



PUC SERVICES INC. SUSTAINABILITY REPORT

INVESTING IN OUR COMMUNITIES

2019

WELCOME TO PUC

Your trusted utility for a brighter tomorrow

As a trusted utility provider for over 100 years, PUC is constantly changing and evolving the company's best practices to meet the needs of our customers and invest in our communities.



INVESTING IN OUR COMMUNITIES

In the communities where we operate, PUC is committed to having a positive impact. By embracing change and innovation, we are investing in the communities we serve for the long-term. PUC is modernizing infrastructure, innovating systems, and leading the industry in projects that will change the way we deliver utility services.

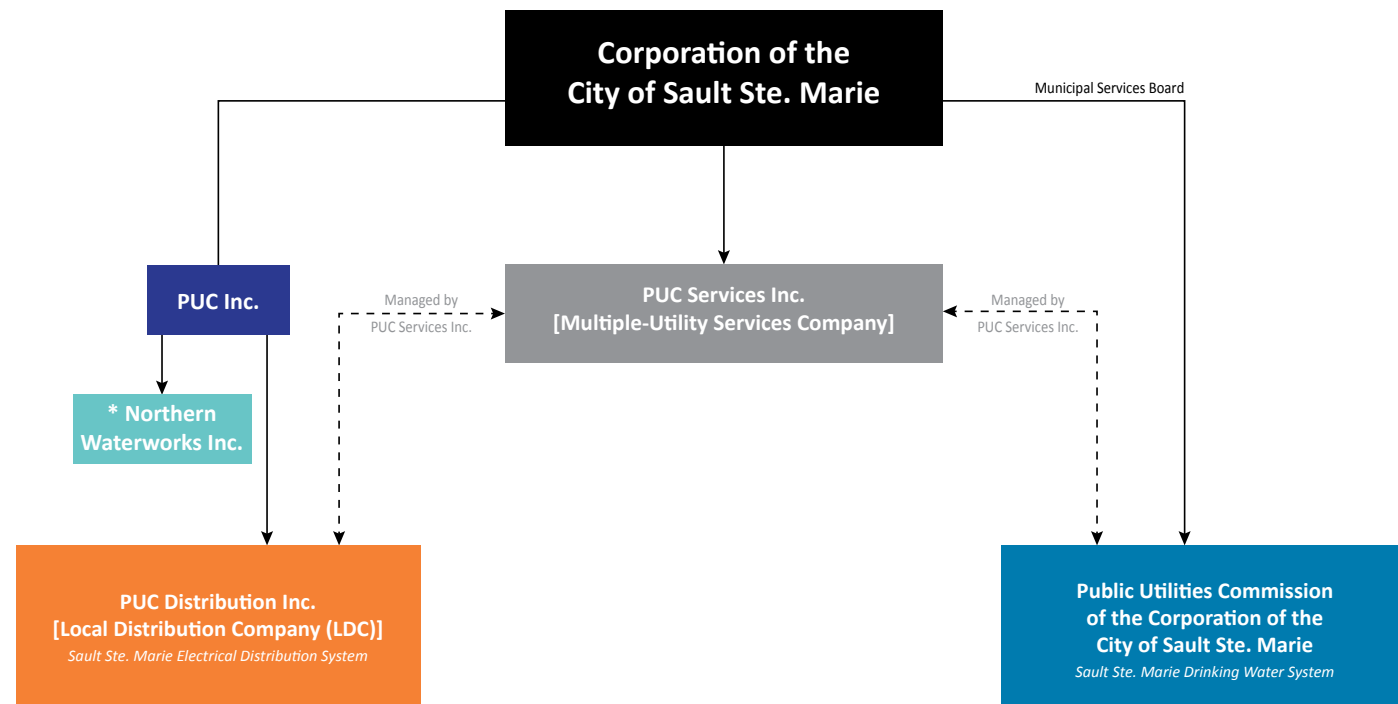
In the past year, PUC has entered into new business opportunities, taken a proactive approach to improving our customer's overall experience, and engaged the community in a meaningful way. As an industry leader that has always been grounded in our community, PUC is proud to be continually moving the utility forward while delivering competitive, high-quality utility related services to our customers.

Not only is PUC investing in our communities, we are investing in our people; those who have served our community for decades, and those who will lead us into the future. It is an exciting time for PUC. We invite you to learn more about PUC in our 2019 Sustainability Report.



ABOUT PUC

CORPORATE STRUCTURE



* In 2019, PUC acquired Northern Waterworks Inc. Through this acquisition, PUC's group of companies became the second-largest service provider of water and wastewater operations in Ontario.



PUC LOGO EXPLAINED

The water mark represents the water and wastewater services PUC Services Inc. provides.



The power lines represent the electricity services PUC Services Inc. provides.



PUC INC.

PUC Inc. is a holding company registered under the Ontario Business Corporations Act and is wholly owned by the Corporation of the City of Sault Ste. Marie with two wholly owned operating companies. PUC Inc. has two subsidiaries: PUC Distribution Inc. and Northern Waterworks Inc. (NWI).



PUC SERVICES INC.

PUC Services Inc. is a utility services company operating as a wholly owned private company of the Corporation of the City of Sault Ste. Marie and is incorporated under the Ontario Business Corporations Act. PUC Services Inc. manages the assets and business of PUC Distribution Inc., manages the assets and businesses of the Public Utilities Commission (city's water treatment and distribution system), and operates the City's wastewater treatment facilities under multi-year contracts. PUC Services Inc. also provides billing and customer care services and manages the operations of Espanola Regional Hydro under multi-year contracts. Water and wastewater services are also provided to several communities and organizations in the Algoma District. The total assets under management of PUC Services Inc. is approximately 1.4 billion.



PUBLIC UTILITIES COMMISSION

The Public Utilities Commission of the City of Sault Ste. Marie owns the water supply and distribution infrastructure and is responsible for the provision of safe, reliable, potable water at-cost to customers within the municipal services boundary of the City of Sault Ste. Marie. Potable water is also supplied to an area of the Rankin Reserve of the Batchewana First Nation through the same distribution system. The management, maintenance and operations of the water treatment plant, wells and the approximately 470 km of watermains in the distribution system are carried out by PUC Services Inc. under a long-term contract.



PUC DISTRIBUTION INC.

PUC Distribution distributes electricity to residences and businesses within the boundaries of the City of Sault Ste. Marie, the Batchewana First Nation (Rankin Reserve), Prince Township and parts of Dennis Township. The management, maintenance and operations of the distribution system is carried out by PUC Services Inc. under a long-term contract.

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CORPORATE PROFILE



CEO Q&A



Q1: WHY DID YOU CHOOSE, “INVESTING IN OUR COMMUNITIES” AS THIS YEAR’S THEME?

I chose it because it’s really the role that a municipally owned utility needs to play in our society. PUC companies are investing almost \$22 million into the communities we serve in 2020. We invested \$15.8 million in 2019. We are modernizing infrastructure that in some cases is almost a century old. We are building additional resiliency into our infrastructure, so that our community can have the reliability they deserve for generations to come. We are adding innovative systems that will future proof our electric grid, and we are adding enhanced smart device capabilities throughout our water system. The PUC of tomorrow will look a lot different than the one today.

Q2: THROUGHOUT YOUR JOURNEY WITH PUC, WHAT WAS YOUR PROUDEST MOMENT DURING THE 2019 YEAR?

I am proud of my team every day. I come in with a smile, and I almost always leave with one. They do an unbelievable job of making some of the most complex tasks look easy, and they do it with our customers’ interests in mind. If I had to choose a particular moment, I would look to the Ice Storm we had in late December. We had staff cancelling holidays, working 16-hour days in some of the most challenging conditions, and they did it to serve our customers and our city. That was a proud moment for all of us at PUC.

Q3: WHAT STEPS HAS PUC TAKEN TO BE AN INDUSTRY LEADER?

PUC has been leading the electrical distribution market with innovative projects like our Sault Smart Grid, and through innovative customer service with things like our roll-out of Affordability Fund (AFT) and our one-stop-shop initiative. On the water side, we have transformed our water treatment systems with major upgrades to our SCADA control system,

a complete filter media replacement at our water treatment plant, and major upgrades to our well sites and zone 2 booster station. As a result, we have greater insight into the system, can more readily adjust chemical levels, and can continue to deliver the best tasting water in Ontario.

Q4: HOW WERE THE STRATEGIC OUTCOMES OF 2019 ACHIEVED? WHAT WERE THEY?

2019 was a busy year for us. Our goal going into the year was to continue to grow our water services business by adding customers through geographic expansion and to look at additional service offerings. We accomplished that, in part, with the acquisition of Northern Waterworks Inc. (NWI) at the end of May. NWI gave us a significantly larger geographical reach to the point where we are now the second largest service provider in Ontario. On the electric side, one of our major initiatives was to modernize the grid, and our Smart Grid project is doing just that. We will have the first community wide smart grid in North America. Sault Ste. Marie is positioning itself as a leader in North America for innovation and creativity, and we are playing our part. The most important initiative at PUC has been driving engagement and innovation in our teams. We have reset the relationship between management and unionized staff. We have added outcome-based metrics and allowed staff to be creative in solving problems and delivering solutions.

Q5: LOOKING INTO THE FUTURE OF UTILITIES, HOW WILL PUC REMAIN SUSTAINABLE LONG TERM?

Our industries are changing rapidly, and we are changing with it. Gone are the days where we simply acted as a delivery agent for power. Our customers are expecting more of us, and we have put the strategies in place to meet that need. The traditional utility relationship with customers is morphing into a two-way partnership where our customers can, in one moment be our customer, and in the next, our supplier. They will want more services on their side of the meter including solar, battery and electric vehicle hookups, and we are positioned as the trusted partner to deliver them. The future PUC will offer more diverse services in more customer-friendly ways. It is a future we look forward to, and one that, we believe, PUC will thrive in.

We are a
community
leader providing
safe and reliable
utility services.

Improving
communities
through curiosity
and innovation.

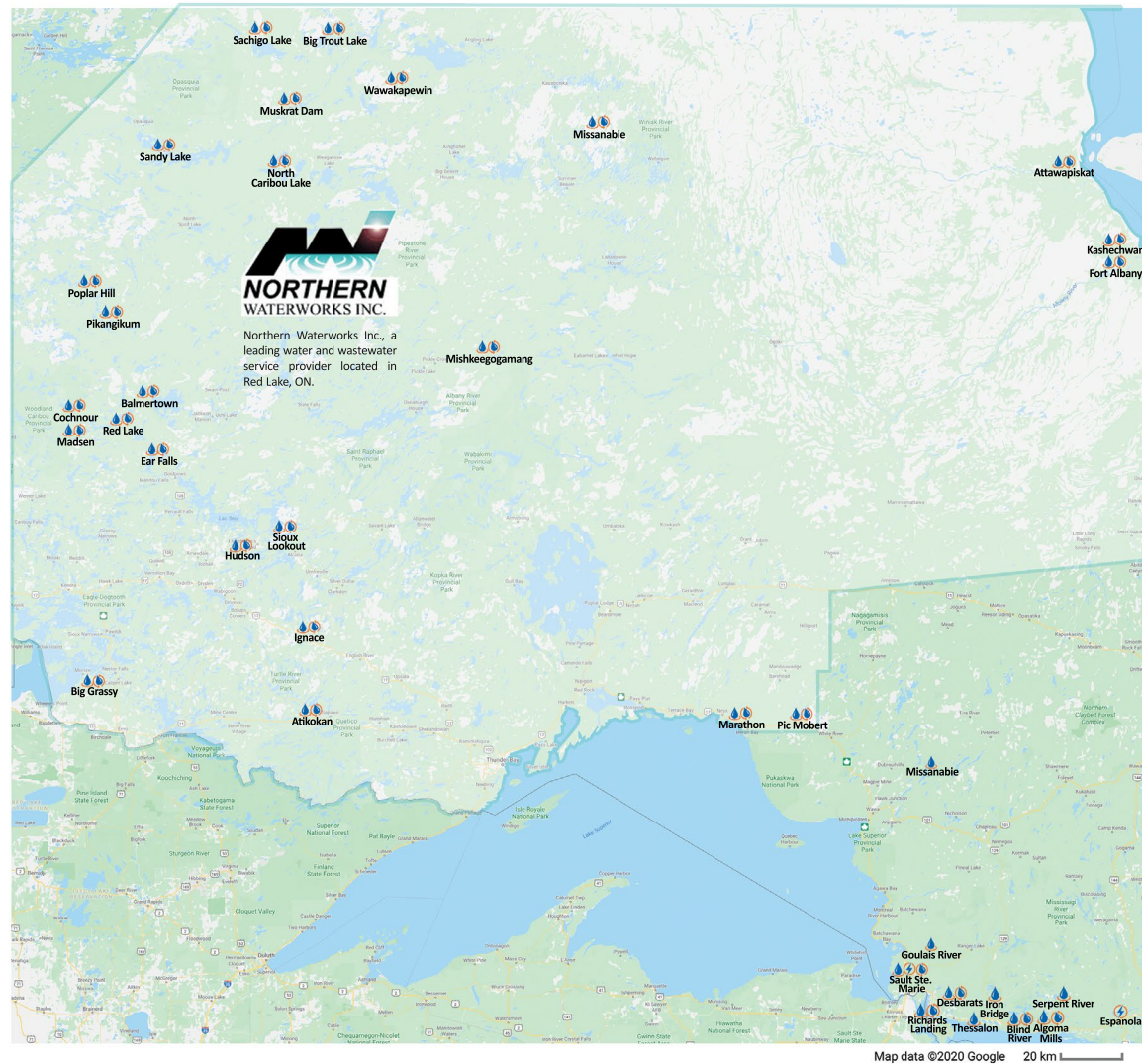
Safety
Integrity
Customer-Centric
Innovative
Accountable

PUC Service Areas

As we evolve and expand, PUC offers utility related services in Sault Ste. Marie, as well as many towns and communities within Ontario. This map shows the different areas in which PUC offers water, wastewater, and electricity services.

NWI: Since 1997, NWI has operated 35 municipal water and wastewater subsystems at over 60 facilities, providing services to municipal, First Nation and Industrial clients. NWI currently manages 50 per cent of all municipal water and wastewater treatment facilities west of Thunder Bay to the Manitoba border.

PUC Service Areas (Water, Wastewater and Electricity)



Board of Directors



Jim P. Boniferro | Chair, PUC Services Inc. and PUC Inc.

PUC SERVICES INC./PUC INC.

Jim P. Boniferro, Chair

“In 2019, PUC’s Strategic Plan was brought to life. The Board’s vision of the corporation’s continued transformation to a customer-centric focus was exciting to see. An annual review of the strategic plan will ensure a dedicated and vibrant commitment to customers and shareholders.

The growth of the organization began in 2019 and set the groundwork for continual improvement. PUC’s group of companies are well positioned to face future challenges of affordability while developing partnerships in advanced technology to deliver reliable and sustainable products to our customers.

On behalf of the Board of PUC Inc. and PUC Services Inc., I would like to recognize the hard work and dedication of all employees in working together to achieve success in 2019.”

PUC SERVICES INC./PUC INC.

Jim P. Boniferro, Chair

President and CEO, Boniferro Mill Works

Andy McPhee, Vice-Chair

Retired, Vice President, Great Lakes Power Transmission

Cecilia Bruno

Chief Financial Officer, Sault College

Paul Christian

City Councillor, City of SSM

Christian Provenzano

Mayor, City of SSM

Jim Rennie

Vice President, Human Resources, Irving Shipbuilding

Elaine Pitcher

Lawyer, Pitcher Law

Carla Fabbro

Director, Portfolio Management, OLG

John Naccarato

Vice President, Strategy, Algoma Steel Inc.

PUC DISTRIBUTION INC.

Jim P. Boniferro, Acting Chair

President and CEO, Boniferro Mill Works

Christian Provenzano

Mayor, City of SSM

Pat McAuley

Retired, Commissioner of Public Works and Transportation, for City of SSM

Mark Howson

Retired, Senior Maintenance Engineer, Essar Steel Algoma Inc.

PUBLIC UTILITIES COMMISSION

Mark Howson, Chair

Retired, Senior Maintenance Engineer, Essar Steel Algoma Inc.

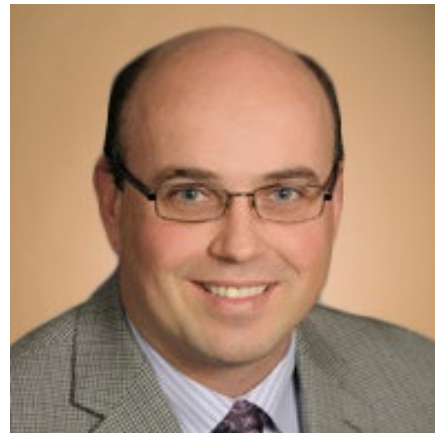
Paul Christian

City Councillor, City of SSM

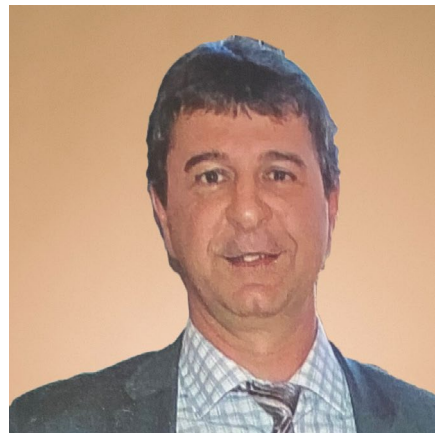
Christian Provenzano

Mayor, City of SSM

Executive Team



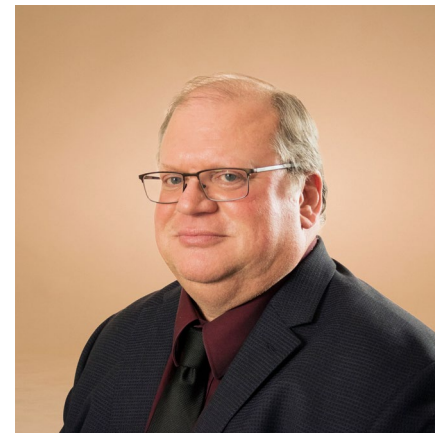
Rob Brewer, Hon. BSc, MBA
President and CEO



Claudio Stefano, P.Eng, MBA
VP, Operations and Engineering



Kelly McLellan, CPA, CMA, M.Acc
VP, Finance and Corporate Support



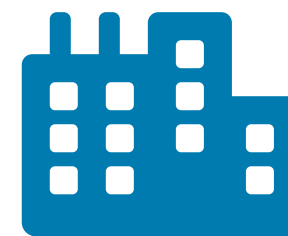
Kevin Bell, P. Eng.
VP, Business Development

PUC Group of Companies by the Numbers

100+
YEARS OF SERVICE



EMPLOYS 220 PEOPLE



SERVES 40 MUNICIPALITIES
AND ALL 127 FIRST NATION
COMMUNITIES IN ONTARIO



TOTAL ANNUAL
REVENUE OF
APPROXIMATELY
\$150 MILLION

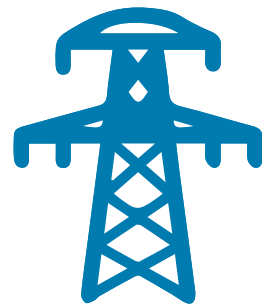


IN 2019, **\$15.8 MILLION**
RE-INVESTED IN
COMMUNITIES WE SERVE

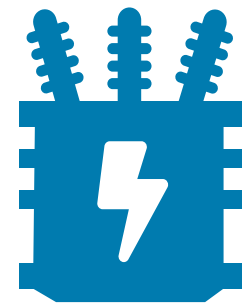
PUC Distribution by the Numbers



33,600 RESIDENTIAL AND
BUSINESS CUSTOMERS



2 TRANSMISSION
STATIONS



14 DISTRIBUTION
STATIONS



740 KM OF LOCAL
DISTRIBUTION LINE



12,700
DISTRIBUTION POLES



342 KM² SERVICE
TERRITORY

Public Utilities Commission by the Numbers



26,250 RESIDENTIAL AND
BUSINESS CUSTOMERS



2 SOURCES OF WATER
(GROUND WATER, 6 WELLS - 4 PUMPING
STATIONS) (SURFACE WATER, LAKE
SUPERIOR, WATER TREATMENT PLANT)



470 KM OF
DISTRIBUTION
MAINS



2,300
HYDRANTS



10.2 MILLION CUBIC
METRES PUMPED
PER YEAR

INVESTING IN SUSTAINABLE GROWTH



Leading the Way

PUC ACQUIRES NORTHERN WATERWORKS INC.

In 2019, PUC acquired Northern Waterworks Inc. (NWI), a leading water and wastewater service provider located in Red Lake, ON.

NWI operates 35 municipal water and wastewater subsystems at over 60 facilities, providing these services to municipal, First Nation and Industrial clients for over two decades, since 1997. NWI manages fifty per cent of all municipal water and wastewater treatment facilities west of Thunder Bay to the Manitoba border, and employs over 40 professionals dedicated to setting new industry standards and best practices. They also provide a 24-7 hotline for technical support and emergency response, to every First Nation in Ontario (127 communities) either directly or through the Government of Canada's Department of Indigenous Services Canada (ISC) and the Ontario Ministry of the Environment, Conservation and Parks' (MECP) Spills Action Centre (SAC).

With approximately \$164 million in assets under management, the acquisition of NWI has increased shareholder value and positions PUC's group of companies as the second-largest service provider of water and wastewater operations in Ontario. This purchase helps support PUC's strategic growth objectives and provides sound investment opportunities for shareholders.

The combination of PUC and NWI offers customers additional capacity and value-added services that will further improve the services PUC currently provides.

NWI's clients, customers and employees will benefit from the long-term sustainability that PUC can provide as well as the company's innovative approaches to protecting public health through its provision of safe drinking water and effective wastewater treatment. – Jason LeBlanc, CAO NWI



17 TREES – MAINTAINING PARTNERSHIPS ACROSS THE PROVINCE

Utility vegetation management continues to be one of PUC's top priorities. Vegetation interference with the distribution system is one of the most common causes for electrical outages.

17 Trees was established in June 2019 to ensure safe, high-quality utility forestry work while maintaining low, competitive rates for customers. A group of Electrical Distribution companies, including PUC Inc., Greater Sudbury Utilities Inc., and North Bay Hydro Services Inc. created the company to service the Algoma, Sudbury and North Bay regions.

17 Trees is committed to maintaining a highly skilled workforce year-round. 17 Trees employees are well-equipped and properly trained to run a safe utility management program in Northern Ontario. The partnership with other utilities in the Province will enable PUC to maintain the system on an ongoing basis and keep workers and the public safe.



THE CUSTOMER EXPERIENCE

Investing in Improvements to the Customer Experience

As a utility services provider, PUC is constantly striving for a higher customer service standard. 2019 was a very busy year, as many improvements were made to enhance the customer experience. Investments were made and time was spent focusing on what customers have said; they want to feel connected, feel valued and want to be dealt with on their terms.

With a priority of ensuring PUC follows an, “easy to do business with” strategy, the PUC team has made interactions with customers more accessible and efficient by proactively:

- Enhancing our communications portfolio including expanding into social media and upgrading our website;
- Developing on-line forms to eliminate the need to come into the office;
- Implementing a one-stop-shop methodology for first point of contact; and
- Promoting an e-billing campaign.

PUC places great emphasis on customer service standards and is always looking to make improvements to our customer’s everyday experience.

Customer service is about the experience customers have with the utility, our products, and services – regardless of the channel for delivering customer service.

The goal is to ensure each customer receives high-quality customer service and an experience that meets or exceeds their expectations on every interaction.



KEY PERFORMANCE INDICATORS

Performance Year	New Residential/Small Business Services Connected on Time (Target: 90%)	Scheduled Appointments Met on Time (Target: 90%)	Billing Accuracy (Target: 98%)	First Contact Resolution
2019	100.00%	98.88%	99.98%	99.82%
2018	99.12%	98.48%	99.97%	99.80%

CUSTOMER SERVICE

Every two years, PUC conducts a customer satisfaction survey by a credible third party. In every category, the results of the 2019 survey were some of the highest results PUC has seen. The results increased in every category, with an above average result compared to the 2017 results.

	2019	2017
KEY NUMBERS AT A GLANCE		
Customer Satisfaction	94%	82%
Overall satisfaction with most recent experience	79%	61%
Customer-centric engagement	87%	79%
Credibility and trust index	87%	80%
CUSTOMER SERVICE		
The time it took to contact someone	79%	72%
The time it took someone to deal with your problem	73%	64%
The helpfulness of staff who dealt with you	76%	71%
The quality of information provided by the staff who dealt with you	79%	63%
CORE OPERATIONAL ATTRIBUTES		
Provides consistent, reliable electricity	91%	91%
Quickly handles outages and restores power	91%	90%



INVESTING IN OUR PEOPLE

Investing in our People

At PUC, our most valuable asset is our people. We are always striving to create a culture where leadership, diversity, teamwork, and innovation are valued and celebrated within the company. PUC believes investing in our people means investing in their skills development and future aspirations. In 2019, we offered continuing education and professional development opportunities that employees took advantage of throughout the year to maintain and diversify their abilities and expertise.

Every single PUC employee takes pride in being a community partner who is there for our customers when they need us. As an employer, PUC is proud to support our employees so that they can continue to serve the community.



EMPLOYEE APPRECIATION

In 2019, PUC made a conscious effort to showcase the hard work and talent of all staff members. Opportunities to gather and learn from one another created a greater appreciation of the diversity of roles within the company. From pole climbing to bucket truck rides, staff got together to learn the ins-and-outs of the jobs of their co-workers.

RIDE-ALONGS

Management made an intentional effort to get to know each department within PUC. By implementing what is called, "Ride-Alongs," managers gained a better understanding of the different departments and learned how they operate. This gave management an opportunity to spend time with staff they would not necessarily interact with on a regular basis.



#PUCGOGREEN

PUC is continually making improvements to become a greener utility. In 2019, efforts to 'go green' were brought to life through initiatives like the e-billing campaign for both employees and customers.

When PUC began the transformation to a digital utility, employees fully embraced the change, learning how to do their jobs differently, while making less of an environmental impact. In late 2019, PUC's #PUCGOGREEN team ran a campaign to get 90 per cent of employees registered on e-billing. Going above and beyond, they successfully surpassed this goal, achieving almost 100 per cent registration in a very short period of time.

During the customer e-billing campaign, for every new customer that signed up for e-billing, a five-dollar donation was given to the Student Nutrition Program that supports elementary and secondary schools across the Algoma District. At the end of the two-month campaign, PUC donated 1,420 nutrition meals for the breakfast, lunch, and snack programs. PUC is proud to invest in important community programs like the Student Nutrition Program.





INVESTING IN OUR COMMUNITIES

CAUTION AND CHANCE PROGRAM

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

As a partner in school safety, this initiative provides education on electrical safety awareness, thereby increasing knowledge of potential electrical hazards and encouraging a respect for electricity.

PUC is committed to educating youth in our community and fostering a positive understanding of electrical hazards. By cultivating a healthy relationship with electricity at a young age, children will learn to respect and have knowledge of potential dangers with electrical energy.

ELECTRICAL SAFETY AWARENESS TRAINING

As a community partner, the safety of our 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.



Preparing the Future Workforce

Today's utility workforce is diverse and stretches across a variety of fields and skill sets. As the sector continues to progress, PUC believes in providing opportunities for young people to learn from the knowledge that exists and bring in new ideas and approaches. Having young people in our community succeed and reach their goals is very important to who PUC is as a company – today and into the future.

INTERNSHIP PROGRAM

In 2019, PUC hosted two Northern Ontario Heritage Fund Internships; one in Human Resources and one in Communications. The intent of these internships is to strengthen the competitive advantage of Northern Ontario and to attract and retain new graduates in the North. The program provides recent graduates an opportunity to build their careers and to gain work experience in their field of study.



I started at PUC during my student placement in May of 2019. The experience and contributions I made during that time led me to be a successful applicant in the Communications Coordinator position. I am always learning, collaborating, developing, and growing my skills. For that, I am very grateful. - Jessica Tett

I was hired as a Human Resource Intern in March of 2019. I have been able to apply the skills and theories that I learned in my classes as well as gained valuable work experience along the way. I am very thankful and lucky to have been given this opportunity to work with such an amazing organization and team. - Sara Fenos



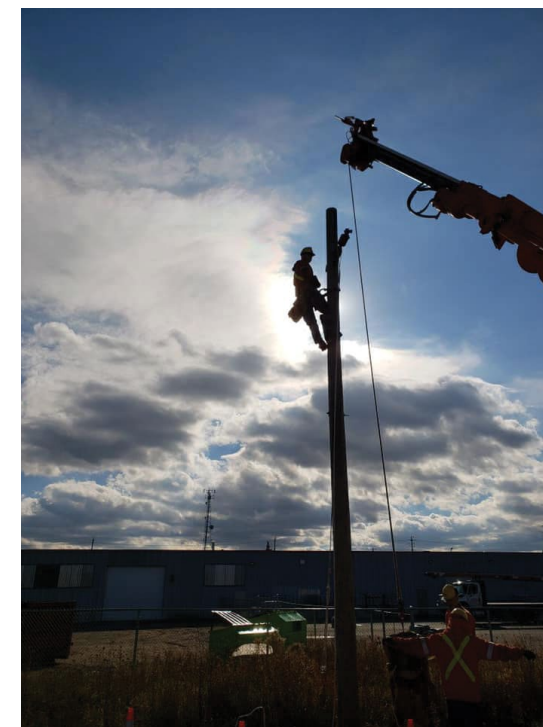
APPRENTICESHIPS & CO-OP WORK TERMS

PUC is a place where powerline technicians (PLT) can learn and develop their skills.

For over 10 years, PUC has proudly supported the Powerline Technician Apprenticeship Program with Cambrian College. PUC powerline technicians are generally hired after completing their post-secondary education having attained a Powerline Technician Diploma, an electrician certification, or a college designation diploma in an electrical field.

PUC has helped in the development of a number of PLT graduates, most recently taking on two first year PLT students for sixteen-week co-op work term placements for the summer of 2019. Also, in 2019 the Line Department hired two apprentice powerline technicians as permanent employees who were graduates of Cambrian and St. Claire College.

Upon hiring, the individual completes a four-year apprenticeship (8000 hours) under a journeyman. The apprentices are registered with The Ontario College of Trades and for each year of the apprenticeship program, PUC sends the powerline technician to school for comprehensive, Ministry of Colleges and Universities (MTCU) governed, apprenticeship training.



PUC's current apprentice powerline technicians are on their way to becoming certified, recognized, and qualified journeymen. The Line Department is full of qualified powerline technicians who work hard everyday as a team, safely maintaining the electrical distribution system and keeping the lights on for all customers. PUC is a place where apprentices can grow and learn all aspects of their trade while staying highly focused on worker and public safety.

PUC continues to be highly committed to serving customers and takes great pride in helping prepare the future utility workers of tomorrow.

SUMMER STUDENTS

PUC hired seven students during the summer of 2019. While performing building and property maintenance at various work sites, the students also brought a fresh perspective and positive change to the workplace. PUC mentors the students, instills accountability and provides guidance on how to be successful in future job positions. One of the biggest things PUC offers is how to work safely, plan a job, identify the risks, and mitigate those risks by putting in effective barriers. The PUC summer student program is a great economic investment in the future workforce.



SCHOLARSHIPS

PUC is a proud supporter of the Sault College, Scholarships, Bursaries and Awards Program. For many years, PUC has supported scholarships in both the Office Administration and Electrical Engineering Technology Program. The scholarships recognize students who have demonstrated a willingness to learn and have gone the extra mile to attain their educational goals through academic achievement.

PUC proudly supported the Algoma University Classic Golf Tournament that provided awards to Algoma University students through the Scholarships and Bursaries Program. The funds raised through the tournament are designated to first year students, helping attract new students to Algoma University and awarding them for their academic excellence.

Launched Day In the Life Series

WATER TREATMENT PLANT VIDEO

PUC provides drinking water to many communities across Northern Ontario, each in different capacities. The goal in the creation of A Day in the Life of the Water Treatment Plant was to help provide a better understanding of the lifecycle of water from the intake at Lake Superior to the water running out of the tap in customers homes. This video takes place at the Water Treatment Plant, which provides clean drinking water for over fifty per cent of the population in Sault Ste. Marie. The water we drink goes through a comprehensive cycle from the source, to your glass. In this video, PUC's water treatment plant operator and lead hand take you through the entire lifecycle of drinking water.



WASTEWATER TREATMENT FACILITY VIDEO

The PUC's, A Day in the Life of the Wastewater Treatment Facility, focused on the East End Wastewater Facility, where fifty per cent of the city's wastewater goes after it enters the sewage system. The PUC team at the facility work as plant operators, instrumentation and maintenance electricians and give an overview of the wastewater facility's initial intake, through the plant processing systems and filtration back out into St. Mary's River.



Be sure to check out these videos on our Facebook page or on our YouTube Channel!

Facebook: @SSMPUC, YouTube: PUC Services Inc.

Conservation Programs

SAVE ON ENERGY

Investments in energy efficiency can help make businesses more competitive and homes more livable.

Through the Save on Energy Program in 2019, PUC assisted businesses within the community to achieve a total combined savings of 1.1 million kWh. To put this in perspective, the average PUC household uses 950 kWh a month, meaning the total kWh savings from the Save on Energy Program is equal to the annual electricity consumption of approximately 96 homes. This combined effort results in a total savings of \$132,000 in electrical costs for customers and \$190,000 in incentives back to local businesses and the community.

BATCHEWANA FIRST NATION

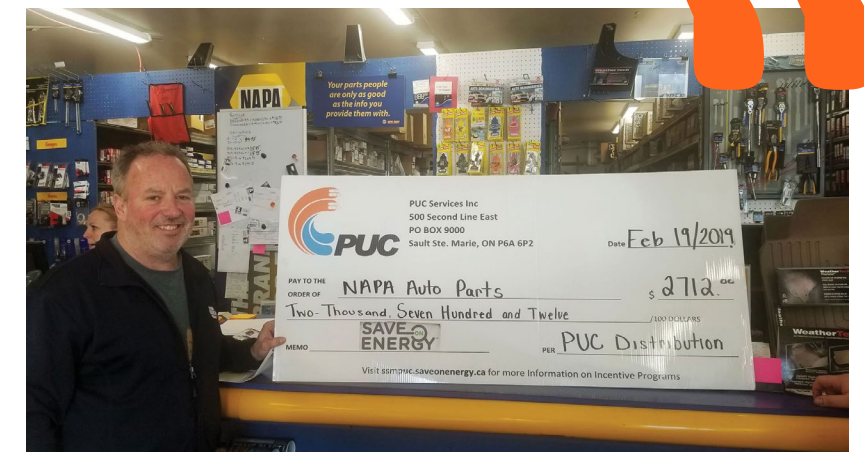
In 2019, PUC helped Batchewana First Nation brighten up the Rankin Arena and reduced their electricity costs by fifty per cent through the Save on Energy Program. PUC worked towards reducing their energy usage by taking advantage of the resources provided to improve the lighting in the arena. The Rankin Arena received an incentive of \$7,906 that they can use towards other small projects in the arena.

The project was well worth the compliments received from the public that use the Rankin Arena with a program that had an easy-to-follow process.
 – Edmund Dubois, Capital Projects Coordinator

NAPA AUTO PARTS

NAPA was looking for a new way to light up their business and create long-term savings. This Espanola business partnered with PUC and took advantage of the Save on Energy Program. They received a \$2,712 incentive cheque towards energy efficient upgrades.

People have noticed the change, and using energy more efficiently is just the right thing to be doing.
 – Paul Deschenes, owner of NAPA Auto Parts



AFFORDABILITY FUND PROGRAM

Since January 2018, the AffordAbility Fund Program (AFT) has helped utility customers in Ontario ease their spending on electricity. In 2019, PUC, AFT and local contractors worked together to help improve energy efficiencies within the home with free energy-saving upgrades that lower home energy use and electricity bills.

PUC saw a tremendous uptake of eligible customers in 2019 that resulted in more than 5,000 verified AFT participants. With Sault Ste. Marie having 0.51 per cent of the provincial population, PUC accounted for 11 per cent of total financial allocations under the program. This equates to \$2.4 million savings for customers on an annual basis. In addition, this partnership has been able to allocate over \$5 million to local businesses that are supporting program delivery until 2021.

“Local participation in the AffordAbility Fund is a reflection of how we have embraced change, how we have created a culture that focuses on innovation and how we have sought to put our customers first,” Rob Brewer, President and CEO.

With a multi-faceted approach to the program, the real success is reflected in the success stories collected through customer interviews and posted to PUC’s social media platforms.

In 2019, PUC also attended many community events that gave employees an opportunity to engage with customers face-to-face and explain the program. Every customer’s situation and eligibility considerations are different so PUC helped each customer begin the process and find out how it could save them electricity costs.

ELECTRIC VEHICLES – INVESTING IN GREEN ENERGY

As a company, PUC values innovation and adopting to new technologies that will lead to more efficiencies in the community. In 2019, PUC joined the electric vehicle revolution and purchased two electric Volkswagen Golf vehicles.

Environmentally, there are many advantages to using an electric vehicle (EV), including the elimination of gasoline, lower emissions, lower maintenance and associated cost savings. An electric vehicle reduces the amount of global warming emissions by 50 percent compared to a similar sized, gas-powered car. PUC embraces change and strives to make sure we support a greener economy.



RESPONDING TO COMMUNITY NEEDS

ELECTRICAL SERVICE

LINE DEPARTMENT AND STATIONS & METERING TEAMS

Northern Ontario winters can be extreme and come with many snowstorms and fallen trees that can cause power outages across the community. This past December was no different, with an outage that affected thousands of PUC customers over the holidays. Departments across the company worked together to manage customer requests, and the demand that came with this major ice storm. The Line Department, Stations and Metering Department, Customer Experience Team and Communications worked tirelessly to maintain updates and restore power to all customers over the four-day period. PUC utilized the corporate emergency preparedness plan to ensure all precautionary methods were followed to handle this emergency situation.

These responses are never handled alone. With multiple partners across the community, PUC worked with the municipality and other organizations to manage the storm and the needs of customers, especially those most vulnerable. Partners include:

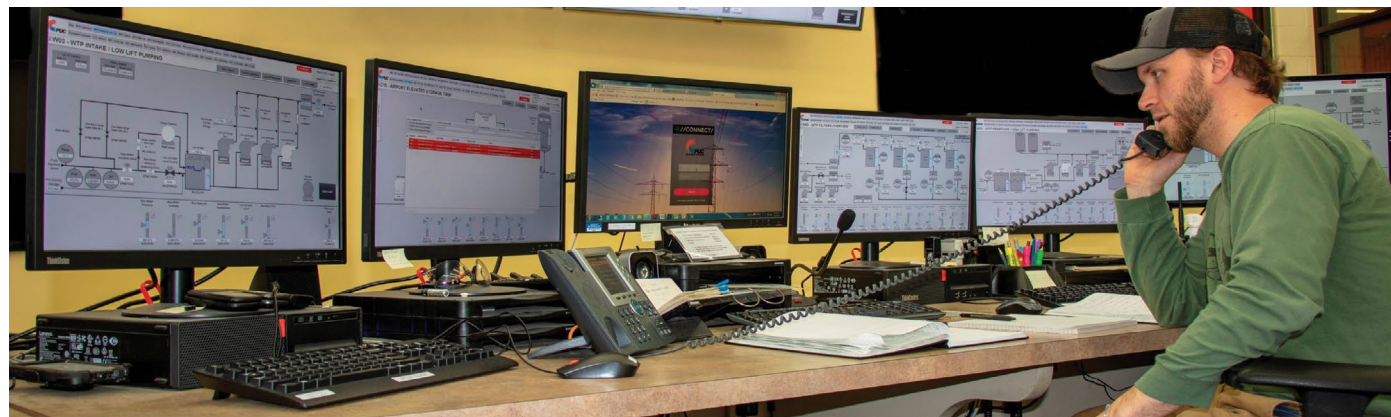
- Canadian Red Cross,
- The City of Sault Ste. Marie, (including their Emergency Management Team), and
- Vulnerable Persons Registry (VPR)

Each partner plays a unique role in assisting PUC and our customers through emergency situations and it could not be done without them.

WATER SERVICE

WATER DISTRIBUTION TEAM

The Water Distribution team consists of employees of numerous trades, including pipefitters, work planners, labourers, truck drivers and machine operators, who all work together to improve operational conditions and systems. They respond to emergency main breaks year-round, and ensure the effective management, operation and performance of the water supply and 470 km of distribution mains.



#PUCCARES

In addition to major contributions to the Sault Area Hospital Foundation and the United Way of Sault Ste. Marie and Algoma District, other community events and contributions include the Student Community Fair, ARCH Golf Tournament, CIBC Run for the Cure, Moonlight Magic, Festival of Trees, and the Christmas Parade.

STUDENT COMMUNITY FAIR

Sault Ste. Marie hosted the first Provincial Student Community Career Fair, highlighting skilled trades, science and tech opportunities in the community. PUC saw the opportunity to educate the youth of today for the jobs of tomorrow and attended the job fair to connect young professionals to PUC and introduce them to highly skilled and specialized opportunities within the organization.



ARCH GOLF TOURNAMENT – PUC'S EMPLOYEE ASSOCIATION

PUC hosted the Fifth Annual Charity Golf Tournament in support of the Algoma Residential Community Hospice (ARCH); an organization that provides quality, compassionate care to families in the Algoma District. The PUC Employee Association was built on the belief that positive work relationships build a more sustainable workplace. Through this organization, PUC is able to proudly support community organizations that are important to all PUC employees.



FESTIVAL OF TREES

The festival of trees is a signature charity fundraiser for the Lung Association of Algoma. PUC's Safety Awareness Team decorated a tree, offered safety prizes and a \$500 bill credit to your PUC bill. PUC was a proud supporter of the twenty-first annual event.



CIBC RUN FOR THE CURE

The CIBC Run for the Cure is a five kilometre walk in support of the breast cancer cause through the Canadian Cancer Society. It is the largest single-day, volunteer-led event in Canada. As a community partner, PUC registered a team and raised funds for the cause. On social media platforms, PUC also participated in their social media challenge, #BoobieTrapped, and hosted a company-wide fundraiser. The funds raised were donated directly to innovative research, education, and awareness to make a difference to those affected by breast cancer.



MOONLIGHT MAGIC

As a supporter of local hallmark events, PUC sponsored Moonlight Magic, hosted by the Downtown Association. Every year, it kicks off the festival season and family and friends enjoy late night shopping, ice bar stations and of course, the free s'mores and hand warming stations sponsored by PUC.



CHRISTMAS PARADE

The annual Rotary Santa Clause Parade is a celebration that gathers the community and excites thousands of children and families for the holiday season. PUC employees and their families come together and spent a day decorating PUC trucks and vehicles to ride later in the evening in the parade.



Health & Safety Culture

The health and safety of PUC employees is the foundation of everything we do. In 2019, we:

- Renewed monthly departmental Health and Safety meetings;
- Had an active Joint Health and Safety Committee
- Continued with Safety and Environment monthly reports, and monthly "Let's Talk Safety" Message,
- Improved the tracking system for key KPI's (site visits, reporting injuries, public safety, automated vehicle locator (AVL) system),
- Established a Safety Awareness Team



THE SAFETY AWARENESS TEAM (SAT)

The Safety Awareness Team (SAT) started out with four individuals and has since grown into a large committee of employees dedicated to educating staff on how to maintain safety in the workplace in fun and engaging ways. Through teamwork and dedication, the team has been able to run multiple campaigns including the "Safety Message" and "Safety Share" campaign, and sponsor community events like the Annual Festival of Trees.



296 DAYS

without a lost time incident

For one of the events, the SAT planned a Driver's Safety Day and Personal Protective Equipment (PPE) Fashion Show with special guests from Howson Driving School, Algoma Public Health (APH), and the Canadian Mental Health Association (CMHA).

PUC showcased employees from all departments in the PPE fashion show to show off new and old protective gear.

CHAMBER OF COMMERCE AWARD

PUC was recognized by the Sault Ste. Marie Chamber of Commerce with the Safe Work, Sound Business Award. This award recognizes a business that uses a safe work management system, participates in workplace and/or community injury prevention programs, and has an outstanding injury-free frequency and injury severity performance. Safety is something PUC takes very seriously to make sure all of our workers go home to their families everyday.



Here is one of PUC's Powerline Technicians in the PPE Fashion Show, sporting a mullet and green shaded safety glasses. Their outer layer is made of natural cotton fibre that resists the spread of flames in the event of an arc flash. Arc rated clothing was legislated in the 2009 issue of the Electrical Utility Safety Rules. They are wearing authentic pole climbing gear of the day. Fall protection did not exist in the Occupational Health and Safety Act until 1993, so the pole strap was worn to position himself after free climbing a pole but provided no protection if he were to fall. Apprentices were taught to evaluate the best place to land before they ascended. Things have certainly come a long way when it comes to safety!



Regulatory Compliance

MUNICIPAL DRINKING WATER SYSTEM

PUC Services Inc. operates and manages the Sault Ste. Marie Drinking Water System for the Public Utilities Commission of the City of Sault Ste. Marie.

Municipal Drinking Water Systems in Ontario are subject to multiple regulations established in accordance with the Safe Drinking Water Act. Operating Authorities must operate municipal drinking water systems in line with a Municipal Drinking Water Works Permit and a Municipal Drinking Water Licence.

Licences are subject to periodic renewal, a condition of which is the implementation of a Drinking Water Quality Management System. Eligibility for licence renewal is subject to a satisfactory audit of the quality management system by an external auditor appointed by the province.

Led by PUC's Water Treatment Operations Department, PUC received a full scope accreditation license renewal following a comprehensive external audit.

PUC's operation of the drinking water system is also subject to regulatory compliance inspections undertaken by the Province of Ontario. The scope of inspection included PUC's Water Treatment Operations, Water Distribution Operations and PUC's Engineering Department. The bulk of the inspection focused on Water Treatment Operations, providing leadership and coordination during the inspection, and achieving a 100 per cent compliance score in 2019.

PUC's Water Treatment Operations Department is also the accredited operating authority for municipal drinking water systems in Serpent River, Pronto, Desbarats, Blind River and Richards Landing. The PUC team completed regulatory inspections and third-party re-accreditation audits for these systems in 2019. These successes demonstrate the accountability and commitment to delivering quality service as PUC's family and friends live in the communities and they deserve nothing less.



ELECTRICAL DISTRIBUTION SYSTEM

PUC Distribution Inc. is a provincially regulated Local Distribution Company (LDC) and must comply with the requirements issued by the Ontario Energy Board (OEB) with respect to provision of services. As a participant in the Ontario electricity market, PUC Distribution Inc. must comply with many rules, regulations and regulatory bodies including, but not limited to the Independent Electricity System Operator (IESO) and the Electrical Safety Authority (ESA) Regulation 22/04 (Electrical Distribution Safety) established in accordance to the Electricity Act.

ESA's Ontario Regulation 22/04 sets out objective-based electrical safety requirements for the LDC, covering many aspects of the business. The Regulation requires approval of equipment, plans, specifications, and inspections in an effort to ensure safety is paramount. PUC Distribution Inc. is required to complete an audit from an independent auditor on an annual basis to prove compliance. In each of the past six years, PUC Distribution was found to be compliant with Ontario Regulation 22/04. This success is evidence of the strong commitment from many departments to customer service, safety and adherence to regulatory requirements, company policies and procedures that form the basis of PUC Service's culture in the Operations and Engineering Division.



STREETLIGHT SYSTEM

PUC Services Inc. owns and operates an innovative LED streetlight system within the City of Sault Ste. Marie and operates additional systems in surrounding areas.

Municipal streetlight systems are subject to multiple regulations and standards in an effort to provide a safe, reliable lighting system. Coordinated, ongoing efforts between Line Operations and Engineering are completed to operate, maintain, and replace infrastructure ensuring a system that is regulatory compliant, safe and meets the lighting requirements outlined in industry standards.



FINANCIAL RESULTS

PUC INC.

Non-Consolidated Statement of Financial Position

As at December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Accounts receivable	\$ 1,152,395	\$ 1,975
Receivable from PUC Services Inc.	2,180,876	6,330,987
Payment in lieu of taxes recoverable	22,258	4,288
Total current assets	3,355,529	6,337,250
Non-current assets:		
Notes receivable from related company	8,310,000	8,310,000
Investments in subsidiaries and associates	50,801,477	46,601,477
Total non-current assets	59,111,477	54,911,477
Total Assets	\$ 62,467,006	\$ 61,248,727

Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 810,526	\$ 25
Long-term debt	31,720,000	31,720,000
Total liabilities	32,530,526	31,720,025
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	698,232	290,454
	29,936,480	29,528,702
Total Liabilities and Shareholder's Equity	\$ 62,467,006	\$ 61,248,727

NOTE: Management has extracted this financial information from the audited financial statements.

PUC INC.

Non-Consolidated Statement Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Interest	\$ 2,244,299	\$ 2,281,626
Dividend income	1,245,126	-
	3,489,425	2,281,626
Expenses:		
Interest on long-term debt	1,934,920	1,934,920
Administrative	80,654	105,236
Business development	264,047	192,217
	2,279,621	2,232,373
Income before payment in lieu of taxes	1,209,804	49,253
Payment in lieu of taxes		
Current	(8,054)	14,145
Net income, being total comprehensive income for the year	\$ 1,217,858	35,108

NOTE: Management has extracted this financial information from the audited financial statements.



PUC SERVICES INC.

Statement of Financial Position

As at December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 3,166,749	\$ 10,906,171
Accounts receivable	7,594,050	2,456,275
Due from related party	9,305,879	3,281,448
Inventories	397,326	360,359
Prepaid expenses	69,990	704,460
Total current assets	20,533,994	17,708,713
Non-current assets:		
Deferred taxes	430,000	630,000
Property, plant and equipment	17,194,358	17,052,065
Intangible assets	447,070	172,200
Total non-current assets	18,071,428	17,854,265
Total assets	\$ 38,605,422	\$ 35,562,978
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,586,074	\$ 3,470,627
Dividends payable	200,000	-
Payment in lieu of taxes	235,871	61,210
Due to related parties	8,429,941	8,086,432
Current portion of long-term debt	85,656	85,656
Total current liabilities	13,537,542	11,703,925
Non-current liabilities:		
Long-term debt	9,143,530	9,229,186
Deferred revenue	10,766,518	10,887,407
Employee future benefit obligations	2,095,366	1,796,238
Total non-current liabilities	22,005,414	21,912,831
Total liabilities	35,542,956	33,616,756
Shareholder's equity:		
Share capital	1,943,300	1,943,300
Accumulated other comprehensive income	251,025	403,227
Surplus (deficit)	868,141	(400,305)
Total shareholder's equity	3,062,466	1,946,222
Total liabilities and shareholder's equity	\$ 38,605,422	\$ 35,562,978

NOTE: Management has extracted this financial information from the audited financial statements.

PUC SERVICES INC.

Statement of Income and Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Management fees	\$ 10,032,484	\$ 10,045,376
Contract services	10,229,457	5,492,457
Other operating revenue	1,740,801	1,548,559
	22,002,742	17,086,392
Expenses:		
Contract service	8,021,317	4,497,868
Administrative	4,585,062	3,740,542
Facilities	2,211,990	2,906,702
Depreciation and amortization	1,902,332	1,866,576
Billing and collection	1,087,607	1,175,980
Customer service	1,018,113	859,677
Street lights	304,806	320,373
New business development	264,047	192,217
Other business and maintenance	122,339	125,410
	19,517,613	15,685,345
Income from operating activities	2,485,129	1,401,047
Net finance costs	454,183	477,591
Income before provision for payment in lieu of taxes	2,030,946	923,456
Payment in lieu of taxes:		
Current	307,625	70,300
Deferred (recovery)	254,875	(9,546)
	562,500	60,754
Income for the year	1,468,446	862,702
Other comprehensive income (loss): items that will not be classified to profit or loss, net of income tax:		
Remeasurement of employee future benefits	(207,077)	556,778
Income tax (recovery) on other comprehensive income	54,875	(147,546)
Other comprehensive income (loss) for the year, net of income tax	(152,202)	409,232
Net income and comprehensive income for the year	\$ 1,316,244	\$ 1,271,934

NOTE: Management has extracted this financial information from the audited financial statements.

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash	\$ 1,357,018	\$ 2,288,938
Accounts receivable	3,315,924	2,532,046
Unbilled service revenue	1,003,613	707,707
Receivable from related company, PUC Services Inc.	6,249,064	1,755,445
	<u>11,925,619</u>	<u>7,284,136</u>
Financial liabilities:		
Accounts payable and accrued liabilities	6,066,139	2,895,959
Loan payable	5,158,807	5,917,394
	<u>11,224,946</u>	<u>8,813,353</u>
Total net financial assets (debt)	700,673	(1,529,217)
Non-financial assets:		
Tangible capital assets	92,251,588	89,145,831
Inventory	315,286	315,146
	<u>92,566,874</u>	<u>89,460,977</u>
Accumulated surplus	\$ 93,267,547	\$ 87,931,760

NOTE: 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, 2019, with comparative information for 2018

	2019	2018
Revenues:		
Service revenue:		
Residential	\$ 11,536,861	\$ 11,123,565
General	7,746,890	7,688,890
Hydrants	1,434,937	1,325,372
	<u>20,718,688</u>	<u>20,137,827</u>
Other:		
Investment income	102,122	45,682
Non-service revenue	408,923	416,004
Developers contributions	337,059	146,070
	<u>848,104</u>	<u>607,756</u>
Total revenues	21,566,792	20,745,583
Expenditures:		
Purification and pumping	3,839,429	3,886,696
Transmission and distribution	4,183,343	4,212,547
Amortization of tangible capital assets	2,532,089	2,492,717
Hydrants	637,577	488,164
Billing and collection	1,230,376	1,219,605
Interest on long-term debt	173,333	196,532
General and administration	3,634,858	3,592,524
	<u>16,231,005</u>	<u>16,088,785</u>
Total expenditures	16,231,005	16,088,785
Operating surplus	5,335,787	4,656,798
Accumulated operating surplus, beginning of year	87,931,760	83,274,962
Accumulated operating surplus, end of year	\$ 93,267,547	\$ 87,931,760

NOTE: Management has extracted this financial information from the audited financial statements.

PUC DISTRIBUTION INC.

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 585,387	\$ 614,613
Accounts receivable	5,433,776	5,421,130
Unbilled revenue	12,098,244	8,557,604
Inventory	1,729,484	1,610,428
Prepaid expenses	65,217	445,680
Total current assets	19,912,108	16,649,455
Non-current assets:		
Property, plant and equipment	100,099,858	97,231,587
Total assets	120,011,966	113,881,042
Regulatory balances	3,713,593	655,380
Total assets and regulatory balances	\$ 123,725,559	\$ 114,536,422

NOTE: Management has extracted this financial information from the audited financial statements.



PUC DISTRIBUTION INC.

Statement of Financial Position (continued)

December 31, 2019, with comparative information for 2018

	2019	2018
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,127,802	\$ 8,110,734
Customer deposits	1,067,552	1,099,333
Payment in lieu of taxes	45,036	-
Dividends payable	900,000	-
Due to related parties	9,041,731	3,281,448
Current portion of long-term debt	1,366,680	1,312,680
Total current liabilities	22,548,801	13,804,195
Non-current liabilities:		
Deferred revenue	4,294,948	3,284,967
Deferred tax liability	710,000	72,000
Long-term debt	60,006,988	61,373,667
Total non-current liabilities	65,011,936	64,730,634
Total liabilities	87,560,737	78,534,829
Shareholder's equity:		
Share capital	20,062,107	20,062,107
Retained earnings	14,663,658	12,523,445
Total shareholder's equity	34,725,765	32,585,552
Total liabilities and shareholder's equity	122,286,502	111,120,381
Regulatory balances	1,439,057	3,416,041
Total liabilities, regulatory balances and shareholder's equity	\$ 123,725,559	\$ 114,536,422

NOTE: Management has extracted this financial information from the audited financial statements.

PUC DISTRIBUTION INC.

Statement of Income and Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Electricity sales	\$ 74,373,612	\$ 67,033,504
Distribution revenue	19,071,168	16,960,991
Cost of electricity sold	(76,035,021)	(67,990,141)
	17,409,759	16,004,354
Other operating revenue	6,747,157	3,917,583
Net operating revenue	24,156,916	19,921,937
Expenses:		
Operations and maintenance	6,302,246	6,009,813
General and administrative	3,172,654	3,615,160
Billing and collection	1,354,435	1,381,283
Depreciation and amortization	4,010,672	3,864,131
Community relations	4,680,636	1,334,845
	19,520,643	16,205,232
Income from operating activities	4,636,273	3,716,705
Net finance costs	3,130,511	3,133,507
Income before tax and regulatory items	1,505,762	583,198
Income tax expense (recovery):		
Current	126,958	8
Deferred	638,000	217,000
	764,958	217,008
Income for the year before movements in regulatory deferral account balances	740,804	366,190
Net movement in regulatory deferral account balances related to income or loss	(1,661,409)	(956,636)
Income tax	(638,000)	(217,000)
	(2,299,409)	(1,173,636)
Net income, being total comprehensive income for the year	\$ 3,040,213	\$ 1,539,826

NOTE: Management has extracted this financial information from the audited financial statements.

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