest which is capitalized related to eligible qualifying assets. During the year interest of \$221,307 (2020 - \$95,646) was capitalized.

Principal payments on the long-term debt are as follows:

2022	\$	1,923,586
2023		2,030,770
2024		2,107,035
2025		2,186,316
2026		2,269,079
2027 - 2042		57,562,979
	\$	68,079,765

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2021	2020
Long-term debt, beginning of year	\$ 65,807,185	\$ 61,373,668
Less: cash outflows for principal repayments	(1,727,420)	(1,366,483)
Add: cash inflow for new debt	4,000,000	5,800,000
Long-term debt, end of year	\$ 68,079,765	\$ 65,807,185

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

11. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service. The balance at December 31, 2021 is \$313,596 (2020 - \$712,937).

12. Share capital:

	2021	2020
Authorized:		
Unlimited number of special shares, non-voting, non-cumulative		
Redeemable at \$10,000 per share		
10,000 Common shares		
Issued and outstanding:		
8,612 common shares	\$ 20,062,107	\$ 20,062,107

13. Electricity sales:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. In the following table, revenue from contracts with customers is disaggregated by type

	2021	2020
Residential	\$ 47,643,571	\$ 54,222,874
Commercial	42,752,718	49,263,706
Street lights	574,582	629,044
	\$ 90,970,871	\$ 104,115,624

14. Other operating revenue:

Other income comprises:

	2021	2020
Conservation and demand management	\$ 4,343,196	\$ 4,731,173
Service work related to distribution operations	1,495,687	1,501,205
Pole attachment and duct rentals	863,954	828,248
Account-related charges	292,124	296,114
Other	145,919	150,092
Capital contributions from customers amortized to revenue	140,229	123,988
Total other income	\$ 7,281,109	\$ 7,630,820

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

15. Finance income and expense:

	2021	2020
Interest income	\$ 4,281	\$ 459
Interest expense on long-term debt	2,880,389	2,946,885
Other interest and carrying charges	147,113	240,796
	3,027,502	3,187,681
Net finance costs recognized in profit or loss	\$ 3,023,221	\$ 3,187,222

16. Commitments and contingencies:

i) General:

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

ii) General Liability Insurance:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2021, no assessments have been made.

iii) Letter of Guarantee:

The Company maintains a \$5,000,000 letter of guarantee with its Bank in favor of the IESO.

17. Related party transactions:

(a) Parent, ultimate controlling party, and other related parties:

The sole shareholder of the Company is PUC Inc., which in turn is wholly-owned by the Corporation of the City of Sault Ste. Marie (City). The City produces financial statements available for public use. Other related parties to the Company include:

- PUC Services Inc. (Services) - 100% owned by City
- Public Utilities Commission of the City of Sault Ste. Marie (Utility) - 100% owned by the City.
- Northern Waterworks Inc. (NWI) - 100% owned by PUC Inc.
- 17 Trees Inc. (17 Trees) – 33.3% owned by PUC Inc, managed by PUC Services Inc.
- Watertight Lining Solutions Inc.(WLS) – 100% owned by PUC Inc.
- PUC (Transmission) LP Inc. (LP Inc.) – 100% owned by PUC Inc.
- PUC (Transmission) GP Inc. (GP Inc.) – 100% owned by PUC Inc.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

17. Related party transactions (continued):

(b) Key management personnel:

The key management personnel of the Company have been defined as members of its board of directors and is summarized below:

	2021	2020
Directors' fees	\$ 22,283	\$ 12,035

(c) Transactions with ultimate parent (the City):

In the year, the Company had significant transactions with the City, its ultimate parent and a government entity, with the delivery of electricity throughout the year to meet the electricity needs of the City and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The amount charged to the City for electricity consumed by streetlights is \$614,160 (2020 - \$631,183) and for other electricity consumption is \$3,562,342 (2020 - \$3,915,844).

(d) Transaction with PUC Inc.:

The Company declared dividends on its common shares held by PUC Inc. in the amount of \$610,080 (2020 - \$610,080). This amounts to \$70.84 per share (2020 - \$70.84 per share). Dividends payable to PUC Inc. at the end of the year amount to \$610,080 (2020 - \$610,080).

(e) Transactions with Services:

The Company has a management, operation and maintenance agreement with Services which has been extended to November 30, 2022, under which Services (owned 100% by the City) manages, controls, administers and operates the business of the Company. During the year, management fees were charged by Services in the amount of \$4,913,266 (2020 - \$5,318,112).

The Company pays interest on its payable balance to Services at the OEB prescribed short-term borrowing rate on its average monthly balance. Interest of \$180,408 (2020 - \$155,336) was paid during the year.

The payable balance to Services at December 31, 2021 amounts to \$12,638,877 (2020 - \$10,688,540).

(f) Transactions with 17 Trees:

The Company is related to 17 Trees which is owned 33% by PUC Inc. During the year tree trimming services were charged by 17 Trees in the amount of \$898,707 (2020 - \$604,360) related to tree trimming services. Amounts payable to 17 Trees at the end of the year amount to \$171,393 (2020 - \$28,595).

(g) Transactions with other related entities:

The Company is related to WLS, LP Inc., and GP Inc. which are owned 100% by PUC Inc. There were no related party transactions from these entities with the Company during the year (2020 - \$NIL).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration agreed to by the related parties.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

18. Financial instruments and risk management:

(a) Fair value disclosure:

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

(b) Financial risks:

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

i) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the City. No single customer accounts for a balance in excess of 2.63% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for impairment at December 31, 2021 is \$350,000 (2020 - \$350,000).

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company has over 33 thousand customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2021, the Company holds security deposits in the amount of \$313,596 (2020 - \$712,937).

The Corporation has estimated the expected credit losses using its historical loss rates and recent trends for customer collections along with current and forecasted economic conditions and data. To support residential and small business customers struggling to pay their energy bills, the Government of Ontario provided funding for the COVID-19 Energy Assistance Program ("CEAP"). The Corporation was allocated a portion of this funding and actively participated in the program.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2021

18. Financial instruments and risk management (continued):

(b) Financial risks (continued):

ii) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have any material commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

iii) Liquidity risk:

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to a \$4,500,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2021, no amounts had been drawn under the Company's credit facilities.

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

iv) Capital disclosures:

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2021, shareholder's equity amounts to \$38,680,522 (2020 - \$36,873,347) and long-term debt amounts to \$68,079,765 (2020 - \$65,807,185).

APPENDIX H

PUC Distribution

Inc Audited

Financial

Statements 2020

Financial Statements of

PUC DISTRIBUTION INC.

And Independent Auditors' Report thereon
Year ended December 31, 2020



KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of PUC Distribution Inc.

Opinion

We have audited the financial statements of PUC Distribution Inc. (the "Company"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of income and comprehensive income for the year then ended
- the statement of changes in shareholder's equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

April 6, 2021

PUC DISTRIBUTION INC.

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 124,037	\$ 585,387
Accounts receivable (note 4)	5,738,294	5,433,776
Unbilled revenue	12,240,212	12,098,244
Payment in lieu of taxes recoverable	8,991	-
Inventory (note 5)	2,020,118	1,729,484
Prepaid expenses	67,672	65,217
Total current assets	20,199,324	19,912,108
Non-current assets:		
Property, plant and equipment (note 6)	105,376,966	100,099,858
Total assets	125,576,290	120,011,966
Regulatory balances (note 8)	4,570,573	3,713,593
Total assets and regulatory balances	\$ 130,146,863	\$ 123,725,559

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Statement of Financial Position (continued)

December 31, 2020, with comparative information for 2019

	2020	2019
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,419,954	\$ 10,127,802
Customer deposits (note 11)	712,937	1,067,552
Payment in lieu of taxes	-	45,036
Dividends payable	610,080	900,000
Due to related parties	10,688,540	9,041,731
Current portion of long-term debt (note 10)	1,727,219	1,366,680
Total current liabilities	22,158,730	22,548,801
Non-current liabilities:		
Deferred revenue (note 9)	4,829,126	4,294,948
Deferred tax liability	1,387,000	710,000
Long-term debt (note 10)	64,079,966	60,006,988
Total non-current liabilities	70,296,092	65,011,936
Total liabilities	92,454,822	87,560,737
Shareholder's equity:		
Share capital (note 12)	20,062,107	20,062,107
Retained earnings	16,811,240	14,663,658
Total shareholder's equity	36,873,347	34,725,765
Total liabilities and shareholder's equity	129,328,169	122,286,502
Regulatory balances (note 8)	818,694	1,439,057
Commitments and contingences (note 16)		
Total liabilities, regulatory balances and shareholder's equity	\$ 130,146,863	\$ 123,725,559

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

PUC DISTRIBUTION INC.

Statement of Income and Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Electricity sales (note 13)	\$ 85,083,387	\$ 74,373,612
Distribution revenue (note 13)	19,032,237	19,071,168
Cost of electricity sold	(85,555,982)	(76,035,021)
	18,559,642	17,409,759
Other operating revenue (note 14)	7,630,820	6,747,157
Net operating revenue	26,190,462	24,156,916
Expenses:		
Operations and maintenance	6,434,364	6,302,246
General and administrative	3,129,473	3,172,654
Billing and collection	1,333,216	1,354,435
Depreciation and amortization	4,153,218	4,010,672
Community relations	5,307,274	4,680,636
	20,357,545	19,520,643
Income from operating activities	5,832,917	4,636,273
Net finance costs (note 15)	3,187,222	3,130,511
Income before tax and regulatory items	2,645,695	1,505,762
Income tax expense (recovery):		
Current (note 7)	76,523	126,958
Deferred (note 7)	677,000	638,000
	753,523	764,958
Income for the year before movements in regulatory deferral account balances	1,892,172	740,804
Net movement in regulatory deferral account balances related to income or loss	(188,490)	(1,661,409)
Income tax	(677,000)	(638,000)
	(865,490)	(2,299,409)
Net income, being total comprehensive income for the year	\$ 2,757,662	\$ 3,040,213

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Statement of Changes in Shareholder's Equity

Year ended December 31, 2020, with comparative information for 2019

	Share Capital	Retained Earnings	Total
Balance as at January 1, 2019	\$ 20,062,107	\$ 12,523,445	\$ 32,585,552
Net income and comprehensive income	-	3,040,213	3,040,213
Dividends on common shares	-	(900,000)	(900,000)
Balance at December 31, 2019	20,062,107	14,663,658	34,725,765
Net income and comprehensive income	-	2,757,662	2,757,662
Dividends on common shares	-	(610,080)	(610,080)
Balance at December 31, 2020	\$ 20,062,107	\$ 16,811,240	\$ 36,873,347

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in)		
Cash flows from operating activities:		
Total comprehensive income for the year	\$ 2,757,662	\$ 3,040,213
Items not involving cash:		
Depreciation and amortization	4,153,218	4,010,672
Amortization of deferred revenue	(123,988)	(101,862)
Net finance costs	3,187,222	3,130,511
Income tax expense	753,523	764,958
	10,727,637	10,844,492
Changes in non-cash working capital:		
Accounts receivable	(304,518)	(12,646)
Unbilled revenue	(141,968)	(3,540,640)
Inventory	(290,634)	(119,056)
Prepaid expenses	(2,455)	380,463
Due to related parties	1,647,268	5,763,202
Accounts payable and accrued liabilities	(1,707,849)	1,976,290
Customer deposits	(354,615)	(31,781)
Income tax paid	(130,550)	(41,144)
Net movements in regulatory balances	(1,477,343)	(5,035,197)
Net cash from operating activities	7,964,973	10,183,983
Cash flows from financing activities:		
Repayment of long-term debt	(1,366,483)	(1,312,679)
Proceeds of issuance of long-term debt	5,800,000	-
Interest paid	(3,187,681)	(3,133,430)
Dividends paid	(900,000)	-
Net cash from financing activities	345,836	(4,446,109)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(8,772,159)	(5,767,100)
Change in cash and cash equivalents	(461,350)	(29,226)
Cash and cash equivalents, beginning of year	585,387	614,613
Cash and cash equivalents, end of year	\$ 124,037	\$ 585,387

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

1. Reporting entity:

PUC Distribution Inc. (the "Company") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Company is located in the City of Sault Ste. Marie. The address of the Company's registered office is 500 Second Line East, Sault Ste. Marie, Ontario Canada.

The Company delivers electricity and related energy services to residential and commercial customers in Sault Ste. Marie. The Company is wholly owned by PUC Inc., which is itself wholly owned by The Corporation of the City of Sault Ste. Marie.

2. Basis of presentation:

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 6, 2021.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(e) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

- (i) Notes 3 (d), 6 - Property, plant and equipment: estimation of useful lives
- (ii) Note 15 - Commitments and contingencies
- (iii) Note 8 - recognition of regulatory balances
- (iv) Note 3 (k) - leased assets

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

2. Basis of presentation (continued):

(f) Rate regulation:

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The OEB has a decision and order in place banning utilities in Ontario from disconnecting homes for non-payment during the winter. This ban is normally in place from November 15 to April 30 each year but was extended this year to July 31, 2020.

(g) Rate setting:

i) Distribution revenue:

For the distribution revenue included in electricity sales, the Company files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, debt and shareholder's equity required to support the Company's business. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

The Company filed a COS rate application in 2018 for rates effective October 1, 2018 to April 30, 2019 for which a Decision and Rate order was issued September 27, 2018.

The Company filed an IRM in 2018 requesting a 1.45% inflationary increase to distribution rates effective May 1, 2019 to be implemented July 1, 2019 for the period of May 1, 2019 to April 30, 2020. The IRM was approved on July 9, 2019.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

2. Basis of presentation (continued):

(g) Rate setting (continued):

ii) Distribution revenue (continued):

The Company filed an IRM and ICM in 2019 requesting a 1.55% inflationary increase to distribution rates and a substation upgrade rate rider effective May 1, 2020. The PUC elected to defer the implementation of rates to November 1, 2020 which the OEB approved October 8, 2020.

iii) Electricity rates:

The OEB sets Ontario electricity prices for low-volume consumers twice each year (May and November) based on an estimate of how much it will cost to supply the province with electricity for the next year. In 2017, the OEB set new lower Regulated Price Plan (RPP) prices established under the Ontario Fair Hydro Act, 2017.

On May 9, 2019, the Government of Ontario enacted Bill 87, the Fixing the Hydro Mess Act, 2019. The legislation amended the Ontario Rebate for Electricity Consumers Act, 2016, and the Ontario Fair Hydro Plan Act, 2017.

Effective November 1, 2019, the OEB set electricity prices under the RPP based on the estimated cost to supply the province with electricity. The Ministry of Energy, Northern Development and Mines set the amount of the rebate under the Ontario Rebate for Electricity Consumers Act, 2016 such that the monthly bill for a typical customer increased by the rate of inflation.

All remaining consumers pay the market price for electricity.

The Corporation is billed for the cost of the electricity that its customers use by the Independent Electricity System Operator and passes this cost on to the customer at cost without a mark-up.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments:

All financial assets and financial liabilities are measured at amortized cost. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(e). The Company does not enter into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies (continued):

(b) Revenue recognition:

i) Electricity sales:

Electricity sales are recognized as the electricity is delivered to customers and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution, and any other regulatory charges. Electricity revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

The difference between the amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of electricity and related electricity service costs billed monthly by the Independent Electricity System Operator ("IESO") is recorded as a settlement variance. In accordance with IFRS 14, this settlement variance is presented within regulatory balances on the balance sheets and within net movements in regulatory balances, net of tax on the statement of income and comprehensive income.

ii) Capital contributions:

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 "Revenue from Contracts with Customers". Cash contributions are initially recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Company's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the economic useful life of the constructed or contributed asset, which represents the period of ongoing service to the customer.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 Revenue from Contracts with Customers. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

iii) Rendering of services:

Revenue earned from the provision of services is recognized as the service is rendered.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies (continued):

(b) Revenue recognition (continued):

iv) Conservation programs:

Incentive payments to which the Company is entitled from the IESO are recognized as revenue in the period when they are determined by the IESO and the amount is communicated to the Company.

c) Inventory:

Inventories consist of parts, supplies and materials held for the future capital expansion or replacement are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(d) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take a substantial period of time to construct.

When parts of an item of property, plant and equipment ("PP&E") have different useful lives, they are accounted for as separate items (major components) of PP&E.

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount and is recognized in income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and in service.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

The estimated useful lives are as follows:

Buildings	25 – 50 years
Transmission and distribution	15 – 60 years
Machinery and equipment	5 – 40 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

(e) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies (continued):

(e) Impairment (continued):

(ii) Non-financial assets (continued):

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(g) Regulation:

The following regulatory treatments have resulted in accounting treatments which differ from those prescribed by IFRS for enterprises operating in an unrelated environment and regulated entities that have not adopted IFRS 14, Regulatory Deferral Accounts (IFRS 14).

(h) Regulatory deferral accounts:

The Company has determined that certain asset and liability balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the Accounting Procedures Handbook for Electricity Distributors. Under rate-regulated accounting, the timing and recognition of certain expenses and revenues may differ from those otherwise expected under other IFRS in order to appropriately reflect the economic impact of regulatory decisions regarding the Company's regulated revenues and expenditures. These amounts arising from timing differences are recorded as regulatory asset and liability balances on the Company's statement of financial position, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on decisions and approvals by the OEB.

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies (continued):

(h) Regulatory deferral accounts (continued):

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances are assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates. In 2020 the rate was 2.18% for the first two quarters of the year and 0.57% for the remainder of the year. Regulatory balances can be recognized for rate-setting and financial reporting purposes only if the OEB directs the relevant regulatory treatment or if future OEB direction is determined by management to be probable.

In the event that the disposition of these balances is assessed to no longer be probable based on management's judgment, the balances are recorded in the Company's statement of income and comprehensive income in the period when the assessment is made. Regulatory balances that do not meet the definition of an asset or liability under any other IFRS are segregated on the statement of financial position and on the statement of income and comprehensive income as net movements in regulatory balances, net of tax. The netting of regulatory debit and credit balances is not permitted.

The measurement of regulatory balances is subject to certain estimates and assumptions, including assumptions made in the interpretation of the OEB's regulations and decisions.

(i) Credit support for service delivery:

Credit support for service delivery represents cash deposits from electricity distribution customers as well as construction deposits.

Deposits from electricity distribution customers are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution service. Customer deposits are also refundable to residential electricity distribution customers demonstrating an acceptable level of credit risk, as determined by the Company.

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded as credit support for service delivery, a current liability. Once the distribution system asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies (continued):

(j) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue within non-current liabilities. Deferred revenue represents the Company's obligation to continue to provide customers access to the supply of electricity, and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(k) Leased assets:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (i) The contract involves the use of an identified asset;
- (ii) The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (iii) The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - a) The Company has the right to operate the asset; or
 - b) The Company designed the asset in a way that predetermines how and for what purposes it will be used.

Short-term leases and low value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies (continued):

(l) Payment in lieu of taxes:

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations' Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Company ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Company's Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

PILs comprises current and deferred payments in lieu of income tax. PILs recognized in income and loss except to the extent that it relates to items recognized directly in either comprehensive income or equity, in which case, it is recognized in comprehensive income or in equity.

Current PILS is the expected amount of tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred PILs comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

Deferred PILs assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred PILs assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred PILs asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies (continued):

(m) Critical accounting estimates and judgments:

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments:

The Company determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods, and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in note 16.

Payment in lieu of taxes:

The Company periodically assesses its liabilities and contingencies related to PILs for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current PILs provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the PILs liabilities.

Useful lives of depreciable assets:

Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2020, management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in note 6. Actual results, however, may vary due to technical obsolescence, particularly for software and electronic equipment.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies (continued):

(m) Critical accounting estimates and judgments (continued):

Impairment:

An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each asset or cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

4. Accounts receivable:

	2020	2019
Trade receivables	\$ 5,392,292	\$ 5,104,625
Other receivables	346,002	329,151
	<u>\$ 5,738,294</u>	<u>\$ 5,433,776</u>

Included in the receivables balance is an allowance for doubtful accounts in the amount of \$348,864 (2019 - \$353,384)

5. Inventory:

The amount of inventories consumed by the Company and recognized as an expense during 2020 was \$272,313 (2019 - \$326,444).

	2020	2019
Stores	\$ 1,003,436	\$ 951,738
Wire and cable	695,548	499,695
Poles	321,134	278,051
	<u>\$ 2,020,118</u>	<u>\$ 1,729,484</u>

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

6. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2020	\$ 26,075,741	\$ 73,567,004	\$21,087,433	\$1,275,692	\$122,005,870
Additions	139,988	5,019,661	726,078	3,544,598	9,430,325
Balance at December 31, 2020	\$ 26,215,729	\$ 78,586,665	\$21,813,511	\$4,820,290	\$131,436,195

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2019	\$ 25,883,626	\$ 68,540,300	\$20,470,714	\$ 232,287	\$115,126,927
Additions	192,115	5,026,704	616,719	1,043,405	6,878,943
Balance at December 31, 2019	\$ 26,075,741	\$ 73,567,004	\$21,087,433	\$ 1,275,692	\$122,005,870

(b) Accumulated depreciation:

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 31, 2020	\$ 4,087,214	\$12,335,673	\$ 5,483,125	\$ –	\$ 21,906,012
Depreciation charge	692,833	2,465,897	994,487	–	4,153,217
Balance at December 31, 2020	\$ 4,780,047	\$14,801,570	\$ 6,477,612	\$ –	\$ 26,059,229

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2019	\$ 3,400,451	\$ 9,987,386	\$ 4,507,503	\$ –	\$ 17,895,340
Depreciation charge	686,763	2,348,287	975,622	–	4,010,672
Balance at December 31, 2019	\$ 4,087,214	\$12,335,673	\$ 5,483,125	\$ –	\$ 21,906,012

Contributed tangible assets:

Contributed tangible assets have been recognized at a fair market value at the date of contribution. The value of contributed assets at the end of the year is \$4,829,126 (2019 - \$4,294,948), comprised of distribution infrastructure.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

6. Property, plant and equipment (continued):

(c) Carrying amounts:

		Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
At December 31, 2020	\$	21,435,682	63,785,095	15,335,899	4,820,290	105,376,966
At December 31, 2019	\$	21,987,527	61,231,331	15,604,308	1,275,692	100,099,858

(d) Security:

At December 31, 2020, properties with a carrying amount of \$105,376,966 (2019 - \$100,099,858) are subject to a general security agreement.

7. Payments in lieu of income taxes:

Payment in lieu of taxes expense (recovery):

Current PILs Expense:

	2020	2019
Current payments in lieu of income tax	\$ 76,523	\$ 85,514
Adjustment to prior years	—	41,444
Payment in lieu of income tax expense	\$ 76,523	\$ 126,958

Deferred PILs Expense:

	2020	2019
Origination and reversal of timing differences	\$ 677,000	\$ 638,000
Payment in lieu of income tax expense	\$ 753,523	\$ 764,958

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

7. Payments in lieu of income taxes (continued):

Reconciliation of effective tax rate:

	2020	2019
Net income being total comprehensive income for the year	\$ 2,834,185	\$ 3,167,171
Statutory rate	26.5%	26.5%
Income tax	751,059	839,300
Increase (decrease) resulting from:		
Permanent difference	1,563	1,584
Adjustment to prior year's recovery	—	(76,000)
Other	901	74
	\$ 753,523	\$ 764,958

Significant components of the Company's deferred tax balances are as follows:

	2020	2019
Deferred tax assets (liabilities):		
Plant and equipment	\$ (2,424,000)	\$ (1,882,000)
Reserves	92,000	94,000
CMT credit	366,000	290,000
Non-capital loss carry forward	579,000	788,000
	\$ (1,387,000)	\$ (710,000)

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

8. Regulatory deferral account balance:

The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	January 1, 2020	Balances arising in the period	Recovery/ reversal	December 31, 2020	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances					
Settlement Variance	\$ 2,439,984	\$ (56,265)	\$ 245,703	\$2,629,422	<1
Deferred taxes	966,000	—	920,000	1,886,000	
LRAMVA	307,609	1,439	(253,897)	55,151	<1
Total amount related to regulatory deferral account debit balances	\$ 3,713,593	\$ (54,826)	\$ 911,805	\$4,570,573	
Regulatory deferral account credit balances					
Deferred Taxes	\$ (256,000)	\$ —	\$(243,000)	\$ (499,000)	
Stranded Meters	(34)	34	—	—	
Smart Meter Entity Charges	(23,822)	(276)	(59)	(24,157)	<1
Regulatory Asset Recovery Account Phase 5-9	(567,447)	(32,584)	600,031	—	<1
Regulatory Asset Recovery Account Phase 10	(591,756)	175,023	405,301	(11,432)	<1
CGAAP Accounting Changes	2	(2)	—	—	
Accelerated CCA	—	(284,105)	—	(284,105)	
Total amount related to regulatory deferral account credit balances	\$ (1,439,057)	\$ (141,910)	\$ 762,273	\$ (818,694)	

	January 1, 2019	Balances arising in the period	Recovery/ reversal	December 31, 2019	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances					
Settlement Variance	\$ (672,655)	\$ 84,433	\$3,028,206	\$2,439,984	<1
Deferred taxes	150,000	—	816,000	966,000	
LRAMVA	426,609	11,159	(130,159)	307,609	<1
Total amount related to regulatory deferral account debit balances	\$ (96,046)	\$ 95,592	\$3,714,047	\$3,713,593	
Regulatory deferral account credit balances					
Deferred Taxes	\$ (78,000)	\$ —	\$(178,000)	\$ (256,000)	
Stranded Meters	(34)	—	—	(34)	<1
Smart Meter Entity Charges	(29,071)	412	4,837	(23,822)	<1
Regulatory Asset Recovery Account Phase 5-9	(2,557,512)	—	1,990,065	(567,447)	<1
Regulatory Asset Recovery Account Phase 10	—	70,846	(662,602)	(591,756)	<1
CGAAP Accounting Changes	2	—	—	2	1
Total amount related to regulatory deferral account credit balances	\$ (2,664,615)	\$ 71,258	\$1,154,300	\$ (1,439,057)	

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

8. Regulatory deferral account balance (continued):

The regulatory deferral account balances are recovered or settled through rates set by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory deferral account balances.

Group 1 deferral and variance accounts (Group 1 accounts) track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

9. Deferred revenue:

	Distribution assets	Construction in-Progress	Total
Cost or deemed cost			
Balance at January 1, 2020	\$ 4,630,407	\$ —	\$ 4,630,407
Additions	658,166	—	658,166
Balance at December 31, 2020	\$ 5,288,573	\$ —	\$ 5,288,573
Balance at January 1, 2019	\$ 3,518,564	\$ —	\$ 3,518,564
Additions	1,111,843	—	1,111,843
Balance at December 31, 2019	\$ 4,630,407	\$ —	\$ 4,630,407
Accumulated depreciation			
Balance at January 1, 2020	\$ 335,459	\$ —	\$ 335,459
Depreciation	123,988	—	123,988
Balance at December 31, 2020	\$ 459,447	\$ —	\$ 459,447
Balance at January 1, 2019	\$ 233,597	\$ —	\$ 233,597
Depreciation	101,862	—	101,862
Balance at December 31, 2019	\$ 335,459	\$ —	\$ 335,459
Carrying amounts			
At December 31, 2020	\$ 4,829,126	\$ —	\$ 4,829,126
At December 31, 2019	4,294,948	—	4,294,948

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

9. Deferred revenue (continued):

Deferred revenue relates to capital contributions received from customers and others. The amount of deferred revenue received from customers during the year is \$658,166 (2019 - \$1,111,843). Deferred revenue is recognized as revenue on a straight-line basis over the life of the related asset for which the contribution was received.

10. Long-term debt:

	2020	2019
Notes payable:		
(i) Ontario Infrastructure smart meter loan	\$ 3,015,290	\$ 3,331,997
(ii) Ontario Infrastructure building loan	17,331,453	17,946,697
(iii) Ontario Infrastructure distribution loan	13,126,402	13,560,934
(iv) Ontario Infrastructure construction loan	5,800,000	–
(v) Note payable to parent company, PUC Inc.	26,534,040	26,534,040
	65,807,185	61,373,668
Current portion of long-term debt	(1,727,219)	(1,366,680)
	\$ 64,079,966	\$ 60,006,988

- i) Smart Meter Loan with Ontario Infrastructure and Lands Corporation (OILC): Reducing Debenture Facility, amortization period of 15 years to July 17, 2028. The loan interest rate of 3.82%. Interest of \$119,245 (2019 - \$131,193) was paid and expensed during the year. The loan is payable in the amount of \$220,496 semi-annual principal and interest. Security is in the form of a second ranking general security agreement.
- ii) Land and Building Loan with OILC: Reducing Debenture Facility, amortization period of 25 years to October 1, 2038. The loan interest rate of 4.57%. Interest of \$807,576 (2019 - \$834,821) was paid and expensed during the year. The loan is payable in the amount of \$118,568 monthly principal and interest. Security is in the form of a first charge over the Company's land and building and a third ranking general security agreement.
- iii) Electric Distribution Infrastructure Loan with OILC: The construction loan was converted to long term debt in 2016, at an interest rate of 3.47%, repayable over 25 years by a blended principal and interest payment of \$74,852 monthly maturing on May 16, 2041. Interest of \$463,697 (2019 - \$478,495) was paid and expensed during the year. Security is in the form of a fourth ranking general security agreement and a guarantee and assignment of shares from the company's shareholder, PUC Inc.
- iv) Electric Distribution Infrastructure Loan with OILC: Temporary construction loan with a variable interest rate. Interest of \$33,436 was paid and expensed during the year and \$95,646 was capitalized. The construction loan was converted to long debt on January 15, 2021, at an interest rate of 2.11%, repayable over 15 years by a blended principal and interest payment of \$37,618 monthly maturing on January 15, 2036. Security is in the form of a fifth ranking general security agreement and a guarantee and assignment of shares from the company's shareholder, PUC Inc.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

10. Long-term debt (continued):

- v) Note payable to parent company, PUC Inc., bears interest payable quarterly at rates periodically negotiated and principal payable one year after demand. The average interest rate for 2020 was 6.1% (2019 – 6.1%). The balance outstanding for 2019 is \$26,534,040 (2019 - \$26,534,040).

Subsequent to yearend, on February 16, 2021 the Company drew on their drawdown certificate with OILC in the amount of \$4 million to cover infrastructure upgrades that were paid using cash from Services. The amounts from the drawdown went to repay part of the balance payable to related party. The amount remains as a construction loan with a variable interest rate until it is transferred into a term loan.

Principal payments on the long-term debt are as follows:

2021	\$ 1,727,219
2022	1,820,265
2023	1,888,541
2024	1,959,526
2025	2,033,332
2026 - 2042	56,378,302
	\$ 65,807,185

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2020	2019
Long term debt - beginning	\$ 61,373,668	\$ 62,686,347
Less: cash outflows for principal repayments	(1,366,483)	(1,312,679)
Add: cash inflow for new debt	5,800,000	–
	\$ 65,807,185	\$ 61,373,668

11. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service. The balance at December 31, 2020 is \$712,937 (2019 - \$1,067,552).

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

12. Share capital:

	2020	2019
Authorized:		
Unlimited number of special shares, non-voting, non-cumulative Redeemable at \$10,000 per share 10,000 Common shares		
Issued and outstanding:		
8,612 common shares	\$ 20,062,107	\$ 20,062,107

13. Electricity sales:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. In the following table, revenue from contracts with customers is disaggregated by type of customer.

	2020	2019
Electricity sales	\$ 85,083,387	\$ 74,373,612
Distribution revenue	19,032,237	19,071,168
Total revenue from contracts with customers	\$ 104,115,624	\$ 93,444,780

	2020	2019
Residential	\$ 54,222,874	\$ 44,731,622
Commercial	49,263,706	48,012,954
Street lights	629,044	700,204
	\$ 104,115,624	\$ 93,444,780

14. Other operating revenue:

Other income comprises:

	2020	2019
Conservation and demand management	\$ 4,731,173	\$ 4,031,628
Service work related to distribution operations	1,501,205	1,498,284
Pole attachment and duct rentals	828,248	791,218
Account-related charges	296,114	173,679
Other	150,092	149,986
Capital contributions from customers amortized to revenue	123,988	101,862
Gain on disposal of property, plant and equipment	—	500
Total other income	\$ 7,630,820	\$ 6,747,157

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

15. Finance income and expense:

	2020	2019
Interest income	\$ 459	\$ 2,919
Interest expense on long-term debt	2,946,885	3,063,085
Other interest and carrying charges	240,796	70,345
	3,187,681	3,133,430
Net finance costs recognized in profit or loss	\$ 3,187,222	\$ 3,130,511

16. Commitments and contingencies:

i) General:

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

ii) General Liability Insurance:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2020, no assessments have been made.

iii) Letter of Guarantee:

The Company maintains a \$5,000,000 letter of guarantee with its Bank in favor of the IESO.

17. Related party transactions:

(a) Parent, ultimate controlling party, and other related parties:

The sole shareholder of the Company is PUC Inc., which in turn is wholly-owned by the Corporation of the City of Sault Ste. Marie. The City produces financial statements that are available for public use. Other related parties include PUC Services Inc. (Services), Public Utilities Commission of the City of Sault Ste. Marie (Utility), and Northern Waterworks Inc (NWI).

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

17. Related party transactions (continued):

(b) Key management personnel:

The key management personnel of the Company have been defined as members of its board of directors and is summarized below:

	2020	2019
Directors' fees	\$ 12,035	\$ 9,870

(c) Transactions with ultimate parent (the City):

In the year, the Company had the following significant transactions with its ultimate parent, a government entity:

The Company delivers electricity to the City throughout the year for the electricity needs of the City and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The amount charged to the City for electricity consumed by streetlights is \$631,183 (2019 - \$635,219) and for other electricity consumption is \$3,915,844 (2019 - \$4,277,141).

(d) Transaction with PUC Inc.:

The Company declared dividends on its common shares held by PUC Inc. in the amount of \$610,080 (2019 - \$900,000). This amounts to \$70.84 per share (2019 - \$104.51 per share). Dividends payable to PUC Inc. at the end of the year amount to \$610,080 (2019 - \$900,000).

(e) Transactions with Services:

The Company has a management, operation and maintenance agreement with Services, which has been extended to November 30, 2022, under which Services manages, controls, administers and operates the business of the Company. During the year, management fees were charged by Services in the amount of \$5,318,112 (2019 - \$4,655,272).

The Company pays interest on its payable balance to Services at the OEB prescribed short-term borrowing rate on its average monthly balance. Interest of \$155,336 (2019 - \$68,363) was paid during the year.

The payable balance to Services at December 31, 2020 amounts to \$10,688,540 (2019 - \$9,041,731).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration agreed to by the related parties.

(f) Transactions with NWI:

The Company is related to NWI through common ownership group. There were no transactions with NWI during the year (2019 - \$NIL).

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

18. Financial instruments and risk management:

(a) Fair value disclosure:

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

(b) Financial risks:

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

i) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the City. No single customer accounts for a balance in excess of 2.53% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for impairment at December 31, 2020 is \$348,864 (2019 - \$353,384).

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company has over 33 thousand customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2020, the Company holds security deposits in the amount of \$712,937 (2019 - \$1,067,552).

As a result of the COVID-19 pandemic, certain of the Corporation's customers have experienced loss of employment, business shut-downs and other disruptions. The extension of the OEB's winter disconnection ban negatively impacted the Corporation's ability to exercise the full extent of its collection tools to manage the credit risk. In response to the increased collection risk, the Corporation has increased its loss allowance for expected credit losses to adjust for the higher level of expected customer defaults on accounts receivable. The Corporation has estimated the expected credit losses using its historical loss rates and recent trends for customer collections along with current and forecasted economic conditions and data. There is a greater degree of estimation uncertainty over this loss estimate than in 2019. To support residential and small business customers struggling to pay their energy bills, the Government of Ontario provided funding for the COVID-19 Energy Assistance Program ("CEAP"). The Corporation was allocated a portion of this funding and actively participated in the program.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2020

18. Financial instruments and risk management (continued):

ii) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have any material commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

iii) Liquidity risk:

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to a \$4,500,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. The COVID-19 pandemic has placed increased liquidity pressure on the Corporation. The Corporation's currently available liquidity is expected to be sufficient to address any reasonably foreseeable impacts that the COVID-19 pandemic may have on the Corporation's cash requirements.

As at December 31, 2020, no amounts had been drawn under the Company's credit facilities.

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

iv) Capital disclosures:

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2020, shareholder's equity amounts to \$36,873,347 (2019 - \$34,725,765) and long-term debt amounts to \$65,807,185 (2019 - \$61,373,668).

APPENDIX I

2021 PUC

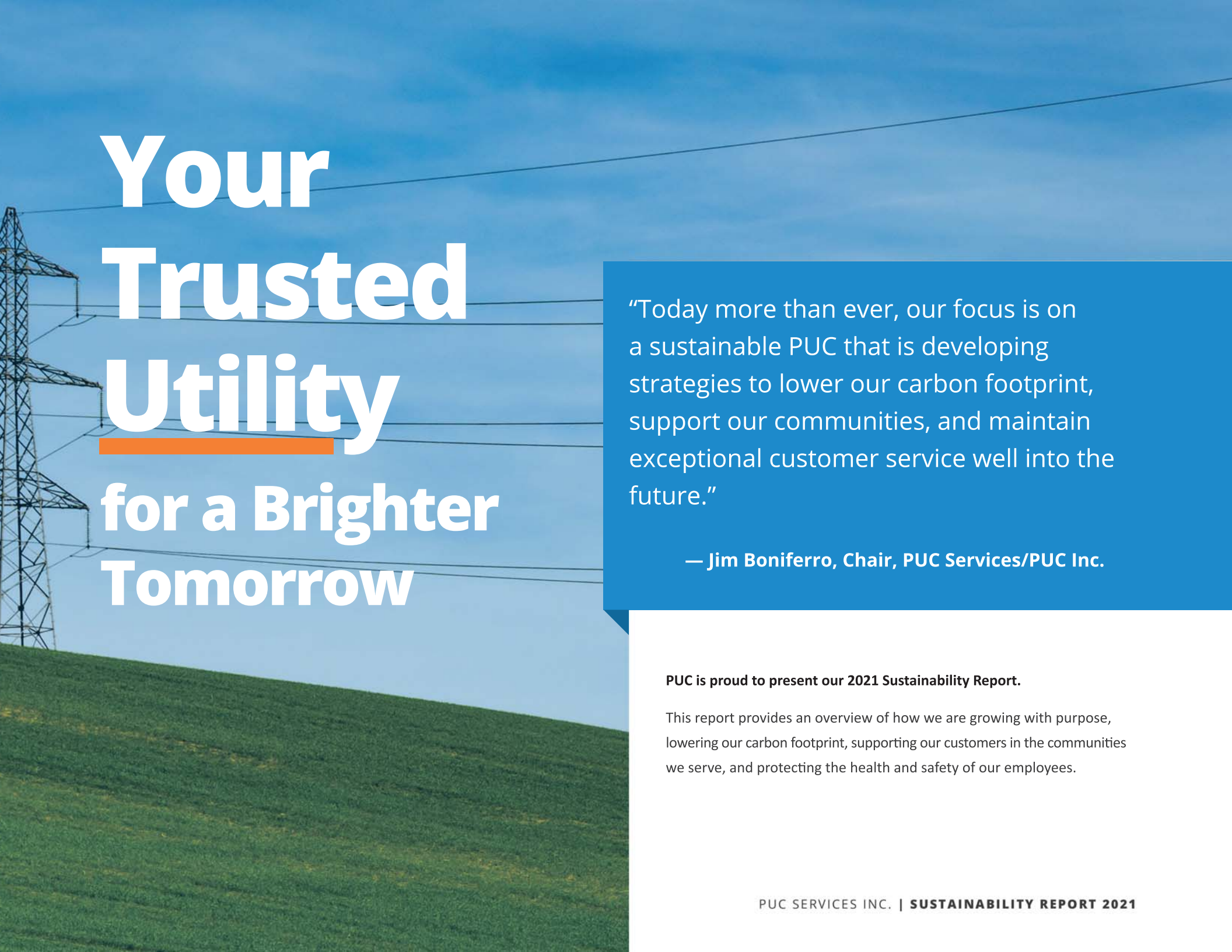
Sustainability

Report



PUC SERVICES INC. | SUSTAINABILITY REPORT 2021

Realizing our Vision



Your Trusted Utility for a Brighter Tomorrow

“Today more than ever, our focus is on a sustainable PUC that is developing strategies to lower our carbon footprint, support our communities, and maintain exceptional customer service well into the future.”

— Jim Boniferro, Chair, PUC Services/PUC Inc.

PUC is proud to present our 2021 Sustainability Report.

This report provides an overview of how we are growing with purpose, lowering our carbon footprint, supporting our customers in the communities we serve, and protecting the health and safety of our employees.

Table of Contents



[01 1. Message from the Chair](#)

[03 2. Message from the President & CEO](#)

[05 3. Who We Are](#)

[05 3.1. PUC's Brand Promise](#)

[05 3.2. Vision, Mission, Values, Areas of Strategic Focus](#)

[06 3.3. Corporate structure](#)

[07 3.4. Where we operate](#)

[08 4. Advancement – Growing with purpose](#)

[09 4.1. PUC Transmission LP](#)

[10 4.2. Watertight Lining Solutions Inc.](#)

[11 4.3. Northern Waterworks Inc.](#)

[12 5. Responsibility – Doing our part to lower our carbon footprint while supporting our customers](#)

[13 5.1. Sault Smart Grid](#)

[15 5.2. MyPUC App](#)

[16 5.3. CEMa](#)

[16 5.4. AffordAbility Fund](#)

[17 5.5. Electric Vehicle Strategy](#)

[18 5.6. Capital Infrastructure Investments](#)

[20 6. Engagement – Being a partner in the communities we serve](#)

[21 6.1. COVID-19 Community Support](#)

[21 6.2. Tree Giveaway](#)

[21 6.3. Halloween Community Safety](#)

[21 6.4. Powerline Safety Message](#)

[21 6.5. Donations and Sponsorship](#)

[22 7. Resiliency – Focusing on the health and safety of our employees](#)

[23 7.1. Protecting our employees during COVID-19 pandemic](#)

[23 7.2. Health and Safety Record](#)

[24 8. Securing the Future – 2021 Financial Statements](#)

[30 9. Thank you](#)

[31 9.1. Executive Team](#)

[32 9.2. Board of Directors](#)

Click on buttons like these in the report to watch a video.

VIDEO





Message from Jim P Boniferro

Chair, PUC Services Inc. / PUC Inc.

PUC Services Inc./PUC Inc.'s Chair Jim Boniferro, has been an integral player in laying the groundwork for the sustainable, growing PUC that we know today. As his term as Chair comes to an end, PUC would like to thank Jim for his strong leadership, strategic vision, and dedication to PUC over the past nine years.

Transformation through Curiosity and Innovation

The PUC and the utility industry were drastically different when I was elected Chair of the PUC Services Inc. Board of Directors in 2014. PUC was a company made up of exceptional employees, providing electrical and water distribution to customers in the Algoma region. We were not aware of the many challenges about to face our organization, such as smart technology, climate change impacts on utilities and a global pandemic that would impact every facet of our lives.

Today, the environment in which PUC operates is constantly changing. Different customer expectations paired with improved environmental pressures has required PUC to be responsive and adaptable, transforming at a rapid pace to meet the needs of today - and being prepared for tomorrow. Our commitment to being a strong leader in the communities we serve has added a new dimension to our day-to-day operations and our long-term vision.

Building a strong, diverse and experienced Board was job one. The process of adapting had to begin at the Board level. PUC has found our identity as a growing, strategic company whose vision

is to improve communities through curiosity and innovation. The Board worked to develop a strategic plan that clearing defined what growth, vision and the future of the organization would look like. Staff embraced this strategic direction and brought it to life.

We know where we're going – and we have a clear plan to get there. The journey hasn't always been easy, but it is so rewarding to see the progress we have made – and even more importantly – the excitement and optimism about our future.

The Shift to Strategic

PUC has always been and will continue to be an extremely important part of the communities we serve. The difference I see, and one that the Board and PUC staff have strived for over the past decade, is a shift in thinking around everything we do.

We had to figure out what we wanted to be and where we fit into the communities and the industries as we grew.

Collectively, we started asking questions like “how can we do this differently?”, “How will this decision make PUC more sustainable

and add value?”, “How will this support the communities we serve into the future?”, and “How will this improve our customers quality of life?” In short, we started being more curious.

Establishing a clear vision, common goal and a strategic plan that was understood throughout the organization is what ultimately led to a more sustainable PUC. It allowed us to more effectively measure our activities and ensure they were aligned with our vision and strategic plan.

Focus on Sustainability

Today more than ever, our focus is on a sustainable PUC that is developing strategies to lower our carbon footprint, support our communities, and maintain exceptional customer service well into the future.

Whether it is a health and safety initiative, a financial investment, community involvement, or an operational decision, we are always asking ourselves “how does it make the organization more sustainable, improve customer experience and tie into our long-term vision?”

‘Thinking big’ is now part of PUC’s culture and is woven into who we are as a company. We are now less reactive and more proactive in our decision making and planning. That to me, is one of the biggest positive changes I have seen over the years.

Curiosity and Innovation

PUC’s vision to improve the community through curiosity and innovation is reflected in so many current examples. The Sault Smart Grid, Watertight Lining Solutions Inc, and the MyPUC App are just a few projects that demonstrate our vision coming to life.

The Sault Smart Grid is quite literally using innovation to change the way we deliver electricity, and it is the first community-wide project of its kind in Canada.

Customers can now report outages quickly and easily on the MyPUC App, and that results in quicker response times to restore power. Updates provided through the MyPUC App improves customer experience by eliminating the unknown.

**Download the
MyPUC App today.**



**Outage Information
right at your fingertips.**

We are using innovative technology to renew aging water infrastructure that saves time and money, and reduces the impact on both our customers and the environment. This allows us to continue to provide safe, reliable drinking water.



These examples show how our vision and our values drive our decision and how we change as a company.

Community Partner

Our annual dividends to the shareholder have been at record levels in recent years, and this is something we are very proud of. But it goes so far beyond that. We are no longer just a regulated utility service. We are driving positive change in the community, and are seen as a leader locally, provincially - and even nationally.

We now work with our customers and stakeholders in a different way. We have come a long way to be recognized as a community partner; there is a clearer understanding of that role. We are constantly thinking of how we can better our community, providing support to community members on both large and small scale projects.

This was most recently reflected in the award recognition we received by Algoma Public Health for our efforts to help community members during the COVID-19 pandemic.

Looking to the Future

There is always more work to do.

I am looking forward to seeing continued growth and what new innovative and curious projects PUC will take on in the future. No doubt, PUC will pursue opportunities that will be beneficial to the current operation, and I look forward to seeing what those may be.

When new opportunities come up, whether it be in the community or outside of the community, I want people to think “that’s a good opportunity for PUC”. I know it is already happening, and that makes me very proud of my role over the years to have been a small part in laying the groundwork for a bright future for an organization that means so much to our community.



A conversation with Rob Brewer

President and CEO, PUC Services Inc.

Q. Although the pandemic continued to be a big factor in 2021, PUC was extremely active on many fronts. What was your overarching goal for the year?

I really believe our goal over the past year was to continue to realize our vision to be a sustainable organization and to be a leader in supporting and giving back to our community.

As a growing, strategic organization, with a clear definition of our initiatives and how we execute on those, we have been better able to be sustainable and to support our community.

Q. Why is it so important as a business to give back to the community?

There are many reasons. This is the community we live in, these are our customers and future customers. I personally believe there is a moral obligation to assist if you can and PUC was one of the least impacted businesses during the pandemic. We tried to help those more impacted whether

it was purchasing local restaurants gift cards as support to employees or helping the community during the vaccination process.

Last year we tried to be more direct in our support. We used to work through umbrella charity groups, but during the pandemic we reached directly to access those local groups so we could have a more immediate impact.

Q. How successful were you?

I think the vaccination support and the children's programs were very successful. We also were very honored when Algoma Public Health named us a 2021 Public Health Champion. We weren't looking for the recognition, as our focus was helping behind the scenes, but it was very much appreciated.

Q. On the business side, what were the key projects for 2021?

It's been a massive year!

Sault Smart Grid:

This was approved by the OEB, a first of its kind, possibly in North America but in Canada for sure. That was a huge accomplishment. It was a regulatory first to get that done. It was the start of our journey and then we had to make it happen. We've brought in the contractors to get early work done including the initial first phase of engineering, finalizing contracts and now we are getting to construction as weather allows. It is quite the endeavor.

PUC Transmission LP:

This project will have a profound impact on the Sault, dramatically impacting our environment and the quality of air in the region. The community is very fortunate to have a major investment from the Algoma Steel Mill to the tune of \$700-\$800 million dollars and Federal government support, which we also appreciate.

PUC will construct transmission facilities that will provide power to Algoma Steel Inc.'s new state-of-the-art electric arc furnaces, which they say will lead to a 70 per cent reduction in carbon emissions. Not only was it a good business opportunity for PUC to get involved, but it's the right thing to do. We were motivated to help make it happen because it really is an important transformation for the community. We had an old school steel mill that's been through a number of bankruptcies, riding the boom bust cycle. This investment now turns it into one of the most efficient steel mills out there.



Green steel (meaning the process is green) will set Algoma Steel and the community on a stable financial footing, probably for the next two generations. It also brings significant benefits to PUC and returns to Sault Ste. Marie. This will double our electrical asset – rate base.

Sault Area Hospital:

This project, now under construction, allows us to provide \$3 million in energy savings to Sault Area Hospital through an innovative program we introduced. Through the use of battery energy storage, it will also improve power reliability and quality. What better place for the dollars to be than the hospital and what a great opportunity to help too.

Watertight Lining Solutions Inc.:

Our new company uses robotic technology to spray in place polymer lining to give water pipes added strength, higher quality water, regenerate tired assets and extend its life without digging and replacing. There is immense growth opportunity here. We have gone through the testing process and hope to launch more broadly beginning in December of this year.

Q. What's ahead for PUC?

There's a lot of work ahead this year for all the projects I mentioned, to keep us growing and continuing to be sustainable, bringing returns to the city and supporting our community.

We are also looking forward to getting people back into the office, put the screens down for a bit and actually talk to people face to face. We will also help our employees manage the anxiety that comes with those changes.

Q. What do you see as the future challenges for utilities?

I think utilities across the province all have significant asset replacement challenges, requiring them to perform well so they can make the necessary reinvestments into infrastructure and continue to be a sustainable utility. We are fortunate that we have been performing well so that we can make those needed capital program investments.

On the water side, there are enormous infrastructure challenges. Our replacement value of assets on the water side is almost a billion dollars. A big part of that

is planned for the next 20 years so we have ramped up our programs and they will continue to grow to upwards of \$10 million a year and more. Many of the assets have a 70-year life span but here in Sault they were put in at the same time, so we are starting to see that need and get ahead of it. Our watermain lining program will help extend the life of some of that infrastructure and put replacement out possibly 30 years helping to offset other necessary infrastructure costs.

Talent is a challenge for everyone – maybe not as much for utilities but still finding tradespeople has become more and more of a challenge. Finding talented executives is another issue. At PUC, we are fortunate now but as you look to retirements in the horizon, it's something everyone needs to be looking at. By continuing with a strategic focus on sustainability, I am confident PUC will continue to serve the community well for decades to come.

Who We Are

PUC is a group of companies that operates multiple utilities within Ontario, including the supply, treatment and distribution of municipal drinking water, the supply of electricity, and the operation of wastewater treatment facilities.

PUC's brand promise to our customers is to,

"lead the way through innovation and compassion to deliver outstanding service every single day."



OUR MISSION

We are a community leader providing safe and reliable utility services



OUR VISION

Improving communities through curiosity and innovation



OUR VALUES

Safety, Integrity, Customer Centric, Innovative, Accountable



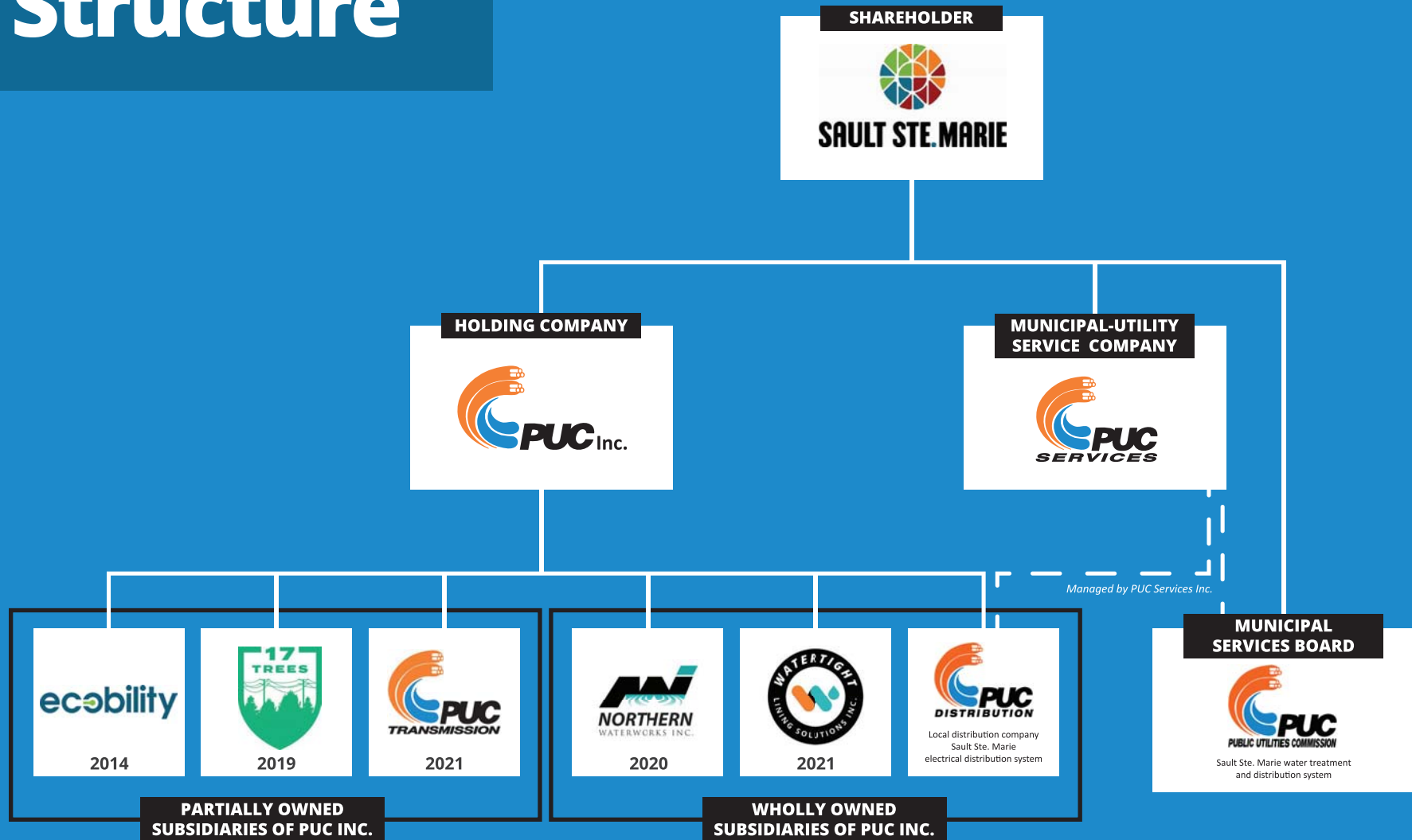
AREAS OF STRATEGIC FOCUS

Customers

Employees

Shareholder

Corporate Structure



Where We Operate



LEGEND

-  Water
-  Wastewater
-  Electricity

Advancement

Growing with Purpose

PUC's focus on sustainability has been an effective way to increase innovation capability and enable significant growth. By weighing all decisions through this lens, PUC has identified, pursued, and launched several new opportunities that are rooted in community partnerships and innovative ideas.

PUC Transmission LP

PUC Transmission LP is a newly formed Ontario transmission company owned by PUC Inc. The company, which was approved for a transmission licence by the OEB in October 2021, represents an investment of \$100 million by PUC to construct new transmission facilities in Sault Ste. Marie.

The new transmission facilities will provide power to Algoma Steel Inc's new electric-arc furnaces. The new dual furnaces are expected to reduce carbon emissions by approximately 70%, positioning Algoma for long-term growth in the expanding market for green steel.

In the spring and summer of 2022, the project will undergo a stringent Environmental Assessment (EA) and public consultation process. Construction of the facilities is anticipated to start by September 2023, with completion anticipated by December 2024.

PUC Transmission LP will have a profound impact on Sault Ste. Marie, dramatically impacting the environment and quality of air in the region. It also brings significant benefits to PUC that will contribute to the financial sustainability of the company for years to come. For more information, visit puctransmissionlp.com

PUC TRANSMISSION LP

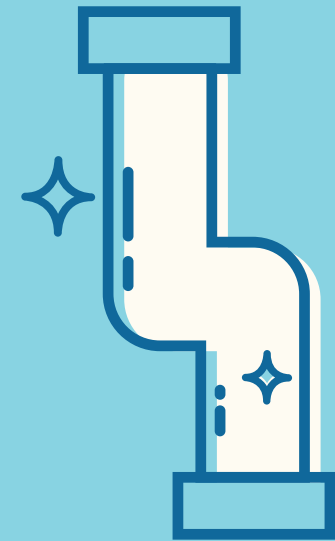


**COMPLETION
ANTICIPATED BY END OF**

2024



**\$100 M
INVESTMENT**



490
METERS OF PIPE
RESTORED IN 2021

Watertight Lining Solutions Inc.



In the fall of 2021, PUC incorporated its newest business venture, Watertight Lining Solutions Inc. (WLS). The new company focuses on helping municipalities fix an expensive and common problem: deteriorating water pipe.

WLS uses a Spray-in-Place-Pipe (SIPP) process which uses a polymer lining (Resiline 320). This process can save taxpayers millions of dollars, limit construction delays to as little as one day, and reduce the carbon footprint by up to 75% compared to typical replacement pipe.

In Sault Ste. Marie, WLS restored close to 450 meters of pipe in 2021. As the only authorized applicator of Resiline 320 in Ontario, WLS stands to grow significantly over the next few years, leaving a wake of positive impacts on both the environment and customers.

**WATERTIGHT LINING
SOLUTIONS INC.**





Northern Waterworks Inc.

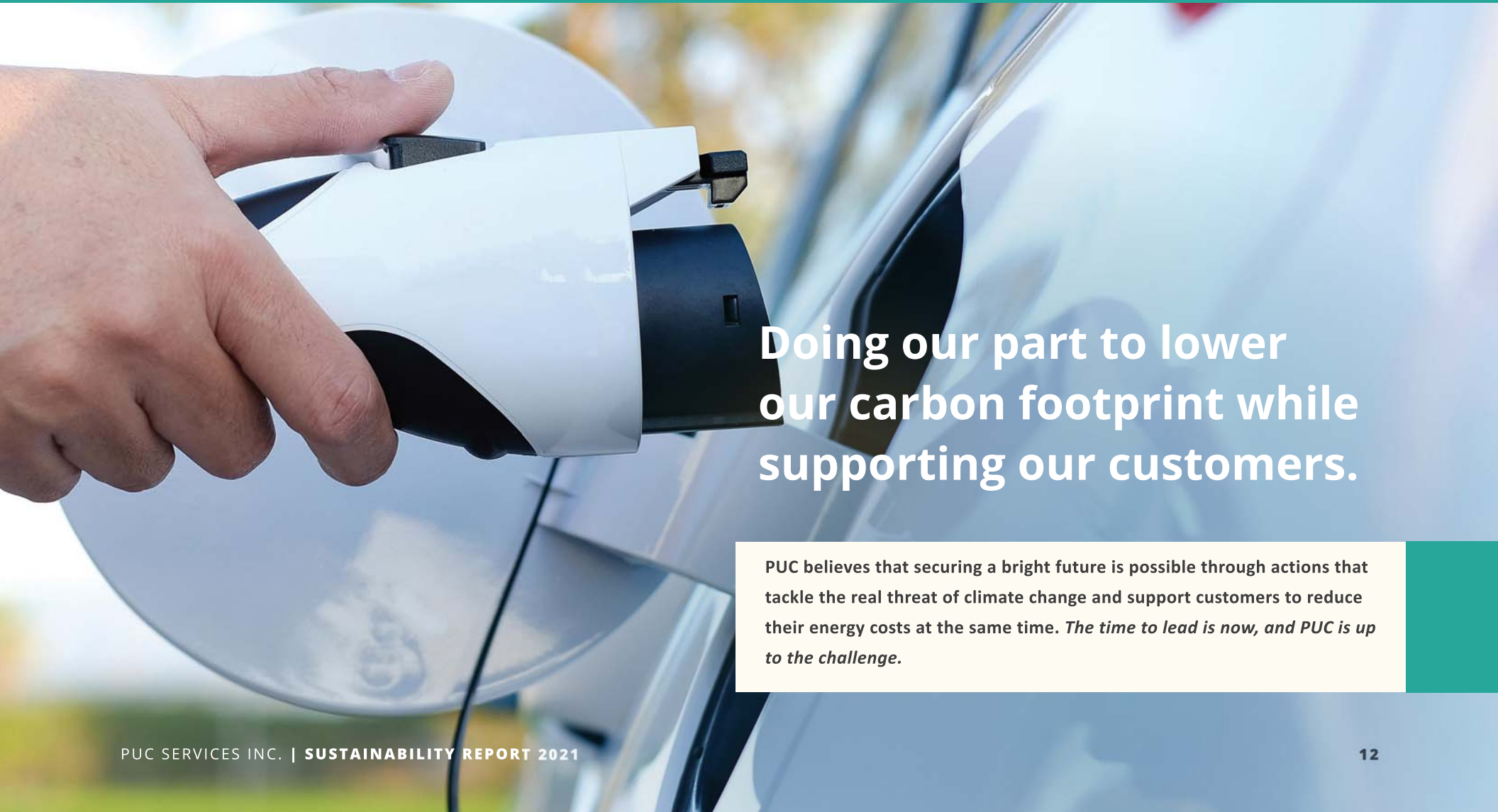
Northern Waterworks Inc. (NWI) is a wholly owned subsidiary of PUC Inc. that has been providing water and wastewater operations, maintenance and management services to Municipal, First Nation and Industrial clients for over two decades. NWI currently operates, maintains and manages 35 municipal water and wastewater sub-systems

2021 was a transitional year for NWI from a leadership point of view. Jason LeBlanc, one of the founding family members of NWI, retired after a long and successful career. NWI would like to recognize and thank Jason for his years of commitment and dedication. This transition saw the onboarding of two new executives, Jim McLean and Andrew Hallett.

Facing another difficult year due to the ongoing COVID-19 pandemic, the company still met its yearly revenue goal.



Responsibility



Doing our part to lower our carbon footprint while supporting our customers.

PUC believes that securing a bright future is possible through actions that tackle the real threat of climate change and support customers to reduce their energy costs at the same time. *The time to lead is now, and PUC is up to the challenge.*



Sault Smart Grid

The first of its kind in Canada, PUC's Sault Smart Grid will transform the way PUC delivers electricity. Estimates show it will result in average customer energy savings of 2.7 per cent, improve reliability and contribute to a direct reduction of greenhouse gas (GHG) emissions equivalent to 2,804 tonnes of carbon dioxide annually.

The project officially received the green light in early 2021, when the Ontario Energy Board (OEB) and the shareholder (City of Sault Ste. Marie) formally approved the project.

Through the balance of 2021, engineers and the design team worked to confirm the scope of work and develop specifications for long-lead equipment. Purchase orders were issued to secure delivery of critical equipment needed starting in the spring of 2022, when smart grid construction will begin.

With expectations that we'll see more demand for electric vehicle hookups, rooftop solar energy and other new technology in the next decade, the PUC smart grid system will help the city modernize and leap forward in meeting those challenges and opportunities. PUC is excited about this project bringing customers an energy system that is more efficient, reliable, resilient, and responsive.

The 33-million-dollar project is on schedule to be completed by the first quarter of 2023.

SAULT SMART GRID 



Let the transformation begin.

2.7%

**AVERAGE
ENERGY SAVINGS
FOR CUSTOMERS**



**CONTRIBUTE TO A
DIRECT REDUCTION
OF GREENHOUSE GAS
(GHG) EMISSIONS
EQUIVALENT TO**

**2,804
tonnes**

**OF CARBON DIOXIDE
ANNUALLY**



track and monitor energy consumption to **save**



MyPUC Mobile App

PUC is continually looking for ways to create positive experiences for customers, while at the same time encouraging behaviour that is more responsive to energy conservation.

Through public engagement, customers indicated they wanted a mobile communications solution that made it easier to manage their usage and accounts and receive up-to-date information on power and/or water disruptions.

PUC listened, and in 2021 partnered with Screaming Power to develop and market a mobile app that would do all of the above and more; facilitate better two-way

communication with customers, provide better and faster updates on outages, and help customers better manage their usage, ultimately saving them money.

Since its launch in July 2021, thousands of PUC customers are using the MyPUC App, conserving more energy and enjoying a better overall experience with their community utility.

MYPUC MOBILE APP





Customer Energy Management (CEMa)

The Customer Energy Management program (CEMa) will provide meaningful reductions in GHG emissions for organizations and businesses in Sault Ste. Marie.

For example, CEMa will help the Sault Area Hospital (SAH) to save an estimated 3 million dollars on its energy bill over the next ten years. The program will provide them with improved power reliability and quality while reducing energy bills through the use of a battery energy storage system. This will allow SAH to store electricity during off peak hours and use it during peak rate times, which are the busiest part of the day for the hospital.

Sault Area Hospital (SAH) will save an estimated 3 million dollars on its energy bill over the next ten years.

SAULT AREA HOSPITAL (SAH)
WILL SAVE AN ESTIMATED
\$3M
ON ITS ENERGY BILL OVER
THE NEXT 10 YEARS



AffordAbility Fund Trust

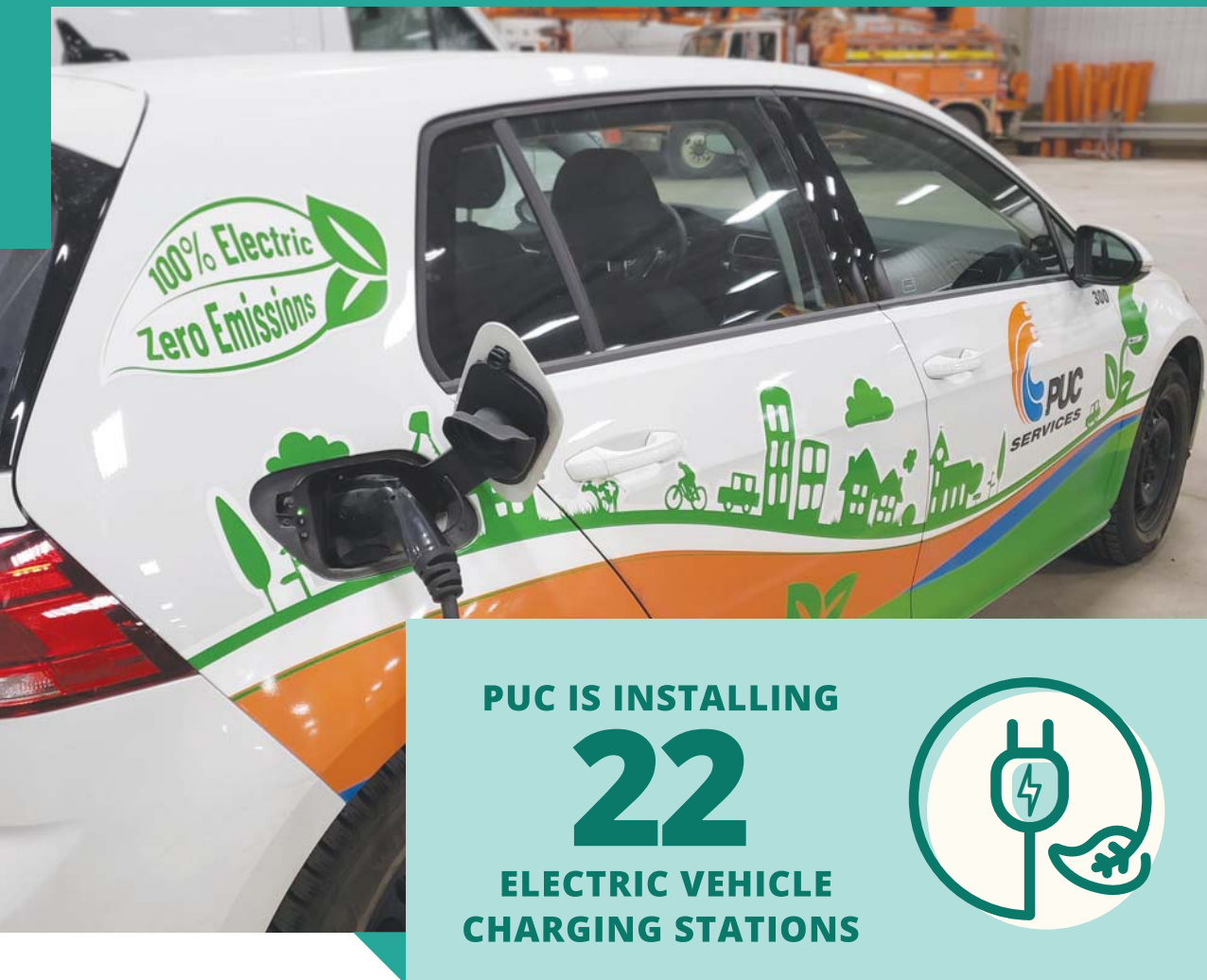
The AffordAbility Fund Trust (AFT) program officially wrapped up in 2021. Throughout the duration of the program commencing in 2017, PUC Services delivered the program to 6,811 customers in the City of Sault Ste. Marie and Espanola. 2,830 customers received appliances (on average 2 per home), and 683 heat pumps were installed. Not only did the program support customers, but it also brought in over 10 million dollars to the local economy.



Customer feedback was very positive from participants, with many communicating that they were grateful for the appliances and heat pumps, but also the way in which the program was delivered.



Electrifying our fleet



PUC IS INSTALLING
22
ELECTRIC VEHICLE
CHARGING STATIONS



Electric Vehicle (EV) Strategy

You cannot speak about sustainability without having a strategy for electric vehicles. According to the Government of Canada, at least 20 per cent of all passenger vehicles sold in Canada will be zero-emission vehicles (ZEVs) by 2026, and at least 60 per cent by 2030, and 100 per cent by 2035.

In 2021, PUC put in place a plan for the gradual incorporation of electric vehicles to replace the current fleet of internal combustion engine (ICE) vehicles. PUC will be taking a phased-in approach for the transition from traditional to electric vehicles, meaning that the electric vehicles will substitute the ICE vehicles when they need replacement.

To coincide with the transition into electric vehicles, PUC is also planning on installing 22 electric vehicle charging stations at PUC facilities to accommodate the newly transitioned vehicles. This change of going electric will not only contribute further to the company's goal of reducing its own carbon footprint, but it will lead to an even bigger impact on the community overall.

In 2022, PUC plans to roll out a program that installs and maintains charging stations for residential customers at their homes.

Capital Infrastructure Investments

By investing in aging infrastructure, PUC is investing directly into the sustainability of the communities we serve. New infrastructure improves reliability, reduces maintenance costs, and adds additional capacity to a growing community.

In 2021, PUC invested more in electrical and water infrastructure than ever have before.

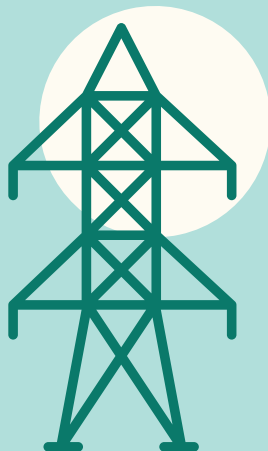
Let's take a look at some of the significant projects brought to life this year.



Substation 16 Rebuild

This multi-year project to renew one of PUC Distribution's fourteen electrical distribution stations reached substantial completion at the close of 2021. The new design, located in the north end of the city, encloses all equipment in a building to suit the surrounding neighbourhood with public safety in mind. It features state-of-the-art protection systems, gas insulated switchgear and oil containment for transformation. This important update brings needed additional capacity to this growing area, improves reliability to connected customers, reduces routine maintenance requirements and provides enhanced safety conditions for PUC employees.

IN 2021
one 4kV
substation
AND ASSOCIATED
KILOMETRES OF LINES
WERE ELIMINATED.



Voltage Conversion Program

As the PUC electrical distribution system grew over the latter half of the last century to serve the Sault Ste. Marie area, distribution assets were acquired at two voltage levels, 4kV and 12kV. In an effort to reduce system losses, complexity and costs while improving reliability and safety, a commitment was made to eliminate the 4kV assets as they reached end of life and replace them with 12kV. Considerable focus has been placed on bringing this initiative to a conclusion over the past decade and the last few kilometres of conductor and remaining two stations are expected to be retired by 2024. In 2021, we saw the retirement and site remediation of one 4kV substation and associated lines were eliminated.

In 2021, we saw the retirement and site remediation of one 4kV substation and associated kilometres of lines were eliminated.

Zone Two Booster Pump Upgrades

The Zone 2 Booster Station, located just outside the PUC Office building at 500 Second Line, is a critical component in the Sault Ste. Marie water distribution system. A multi-year booster pump upgrade project was embarked upon in 2020 and substantially completed by the end of 2021. The goals of the upgrade are to renew the end-of-life infrastructure, improve performance and provide enhanced worker safety at the facility. The project involves the replacement of four main pumps, associated valves and all associated electrical and motor control systems. The emergency generator supplying this mission critical facility was also replaced.



Engagement

A photograph of three PUC employees participating in a community garden activity. On the left, a man in a dark blue polo shirt and khaki pants stands with his hands on his hips. In the center, a woman in a black top and patterned pants is watering a small plant in a black container with a red watering can. On the right, a man in a light blue polo shirt and dark pants stands with his hands at his sides. They are all wearing face masks. The background shows a modern glass-walled building and a parking lot with several cars.

**A partner
in the
communities
we serve.**

PUC has been a community partner since 1917; it is part of who we are as a company. 2021 was no different, as PUC employees continued to step up, finding new ways to make a difference in the lives of so many community members.



Tree Giveaway

In May 2021, PUC gave away 2500 spruce tree seedlings to the community. The trees were a symbol of renewal and growth. As the trees grow, they will represent just how far we have come since the COVID-19 pandemic first changed our day-to-day lives. PUC also used the tree giveaway to remind people about the importance of powerline safety. Thirty per cent of power outages in Ontario are caused by trees coming in contact with power lines.

**PUC GAVE
2500
SPRUCE TREE
SEEDLINGS
TO THE COMMUNITY**



Halloween Safety

Leading up to Halloween, PUC crews inspected the streetlight system throughout the entire city to ensure all trick or treaters could safely see where they were walking. This is an annual campaign that our employees are proud to take part in.



HALLOWEEN SAFETY ▶

Powerline Safety Message

We have recently seen a rise in safety incidents where members of the public are coming in close proximity to our powerlines. As a result, PUC created a powerline safety video educating the public on how dangerous powerlines are.

POWERLINE SAFETY MESSAGE ▶

Donations and Sponsorship

In 2021, PUC donated to nearly two dozen different charities and events in Sault Ste. Marie. PUC took a leadership role in supporting the Algoma Vaccination Support Council (AVSC) and its cause of promoting and supporting vaccine clinics. PUC created a new program that saw the company organize and pay for taxi rides for anyone who needed transportation to their vaccine appointment. More than 100 families utilized this program. The company also supported the fantastic volunteers who ran the numerous vaccine clinics in our region by paying for their lunches and dinners.



DONATIONS 2021 ▶

**ALGOMA VACCINATION
SUPPORT COUNCIL** ▶



**18
CHARITIES
SUPPORTED**

Resiliency



**Our focus on
the health and
safety of our
employees**

PUC's employees are knowledgeable, innovative, customer-centric, and above all else, laser focused on safety. This focus is reflected in PUC's impressive safety results year over year. It goes beyond just statistics, however. PUC has cultivated a culture of safety that is second to none in the utility industry.



Protecting our employees during COVID-19 pandemic

As the COVID-19 pandemic rolled on in 2021, PUC made it a priority to ensure all employees were confident that their workplace was a safe environment to be in. As a team, PUC continued to navigate these rapidly changing times through cooperation and teamwork. As measures external to the organization changed, PUC was able to pivot, remain flexible and adapt to maintain a safe workplace.



**PUC ACHIEVED
2500
PERSON-HOURS
WITHOUT A
LOST-TIME INJURY**



Health and Safety Record

When you look at our wall of values, safety is the first value written. Safety is not just another word in our PUC vocabulary, it is the most important word for us each day.

In 2021, we hit two significant milestones. In May, PUC achieved 1,000,000 person-hours without a lost-time injury. PUC employees recorded 1000 straight days without a lost-time injury in the fall. These achievements highlight our employees' dedication to making sure everyone continues to look out for each other and work safely in everything they do.

HEALTH AND SAFETY RECORD





Securing the Future

Financial Statements

PUC INC.

Non-Consolidated Statement of Financial Position

As at December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Accounts receivable	\$ 711,951	\$ 942,415
Receivable from PUC Services Inc. (note 9)	2,834,151	2,520,244
Payment in lieu of taxes recoverable	10,098	16,764
Total current assets	3,556,200	3,479,423
Non-current assets:		
Deferred tax asset (note 8)	9,000	-
Notes receivable from related company (note 4)	8,310,000	8,310,000
Investments in subsidiaries and associates (note 5)	50,801,579	50,801,477
Total non-current assets	59,120,579	59,111,477
Total Assets	\$ 62,676,779	\$ 62,590,900
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 611,268	\$ 610,084
Long-term debt (note 6)	31,720,000	31,720,000
Total liabilities	32,331,268	32,330,084
Shareholder's equity:		
Share capital:		
Authorized:		
Unlimited Special shares, non-voting, non-cumulative, redeemable at \$10,000 per share		
100,000 Common shares		
Issued and outstanding:		
1,462 Special shares	14,620,000	14,620,000
21,632 Common shares	14,618,248	14,618,248
Retained earnings	1,107,263	1,022,568
	30,345,511	30,260,816
Commitments (note 7)		
Total Liabilities and Shareholder's Equity	\$ 62,676,779	\$ 62,590,900

PUC INC.

Non-Consolidated Statement Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Interest	\$ 2,257,019	\$ 2,255,698
Dividend income	710,080	940,164
	2,967,099	3,195,862
Expenses:		
Interest on long-term debt	1,934,920	1,934,920
Administrative	80,887	100,329
Business development	270,854	227,773
	2,286,661	2,263,022
Income before payment in lieu of taxes	680,438	932,840
Payment in lieu of taxes (recovery) (note 8)		
Current	(5,337)	(1,576)
Deferred	(9,000)	-
	(14,337)	(1,576)
Net income, being total comprehensive income for the year	\$ 694,775	\$ 934,416

Management has extracted this financial information from the audited financial statements.

PUC SERVICES INC.

Statement of Financial Position

As at December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 4,936,680	\$ 2,557,793
Accounts receivable (note 5)	3,153,508	5,299,586
Due from related parties (note 19)	13,753,188	11,183,645
Inventories (note 6)	461,524	384,678
Prepaid expenses	840,624	93,264
Payment in lieu of taxes recoverable	418,118	176,778
Total current assets	23,563,642	19,695,744
Non-current assets:		
Deferred tax assets (note 9)	-	278,000
Property, plant and equipment (note 7)	17,141,883	17,571,082
Intangible assets (note 8)	1,096,834	803,326
Total non-current assets	18,238,717	18,652,408
Total assets	\$ 41,802,359	\$ 38,348,152
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,649,365	\$ 4,371,871
Deferred tax liabilities (note 9)	22,000	-
Dividends payable	225,000	-
Due to related parties (note 19)	10,806,857	7,942,155
Current portion of long-term debt (note 10)	85,656	85,656
Lease liabilities - current	31,936	-
Total current liabilities	15,820,814	12,399,682
Non-current liabilities:		
Long-term debt (note 10)	8,972,218	9,057,874
Lease liabilities (note 11)	68,968	-
Deferred revenue (note 7)	10,578,508	10,820,871
Employee future benefit obligations (note 12)	1,786,769	2,349,497
Total non-current liabilities	21,406,463	22,228,242
Total liabilities	37,227,277	34,627,924
Shareholder's equity:		
Share capital (note 15)	1,943,300	1,943,300
Accumulated other comprehensive income	654,773	162,758
Retained earnings	1,977,009	1,614,170
Total shareholder's equity	4,575,082	3,720,228
Commitments and contingences (note 18)		
Total liabilities and shareholder's equity	\$ 41,802,359	\$ 38,348,152

PUC SERVICES INC.

Statement of Income and Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Management fees	\$ 10,709,906	\$ 11,292,230
Contracts	5,840,561	5,890,479
Services	4,199,340	4,827,155
Other operating revenue (note 16)	1,553,440	1,459,062
	22,303,247	23,468,926
Expenses:		
Contract service	8,371,701	8,737,137
Administrative	5,331,641	6,251,737
Facilities	2,065,206	2,060,376
Depreciation and amortization	2,448,494	2,183,329
Billing and collection	1,211,302	1,053,990
Customer service	1,044,460	931,276
Street lights	403,001	391,759
New business development	270,902	227,773
Other business and maintenance	68,915	69,523
	21,215,622	21,906,900
Income from operating activities	1,087,625	1,562,026
Net finance costs (note 17)	489,130	502,784
Income before provision for payment in lieu of taxes	598,495	1,059,242
Payment in lieu of taxes (note 9):		
Current (recovery) expense	(111,951)	129,389
Deferred expense	122,607	183,824
	10,656	313,213
Income for the year	587,839	746,029
Other comprehensive income (loss): items that will not be classified to profit or loss, net of income tax:		
Remeasurement of employee future benefits (note 12)	669,408	(120,091)
Income tax recovery (expense) on other comprehensive income (note 9)	(177,393)	31,824
Other comprehensive income (loss) for the year	492,015	(88,267)
Net income and comprehensive income for the year	\$ 1,079,854	\$ 657,762

Management has extracted this financial information from the audited financial statements.

PUC DISTRIBUTION INC.

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 815,229	\$ 124,037
Accounts receivable (note 4)	6,121,404	5,738,294
Unbilled revenue	10,976,609	12,240,212
Payment in lieu of taxes recoverable	9,709	8,991
Inventory (note 5)	2,161,802	2,020,118
Prepaid expenses	200,875	67,672
Total current assets	20,285,628	20,199,324
Non-current assets:		
Property, plant and equipment (note 6)	112,462,126	105,376,966
Total assets	132,747,754	125,576,290
Regulatory balances (note 8)	9,437,146	4,570,573
Total assets and regulatory balances	\$ 142,184,900	\$ 130,146,863

PUC DISTRIBUTION INC.

Statement of Financial Position (continued)

December 31, 2021, with comparative information for 2020

	2021	2020
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,141,711	\$ 8,419,954
Customer deposits (note 11)	313,596	712,937
Dividends payable	610,080	610,080
Due to related parties (note 17)	12,638,877	10,688,540
Current portion of long-term debt (note 10)	1,923,586	1,727,219
Total current liabilities	27,627,850	22,158,730
Non-current liabilities:		
Deferred revenue (note 9)	7,034,528	4,829,126
Deferred tax liability	1,989,000	1,387,000
Long-term debt (note 10)	66,156,179	64,079,966
Total non-current liabilities	75,179,707	70,296,092
Total liabilities	102,807,557	92,454,822
Shareholder's equity:		
Share capital (note 12)	20,062,107	20,062,107
Retained earnings	18,618,415	16,811,240
Total shareholder's equity	38,680,522	36,873,347
Total liabilities and shareholder's equity	141,488,079	129,328,169
Regulatory balances (note 8)	696,821	818,694
Commitments and contingences (note 16)		
Total liabilities, regulatory balances and shareholder's equity	\$ 142,184,900	\$ 130,146,863

Management has extracted this financial information from the audited financial statements.

PUC DISTRIBUTION INC.

Statement of Income and Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Electricity sales (note 13)	\$ 71,763,066	\$ 85,083,387
Distribution revenue (note 13)	19,207,805	19,032,237
	90,970,871	104,115,624
Other operating revenue (note 14)	7,281,109	7,630,820
	98,251,980	111,746,444
Expenses:		
Energy purchases	71,603,747	85,555,982
Operations and maintenance	6,406,837	6,434,364
General and administrative	4,025,734	3,129,473
Billing and collection	1,370,374	1,333,216
Depreciation and amortization	3,842,226	4,153,218
Community relations	5,206,928	5,307,274
	92,455,846	105,913,527
Income from operating activities	5,796,134	5,832,917
Net finance costs (note 15)	3,023,221	3,187,222
Income before tax and regulatory items	2,772,913	2,645,695
Income tax expense:		
Current (note 7)	71,089	76,523
Deferred (note 7)	602,000	677,000
	673,089	753,523
Income for the year before movements in regulatory deferral account balances	2,099,824	1,892,172
Net movement in regulatory deferral account balances related to income or loss	284,569	(188,490)
Income tax	(602,000)	(677,000)
	(317,431)	(865,490)
Net income, being total comprehensive income for the year	\$ 2,417,255	\$ 2,757,662

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 115,178	\$ 425,098
Accounts receivable	4,167,971	3,875,625
Unbilled service revenue	1,194,468	978,476
Receivable from related company, PUC Services Inc. (note 3)	7,972,706	5,421,911
	13,450,323	10,701,110
Financial liabilities:		
Accounts payable and accrued liabilities	5,427,054	4,130,854
Loan payable (note 5)	3,569,084	4,376,289
	8,996,138	8,507,143
Total net financial assets	4,454,185	2,193,967
Non-financial assets:		
Tangible capital assets (note 7)	102,761,366	97,236,873
Inventory	379,218	335,182
	103,140,584	97,572,055
Effects of COVID-19 (note 10)		
Accumulated surplus (note 8)	\$ 107,594,769	\$ 99,766,022

Management has extracted this financial information from the audited financial statements.

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Statement of Operations and Accumulated Surplus


Year ended December 31, 2021, with comparative information for 2020

	2021 Budget (note 2)	2021 Total	2020 Total
Revenues:			
Service revenue:			
Residential	\$ 12,634,909	\$ 13,044,603	\$ 12,659,411
General	8,625,510	8,074,650	7,876,008
Hydrants	1,524,778	1,565,902	1,533,823
	22,785,197	22,685,155	22,069,242
Other:			
Investment income	75,000	114,547	103,412
Non-service revenue	280,830	676,961	395,597
Developers contributions	-	1,091,918	93,421
	355,830	1,883,426	592,430
Total revenues	23,141,027	24,568,581	22,661,672
Expenditures: (note 6)			
Purification and pumping	4,135,119	3,749,726	3,603,667
Transmission and distribution	4,532,982	4,157,152	3,645,013
Amortization of tangible capital assets	2,754,935	2,788,336	2,640,705
Hydrants	660,129	409,965	514,253
Billing and collection	1,233,381	1,348,595	1,134,564
Interest on long-term debt	124,661	124,715	149,402
General and administration	4,137,494	4,161,345	4,475,593
Total expenditures	17,578,701	16,739,834	16,163,197
Operating surplus	5,562,326	7,828,747	6,498,475
Accumulated operating surplus, beginning of year	99,766,022	99,766,022	93,267,547
Accumulated operating surplus, end of year	\$ 105,328,348	\$ 107,594,769	\$ 99,766,022

Management has extracted this financial information from the audited financial statements.

A blue-tinted photograph of four workers in a control room. They are wearing hard hats and safety vests, gathered around a desk with a computer monitor. The image is used as a background for the page.

Thank You

A solid orange vertical rectangular bar.

Thank you to the communities we serve for putting your trust in us every single day. We will continue to be your partner in finding new ways to make a brighter tomorrow possible.

Executive Team



Robert Brewer,
Hon. BSC, MBA
PRESIDENT & CEO



Kevin Bell,
P.Eng.
VICE PRESIDENT, SPECIAL PROJECTS



Claudio Stefano,
P.Eng, MBA
**EXECUTIVE LEAD,
OPERATIONS & ENGINEERING**



Guillaume Vachon,
P.Eng., PMP
**VICE PRESIDENT,
ELECTRIC OPERATIONS & ENGINEERING**



Kelly McLellan,
CPA, CMA, M.Acc
CHIEF FINANCIAL OFFICER



Robert Battisti,
CPA, CMA, MBA
VICE PRESIDENT, CORPORATE SERVICES

BOARD OF DIRECTORS PUCSERVICES INC./PUC INC.

Jim P. Boniferro
CHAIR, PRESIDENT & CEO,
BONIFERRO MILL WORKS ULC

Andy McPhee
VICE-CHAIR, RETIRED VICE-PRESIDENT,
GREAT LAKES POWER TRANSMISSION

Christian Provenzano
MAYOR, CITY OF SAULT STE. MARIE

Elaine Pitcher
LAWYER, PITCHER LAW

Carla Fabbro
DIRECTOR, PORTFOLIO MANAGEMENT, OLG

Neil Strom
MILL CONTROLLER, ALGOMA STEEL INC.

Ila Watson
PRESIDENT & CEO, SAULT AREA HOSPITAL

Cecilia Bruno
RETIRED, CHIEF FINANCIAL OFFICER,
SAULT COLLEGE

PUC DISTRIBUTION INC.

Jim Rennie
CHAIR VICE-PRESIDENT, HUMAN RESOURCES,
IRVING SHIP BUILDING

Pat McAuley
RETIRED, COMMISSIONER OF PUBLIC WORKS AND
TRANSPORTATION FOR THE CITY OF SAULT STE. MARIE

Jim P. Boniferro
PRESIDENT & CEO, BONIFERRO MILL WORKS ULC

Christian Provenzano
MAYOR, CITY OF SAULT STE. MARIE

Mark Howson
RETIRED, SENIOR MAINTENANCE ENGINEER,
ESSAR STEEL ALGOMA INC.

PUBLIC UTILITIES COMMISSION

Mark Howson
CHAIR, RETIRED, SENIOR MAINTENANCE
ENGINEER, ESSAR STEEL ALGOMA INC.

Christian Provenzano
MAYOR, CITY OF SAULT STE. MARIE

Sandra Hollingsworth
CITY COUNCILLOR, CITY OF SAULT STE. MARIE

David Zuccato
RETIRED, SENIOR PROVINCIAL CIVIL SERVANT

Dr. Musa Onyuna
METALLURGICAL SPECIALIST, ALGOMA STEEL INC.



APPENDIX J

Map of

Distribution

Service Territory

and Service Areas

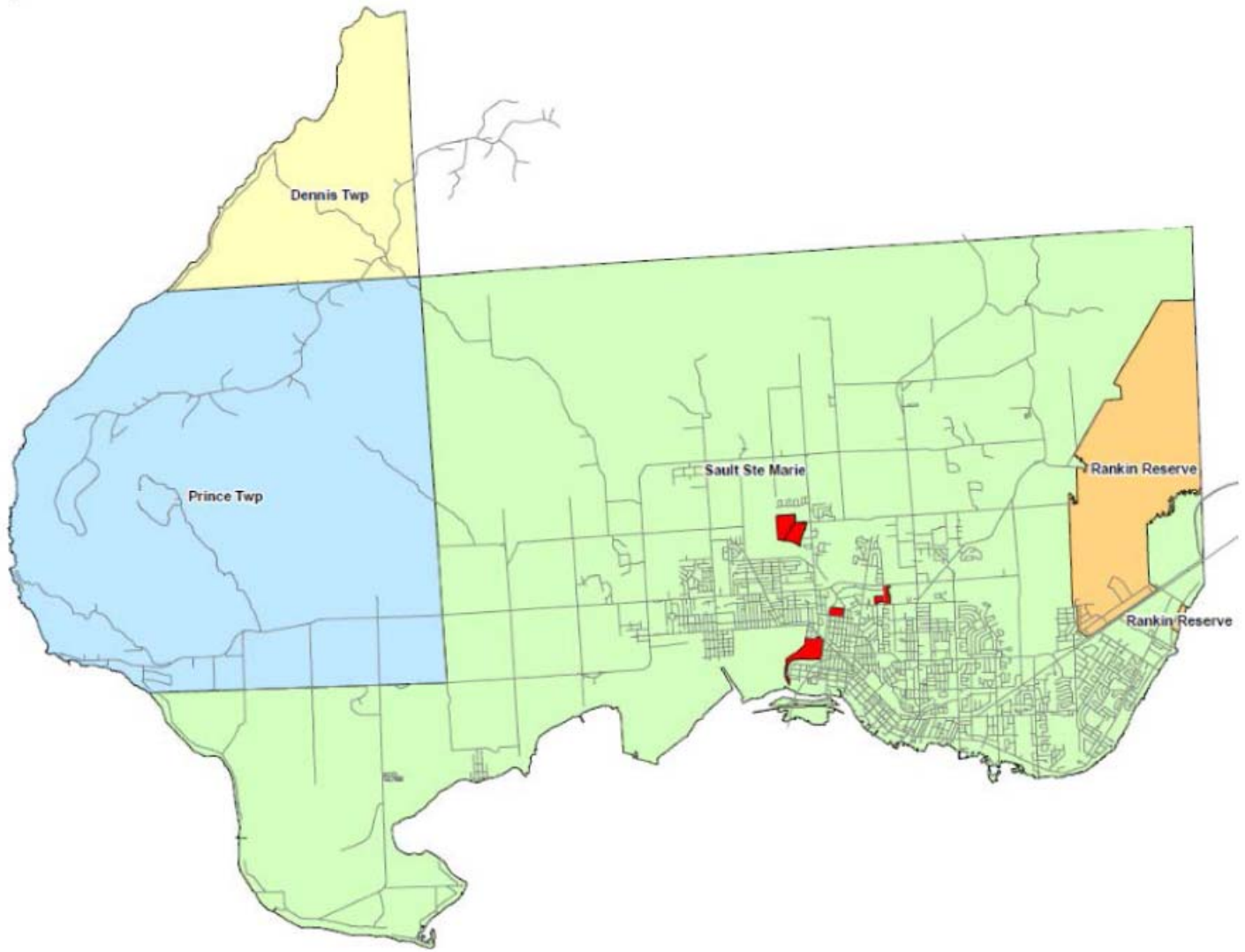


Figure 10: PUC Distribution Service Territory

APPENDIX K

App. 2-AC Customer Engagement Activities Summary

File Number: EB-2022-0059

Exhibit:

Tab:

Schedule:

Page:

Date: August 31, 2022

Appendix 2-AC Customer Engagement Activities Summary

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
Customer Engagement Online Survey (in-house) 2021	Based on the results of this survey, it was noted that PUC should explore more options for customer communications and energy savings tools and invest in maintaining reliable electricity services.	Based on this feedback, PUC has made significant investments through the Sault Smart Grid project that will result in upgrades to equipment, a reduction in the response times to outages, a reduction in the number of outages and a reduction PUC's environmental impact through more efficient energy consumption. In addition, PUC has purchased electric vehicles and developed a plan further electrify their fleet to lower maintenance and fuel costs and lower their carbon footprint. Improved communications through pro-active measures like the MyPUC App, website tools and more consistent use of social media platforms, PUC has been able to get in front of issues (including outages) for a better overall customer experience. Customers can now access information on planned outages, news updates, changes in electricity rates, etc. on multiple platforms, thereby improving a customer's overall experience with PUC.
Customer Engagement Online Survey (in-house) 2022	Based on the results of this survey, it was noted that PUC should focus its priorities on delivering reasonably priced electricity prices and ensuring safe and reliable electricity prices, provide a variety of options for customers when accessing services with a focus on online tools, and provide reliable information and services regarding the adoption of electric vehicles.	PUC has launched a 'mythbusters' campaign via web, digital advertising, social media, and outreach events, such as 'Rotary Fest', regarding electric vehicles, in order to provide reliable information on the adoption of electric vehicles.
Bi-annual Customer Satisfaction Survey (UtilityPULSE) 2019	From this survey, customers expressed that the following should be priorities for PUC: •Proactively maintaining and upgrading equipment •Reducing response times to outages •Investing in projects to reduce the environmental impact of the utility's operations •Investing more in the electricity grid to reduce outages	Based on this feedback, PUC has made significant investments through the Sault Smart Grid project that will result in upgrades to equipment, a reduction in the response times to outages, a reduction in the number of outages and a reduction PUC's environmental impact through more efficient energy consumption. In addition, PUC has purchased electric vehicles and developed a plan further electrify their fleet to lower maintenance and fuel costs and lower their carbon footprint.
Bi-annual Customer Satisfaction Survey (UtilityPULSE) 2021	From this survey, customers expressed that the following should be priorities for PUC: •Movement to more digitization •Improvements to communication (more pro-active approaches) •Better prices and lower rates •Simplified billing •Enhance cyber security measures	Based on this feedback, PUC has put in place a digitization strategy, with a goal of going paperless by 2024. Since the initiative was launched in 2019, PUC has reduced day to day printing dramatically, increased on-line payments to vendors, enhanced the customer experience by providing flexibility, and restructured processes internally for employees to promote efficiencies. Some specific examples include the promotion of e-billing for customers, the development of the MyPUC App, the elimination of printed paystubs, an increase in Electronic Fund Transfers from 8% to over 40%, and the development of an online employee portal, Dayforce. PUC has improved pro-active communications through the development of the MyPUC App, and the increased use of social media platforms and PUC's website. For example, in addition to ATLAS phone notifications, the MyPUC app and website now display information on planned power outages in advance, so that customers can properly prepare for the interruption. PUC recognizes the threat that cyber security represents, and is taking measures to mitigate that risk. PUC has made significant investments in our cyber security infrastructure, including the addition of personnel. In order to simplify billing, PUC has continued to encourage customers to sign up for preauthorized payments, e-billing and the MyPUC App. Lastly, PUC has made significant investments through the Sault Smart Grid project that will result in average residential customer savings of 2.5%.
(4) Customer Pulse Surveys (in-house) March, July, November, December 2020	Based on the results of those surveys, it was noted that PUC should look at ways to create energy savings for customers, consider increasing bills, if it means improvements to reliability, efficiency and communications, make major investments in how PUC operates to reduce their carbon footprint, improve and enhance the customer experience, and look at ways to improve electrical reliability.	Based on this feedback, PUC has made significant investments through the Sault Smart Grid project that will result in upgrades to equipment, a reduction in the response times to outages, a reduction in the number of outages and a reduction PUC's environmental impact through more efficient energy consumption. In addition, PUC has purchased electric vehicles and developed a plan further electrify their fleet to lower maintenance and fuel costs and lower their carbon footprint. Through the increased use of social media platforms and website, and the development of the MyPUC App, PUC has made major efforts to be more pro-active with customer communications. PUC has improved pro-active communications through the development of the MyPUC App, and the increased use of social media platforms and PUC's website. For example, in addition to ATLAS phone notifications, the MyPUC app and website now display information on planned power outages in advance, so that customers can properly prepare for the interruption.
Public Awareness of Electrical Safety Survey (2018)	Ensuring the utility can provide safe electrical distribution, education and awareness about electrical safety, equipment and infrastructure, ensuring the utilities' operations are safe for workers and the public.	The Public Awareness of Electrical Safety Survey is conducted every two years. The purpose of the survey is to create awareness around electrical safety to customers.
Public Awareness of Electrical Safety Survey (2020)	Ensuring the utility can provide safe electrical distribution, education and awareness about electrical safety, equipment and infrastructure, ensuring the utilities' operations are safe for workers and the public.	The Public Awareness of Electrical Safety Survey is conducted every two years. The purpose of the survey is to create awareness around electrical safety to customers.
Public Awareness of Electrical Safety Survey (2022)	Ensuring the utility can provide safe electrical distribution, education and awareness about electrical safety, equipment and infrastructure, ensuring the utilities' operations are safe for workers and the public.	PUC promotes electrical safety via the PUC website, www.ssmuc.com/safetytips , via digital advertising and social media. The ads provide tips for when customers are dealing with overhead wires (tree trimming), if you see a live wire, etc. The Public Awareness of Electrical Safety Survey is another opportunity to provide awareness of electrical safety.
Caution and Chance Electrical Safety Awareness Program	Providing a safe electrical service to the community, ensuring children are safe and aware of any electrical hazards.	The education and safety of the children in our community schools is very important to everyone at PUC. Since 1995, this interactive presentation has been offered annually to all local elementary schools. PUC coordinates and schedules the Caution and Chance Electrical Safety Program for Elementary Students in Grade 3 – 5. Students are provided with activity books and pencils following their presentation. Each year, the response from the teachers and students is very positive and they look forward to welcoming us back year after year.
Marketing Campaigns "Give Our Workers a Brake" and the "Call Before you Dig"	Providing a safe electrical service, ensuring that safety is our top priority with workers/community.	PUC creates opportunities to provide education to customers via marketing campaigns on topics such as "Give Our Workers a Brake" and "Call Before You Dig", that use digital and print advertising, social media and PUC's website, www.ssmuc.com .
Digital Communication Tactics	PUC recognizes that as the utility industry evolves, so do their customers' needs and expectations. Today's customers have let us know that they are looking for fast, easy avenues through which they can gather information and manage their accounts, while conserving energy and saving money.	PUC is leveraging digital technology to facilitate and improve customer communications. The result has been improved integration through a variety of technologies (app, social media, etc.) into PUC's channel portfolio to improve customer communication and engagement, while at the same time reducing PUC's carbon footprint. PUC recognizes that companies who embrace digital communication also see higher levels of engagement from their customers; digital communication is a core element of a good customer experience strategy. Our Digital strategies, such as our Mobile App, Website, Video, Social Media and Digital Advertising, are easier to measure, adapt and optimize, and are often more cost efficient with a larger reach than.
Traditional Communication Tactics	A segment of PUC's customer base want to receive information in traditional formats (ie. Call centre, mail)	PUC continues to provide customers with options that suit their lifestyle. While PUC aims to transition to digital and reduce their carbon footprint, the company understands that customers want choice and accommodates for individual needs and preferences.
Community Outreach	Community members want to see PUC out in the community.	It is important that PUC have a physical presence in the communities we serve. Connecting with community members is vital to PUC's communication and engagement strategy. Significant efforts have been made to get PUC employees out in the community on a more regular basis to interact with customers face-to-face and receive input. The COVID-19 pandemic had a negative impact on these efforts in 2020-2021, however, virtual events were held, as discussed under the section 'Town Halls & Open Houses'.
Emergency Preparedness Event - February 2020	Customers have identified that they would like more information on how to be prepared in the case of an emergency. Customers have questions on generators, tips, etc. during long power outages.	PUC has either hosted or participated in emergency preparedness events to provide information for customers on how to be prepared for at least 72 hours, in the case of a prolonged power outage.
Bushplane Days September 2019 [AffordAbility Fund Trust (AFT)]	Customers have identified that they would like information on government programs that would would help them save money on their energy bills.	Throughout 2019 and 2020, PUC participated in many public events throughout Sault Ste. Marie to promote the AffordAbility Fund Trust program (AFT). The AffordAbility Fund Trust program officially wrapped up in 2021. Throughout the duration of the program commencing in 2017, PUC Services delivered the program to 6,811 customers in the City of Sault Ste. Marie and Espanola. 2,830 customers received appliances (on average 2 per home), and 683 heat pumps were installed. Not only did the program support customers, but it also brought in over 10 million dollars to the local economy. Customer feedback was very positive from participants, with many communicating that they were grateful for the appliances and heat pumps, but also the way in which the program was delivered.
Greyhound Game March 2018 [AffordAbility Fund Trust (AFT)]	Customers have identified that they would like information on government programs that would would help them save money on their energy bills.	Throughout 2019 and 2020, PUC participated in many public events throughout Sault Ste. Marie to promote the AffordAbility Fund Trust program (AFT). The AffordAbility Fund Trust program officially wrapped up in 2021. Throughout the duration of the program commencing in 2017, PUC Services delivered the program to 6,811 customers in the City of Sault Ste. Marie and Espanola. 2,830 customers received appliances (on average 2 per home), and 683 heat pumps were installed. Not only did the program support customers, but it also brought in over 10 million dollars to the local economy. Customer feedback was very positive from participants, with many communicating that they were grateful for the appliances and heat pumps, but also the way in which the program was delivered.*
Kidz Safety Festival 2018 [AffordAbility Fund Trust (AFT)]	Customers have identified that they would like information on government programs that would would help them save money on their energy bills.	*Throughout 2019 and 2020, PUC participated in many public events throughout Sault Ste. Marie to promote the AffordAbility Fund Trust program (AFT). The AffordAbility Fund Trust program officially wrapped up in 2021. Throughout the duration of the program commencing in 2017, PUC Services delivered the program to 6,811 customers in the City of Sault Ste. Marie and Espanola. 2,830 customers received appliances (on average 2 per home), and 683 heat pumps were installed. Not only did the program support customers, but it also brought in over 10 million dollars to the local economy. Customer feedback was very positive from participants, with many communicating that they were grateful for the appliances and heat pumps, but also the way in which the program was delivered.***
Business Improvement Town Hall April 2018		
Emergency Preparedness Showcase hosted by the City of Sault Ste. Marie - May 2022	Customers have identified that they would like more information on how to be prepared in the case of an emergency. Customers have questions on generators, tips, etc. during long power outages.	PUC has either hosted or participated in emergency preparedness events to provide information for customers on how to be prepared for at least 72 hours, in the case of a prolonged power outage.
Electrical Safety Awareness Training - 2019	Commercial PUC customers have identified that they would like access to electrical safety training for their employees.	In 2019, PUC offered electrical safety awareness training for educational purposes to workplace in the City of Sault Ste. Marie. PUC powerline technicians provided the training to increase knowledge about hazards when working around electricity. The goal was to provide workers with a PUC utilizes a phone notification system called ATLAS. When there are any planned electrical outages in order to improve reliability, PUC sends out automated calls to all customers affected with information on timing and details on why the outage is taking place.
ATLAS phone notification system - planned electrical outages	Customers have identified that they would like to be informed when there are planned outages or construction taking place that will affect their electrical services.	

APPENDIX L

Customer

Engagement Survey

Phase 1

2021- PUC Distribution's Customer Engagement Survey

Wednesday, October 13, 2021

906

Total Responses

Date Created: Friday, August 06, 2021

Complete Responses: 906

Introduction Page

Welcome,

Thank you for participating in PUC Distribution's Customer Engagement Survey for its 2023 Cost of Service Application. We appreciate you taking the time to answer the questions and as a result you will be entered into a draw to win 1 of \$50 gift cards to a local restaurant or café.

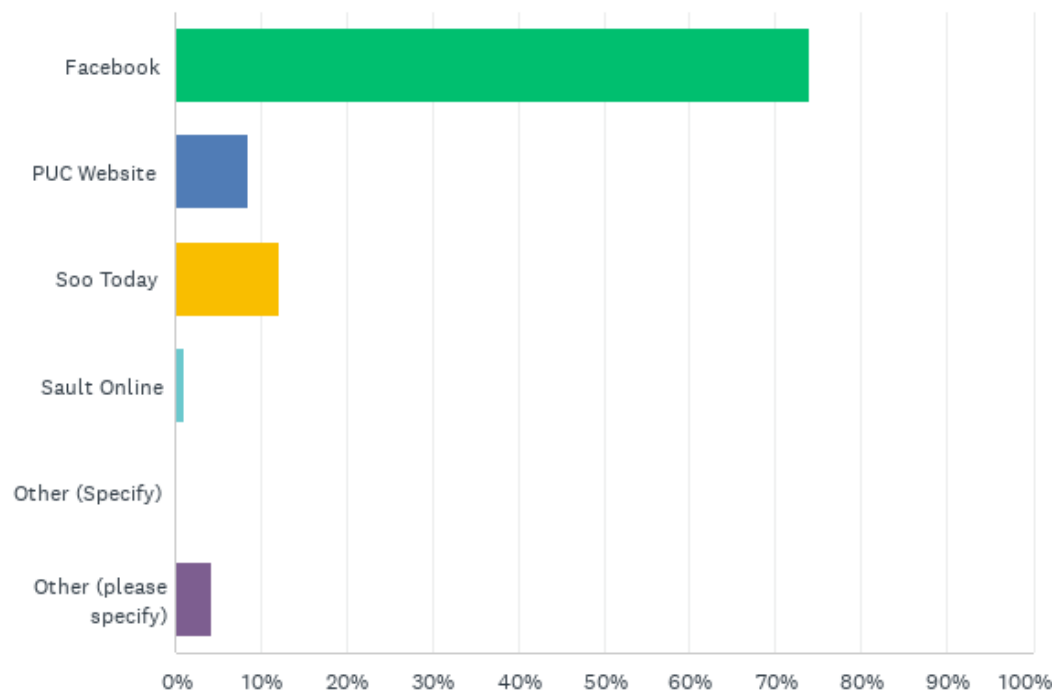
We are applying to the Ontario Energy Board ("OEB") for approval to increase PUC's portion of the electricity bill, also known as the delivery rate. If approved, this will come into effect May 1, 2023.

The OEB's Cost of Service application typically occurs every five years and determines what each LDC can charge for its distribution (delivery) rate. PUC is currently applying to the OEB for approval to increase the distribution rates for May 1, 2023. The last Cost of Service rate application to increase distribution rates was in 2018. Since then, inflationary increases have occurred each year as approved by the OEB.

This survey will be part 1 of a 2-part survey. We will ask you some general questions about what matters most to you in regards to PUC's electricity distribution system. We look forward to your participation for phase 2 coming in Early 2022. Please keep an eye on our website, social media platforms, Soo today and Sault Online for a chance to win more prizes for providing your feedback.

Q1: How did you hear about this survey?

Answered: 906 Skipped: 0



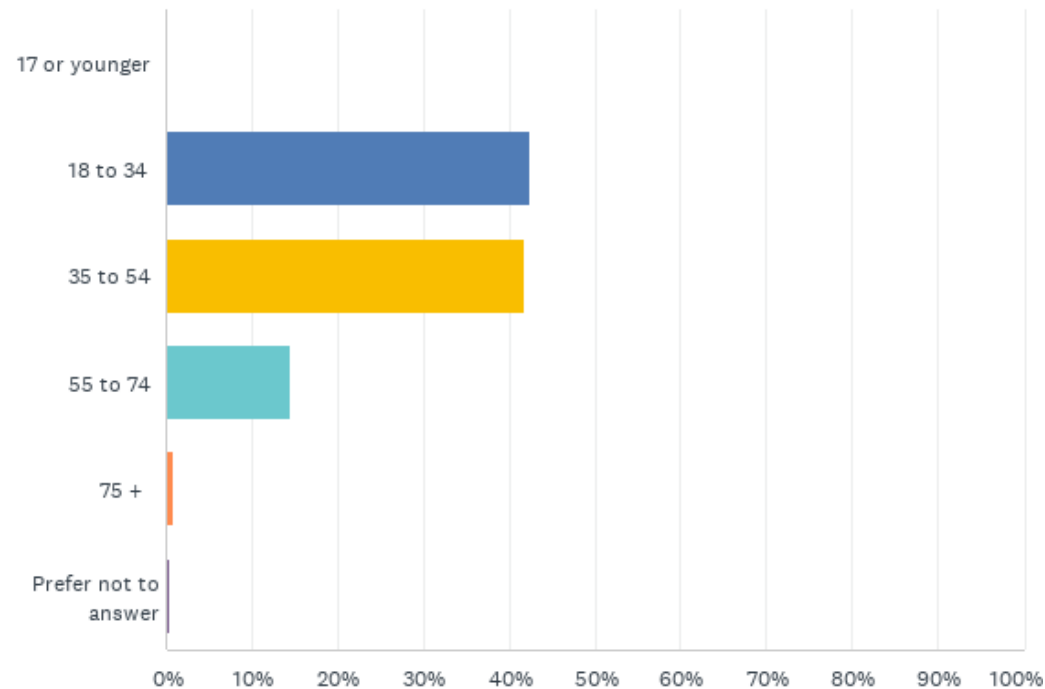
Q1: How did you hear about this survey?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Facebook	73.95%	670
PUC Website	8.61%	78
Soo Today	12.14%	110
Sault Online	1.10%	10
Other (Specify)	0.00%	0
Other (please specify)	4.19%	38
TOTAL		906

Q2: What is your age?

Answered: 906 Skipped: 0



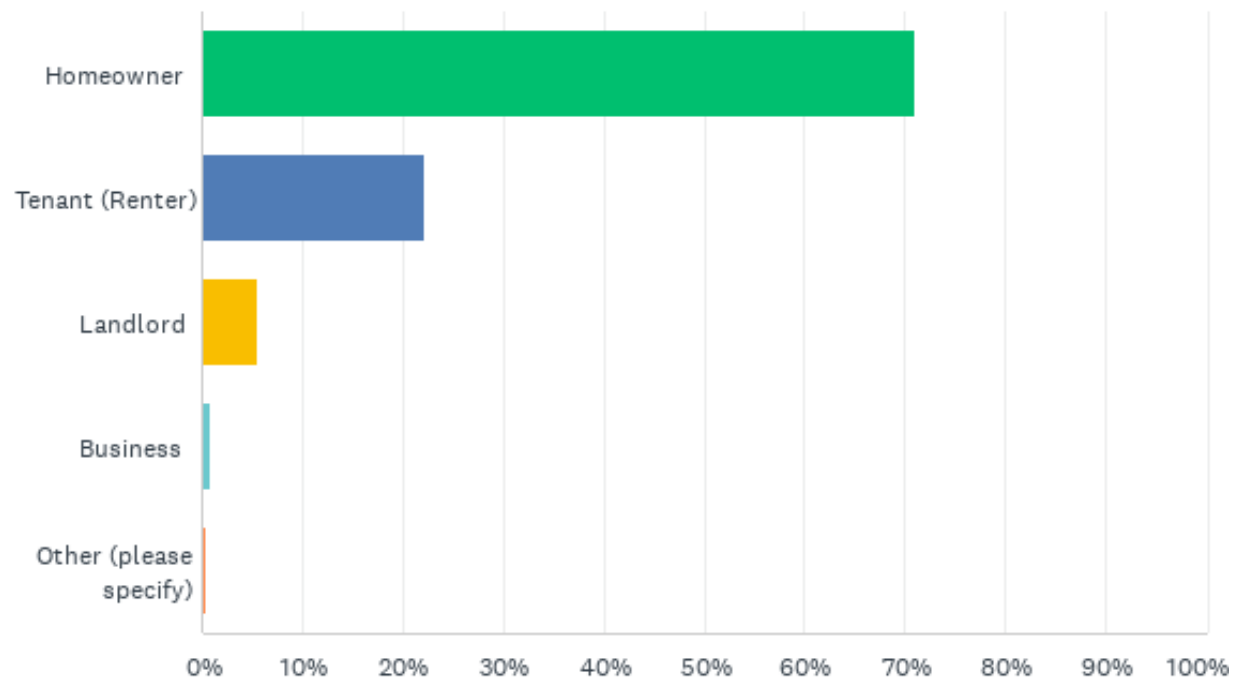
Q2: What is your age?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
17 or younger	0.11%	1
18 to 34	42.49%	385
35 to 54	41.72%	378
55 to 74	14.46%	131
75 +	0.88%	8
Prefer not to answer	0.33%	3
TOTAL		906

Q3: Which of the following best describes you?

Answered: 906 Skipped: 0



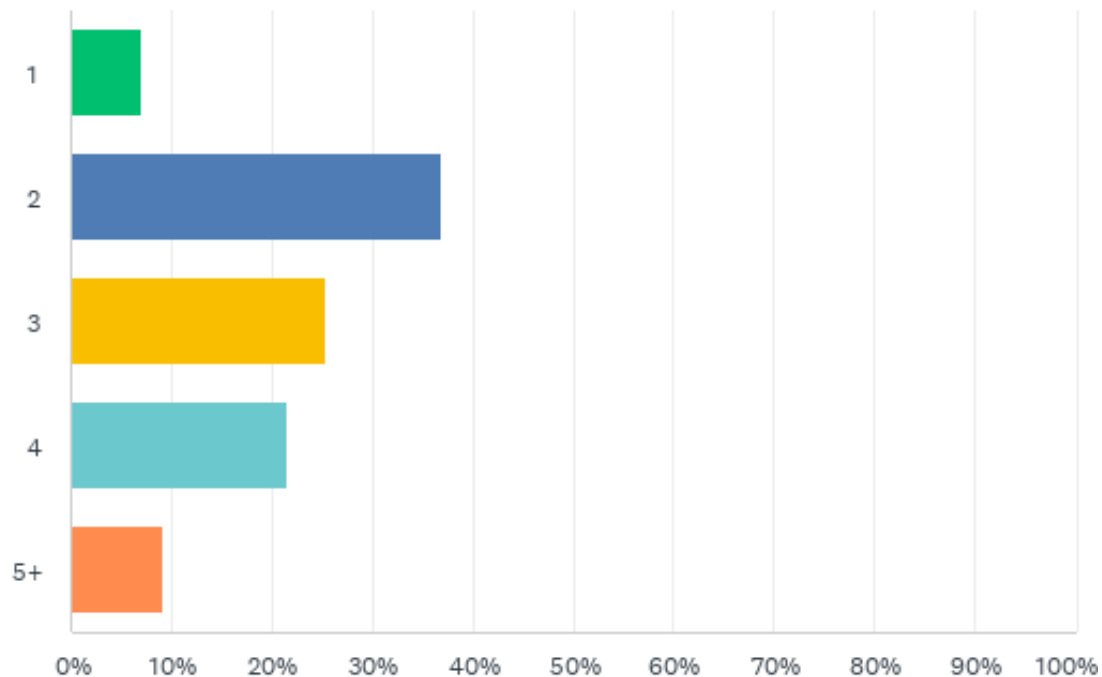
Q3: Which of the following best describes you?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Homeowner	70.97%	643
Tenant (Renter)	22.08%	200
Landlord	5.63%	51
Business	0.88%	8
Other (please specify)	0.44%	4
TOTAL		906

Q4: Including yourself, how many people live in your household?

Answered: 906 Skipped: 0



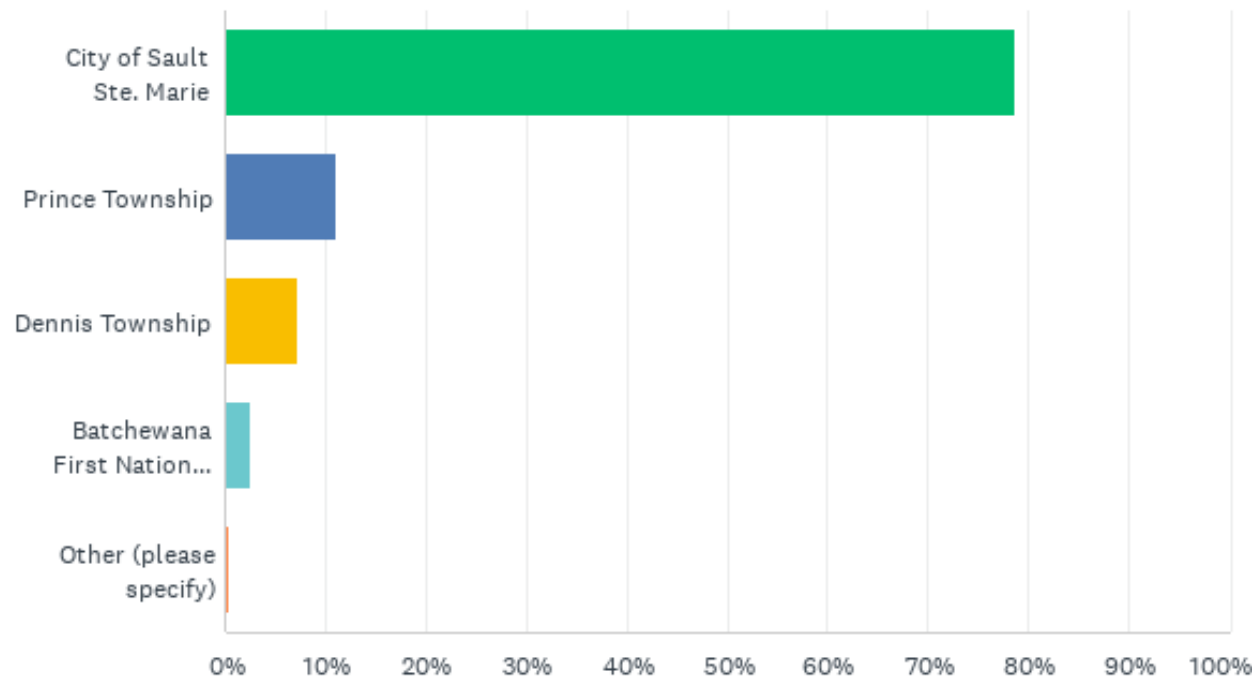
Q4: Including yourself, how many people live in your household?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
1	6.95%	63
2	36.87%	334
3	25.28%	229
4	21.63%	196
5+	9.27%	84
TOTAL		906

Q5: Where do you live within PUC Distribution's service area?

Answered: 906 Skipped: 0



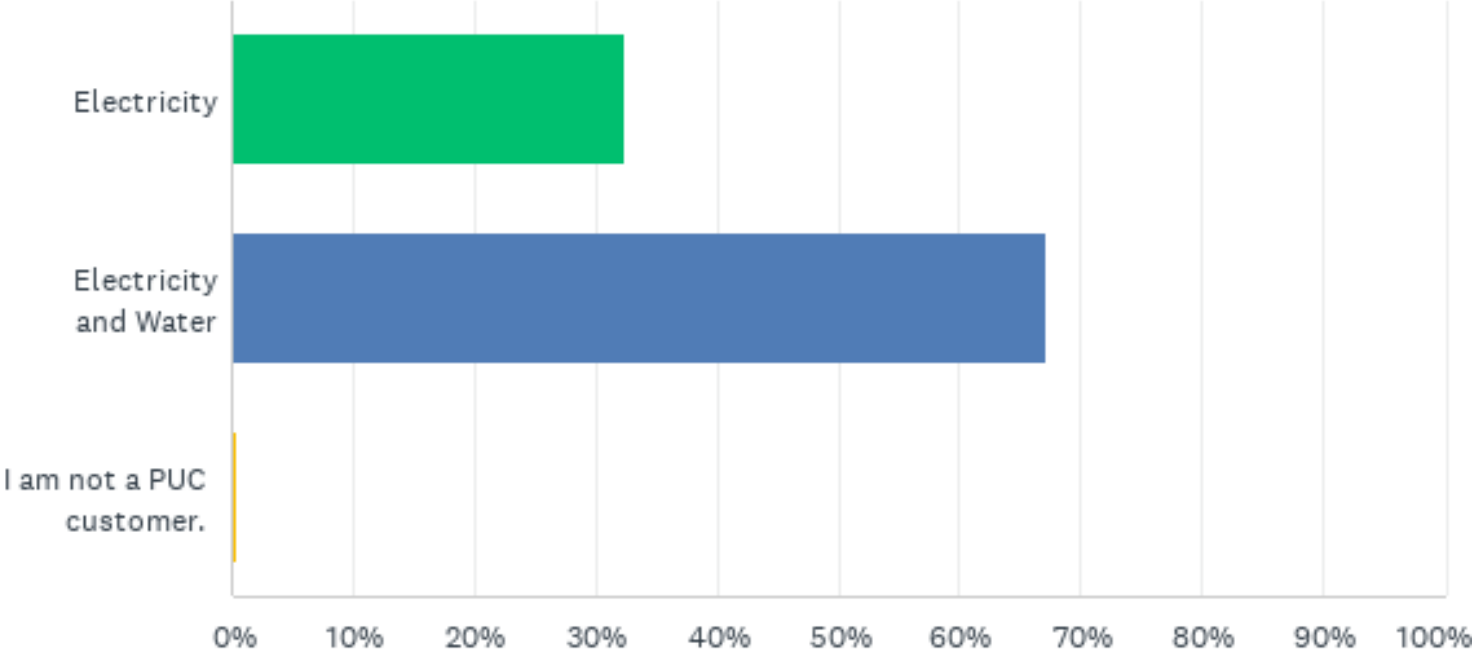
Q5: Where do you live within PUC Distribution’s service area?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
City of Sault Ste. Marie	78.70%	713
Prince Township	11.04%	100
Dennis Township	7.17%	65
Batchewana First Nation Rankin Reserve	2.65%	24
Other (please specify)	0.44%	4
TOTAL		906

Q6: What services do you currently receive from PUC?

Answered: 906 Skipped: 0



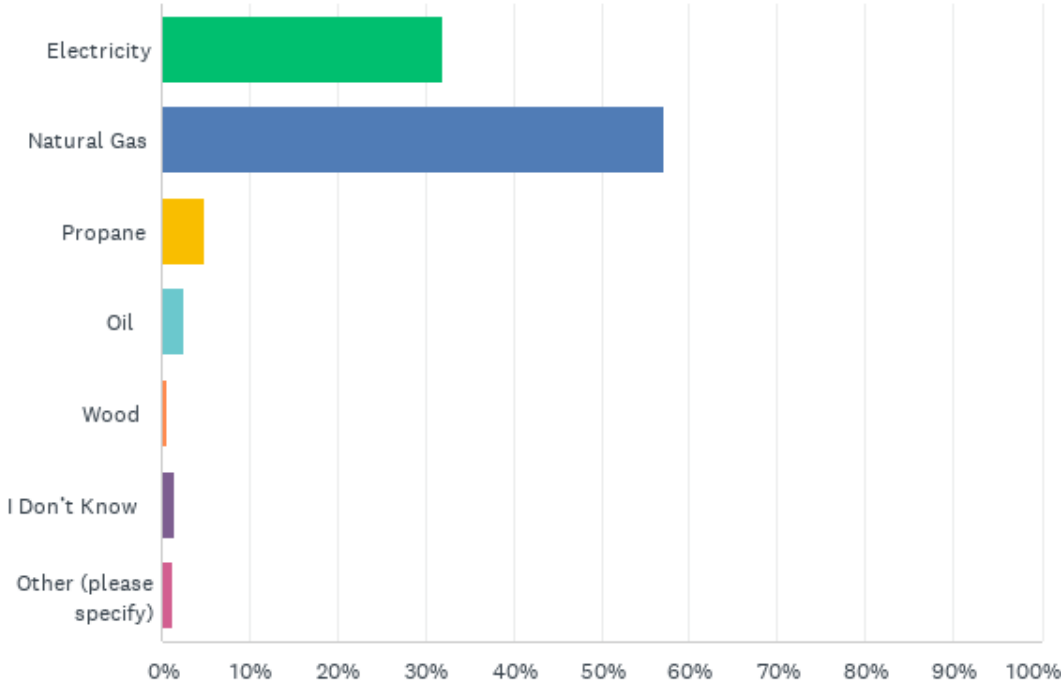
Q6: What services do you currently receive from PUC?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Electricity	32.45%	294
Electricity and Water	67.22%	609
I am not a PUC customer.	0.33%	3
TOTAL		906

Q7: Which of the following is your primary source of heating?

Answered: 906 Skipped: 0



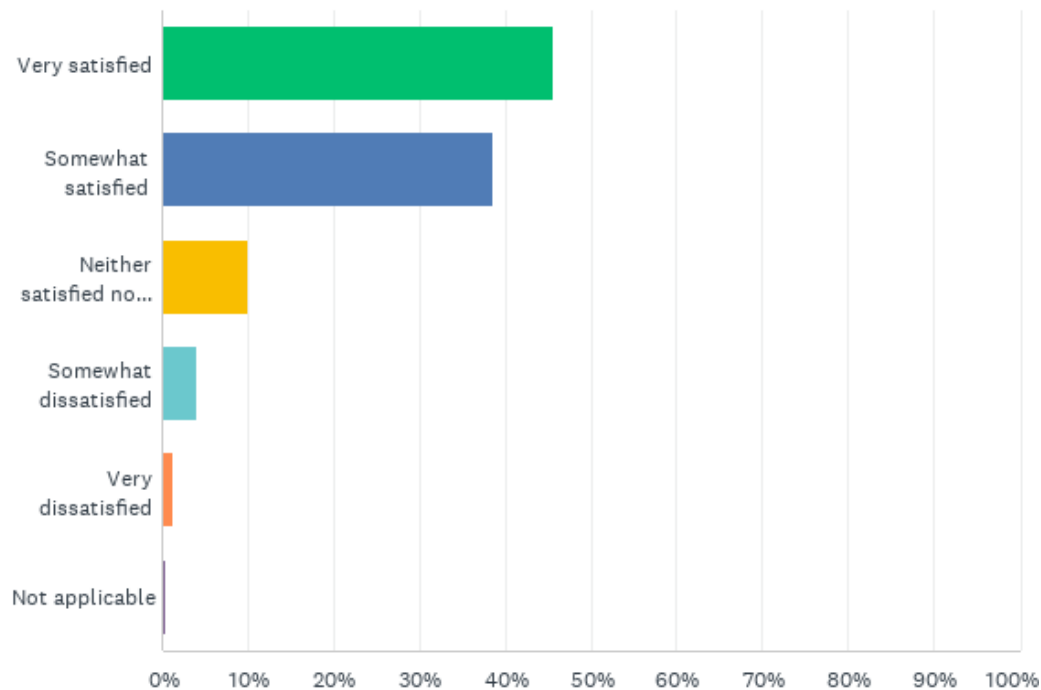
Q7: Which of the following is your primary source of heating?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Electricity	31.90%	289
Natural Gas	57.06%	517
Propane	4.86%	44
Oil	2.65%	24
Wood	0.66%	6
I Don't Know	1.55%	14
Other (please specify)	1.32%	12
TOTAL		906

Q8: How satisfied are you with the overall service(s) you receive?

Answered: 906 Skipped: 0



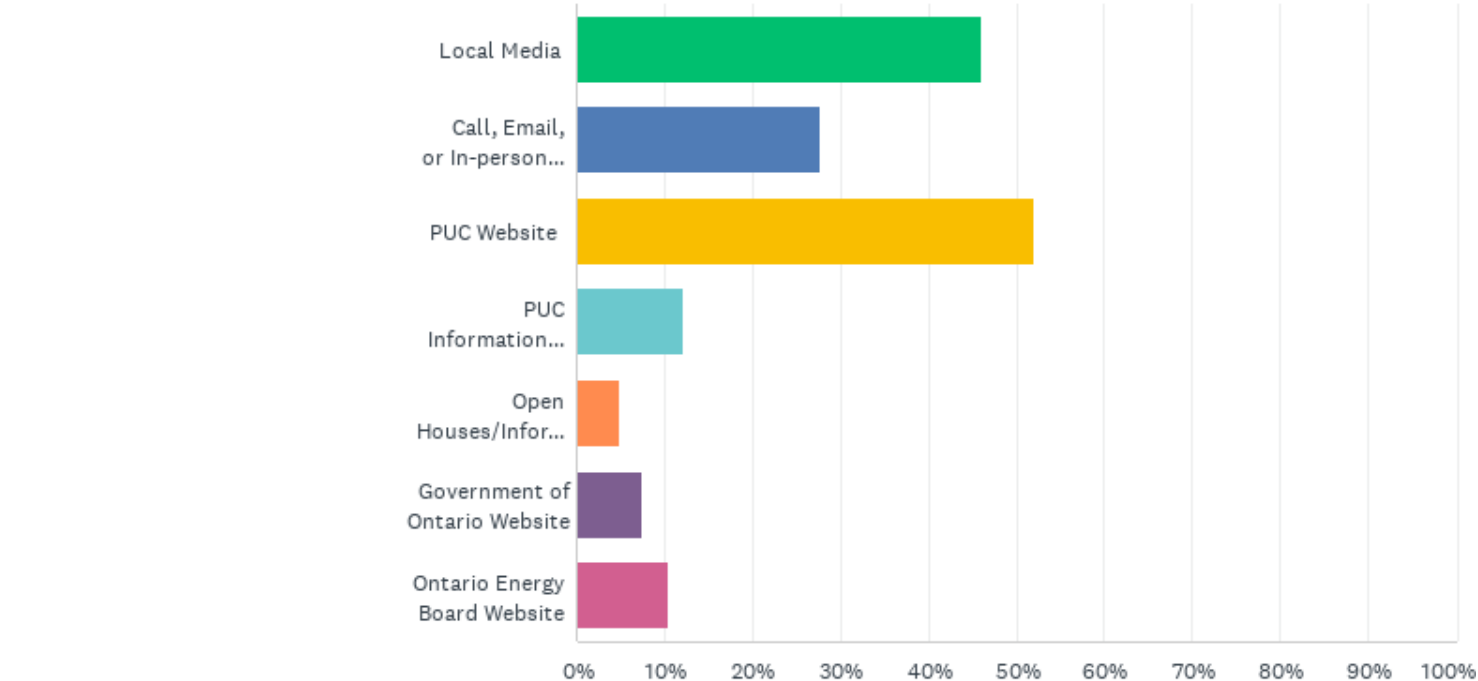
Q8: How satisfied are you with the overall service(s) you receive?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Very satisfied	45.70%	414
Somewhat satisfied	38.52%	349
Neither satisfied nor dissatisfied	10.04%	91
Somewhat dissatisfied	3.97%	36
Very dissatisfied	1.32%	12
Not applicable	0.44%	4
TOTAL		906

Q9: Where do you currently find information on things like electricity rates, conservation tips, and consumption/usage information? Please select ALL that apply.

Answered: 906 Skipped: 0



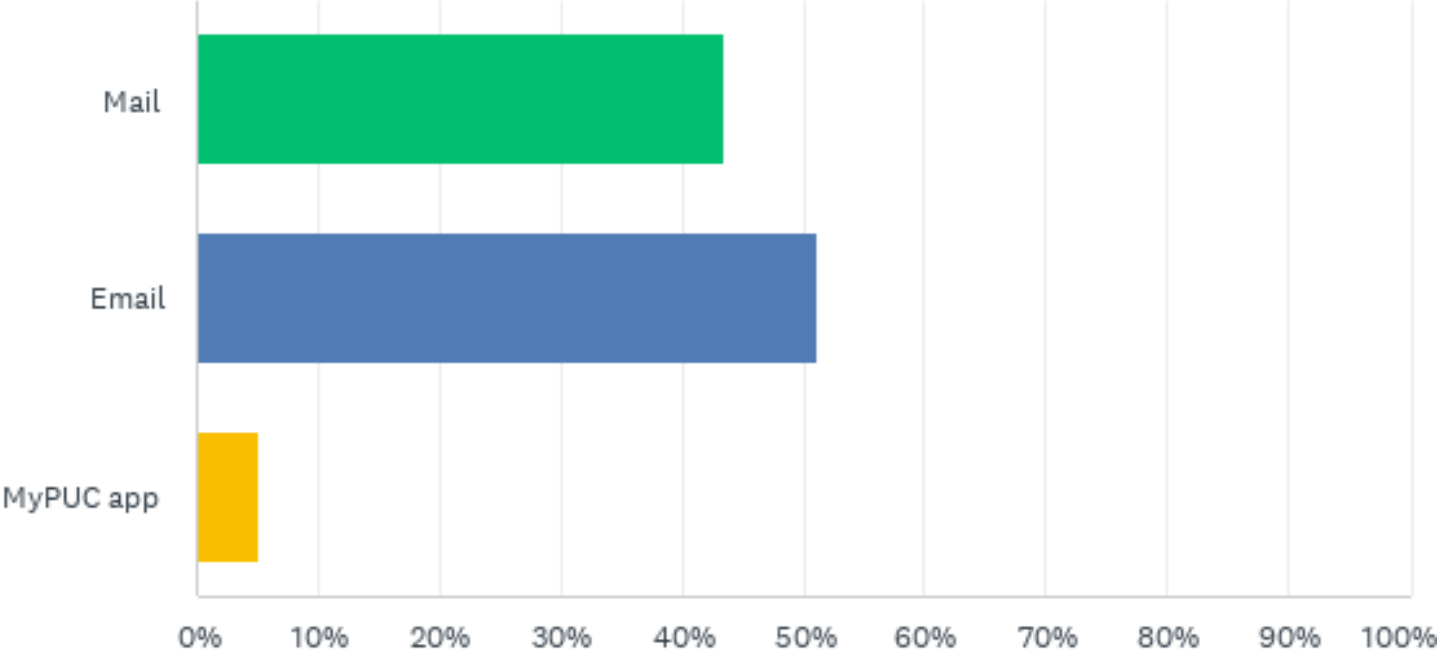
Q9: Where do you currently find information on things like electricity rates, conservation tips, and consumption/usage information? Please select ALL that apply.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Local Media	46.14%	418
Call, Email, or In-person at the PUC Office	27.81%	252
PUC Website	51.99%	471
PUC Information Booths (i.e., Home/Trade Shows.)	12.25%	111
Open Houses/Information Sessions	4.86%	44
Government of Ontario Website	7.51%	68
Ontario Energy Board Website	10.49%	95
Total Respondents: 906		

Q10: How do you receive your PUC Bill?

Answered: 906 Skipped: 0



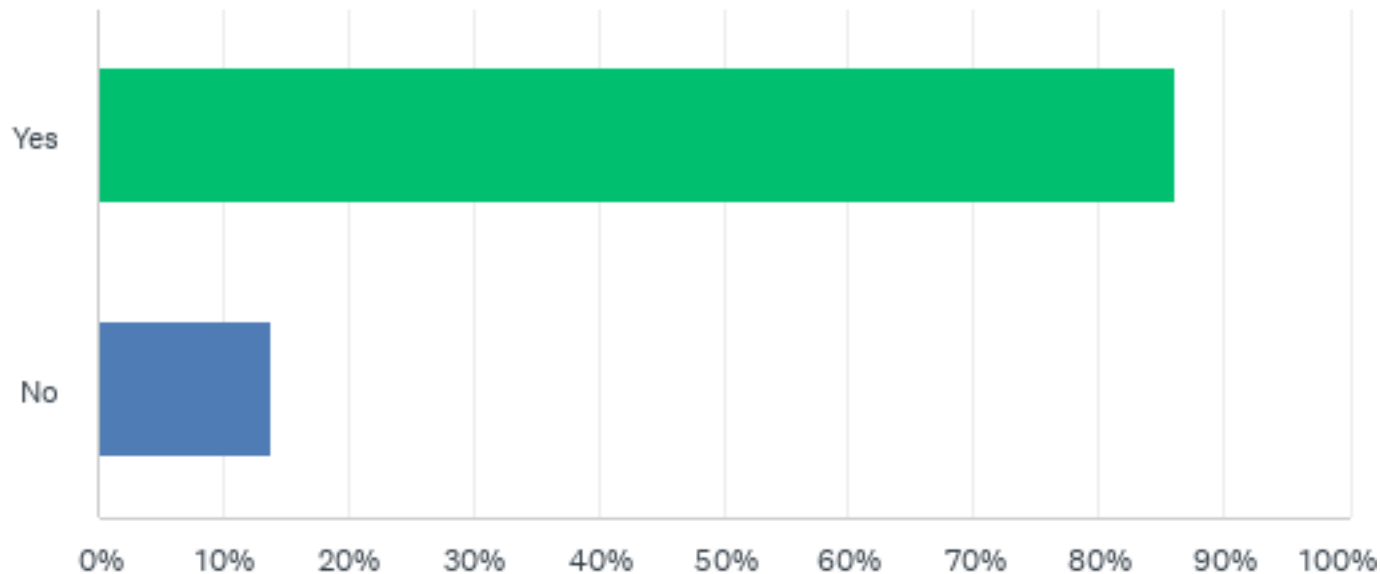
Q10: How do you receive your PUC Bill?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Mail	43.60%	395
Email	51.21%	464
MyPUC app	5.19%	47
TOTAL		906

Q11: Have you ever visited www.ssmruc.com

Answered: 906 Skipped: 0



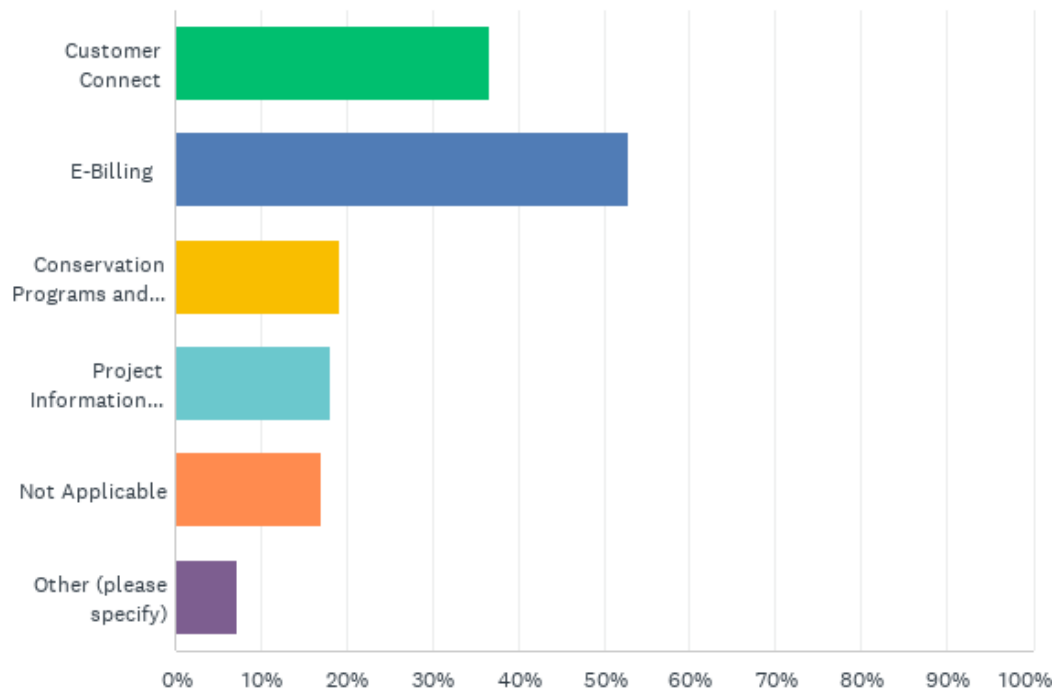
Q11: Have you ever visited www.ssmruc.com

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Yes	86.20%	781
No	13.80%	125
TOTAL		906

Q12: Please select all the reasons you have visited PUC's website in the last 6 months from the list below. If not, please choose Not Applicable.

Answered: 904 Skipped: 2



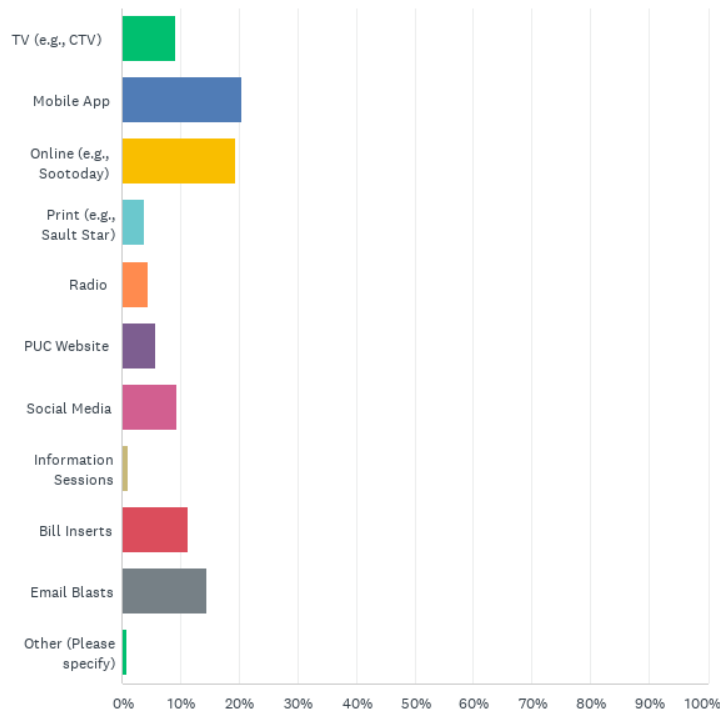
Q12: Please select all the reasons you have visited PUC's website in the last 6 months from the list below. If not, please choose Not Applicable.

Answered: 904 Skipped: 2

ANSWER CHOICES	RESPONSES	
Customer Connect	36.73%	332
E-Billing	52.88%	478
Conservation Programs and Advice	19.25%	174
Project Information Search (e.g., Overhead line work in your neighbourhood)	18.14%	164
Not Applicable	17.15%	155
Other (please specify)	7.19%	65
Total Respondents: 904		

Q14: To improve our customer communication, please choose your preferred method for PUC to communicate with you.

Answered: 906 Skipped: 0



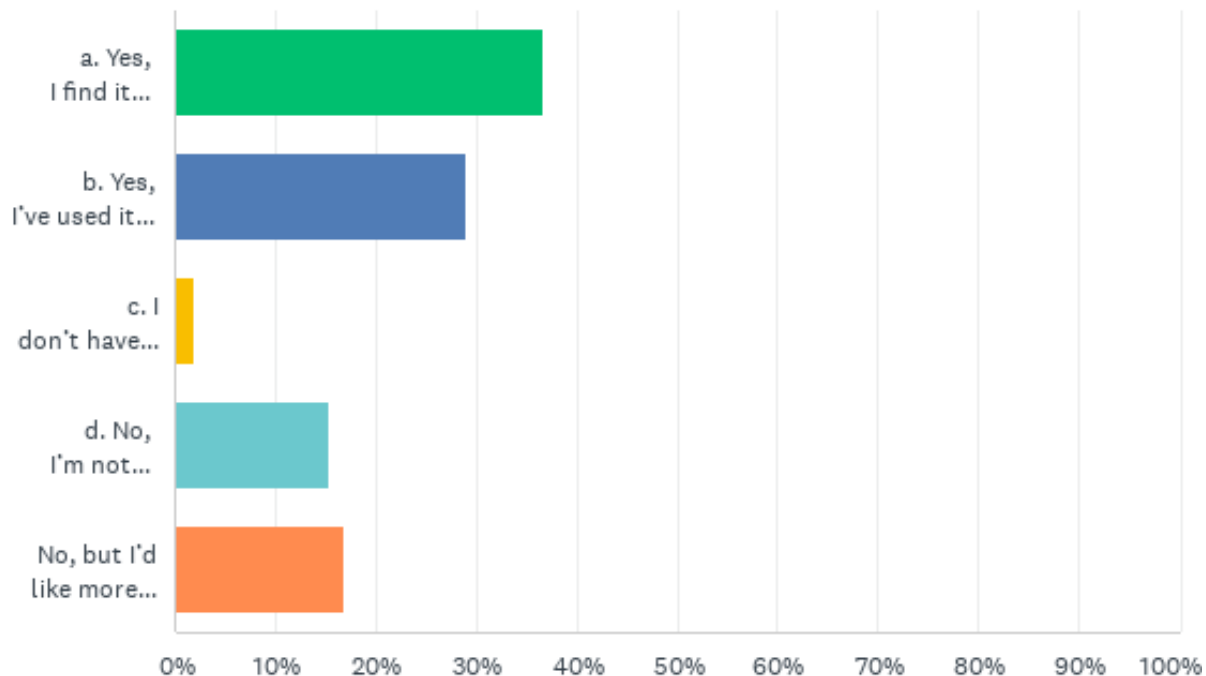
Q14: To improve our customer communication, please choose your preferred method for PUC to communicate with you.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
TV (e.g., CTV)	9.16%	83
Mobile App	20.42%	185
Online (e.g., Sootoday)	19.32%	175
Print (e.g., Sault Star)	3.75%	34
Radio	4.53%	41
PUC Website	5.85%	53
Social Media	9.38%	85
Information Sessions	0.99%	9
Bill Inserts	11.37%	103
Email Blasts	14.46%	131
Other (Please specify)	0.77%	7
TOTAL		906

Q15: To increase awareness of electricity usage, PUC offers an online energy usage tool called, Customer Connect. Have you ever used it to monitor your hourly, daily and weekly electrical usage?

Answered: 906 Skipped: 0



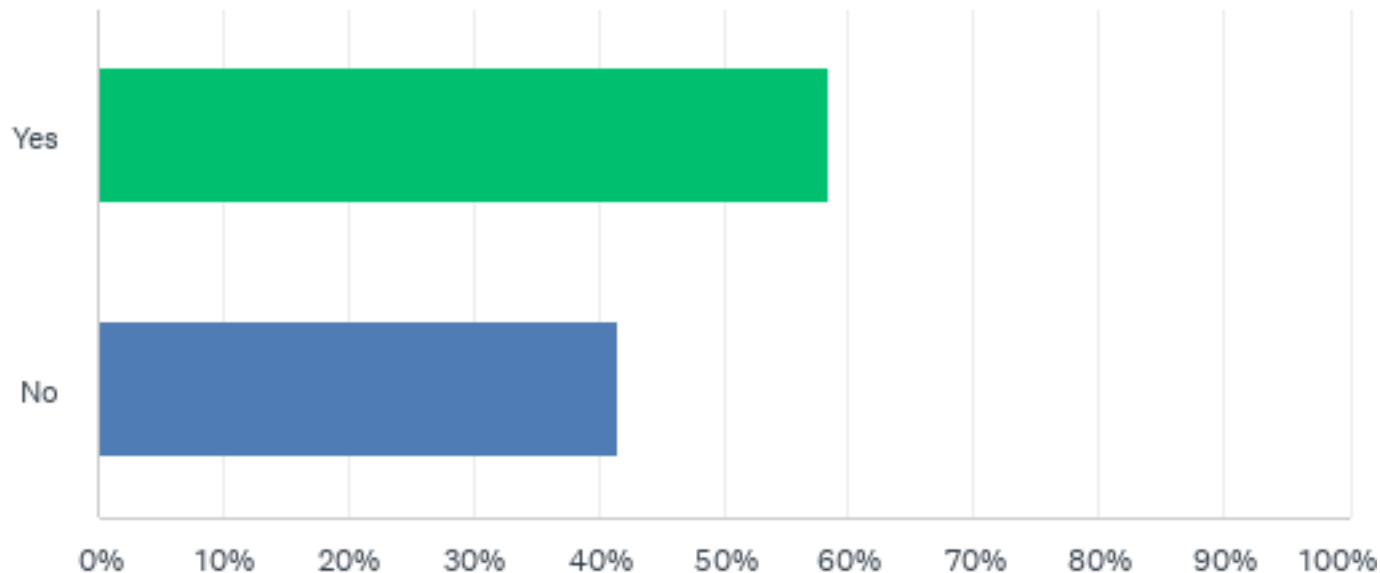
Q15: To increase awareness of electricity usage, PUC offers an online energy usage tool called, Customer Connect. Have you ever used it to monitor your hourly, daily and weekly electrical usage?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
a. Yes, I find it useful to visually track usage.	36.75%	333
b. Yes, I've used it a few times.	29.03%	263
c. I don't have access to a computer.	1.99%	18
d. No, I'm not interested in online services.	15.34%	139
No, but I'd like more information about Customer Connect and here is my email address	16.89%	153
TOTAL	906	

Q16: Did you know we have our own app called MyPUC before participating in this survey?

Answered: 906 Skipped: 0



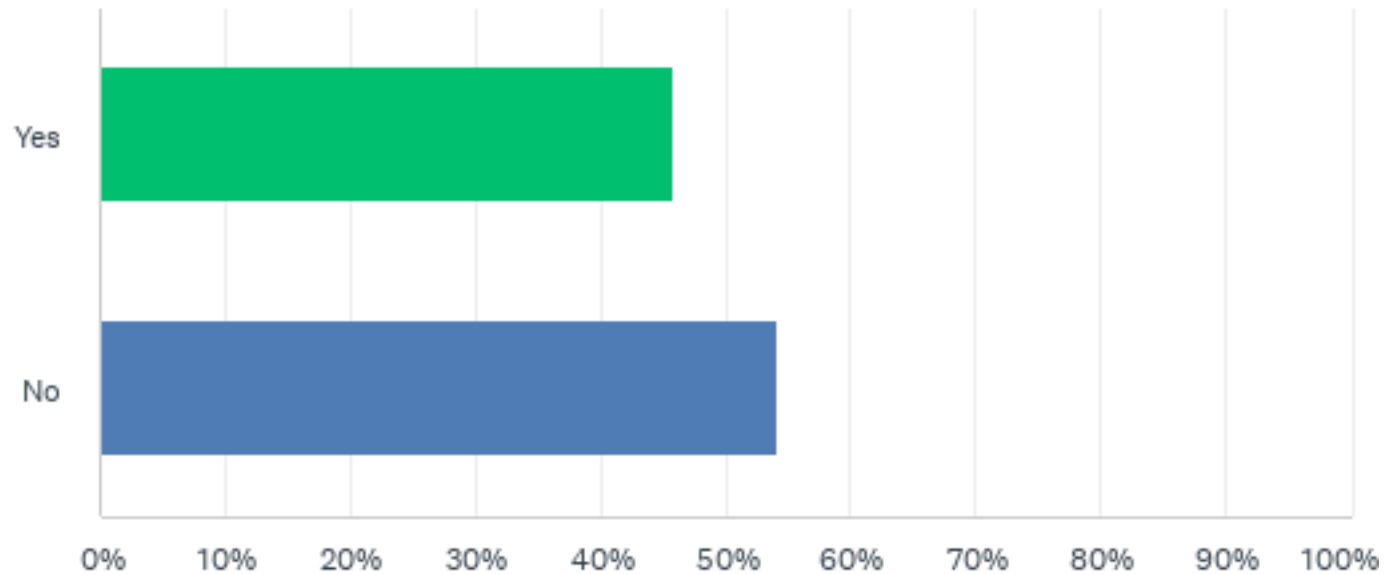
Q16: Did you know we have our own app called MyPUC before participating in this survey?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Yes	58.50%	530
No	41.50%	376
TOTAL		906

Q17: Have you downloaded the app?

Answered: 906 Skipped: 0



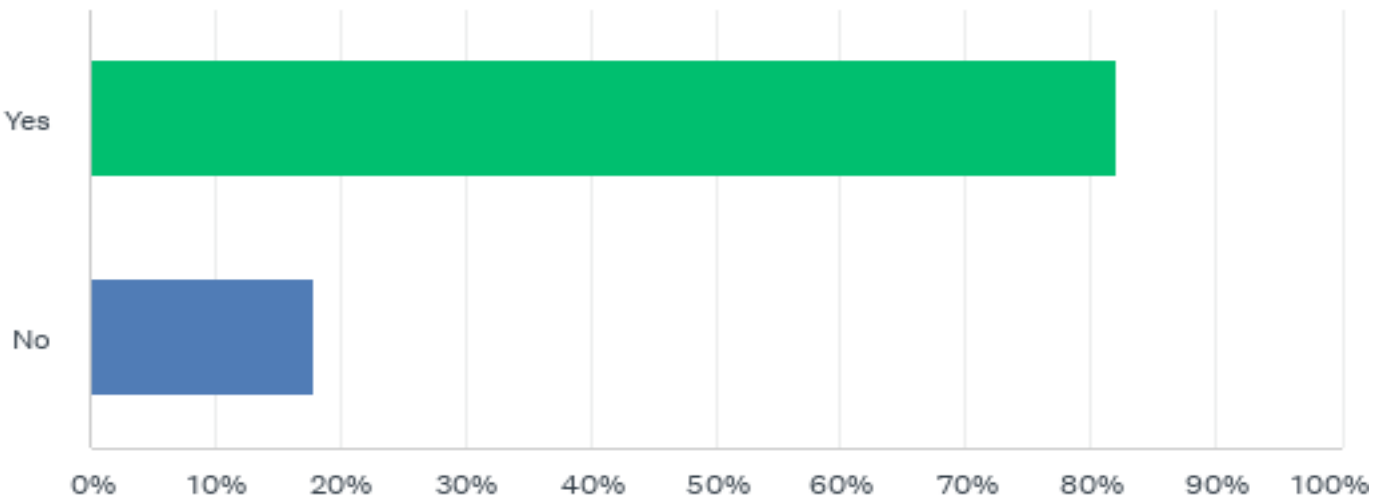
Q17: Have you downloaded the app?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Yes	45.92%	416
No	54.08%	490
TOTAL		906

Q18: The MyPUC App allows you to track your energy consumption, receive outage notifications, access billing information, and receive conservations tips. Based on these features, do you believe you will download the app? (click here for instruction on how to download)

Answered: 906 Skipped: 0



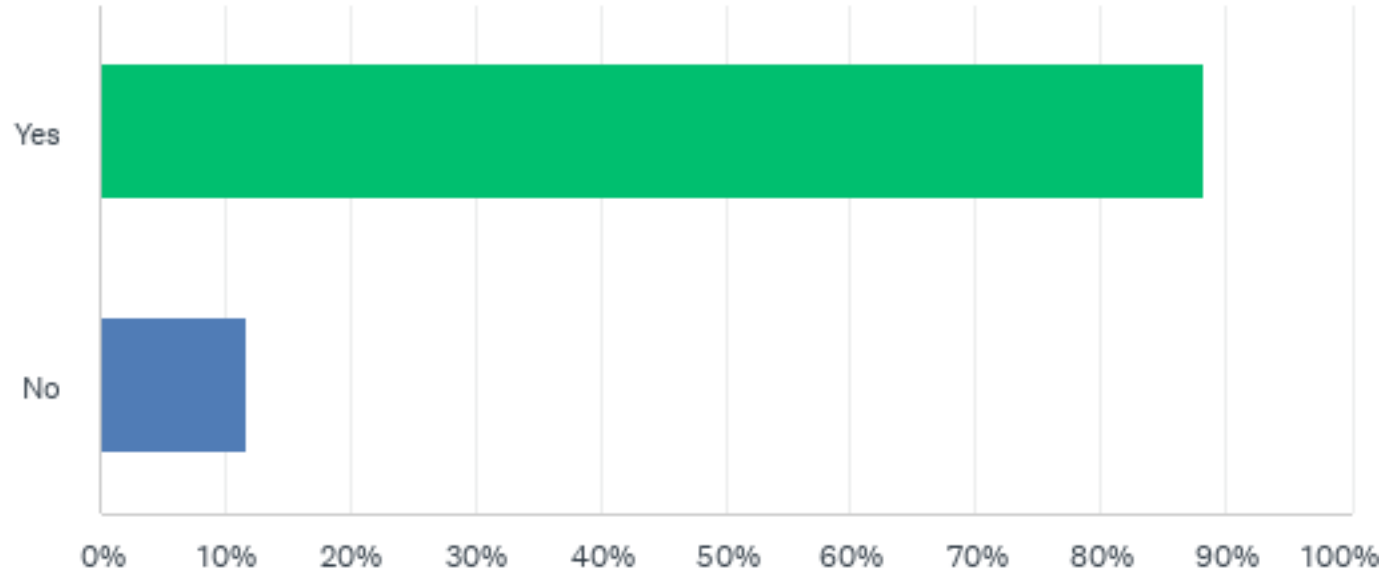
Q18: The MyPUC App allows you to track your energy consumption, receive outage notifications, access billing information, and receive conservations tips. Based on these features, do you believe you will download the app? (click here for instruction on how to download)

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Yes	82.12%	744
No	17.88%	162
TOTAL		906

Q19: Did you know PUC offers E-Billing Services? This is an effective way to receive your bill notification and make arrangements to pay. (Click here to sign up for E-billing)

Answered: 906 Skipped: 0



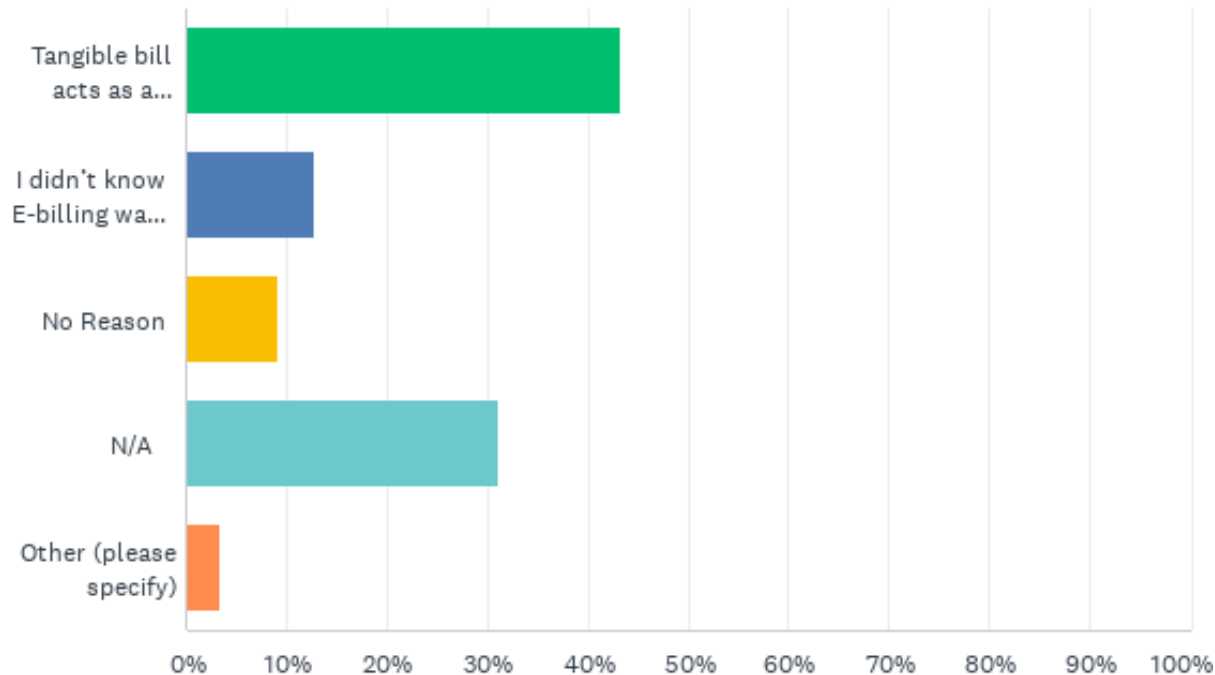
Q19: Did you know PUC offers E-Billing Services? This is an effective way to receive your bill notification and make arrangements to pay. (Click here to sign up for E-billing)

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Yes	88.30%	800
No	11.70%	106
TOTAL		906

Q20: If you receive a Paper Bill, we would like you to help us understand your billing preferences? If you receive an E-Bill already, please select N/A.

Answered: 906 Skipped: 0



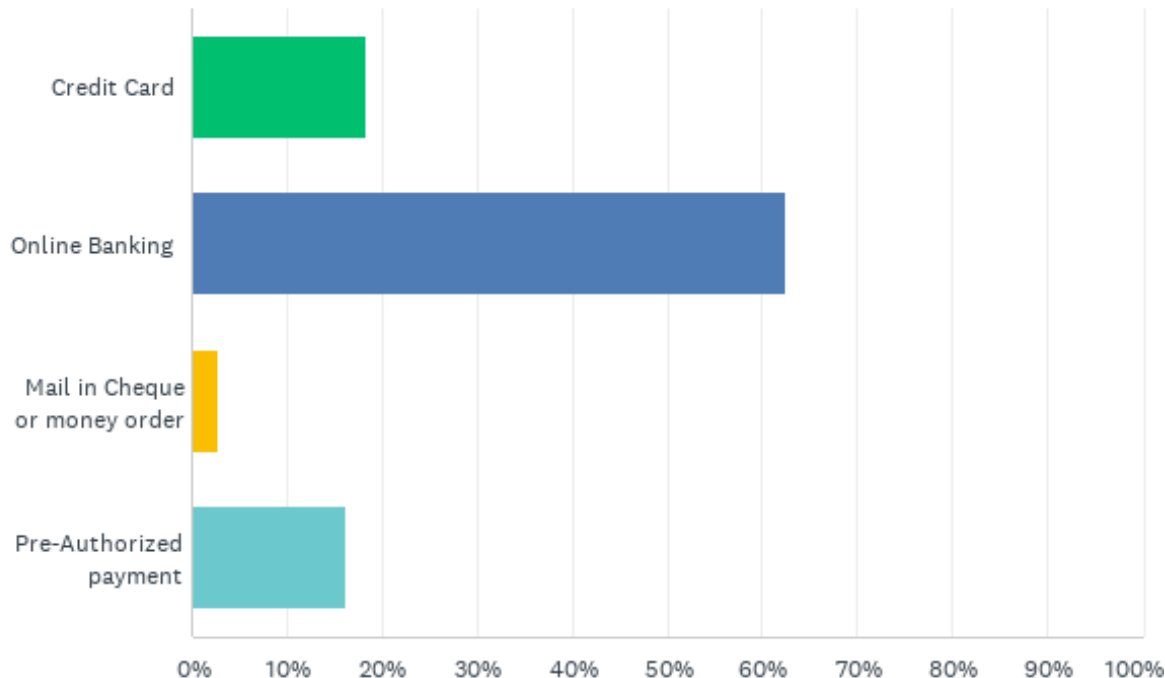
Q20: If you receive a Paper Bill, we would like you to help us understand your billing preferences? If you receive an E-Bill already, please select N/A.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Tangible bill acts as a reminder to pay	43.38%	393
I didn't know E-billing was an available option	12.69%	115
No Reason	9.27%	84
N/A	31.24%	283
Other (please specify)	3.42%	31
TOTAL		906

Q21: How do you currently pay your PUC Bill?

Answered: 906 Skipped: 0



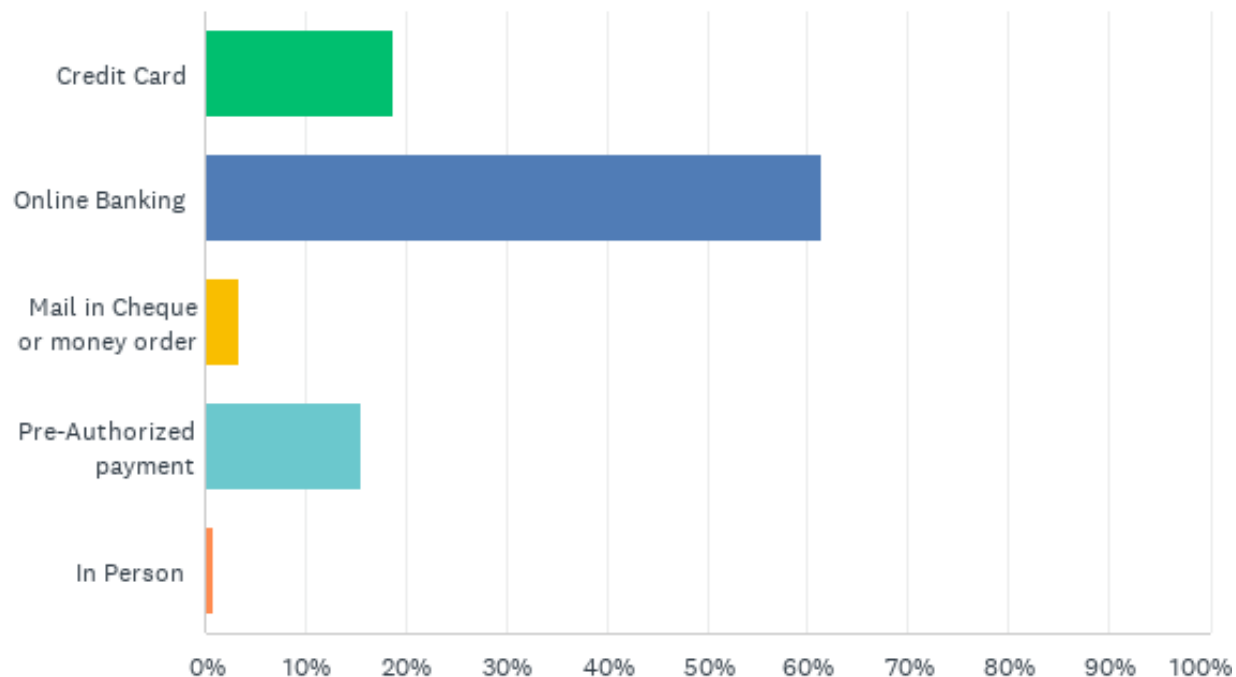
Q21: How do you currently pay your PUC Bill?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Credit Card	18.43%	167
Online Banking	62.47%	566
Mail in Cheque or money order	2.87%	26
Pre-Authorized payment	16.23%	147
TOTAL		906

Q22: What is your preferred method of payment?

Answered: 906 Skipped: 0



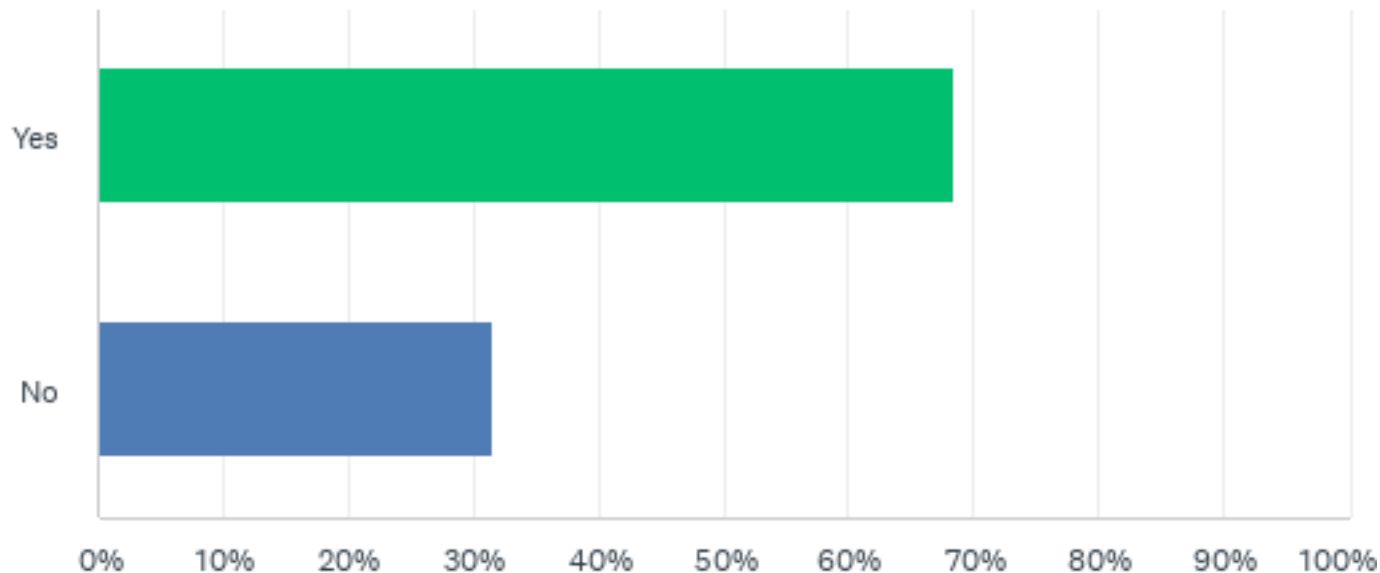
Q22: What is your preferred method of payment?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Credit Card	18.76%	170
Online Banking	61.48%	557
Mail in Cheque or money order	3.31%	30
Pre-Authorized payment	15.56%	141
In Person	0.88%	8
TOTAL		906

Q23: Did you know that prior to your bill due date you can make multiple smaller payments that combine to the total due on your due date?

Answered: 906 Skipped: 0



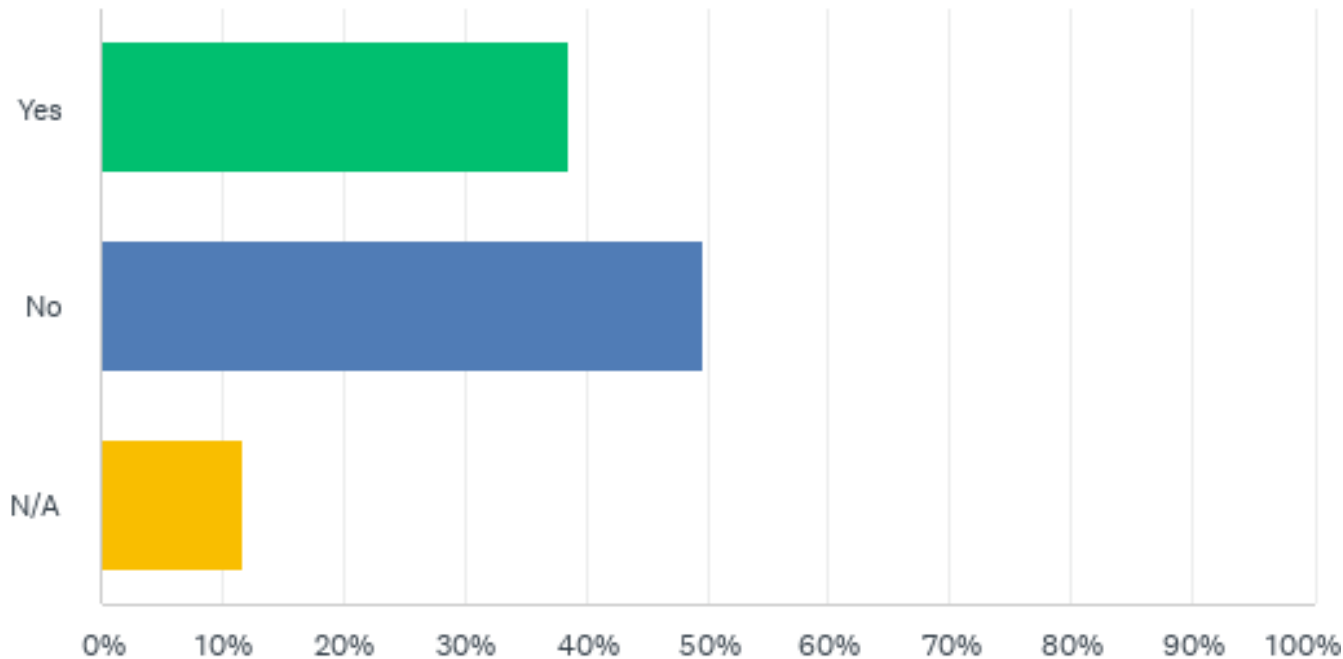
Q23: Did you know that prior to your bill due date you can make multiple smaller payments that combine to the total due on your due date?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Yes	68.43%	620
No	31.57%	286
TOTAL		906

Q24: Would you be interested in hearing more about pre-authorized payments?

Answered: 906 Skipped: 0



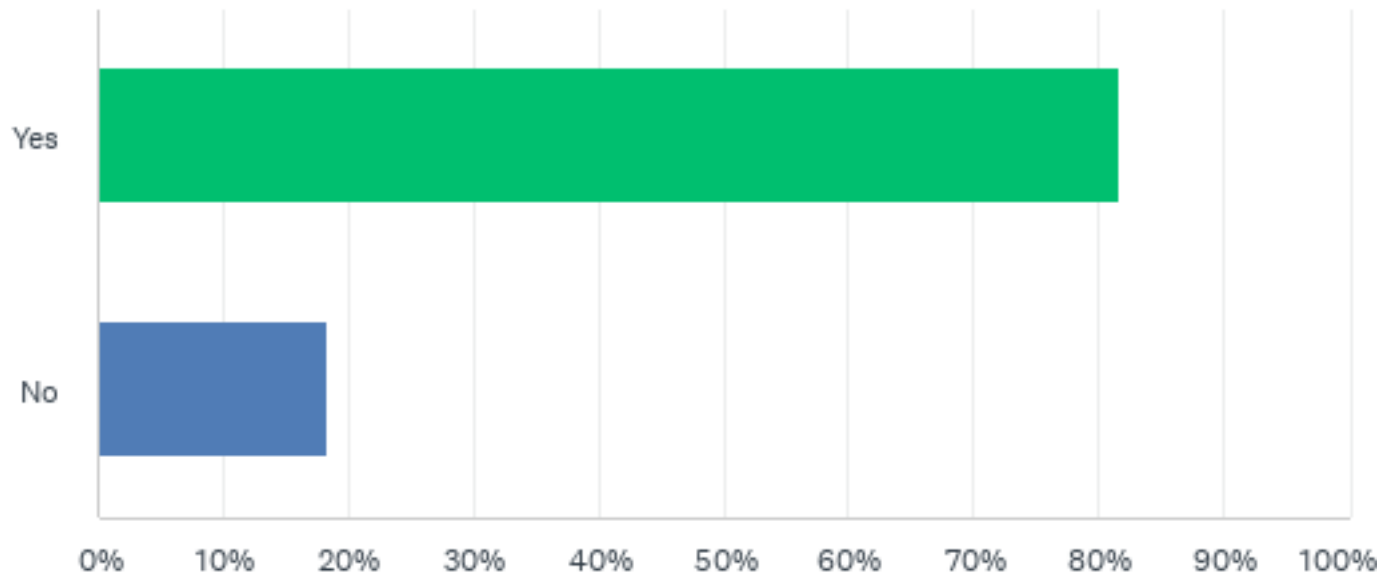
Q24: Would you be interested in hearing more about pre-authorized payments?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Yes	38.52%	349
No	49.67%	450
N/A	11.81%	107
TOTAL		906

Q25: Are you aware that you can choose between time of use pricing or tiered pricing for the cost of power?

Answered: 906 Skipped: 0



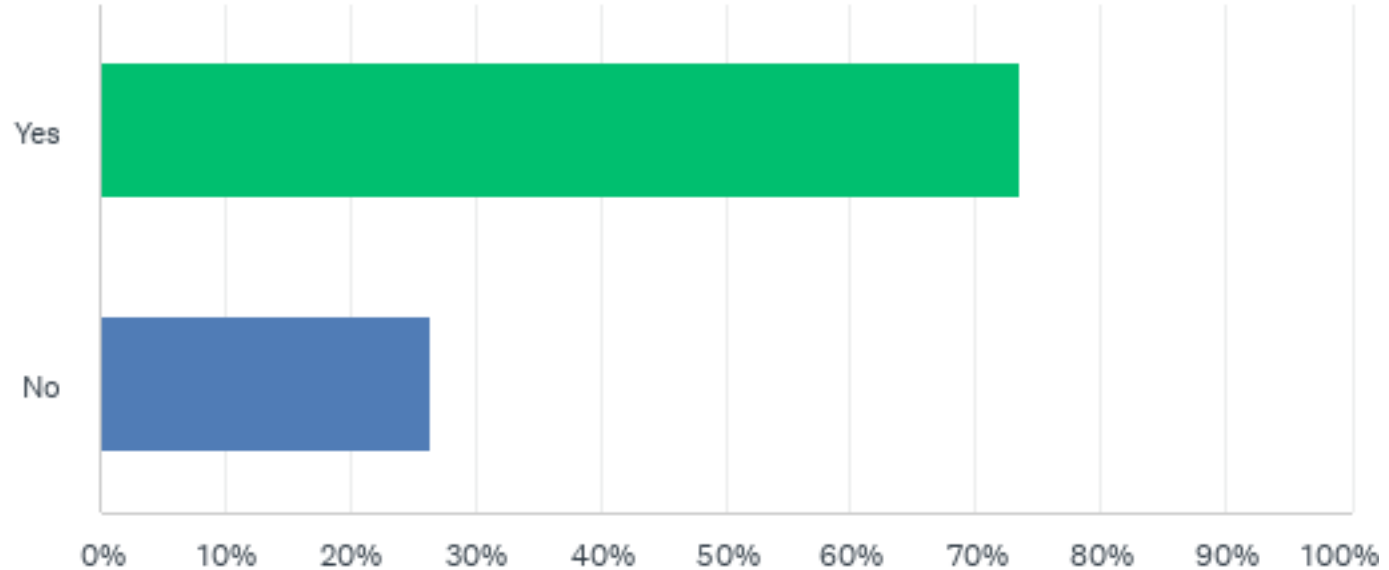
Q25: Are you aware that you can choose between time of use pricing or tiered pricing for the cost of power?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Yes	81.68%	740
No	18.32%	166
TOTAL		906

Q26: Would you be interested in the tools available to help you choose between Time of Use pricing or tiered pricing and how it can possibly save you money on your bill?

Answered: 906 Skipped: 0



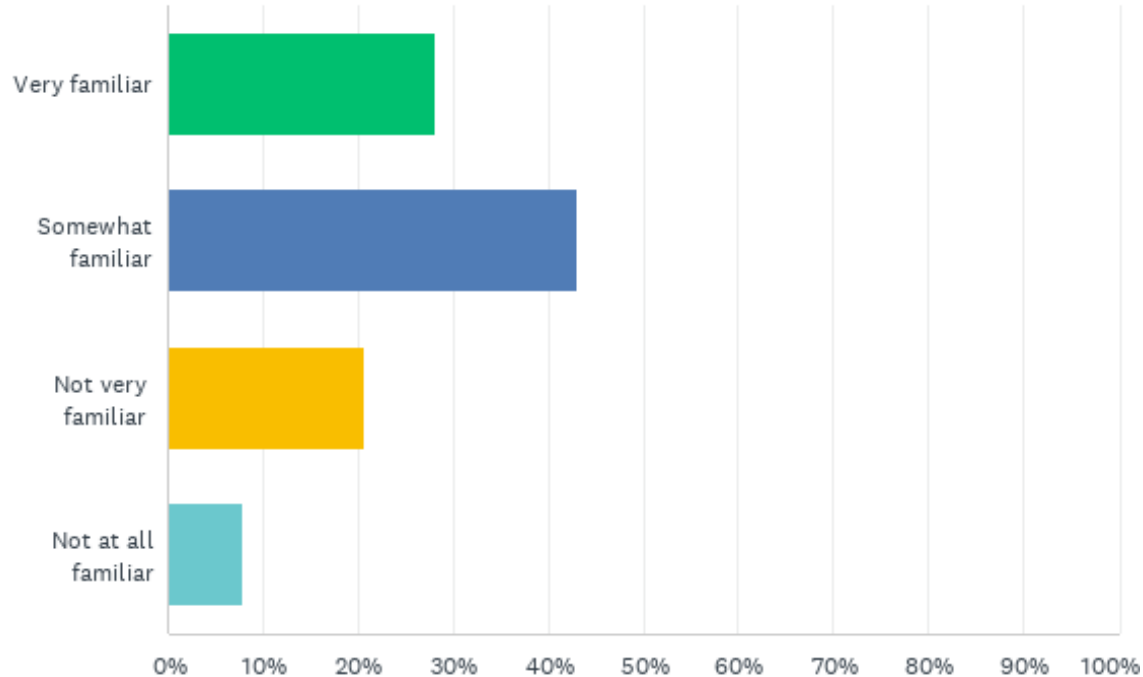
Q26: Would you be interested in the tools available to help you choose between Time of Use pricing or tiered pricing and how it can possibly save you money on your bill?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Yes	73.51%	666
No	26.49%	240
TOTAL		906

Q27: Please watch this video before completing the questions below. Please ensure your volume is on so you can hear the information. Closed captioning is available for those that need it to participate. Before this video, how familiar were you with Ontario's electricity system and PUC Distribution's role?

Answered: 906 Skipped: 0



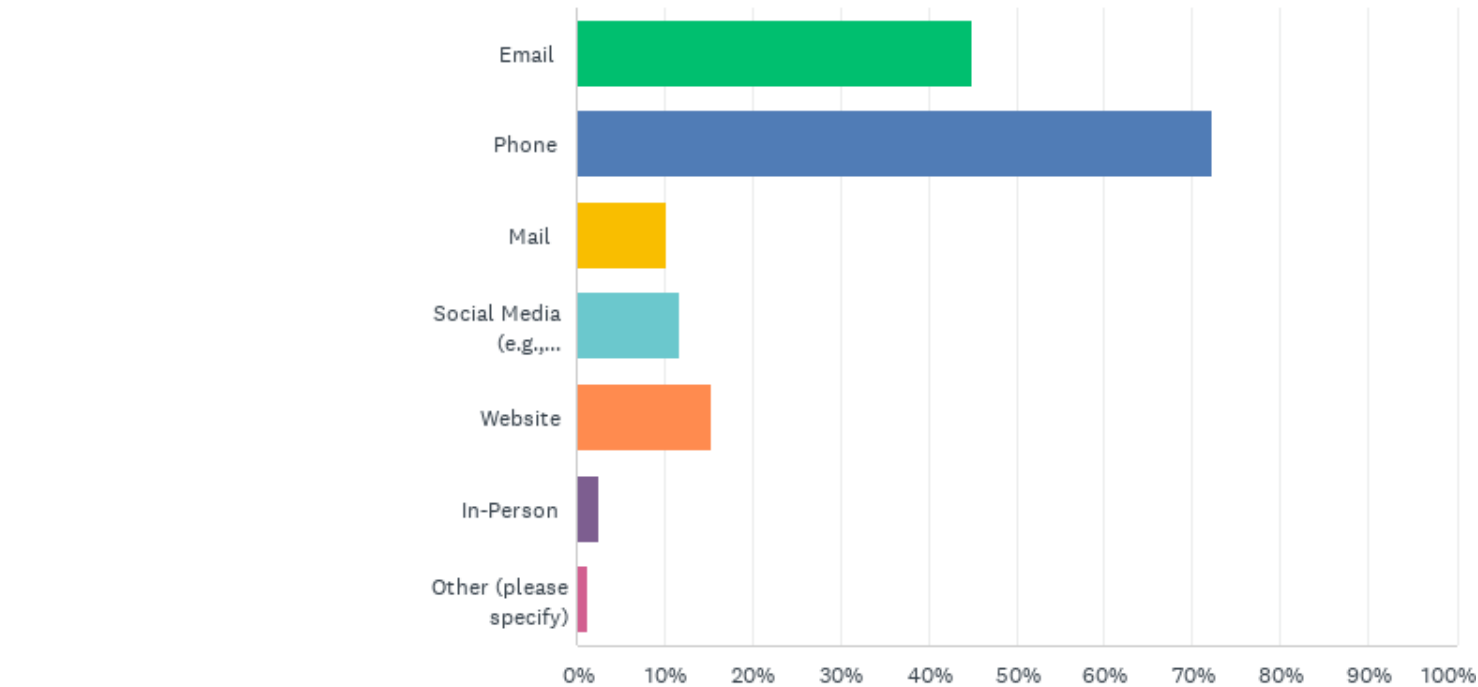
Q27: Please watch this video before completing the questions below. Please ensure your volume is on so you can hear the information. Closed captioning is available for those that need it to participate. Before this video, how familiar were you with Ontario’s electricity system and PUC Distribution’s role?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Very familiar	28.15%	255
Somewhat familiar	43.16%	391
Not very familiar	20.75%	188
Not at all familiar	7.95%	72
TOTAL		906

Q28: When you have an electrical service issue, what is your preferred method to contact PUC for assistance? Please select ALL that apply.

Answered: 906 Skipped: 0



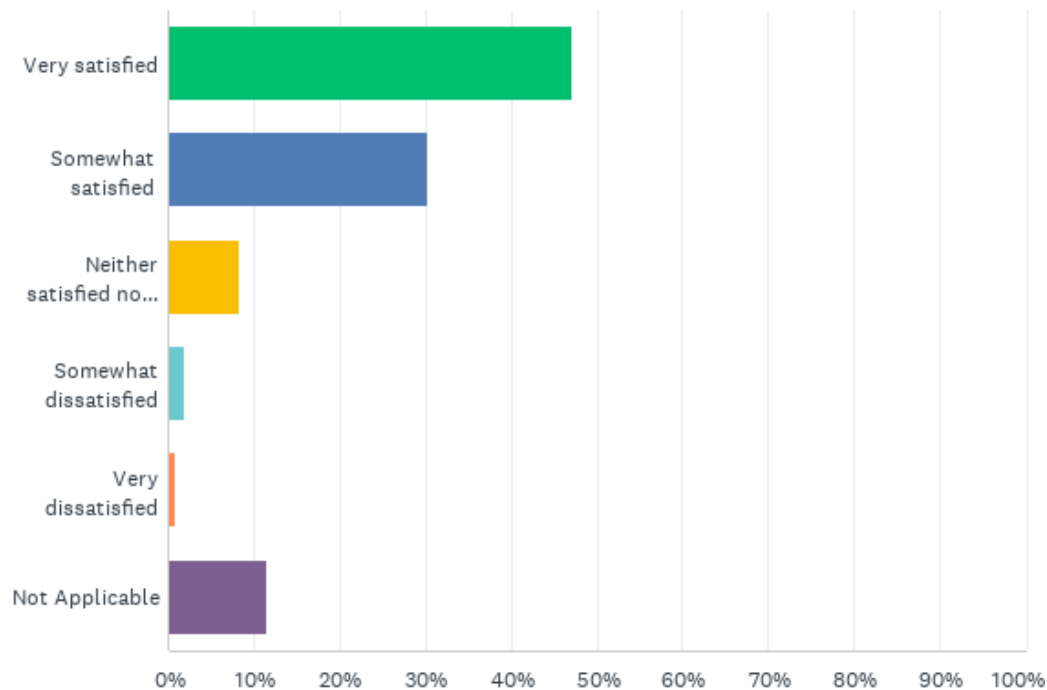
Q28: When you have an electrical service issue, what is your preferred method to contact PUC for assistance? Please select ALL that apply.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Email	45.03%	408
Phone	72.19%	654
Mail	10.15%	92
Social Media (e.g., Facebook, Twitter)	11.70%	106
Website	15.34%	139
In-Person	2.65%	24
Other (please specify)	1.32%	12
Total Respondents: 906		

Q29: How satisfied were you with the Customer service you received?

Answered: 906 Skipped: 0



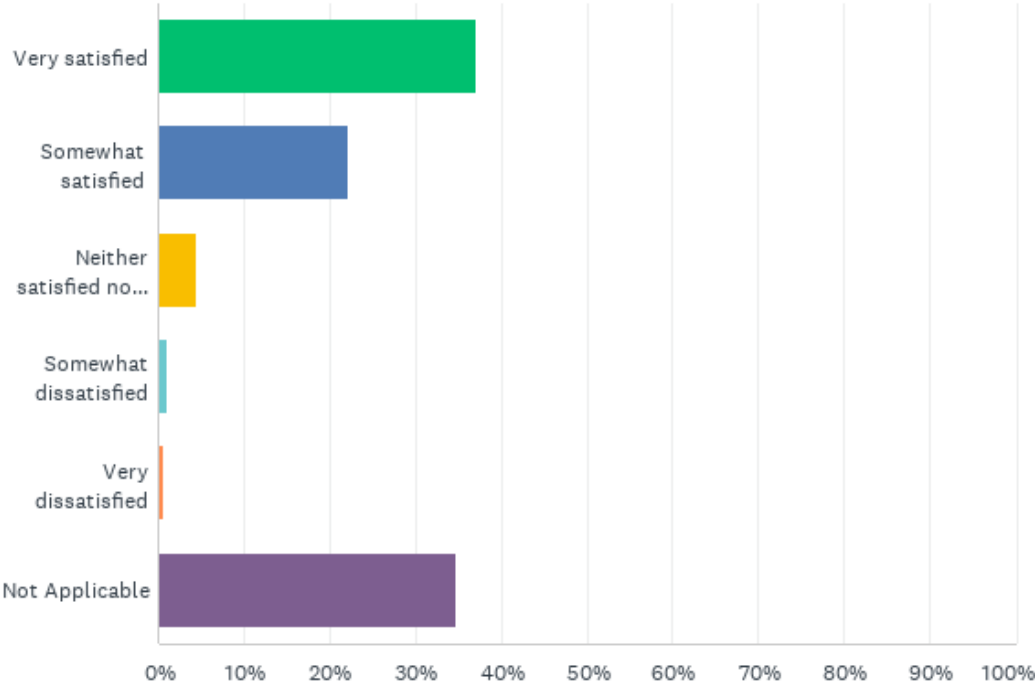
Q29: How satisfied were you with the Customer service you received?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Very satisfied	47.13%	427
Somewhat satisfied	30.35%	275
Neither satisfied nor dissatisfied	8.28%	75
Somewhat dissatisfied	1.99%	18
Very dissatisfied	0.77%	7
Not Applicable	11.48%	104
TOTAL		906

Q30: Please tell us how you felt about an experience with a PUC field representative that visited your home/business with regards to an electrical service such as disconnect, power outage or overhead/underground system work.

Answered: 906 Skipped: 0



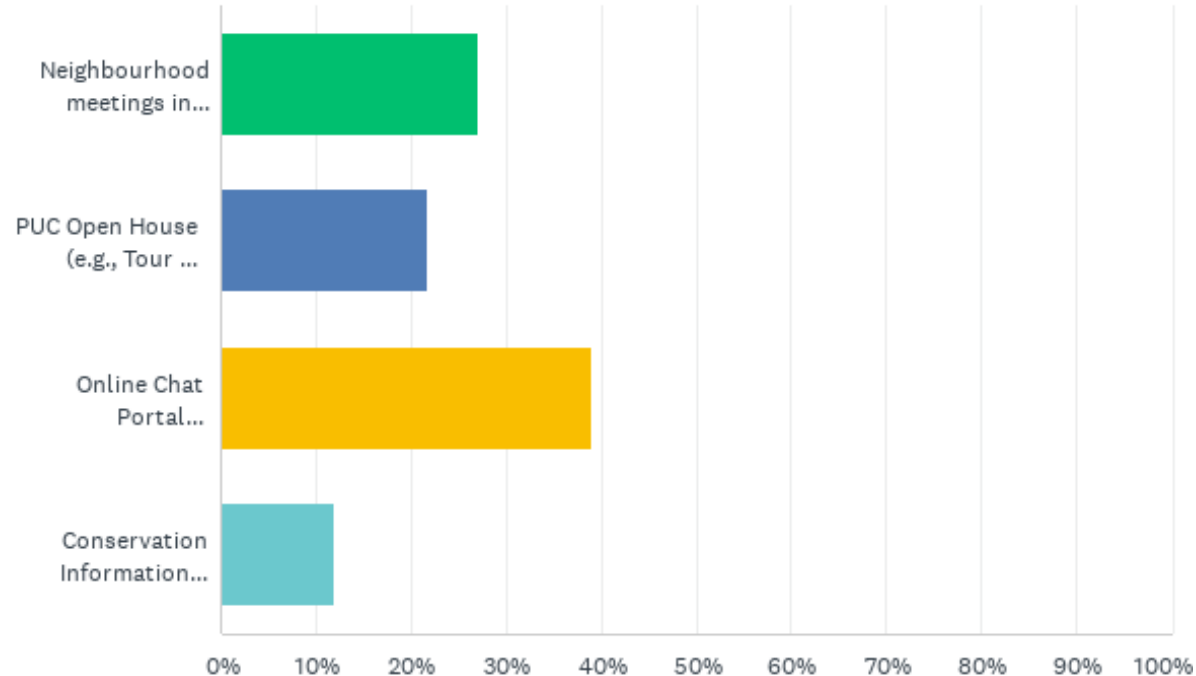
Q30: Please tell us how you felt about an experience with a PUC field representative that visited your home/business with regards to an electrical service such as disconnect, power outage or overhead/underground system work.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Very satisfied	37.20%	337
Somewhat satisfied	22.08%	200
Neither satisfied nor dissatisfied	4.42%	40
Somewhat dissatisfied	0.99%	9
Very dissatisfied	0.66%	6
Not Applicable	34.66%	314
TOTAL		906

Q31: As we move forward, PUC Distribution would like to improve communications and engagement with our community. Of the following ideas, what would you prefer to see?

Answered: 906 Skipped: 0



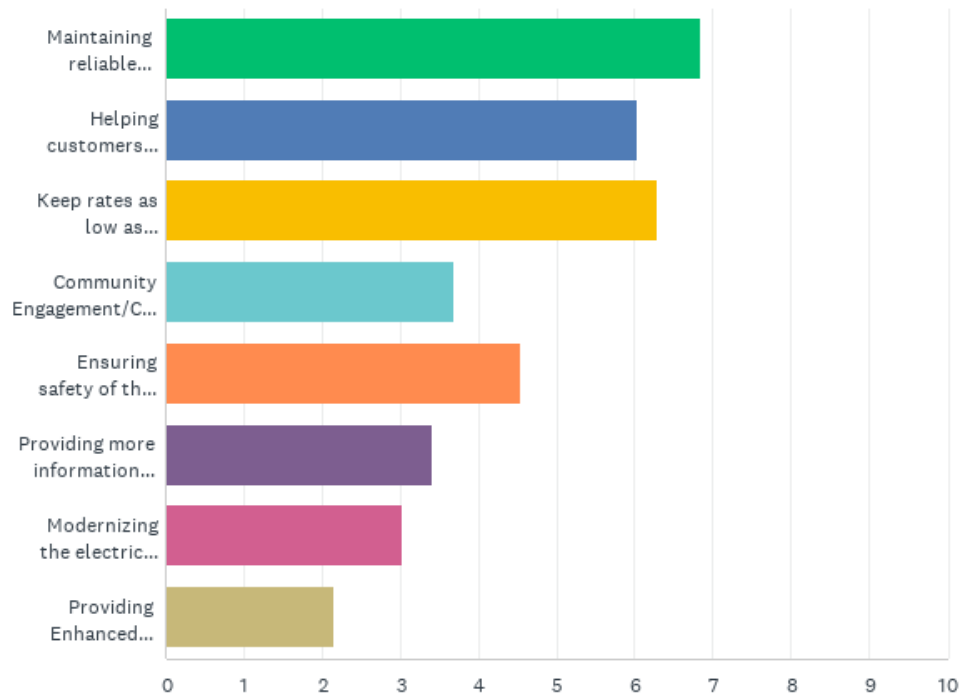
Q31: As we move forward, PUC Distribution would like to improve communications and engagement with our community. Of the following ideas, what would you prefer to see?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Neighbourhood meetings in advance of planned projects	27.15%	246
PUC Open House (e.g., Tour PUC facilities)	21.85%	198
Online Chat Portal (Connected to PUC website)	38.96%	353
Conservation Information Booths (e.g., Bushplane Days, RotaryFest)	12.03%	109
TOTAL		906

Q32: Among the following PUC priorities, place what you think each is in order of importance.

Answered: 906 Skipped: 0



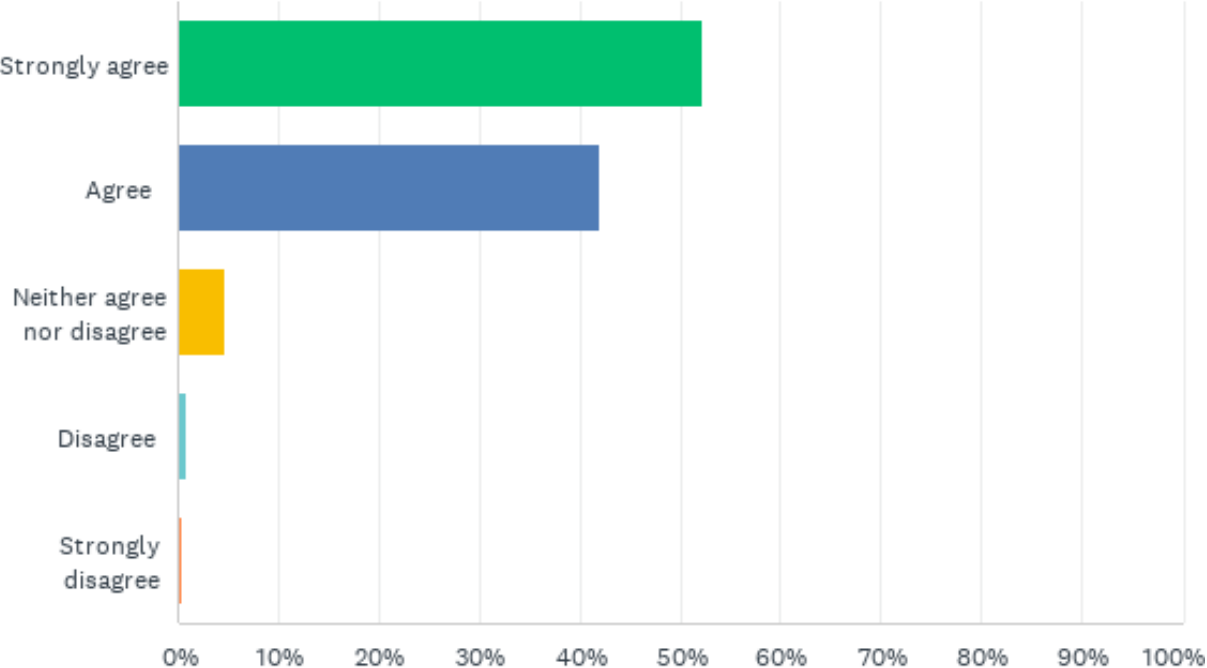
Q32: Among the following PUC priorities, place what you think each is in order of importance.

Answered: 906 Skipped: 0

	1	2	3	4	5	6	7	8	TOTAL	SCORE
Maintaining reliable electrical service (i.e. prevent/reduce power outages)	49.78% 451	21.30% 193	14.02% 127	5.74% 52	3.42% 31	2.21% 20	1.21% 11	2.32% 21	906	6.85
Helping customers reduce/manage consumption and by doing so reducing bills	14.57% 132	34.11% 309	21.41% 194	14.35% 130	6.95% 63	4.53% 41	2.21% 20	1.88% 17	906	6.03
Keep rates as low as practical while maintaining good quality electrical service	23.07% 209	24.39% 221	29.25% 265	13.13% 119	5.96% 54	2.21% 20	0.99% 9	0.99% 9	906	6.30
Community Engagement/Communication	1.43% 13	3.64% 33	9.38% 85	25.39% 230	16.00% 145	13.80% 125	12.14% 110	18.21% 165	906	3.68
Ensuring safety of the electrical system infrastructure	5.74% 52	8.61% 78	11.04% 100	17.77% 161	32.12% 291	16.56% 150	6.29% 57	1.88% 17	906	4.54
Providing more information during power outages	1.55% 14	2.87% 26	5.41% 49	10.71% 97	17.66% 160	37.31% 338	16.56% 150	7.95% 72	906	3.42
Modernizing the electrical system (e.g. electric vehicles, net-metering, etc.) to support the reduction of greenhouse gases and lessen climate change.	2.54% 23	3.31% 30	6.51% 59	8.06% 73	12.03% 109	12.47% 113	38.85% 352	16.23% 147	906	3.02
Providing Enhanced Customer Service (mobile app, customer connect, PUC website)	1.32% 12	1.77% 16	2.98% 27	4.86% 44	5.85% 53	10.93% 99	21.74% 197	50.55% 458	906	2.15

Q33: Please answer the following about PUC service:Provides consistent, reliable electricity.

Answered: 906 Skipped: 0



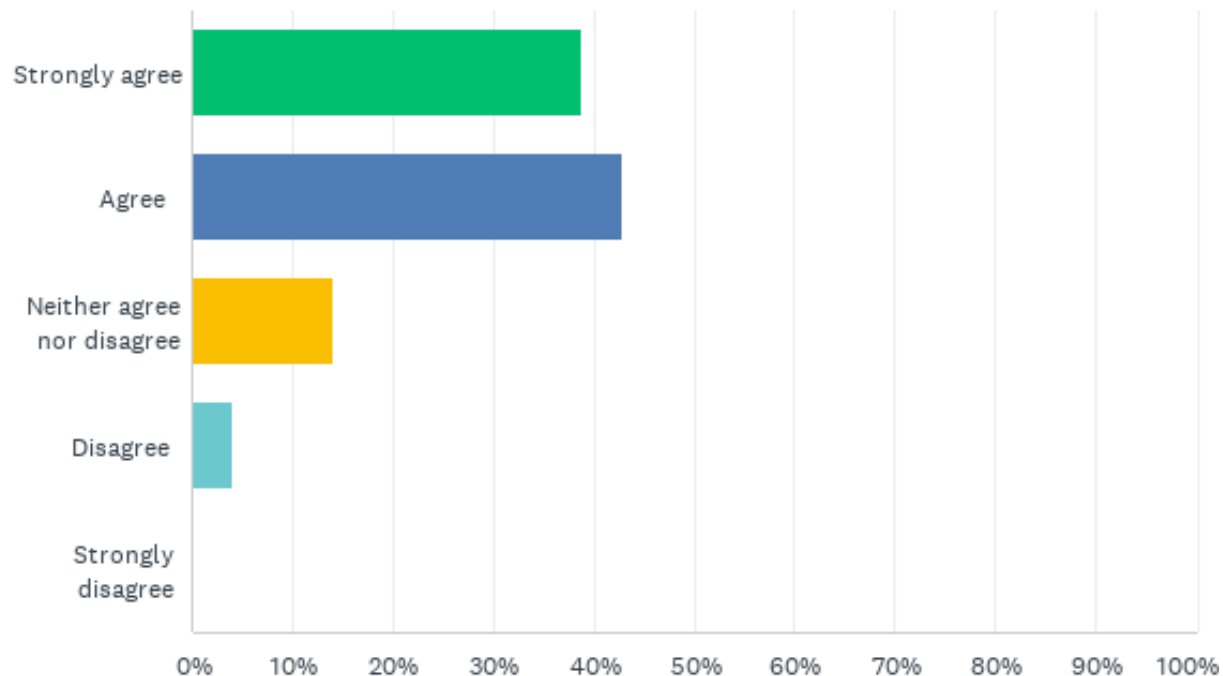
Q33: Please answer the following about PUC service:Provides consistent, reliable electricity.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Strongly agree	52.21%	473
Agree	41.94%	380
Neither agree nor disagree	4.75%	43
Disagree	0.77%	7
Strongly disagree	0.33%	3
TOTAL		906

Q34: Please answer the following about PUC service:Accurately bills its customers.

Answered: 906 Skipped: 0



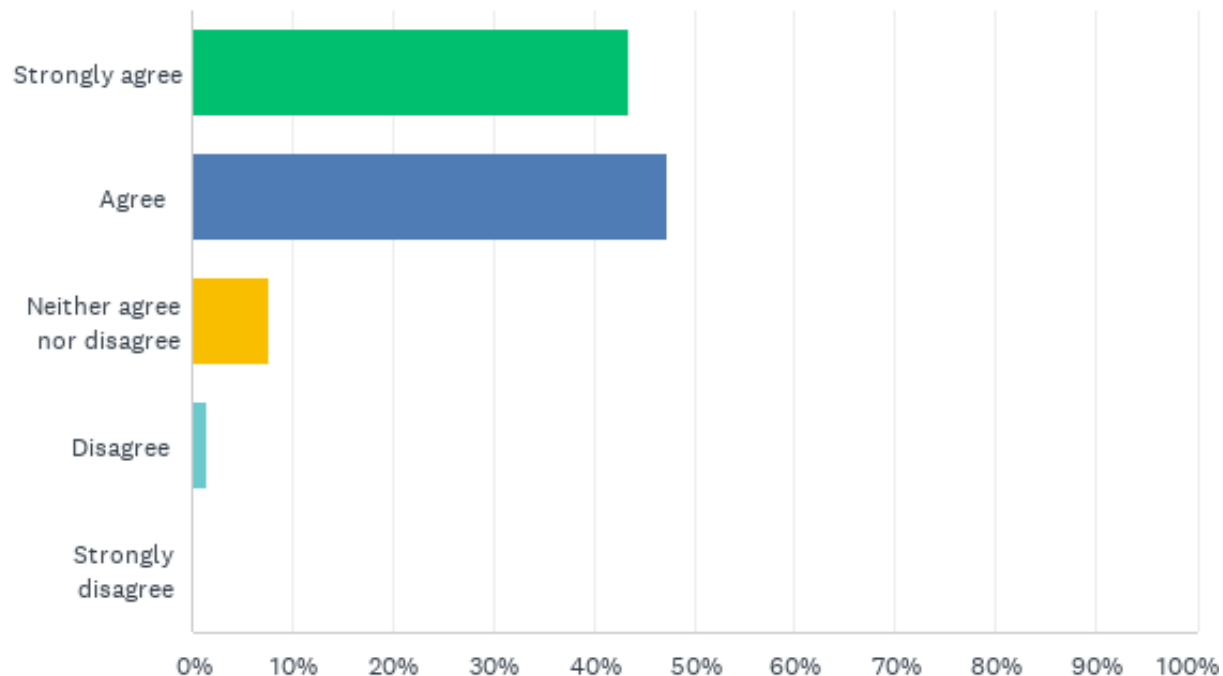
Q34: Please answer the following about PUC service:Accurately bills its customers.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Strongly agree	38.74%	351
Agree	42.83%	388
Neither agree nor disagree	14.13%	128
Disagree	4.08%	37
Strongly disagree	0.22%	2
TOTAL		906

Q35: Please answer the following about PUC service:Has a standard of reliability delivering electricity that meets your expectations.

Answered: 906 Skipped: 0



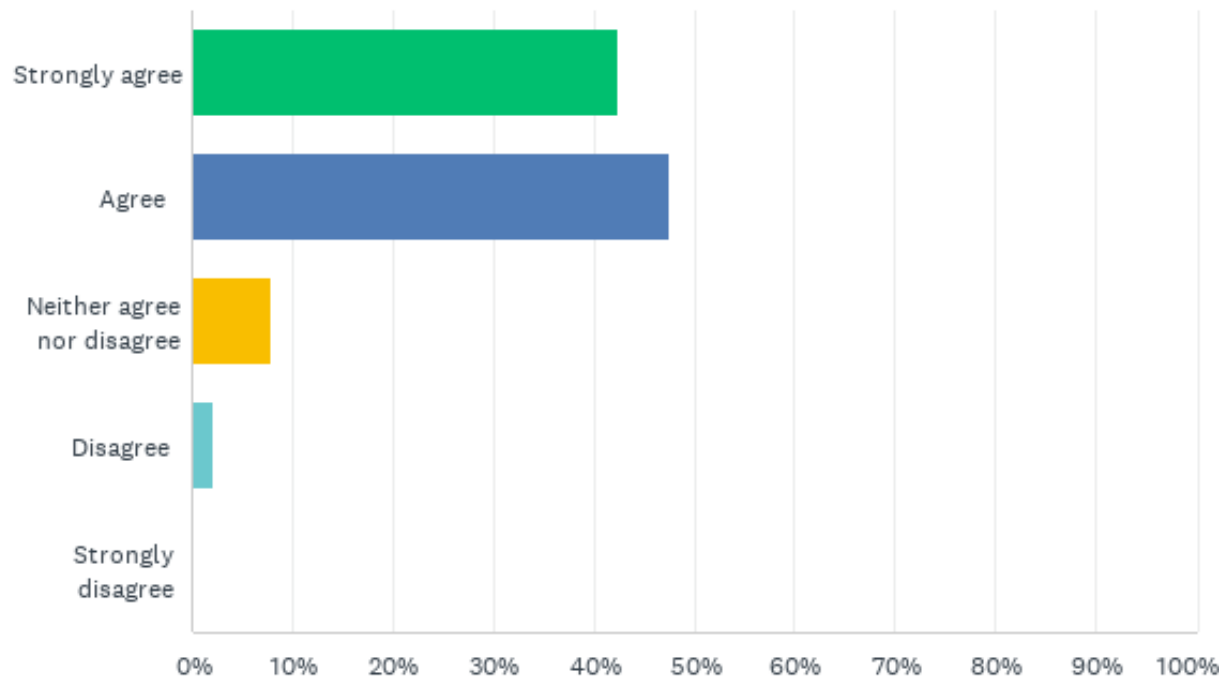
Q35: Please answer the following about PUC service:Has a standard of reliability delivering electricity that meets your expectations.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Strongly agree	43.49%	394
Agree	47.35%	429
Neither agree nor disagree	7.62%	69
Disagree	1.43%	13
Strongly disagree	0.11%	1
TOTAL		906

Q36: Please answer the following about PUC service: Quickly handles outages and restores power.

Answered: 906 Skipped: 0



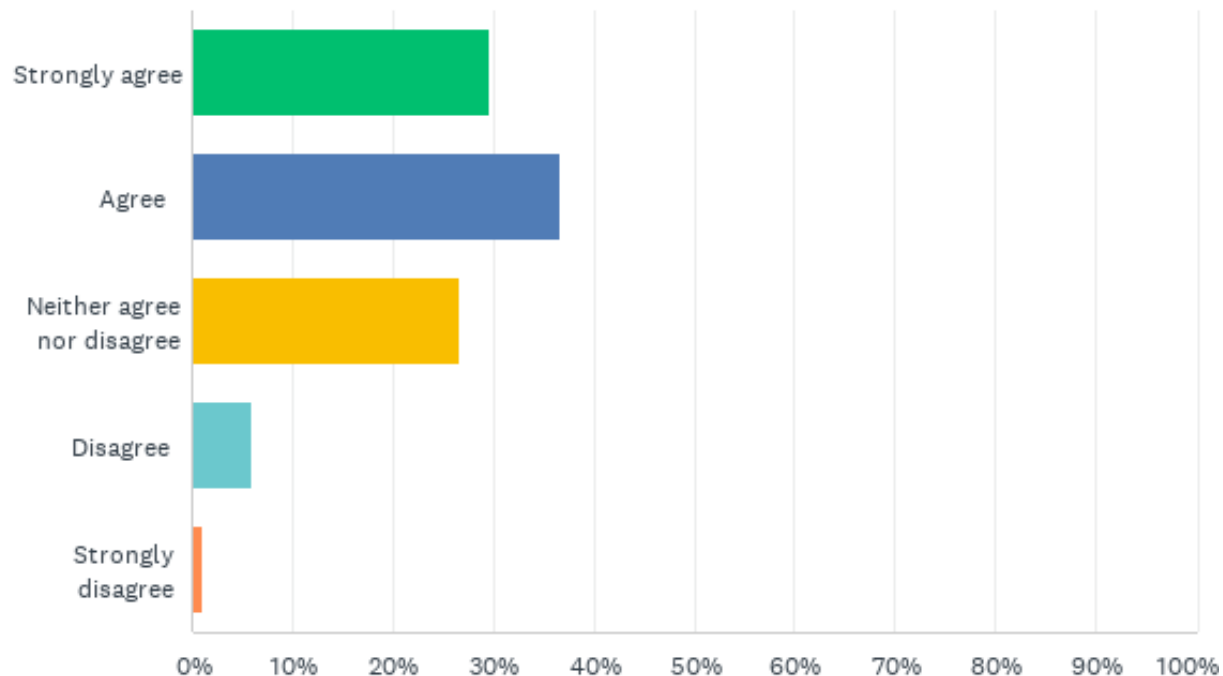
Q36: Please answer the following about PUC service:Quickly handles outages and restores power.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Strongly agree	42.38%	384
Agree	47.46%	430
Neither agree nor disagree	7.84%	71
Disagree	2.21%	20
Strongly disagree	0.11%	1
TOTAL		906

Q37: Please answer the following about PUC service:Communicates information on construction and investment activities.

Answered: 906 Skipped: 0



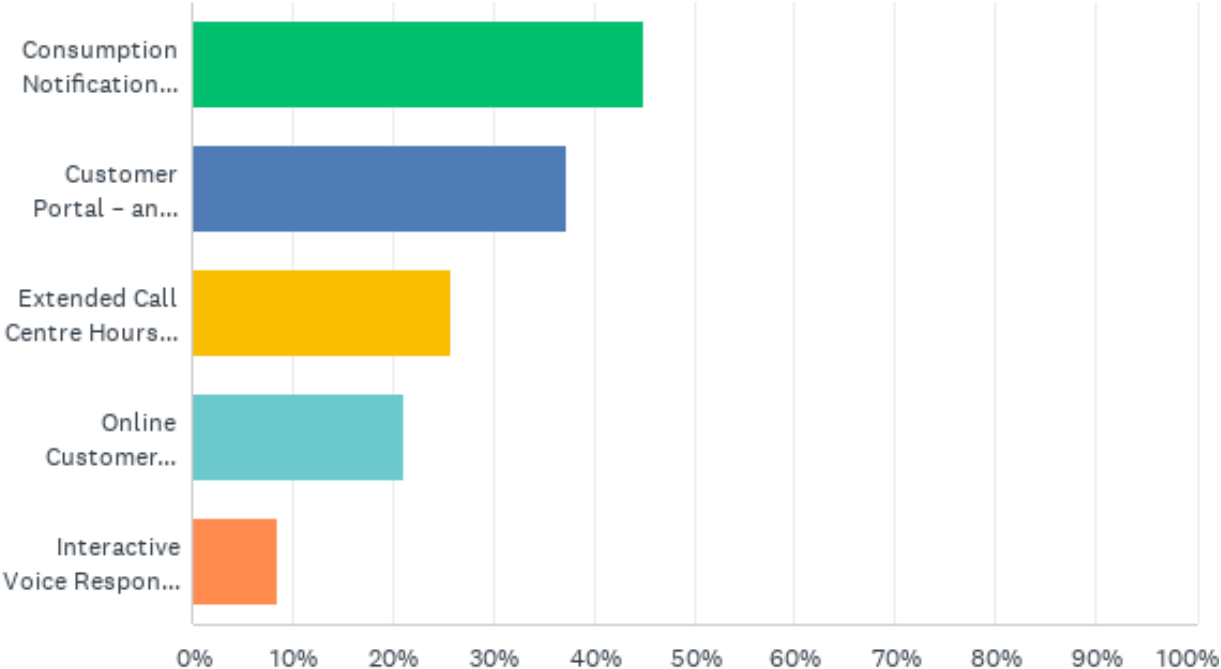
Q37: Please answer the following about PUC service:Communicates information on construction and investment activities.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Strongly agree	29.58%	268
Agree	36.64%	332
Neither agree nor disagree	26.71%	242
Disagree	5.96%	54
Strongly disagree	1.10%	10
TOTAL		906

Q38: In addition to the amount you currently pay on your electricity bill, would you be willing to pay for the following customer services? Please click box if you agree.

Answered: 906 Skipped: 0



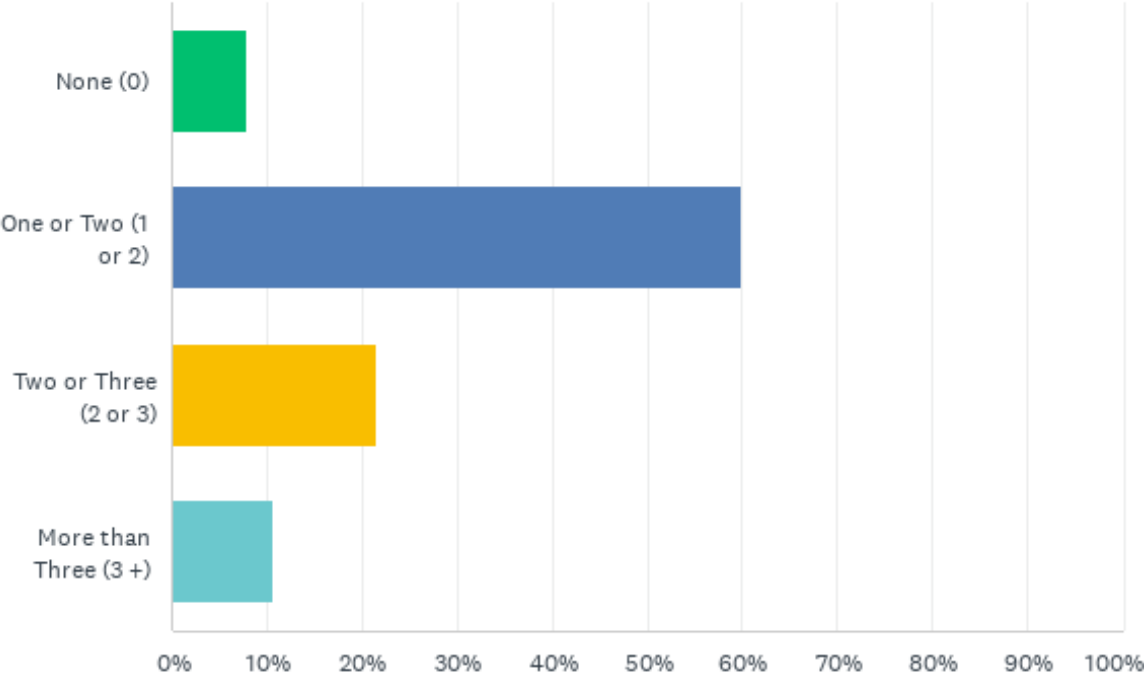
Q38: In addition to the amount you currently pay on your electricity bill, would you be willing to pay for the following customer services? Please click box if you agree.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Consumption Notification – getting notified via email, text alert when consumption hits certain level	44.92%	407
Customer Portal – an updated customer portal giving more detailed information on Billing, Usage, Outages, etc.	37.31%	338
Extended Call Centre Hours beyond M-F 9:00am – 4:30pm (i.e. 7 days a week 9:00am-9:00pm)	25.72%	233
Online Customer service – live chat with customer service representative during M-F 9:00am – 4:30pm	21.08%	191
Interactive Voice Response – telephone system that allows our computer system to interact with customer through a telephone keypad, providing account status, and outage updates	8.61%	78
Total Respondents: 906		

Q39: In the past year, how many power outages have you experienced.

Answered: 906 Skipped: 0



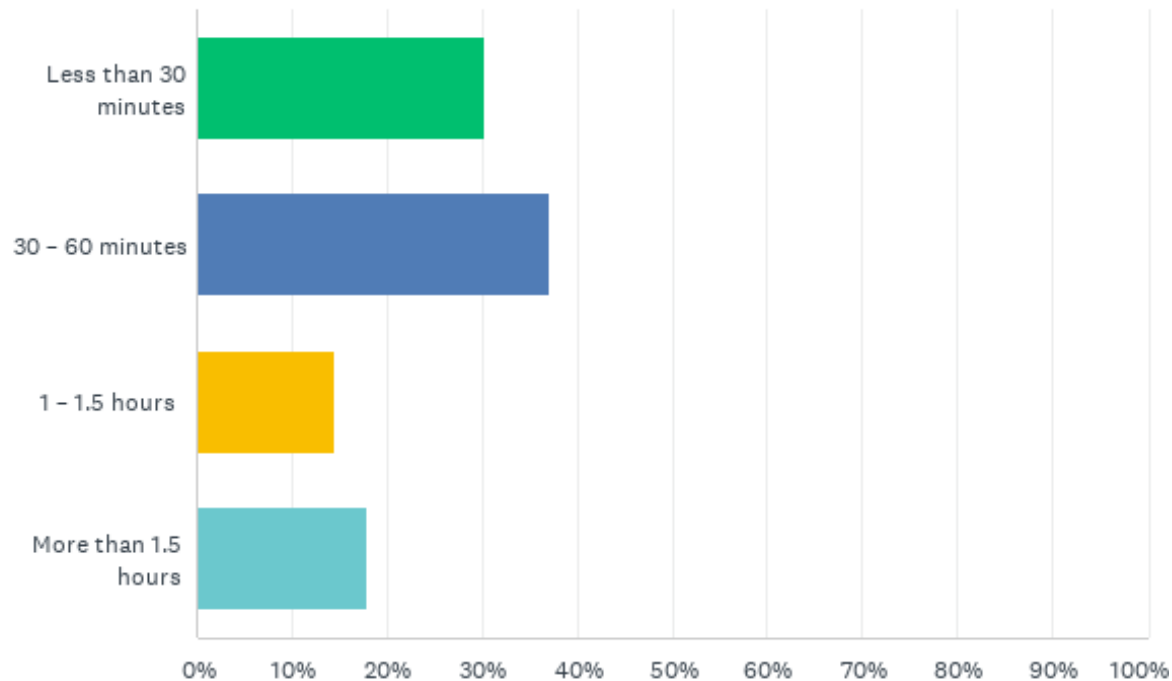
Q39: In the past year, how many power outages have you experienced.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
None (0)	7.95%	72
One or Two (1 or 2)	59.82%	542
Two or Three (2 or 3)	21.52%	195
More than Three (3 +)	10.71%	97
TOTAL		906

Q40: What was the longest power outage you had in the past year?

Answered: 906 Skipped: 0



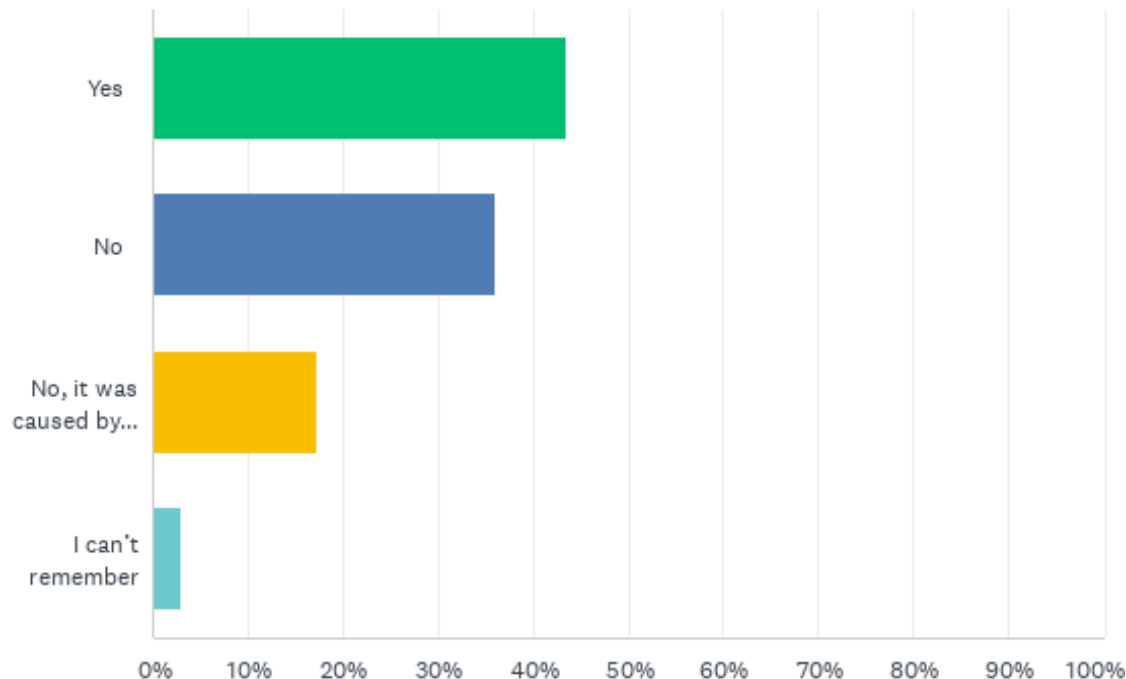
Q40: What was the longest power outage you had in the past year?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Less than 30 minutes	30.35%	275
30 – 60 minutes	37.20%	337
1 – 1.5 hours	14.57%	132
More than 1.5 hours	17.88%	162
TOTAL		906

Q41: Did you contact PUC about the power outage?

Answered: 906 Skipped: 0



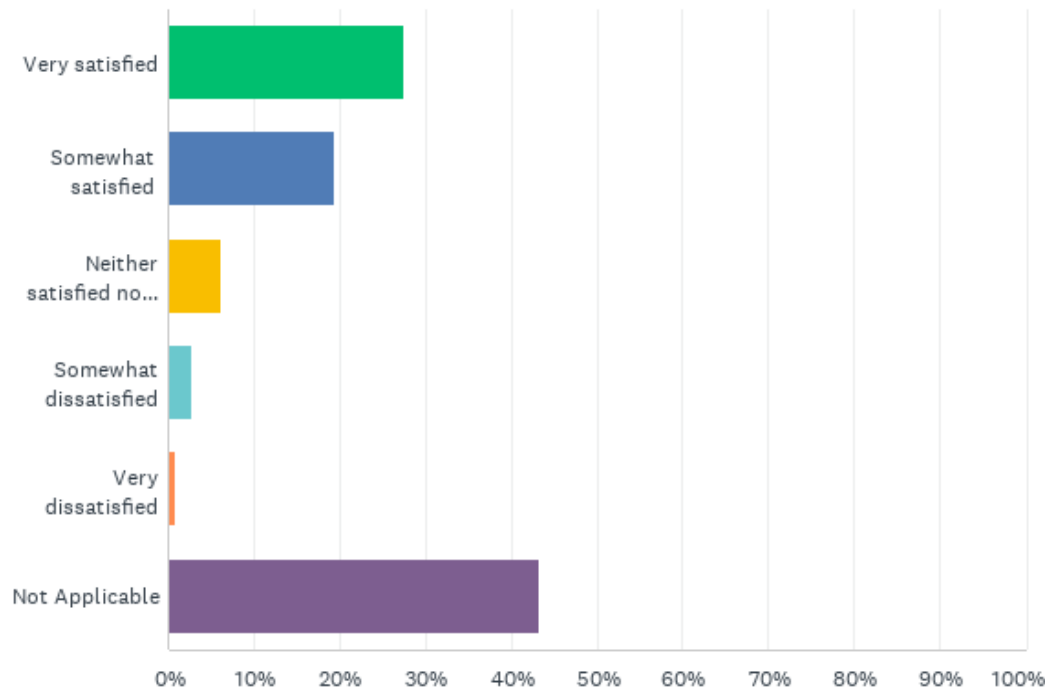
Q41: Did you contact PUC about the power outage?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Yes	43.49%	394
No	36.09%	327
No, it was caused by extreme/unusual weather	17.33%	157
I can't remember	3.09%	28
TOTAL		906

Q42: If you contacted PUC about a power outage, how satisfied were you with the way PUC responded to the outage?

Answered: 906 Skipped: 0



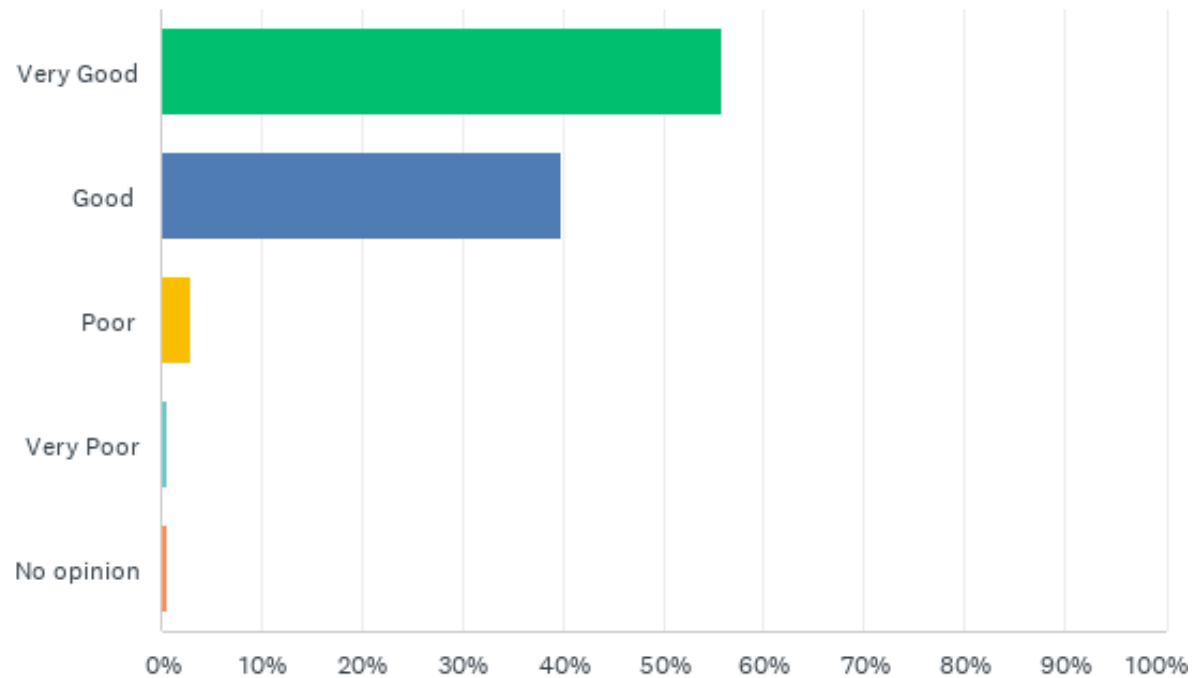
Q42: If you contacted PUC about a power outage, how satisfied were you with the way PUC responded to the outage?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Very satisfied	27.59%	250
Somewhat satisfied	19.43%	176
Neither satisfied nor dissatisfied	6.18%	56
Somewhat dissatisfied	2.76%	25
Very dissatisfied	0.77%	7
Not Applicable	43.27%	392
TOTAL		906

Q43: How do you feel the reliability of your power has been in past years?

Answered: 906 Skipped: 0



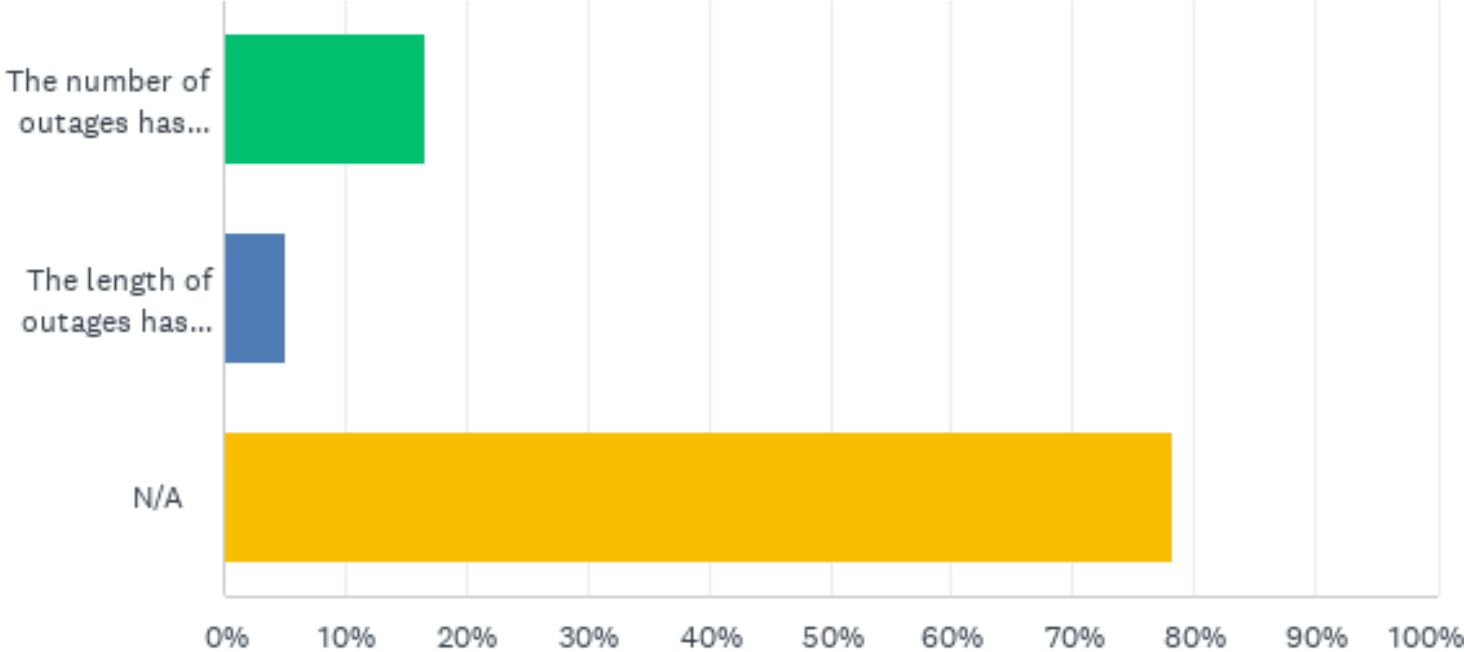
Q43: How do you feel the reliability of your power has been in past years?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
Very Good	55.85%	506
Good	39.96%	362
Poor	2.98%	27
Very Poor	0.55%	5
No opinion	0.66%	6
TOTAL		906

Q44: If you Indicated that the reliability of your power has been poor, please indicate a reason why. If you answer Very Good or Good to the previous question, please select N/A.

Answered: 906 Skipped: 0



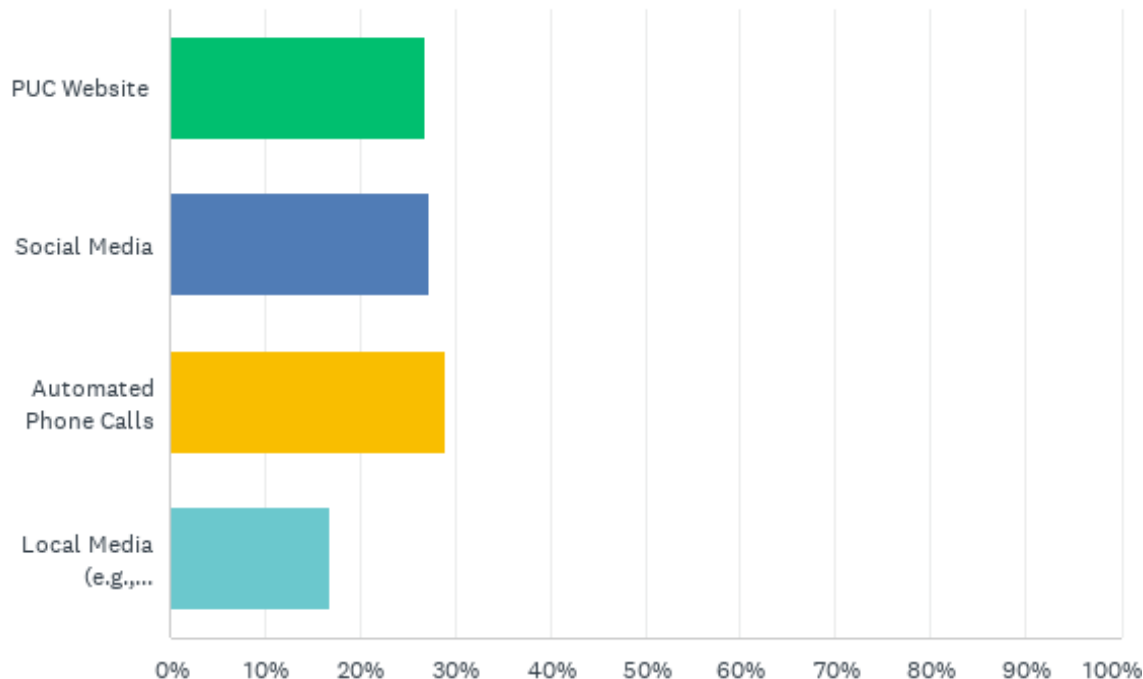
Q44: If you Indicated that the reliability of your power has been poor, please indicate a reason why. If you answer Very Good or Good to the previous question, please select N/A.

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
The number of outages has been high.	16.56%	150
The length of outages has been high.	5.19%	47
N/A	78.26%	709
TOTAL		906

Q45: Currently when there is a planned power outage, PUC provides door hangers, website updates and automated phone calls. How would you prefer PUC to communicate before, during and after planned or unplanned power outages?

Answered: 906 Skipped: 0



Q45: Currently when there is a planned power outage, PUC provides door hangers, website updates and automated phone calls. How would you prefer PUC to communicate before, during and after planned or unplanned power outages?

Answered: 906 Skipped: 0

ANSWER CHOICES	RESPONSES	
PUC Website	26.93%	244
Social Media	27.37%	248
Automated Phone Calls	28.92%	262
Local Media (e.g., Sootoday)	16.78%	152
TOTAL		906

APPENDIX M

Customer Engagement Survey Phase 2

PUC Distribution Customer Engagement Survey

Tuesday, July 12, 2022

816

Total Responses

Date Created: Wednesday, May 11, 2022

Complete Responses: 816

Introductory Page

Welcome to PUC's Customer Engagement Survey

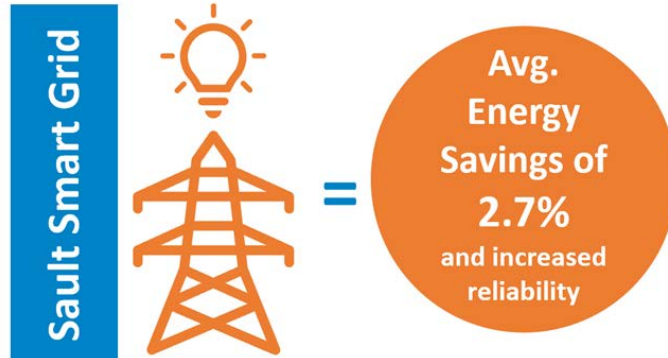
Thank you for participating in PUC Distribution (PUC)'s Customer Engagement Survey. This survey is part of our Cost of Service Application to the Ontario Energy Board (OEB), the province's regulator for the electricity industry. The OEB's Cost of Service application typically occurs every five years and determines what each local distribution company (LDC), like PUC, can charge for its distribution rate (also known as the delivery rate). We are looking to incorporate your much valued feedback into our future investment decisions at PUC.

Introductory Page

Through past engagement surveys, customers told us that reliability, affordability and reducing our carbon footprint were of high importance.

We listened.

Through new efficiencies and innovative projects like the Sault Smart Grid, PUC has worked hard to keep any increase on our portion of the bill as low as possible. Once operational in 2023, the Sault Smart Grid will result in a more reliable system *and* average energy savings of 2.7 per cent for our customers.



Introductory Page

Other commitments in the future, like electrifying our fleet, will result in lower overall maintenance and fuel costs, while reducing our carbon footprint.



Introductory Page

Not only is PUC making efforts to help customers reduce their energy costs, we are making unprecedented investments in our customer service tools and aging infrastructure that will result in increased reliability today - and well into the future.

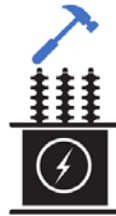
For example, our new MyPUC App now allows customers to track energy consumption in an easy and convenient way, resulting in better energy management and lower bills.

We are also renewing and replacing important assets like our aging Infrastructure, resulting in safer and more reliable service.

This is all part of PUC's promise to "lead the way through innovation and compassion to deliver outstanding service every single day."



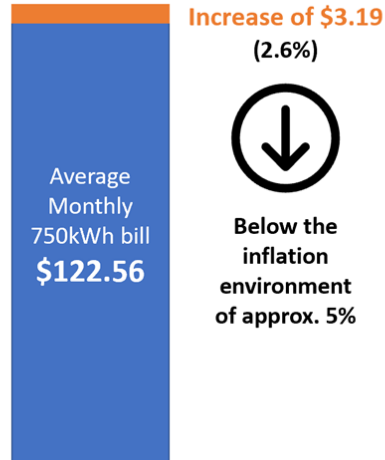
New App allows you to monitor energy to reduce consumption and lower bills.



We are replacing aging infrastructure to provide safer and more reliable service.

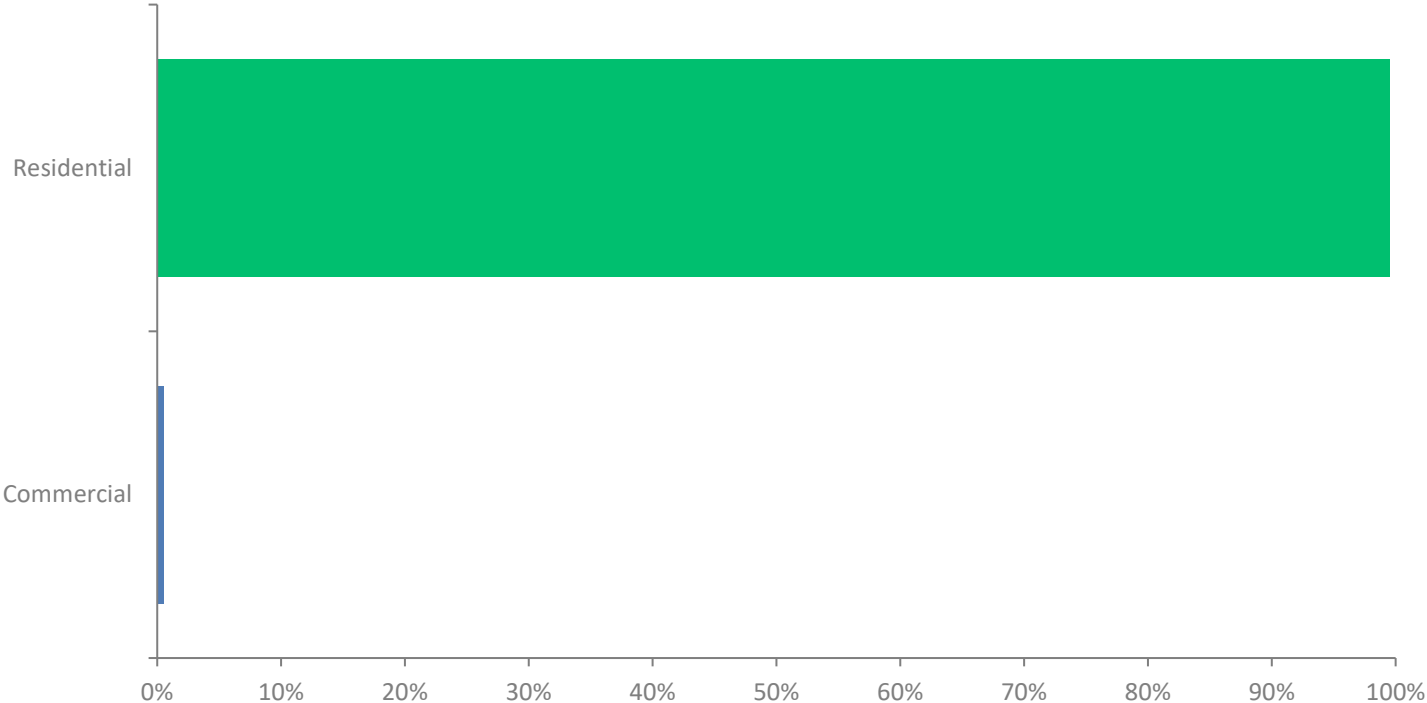
Introductory Page

If PUC's application to the OEB is approved, a current 750kWh avg. residential electricity bill of \$122.56 would increase by approximately \$3.19 per month or 2.6% - below the approx. 5% inflation environment - and comparable to a cup of coffee.



Q1: What type of customer best describes you?

Answered: 816 Skipped: 0



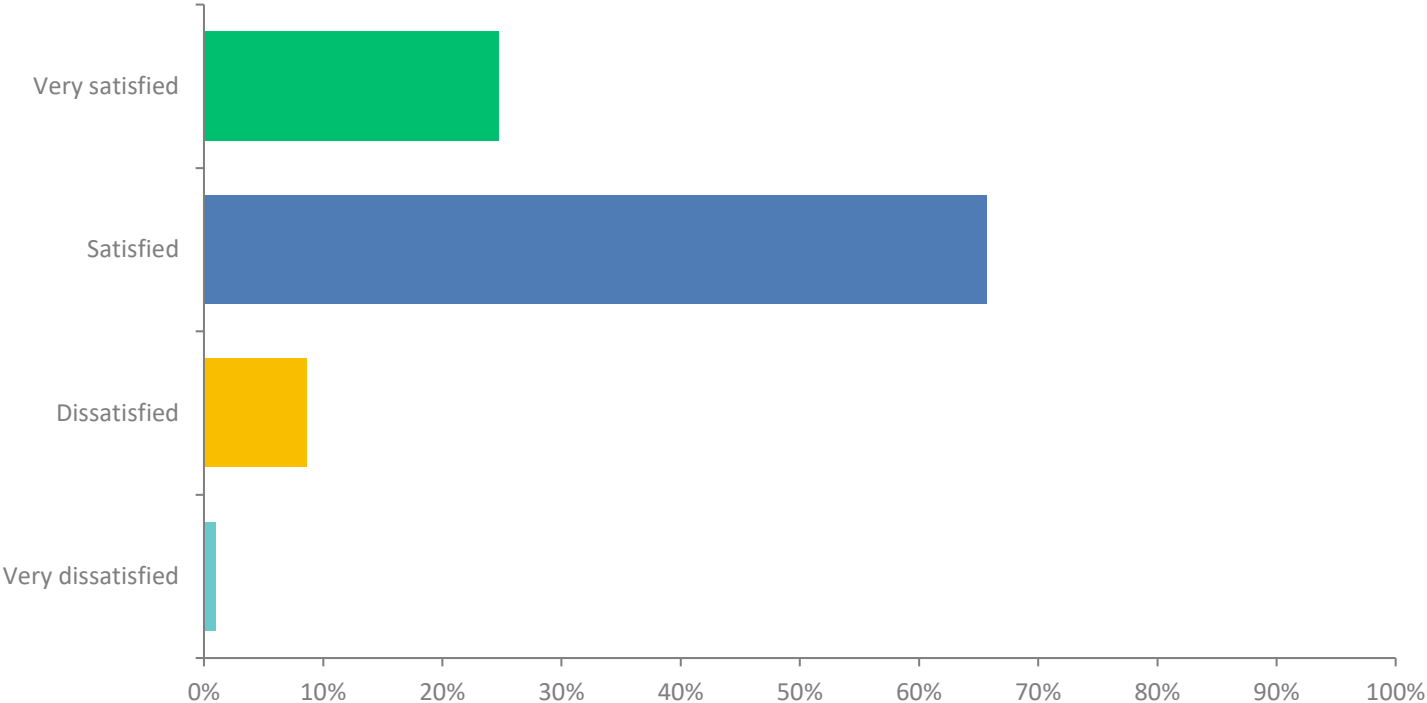
Q1: What type of customer best describes you?

Answered: 816 Skipped: 0

ANSWER CHOICES	RESPONSES	
Residential	99.51%	812
Commercial	0.49%	4
TOTAL		816

Q2: Considering all aspects of being a PUC customer, how would you rate your overall satisfaction with the company as your electrical services provider?

Answered: 816 Skipped: 0



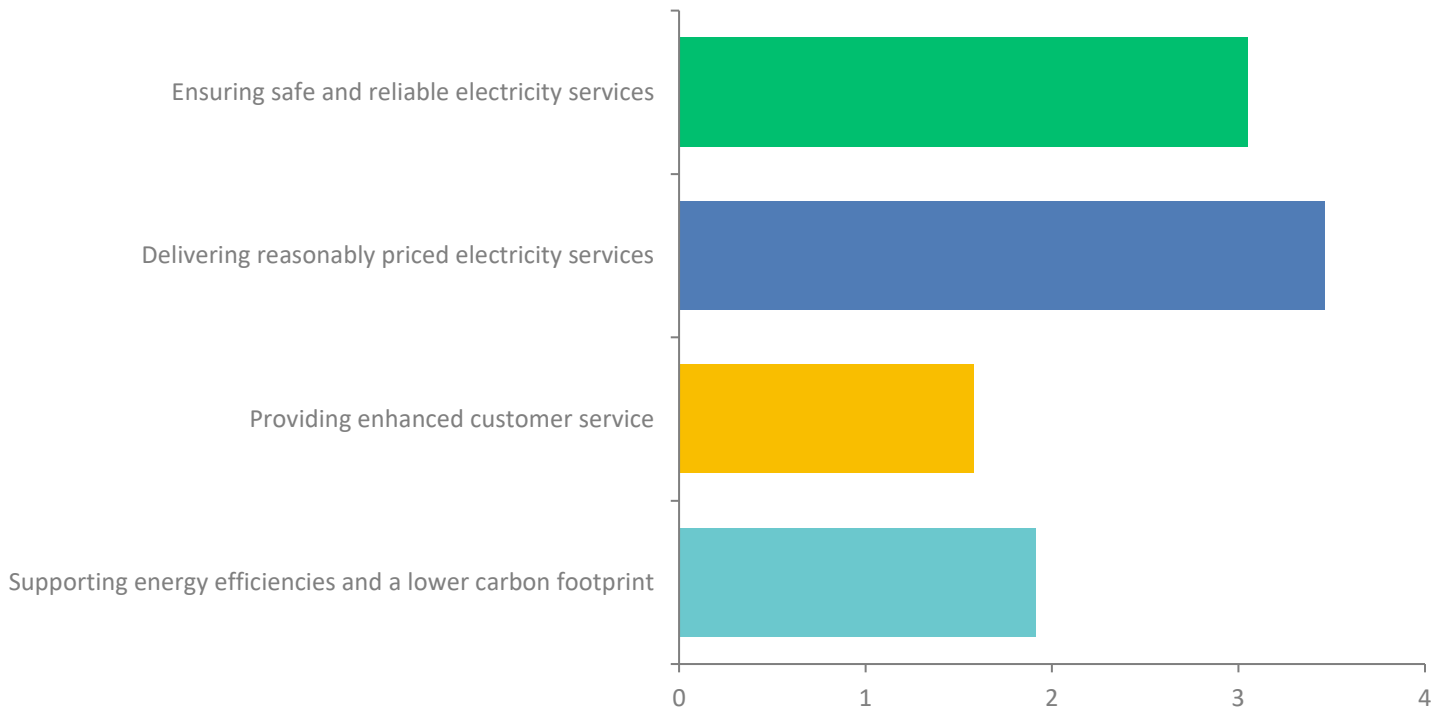
Q2: Considering all aspects of being a PUC customer, how would you rate your overall satisfaction with the company as your electrical services provider?

Answered: 816 Skipped: 0

ANSWER CHOICES	RESPONSES	
Very satisfied	24.75%	202
Satisfied	65.69%	536
Dissatisfied	8.58%	70
Very dissatisfied	0.98%	8
TOTAL		816

Q3: In an effort to better understand your current priorities, please rank the following, 1 being the most important:

Answered: 816 Skipped: 0



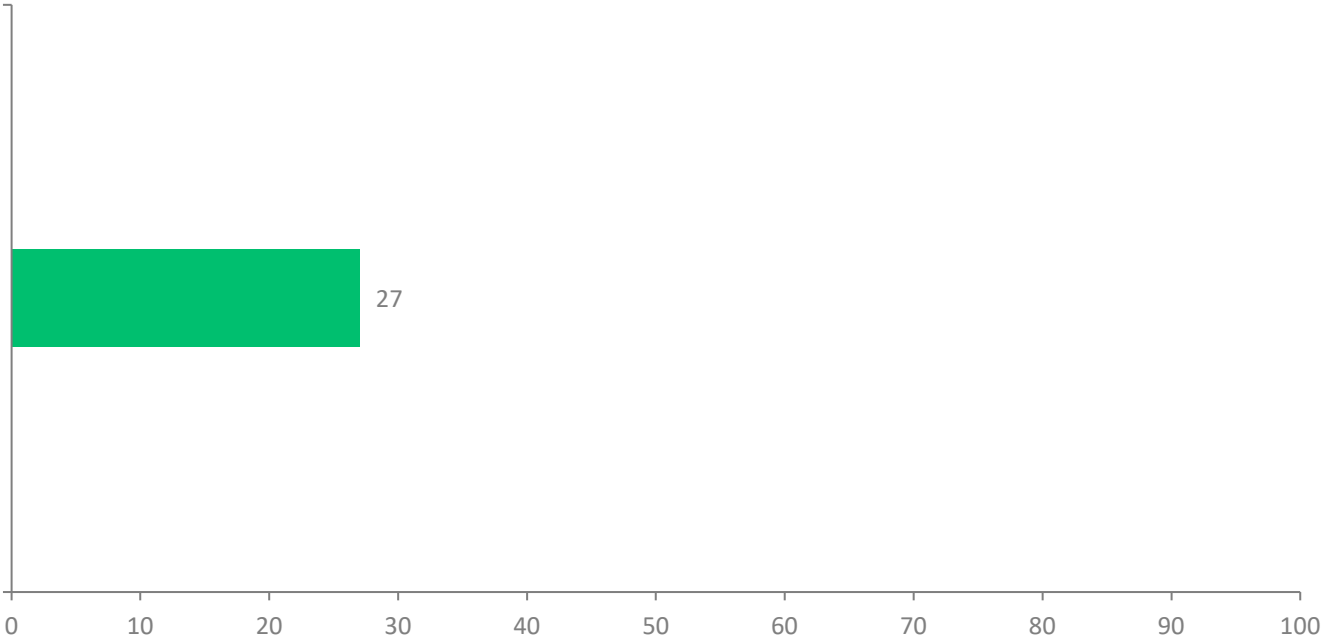
Q3: In an effort to better understand your current priorities, please rank the following, 1 being the most important:

Answered: 816 Skipped: 0

	1	2	3	4	TOTAL	WEIGHTED AVERAGE
Ensuring safe and reliable electricity services	32.84% 268	44.73% 365	17.28% 141	5.15% 42	816	3.05
Delivering reasonably priced electricity services	59.31% 484	30.02% 245	7.97% 65	2.70% 22	816	3.46
Providing enhanced customer service	2.08% 17	7.84% 64	36.15% 295	53.92% 440	816	1.58
Supporting energy efficiencies and a lower carbon footprint	5.76% 47	17.40% 142	38.60% 315	38.24% 312	816	1.91

Q4: PUC is committed to keeping our portion of your bill affordable, while providing safe and reliable electricity.As previously mentioned, cost increases and infrastructure investments will result in a rate increase for PUC Customers; estimates at this time are an approximate increase of \$3.19/month on a \$122.56 bill for an average residential customer.On a sliding scale, please let us know what is more important to you?

Answered: 816 Skipped: 0



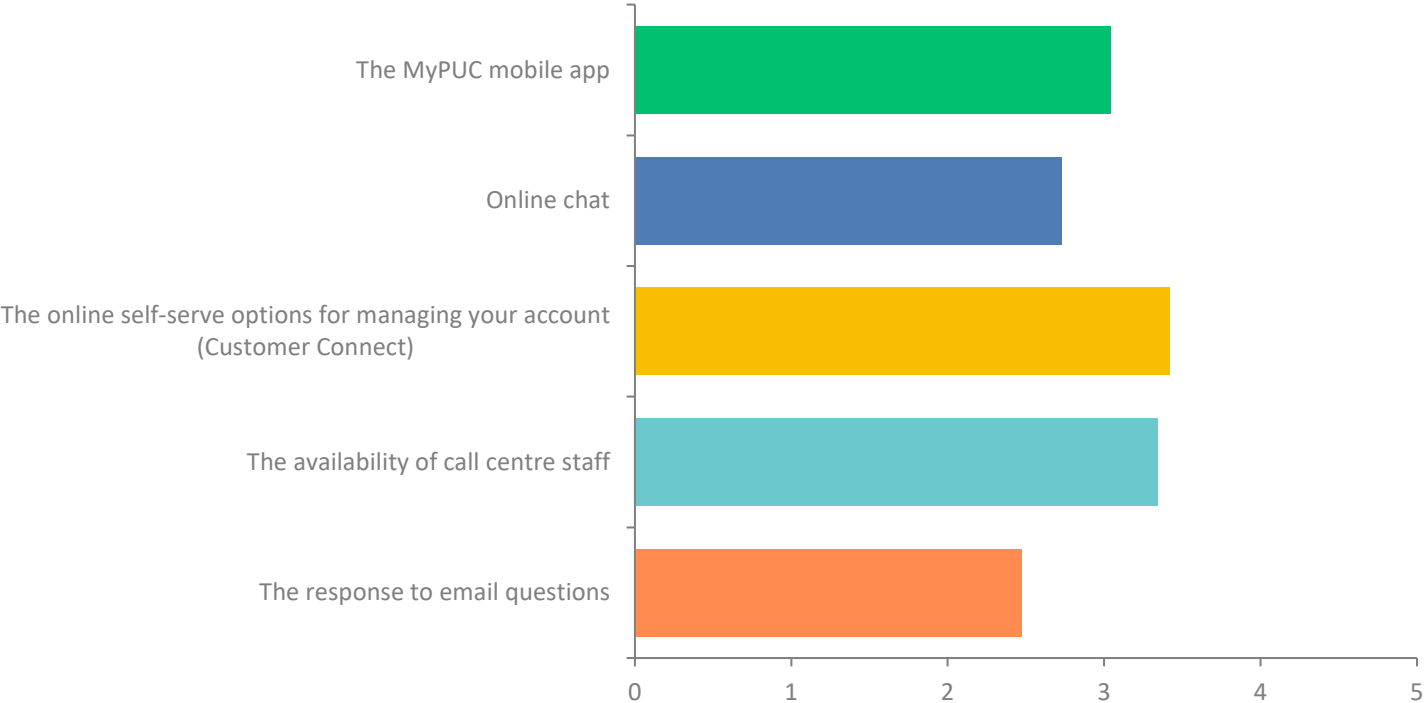
Q4: PUC is committed to keeping our portion of your bill affordable, while providing safe and reliable electricity.As previously mentioned, cost increases and infrastructure investments will result in a rate increase for PUC Customers; estimates at this time are an approximate increase of \$3.19/month on a \$122.56 bill for an average residential customer.On a sliding scale, please let us know what is more important to you?

Answered: 816 Skipped: 0

ANSWER CHOICES	AVERAGE NUMBER	TOTAL NUMBER	RESPONSES
	27	22,068	816

Q5: PUC has made it an ongoing strategic priority to improve our customer's experience. As it relates to the convenience of accessing customer services, please rank the following in order of importance.

Answered: 816 Skipped: 0



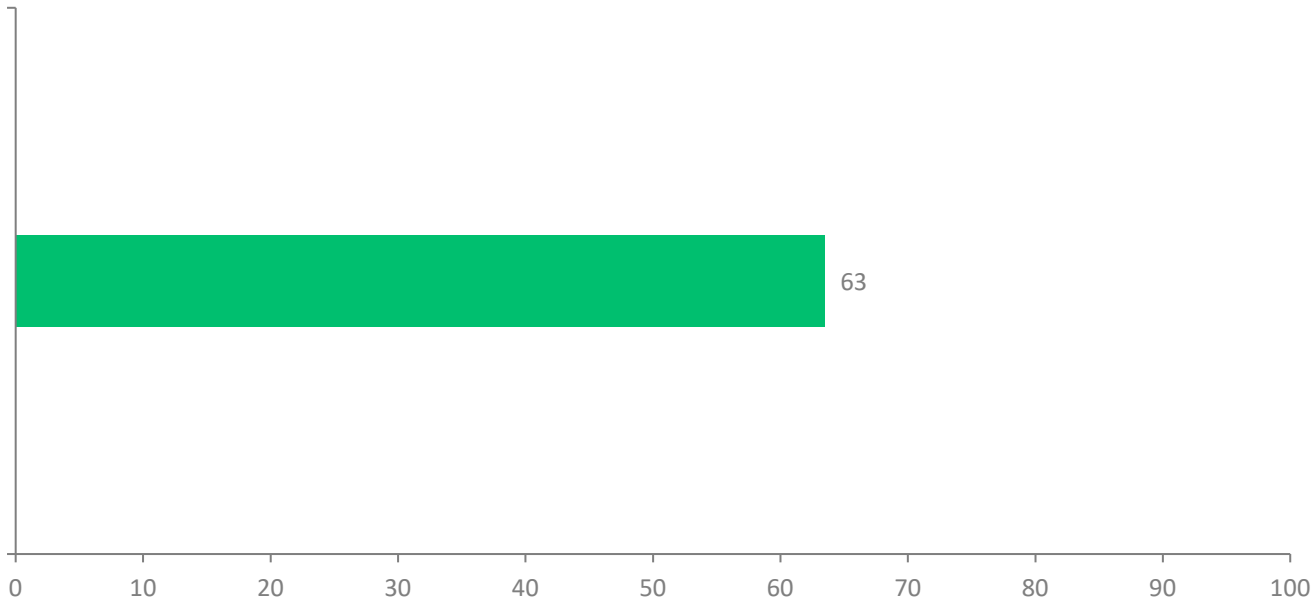
Q5: PUC has made it an ongoing strategic priority to improve our customer's experience. As it relates to the convenience of accessing customer services, please rank the following in order of importance.

Answered: 816 Skipped: 0

	1	2	3	4	5	TOTAL	WEIGHTED AVERAGE
The MyPUC mobile app	26.35% 215	18.01% 147	14.22% 116	16.30% 133	25.12% 205	816	3.04
Online chat	6.62% 54	21.69% 177	28.31% 231	24.51% 200	18.87% 154	816	2.73
The online self-serve options for managing your account (Customer Connect)	26.59% 217	23.04% 188	25.12% 205	16.54% 135	8.70% 71	816	3.42
The availability of call centre staff	33.95% 277	16.42% 134	14.83% 121	19.00% 155	15.81% 129	816	3.34
The response to email questions	6.50% 53	20.83% 170	17.52% 143	23.65% 193	31.50% 257	816	2.47

Q6: PUC communicates to its customers through a variety of methods including bill inserts, direct mail, social media, its website, MyPUC mobile app, newspapers and radio. Please rate the performance of PUC in communicating with its customers, 5 being excellent.

Answered: 816 Skipped: 0



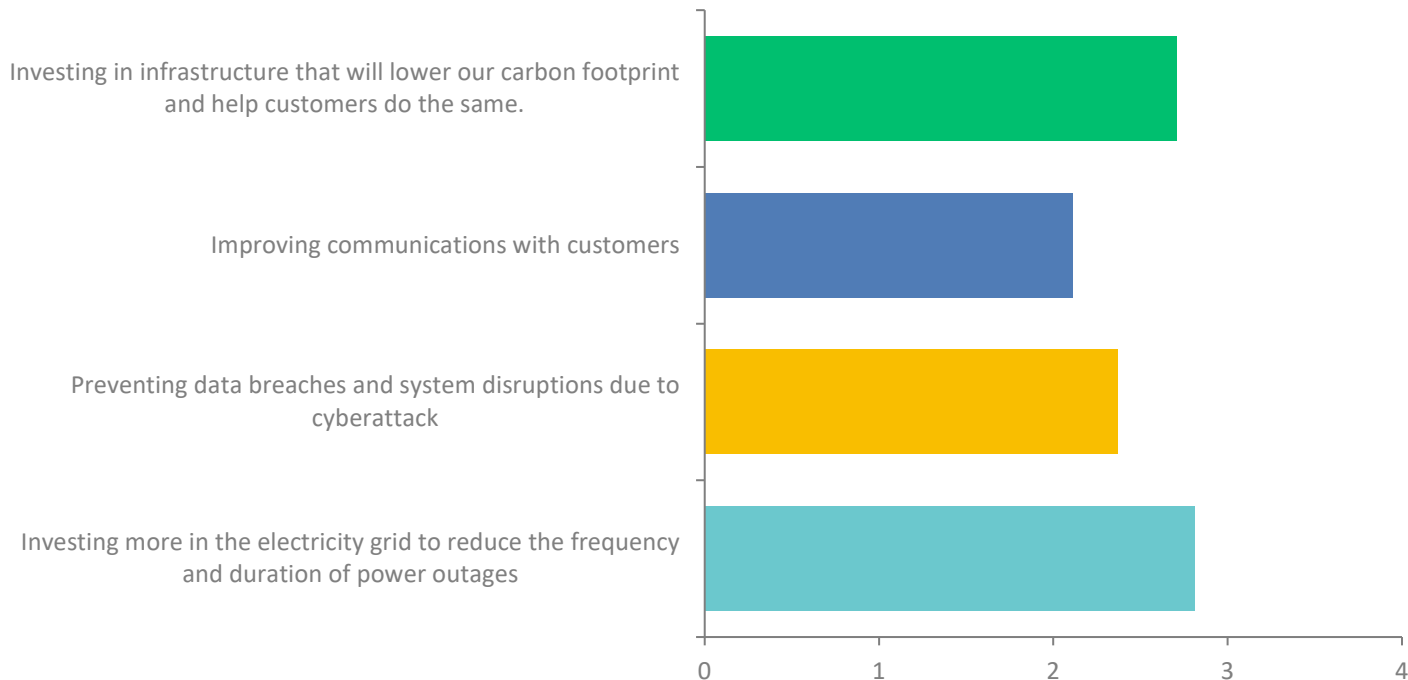
Q6: PUC communicates to its customers through a variety of methods including bill inserts, direct mail, social media, its website, MyPUC mobile app, newspapers and radio. Please rate the performance of PUC in communicating with its customers, 5 being excellent.

Answered: 816 Skipped: 0

ANSWER CHOICES	AVERAGE NUMBER	TOTAL NUMBER	RESPONSES
	63	51,776	816

Q7: On an ongoing basis, PUC assesses our strategic priorities to ensure we are meeting the needs of our customers. Please rank the following areas, 1 being the most important.

Answered: 816 Skipped: 0



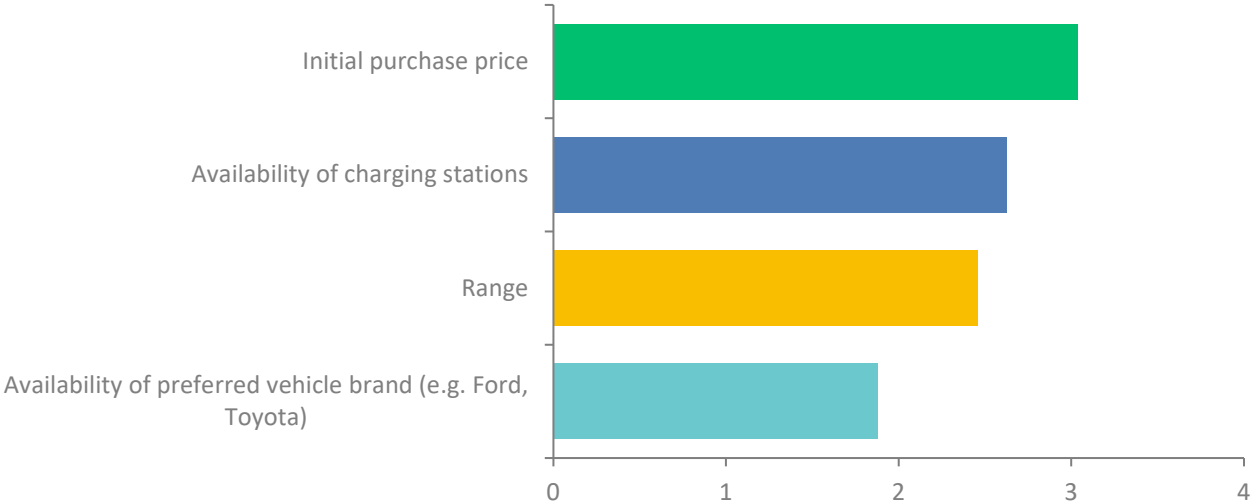
Q7: On an ongoing basis, PUC assesses our strategic priorities to ensure we are meeting the needs of our customers. Please rank the following areas, 1 being the most important.

Answered: 816 Skipped: 0

	1	2	3	4	TOTAL	WEIGHTED AVERAGE
Investing in infrastructure that will lower our carbon footprint and help customers do the same.	33.95% 277	23.77% 194	21.57% 176	20.71% 169	816	2.71
Improving communications with customers	13.97% 114	21.69% 177	25.98% 212	38.36% 313	816	2.11
Preventing data breaches and system disruptions due to cyberattack	17.28% 141	26.35% 215	32.72% 267	23.65% 193	816	2.37
Investing more in the electricity grid to reduce the frequency and duration of power outages	34.80% 284	28.19% 230	19.73% 161	17.28% 141	816	2.81

Q8: PUC is currently exploring opportunities that would promote use of Electric Vehicles within and around the community. This aligns with Canada’s commitment to mandating all new light-duty vehicles sold be zero-emission by 2035, with an interim sales target of at least 50 percent by 2030. Below are a list of factors other people have told us are important when considering whether to buy an electric vehicle. Please rank each factor from 1-4, 1 being least important and 4 being the most important.

Answered: 816 Skipped: 0



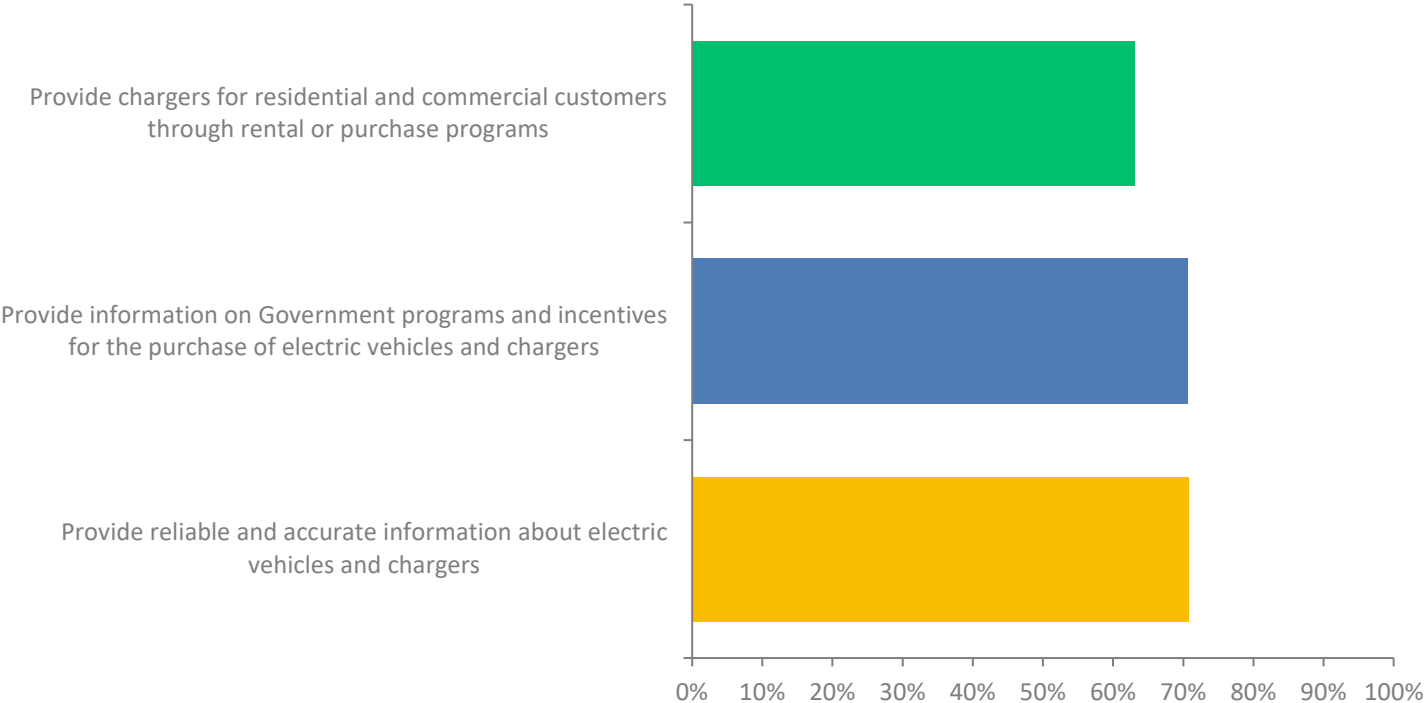
Q8: PUC is currently exploring opportunities that would promote use of Electric Vehicles within and around the community. This aligns with Canada’s commitment to mandating all new light-duty vehicles sold be zero-emission by 2035, with an interim sales target of at least 50 percent by 2030. Below are a list of factors other people have told us are important when considering whether to buy an electric vehicle. Please rank each factor from 1-4, 1 being least important and 4 being the most important.

Answered: 816 Skipped: 0

	1	2	3	4	TOTAL	WEIGHTED AVERAGE
Initial purchase price	49.02% 400	21.57% 176	13.48% 110	15.93% 130	816	3.04
Availability of charging stations	17.89% 146	37.99% 310	32.97% 269	11.15% 91	816	2.63
Range	14.46% 118	30.88% 252	40.81% 333	13.85% 113	816	2.46
Availability of preferred vehicle brand (e.g. Ford, Toyota)	18.63% 152	9.56% 78	12.75% 104	59.07% 482	816	1.88

Q9: As a trusted community partner, how would you like to see PUC involved in the adoption of electric vehicles? Select all that apply:

Answered: 816 Skipped: 0



Q9: As a trusted community partner, how would you like to see PUC involved in the adoption of electric vehicles? Select all that apply:

Answered: 816 Skipped: 0

ANSWER CHOICES	RESPONSES	
Provide chargers for residential and commercial customers through rental or purchase programs	63.11%	515
Provide information on Government programs and incentives for the purchase of electric vehicles and chargers	70.71%	577
Provide reliable and accurate information about electric vehicles and chargers	70.83%	578
TOTAL		1670