

Scorecard - Algoma Power Inc.

Performance Outcomes	Performance Categories	Measures	2018	2019	2020	2021	2022	Trend	Target		
									Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	98.63%	97.10%	100.00%	100.00%	98.64%	↑	90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	→	90.00%		
		Telephone Calls Answered On Time	86.06%	81.61%	84.84%	88.36%	85.46%	↑	65.00%		
	Customer Satisfaction	First Contact Resolution	99.97%	99.96%	99.93%	99.95%	99.99%				
		Billing Accuracy	99.86%	99.87%	99.87%	99.82%	99.92%	↑	98.00%		
		Customer Satisfaction Survey Results	93%	95%	94%	93%	97%				
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	82.00%	83.00%	83.00%	83.00%	82.00%				
		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	0	0	0	0	→		0
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.000	→		0.000	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	7.51	7.33	6.79	3.61	4.43	↓		7.36	
		Average Number of Times that Power to a Customer is Interrupted ²	2.20	3.39	2.93	1.77	2.08	↓		3.16	
	Asset Management	Distribution System Plan Implementation Progress	Completed	Completed	Completed	Completed	Completed				
	Cost Control	Efficiency Assessment	5	5	5	5	5				
		Total Cost per Customer ³	\$2,182	\$2,235	\$2,212	\$2,338	\$2,479				
		Total Cost per Km of Line ³	\$13,831	\$12,107	\$12,203	\$13,025	\$14,501				
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 ⁴									
		New Micro-embedded Generation Facilities Connected On Time	100.00%				100.00%	→	90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.07	0.69	0.77	0.43	0.26				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.42	1.36	1.30	1.32	1.44				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.30%	9.30%	8.52%	8.52%	8.52%			
			Achieved	8.22%	8.44%	9.25%	9.38%	10.53%			

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.
 4. Value displayed for 2021 reflects data from the first quarter, as the filing requirement was subsequently removed from the Reporting and Record-keeping Requirements (RRR).

Legend:

5-year trend
 up down flat

Current year
 target met target not met

2022 Scorecard Management Discussion and Analysis (“2022 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 2022 Scorecard MD&A:

[Scorecard - Performance Measure Descriptions \(oeb.ca\)](https://www.ontarioenergyboard.ca/Scorecard-Performance-Measure-Descriptions)

Scorecard MD&A - General Overview

- In 2022, API met or exceeded all of its performance targets, consistent with the strong performance in prior years.
- In 2023, API expects to continue to maintain and improve its overall scorecard performance results. Sustaining and improving performance are expected as a result of enhanced system reliability due to API’s investment in its distribution system and continued responsiveness to customer feedback.

Service Quality

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

In 2022, API connected 99% of the 220 new eligible low-voltage residential and small business customers within the Ontario Energy Board’s prescribed five-day timeline. Since 2011, API has consistently exceeded the Ontario Energy Board’s target of 90%.

• **Scheduled Appointments Met On Time**

In 2022, API met 100% of its 190 appointments within the prescribed timelines set out by the Ontario Energy Board. Since 2013, API has consistently attended 100% of its schedule appointments on time.

• **Telephone Calls Answered On Time**

In 2022, customer service representatives answered 85.5% of API’s 8,769 calls within 30 seconds. This exceeds the Ontario Energy Board’s mandated 65% target. Longer call processing times due to the complexity of customer calls are affecting the call answering statistics. API continues to offer and promote self-serve options and utilizes social media to engage and inform customers in an effort

to offer customers additional channels to interact with the Company.

Customer Satisfaction

- **First Contact Resolution**

API measured First Contact Resolution by tracking the number of escalated calls as a percentage of total calls taken by the customer service center. In 2022, only 0.01% of calls were escalated, resulting in a first contact resolution of 99.99%.

- **Billing Accuracy**

For 2022, API issued 149,546 invoices and 99.92% were accurate. This is above the industry target of 98%.

- **Customer Satisfaction Survey Results**

API conducts its customer satisfaction surveys through a third-party survey provider, UtilityPULSE, consistent with many other LDCs in the province. Phone numbers were randomly selected so that 85% per cent of the interviews were conducted with residential customers and 15% with general service customers. API's 2022 satisfaction score was 97%. The Ontario benchmark assessed by UtilityPULSE is 90%.

The survey provides useful information to better meet the needs of API's customers and is incorporated into API's distribution system plan, capital planning and overall company objectives.

Safety

- **Public Safety**

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

The Electrical Safety Authority has developed a survey on public awareness of electrical safety. The Electrical Safety Authority is responsible for developing the survey methodology and questions. The design and scoring are standardized across the province and set by the Electrical Safety Authority. In 2022, API engaged UtilityPulse to complete the survey in relation to "Public Awareness of Electrical Safety". On completion of this survey, UtilityPulse generated a "Public Safety Awareness Index Score" for API. API's score of 82% suggests that members of the public are generally well-informed about the safety hazards associated with electrical distribution systems, but also that further education and engagement would be beneficial. This survey on "Public Awareness of Electrical Safety" is completed on a two-year cycle and will be completed again by API in 2024.

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

This component includes the results of an Annual Audit, Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns and Compliance Investigations. All the elements are evaluated as a whole and determine the status of compliance (Non-Compliant, Needs Improvement, or Compliant).

API's status as evaluated by the ESA is Compliant.

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

“Serious electrical incidents”, as defined by Regulation 22/04, make up Component C. The metric details the number of and rate of “serious electrical incidents” occurring on a distributor’s assets and is normalized per 10, 100 or 1,000 km of line (10km for total lines under 100km, 1000km for total lines over 1000km, and 100km for all the others).

API had zero incidents in 2022.

System Reliability

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

API's customers experienced an increase in the average duration of electrical service disruptions in 2022 compared to 2021. The 2022 result is 40% better than API's performance target.

The average number of hours that power to a customer is interrupted, which are adjusted for Loss of Supply and Major Event Days, shows a decreasing trend. This indicates a general improvement in reliability for items within API's control. The four main outage causes in API's service area are Tree Contacts, Loss of Supply, Scheduled Outages and Defective Equipment.

API continues to invest in grid modernization to gain visibility on the state of the distribution system and improve overall response and restoration times. Grid modernization initiatives include the deployment of automated devices, implementation of a SCADA system and further development of API's outage management system. Outages in Northern Ontario can have significant impact to our customers, which is why API has continued to invest in asset contingency planning, ensuring redundancy in critical supplies and equipment. API has also continued to prioritize the management of its right-of-ways through its integrated vegetation management program.

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

API's customers experienced a slight increase in the average number of electrical service disruptions in 2022 as compared to 2021, the result is 35% lower than API's performance target of 3.16, and shows an improving trend during the most recent five-year period.

API reviews outage statistics on a monthly basis to identify areas of poor distribution system performance. This process indicates any trends in poor performance and identifies opportunities to improve reliability. API also completes asset condition assessments to identify assets that present a risk of impacting system reliability. API uses reliability indicators and asset condition assessment data as key drivers into the system planning process.

API's outage reduction strategy is based on a cyclical asset preventative maintenance program through inspections and testing, and continues to prioritize management of right-of-ways through it's integrated vegetation management program. API has implemented a renewal based sustainment plan, whereby older, at end-of-life assets are replaced

Asset Management

- **Distribution System Plan Implementation Progress**

In 2022, API continued to see an increase in non-discretionary projects, through customer and third-party requests. API continues to invest in this area as needed in order to provide customers access to electricity services and to ensure ongoing collaboration with third-party entities completing work in our service territory. In particular, API responded to several larger industrial connection requests as well as permit requests associated with the accelerated broadband initiatives.

API's system renewal investments continue to be focused on sustaining asset replacements through our line and express feeder rebuild programs. In 2022, API achieved its planned rebuild plans and began the land acquisition and pre-engineering processes for the Bruce Mines greenfield station project, which is slated to continue in 2023.

API's system service investment continued to be focused on improving system reliability through contingency planning improvements, protection and control upgrades and system configuration upgrades. In 2022, API's main focus continued to be the supply contingency improvements at the Echo River TS. API has also been working with the Transmitter on supply point upgrades at the Goulais TS and Batchawana TS (both led by Hydro One Sault Ste. Marie), ensuring that the refurbishment plans will support long-term projected system capacity needs and improve supply contingency in their respective areas.

API's general plant investments continued to be focused on the new Sault Facility project as well as a sustaining fleet replacement program. In 2022, the construction of the new Sault Facility was completed, and API successfully transitioned its operations to the new building.

Industry supply chain challenges continue to cause procurement delays in our Fleet replacement plan. API achieved other smaller investment plans associated with right-of-way access trail improvements, implementation of a SCADA system, etc.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the Ontario Energy Board to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In reviewing the Pacific Economics Group benchmarking and report, API management does not believe that the model accurately predicts API's costs. API's unique attributes as a rural and remote distributor, particularly its low customer density, result in API being an extreme outlier in the data set used to develop the model.

Some of API's largest cost drivers, including customer density and the degree of forestation along its distribution line rights of way, are not appropriately reflected in the benchmarking model. As a result of the extremely rural and low-density nature of API's system in relation to other Ontario distributors, API management believes that the total cost per km of line section below provides a more appropriate measure of API's efficiency and cost control.

- **Total Cost per Customer**

The statistical model developed by Pacific Economics Group (PEG) produces total capital and operating costs for each distributor that can be used for the purpose of comparing distributors. This amount is then divided by the total number of customers that API serves to determine Total Cost per Customer. The cost performance result for 2022 is \$2,479 per customer which is a 6.0% increase over 2021.

Total cost in 2022, as assessed by PEG, increased 7% over 2021, while API's customer growth in this period was only 1%. API's operating expense component of total cost grew 2%, indicating API was able to manage costs at a rate lower than inflation in 2022. The capital cost component grew at a rate of 12%, driving the increase in total cost. API's Gross Capital Additions in 2022 were substantially *lower* than 2021, and the Capital Quantity assessed by PEG was stable, at 1% growth. The driver of the increase in Capital Cost (and in turn, the increase in total cost) was PEG's assessment of Capital Price, which is consistent across the industry, and grew by 10%, driven by increases in industry-wide inflation and cost of capital parameters.

Over the 2018 to 2022 period covered by the scorecard, API faced both inflationary cost increases, as well as cost increases associated with investments in programs for asset replacement, system improvement, and vegetation management that are sustainable in the long term. From 2018 to 2022, API's total customer count has not grown substantially (11,721 in 2018 vs. 12,332 in 2022), with a result that cost increases are not offset by customer growth.

- **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 API operates to serve its customers. API's 2022 result is \$14,501 per km of line, an 11% increase over the result for 2021. The change in 2022 is driven by the increase in total cost, of 7%, as well as a decrease in the km of line (-4%) due to a reporting refinement.

The 7% increase in total costs is explained in the section above (Total Cost per Customer)

Many of API's significant cost drivers are directly related to its total kilometers of line. These cost drivers include most lines and vegetation management related activities, as well as support functions such as engineering and design. As discussed in the Efficiency Assessment section above, API management believes that total cost per km of line is a more accurate assessment of API's cost efficiency than the other measures discussed above.

Financial Ratios

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

The 2022 liquidity current ratio for API per the scorecard is 0.26 (2021 - 0.43). The 2022 liquidity current ratio based on API's audited financial statements, adjusted to exclude due to related parties, is 0.35 (2021 - 0.75), which varied from last year primarily due to an increase in short-term loan payables as a result of cash flow needs associated with several large ongoing capital projects. It is expected that additional long-term debt financing will be secured, and that the liquidity ratio will move back towards a ratio of 1.00.

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

The Ontario Energy Board 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. The combined 2022 debt to equity ratio for API is 1.44 (2021 - 1.32), which has not significantly changed from prior year. The 2022 debt to equity ratio based on API's audited financial statements, adjusted to include due to related parties, is 1.52 (2021 - 1.48). The leverage ratio is expected to be maintained at a level near the 1.5 deemed capital mix noted above.

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

API's 2022 distribution rates were approved by the Ontario Energy Board as part of its 4th Generation Incentive Rate-Setting application. API's last Cost of Service application was for rates effective January 1, 2020 and this included an expected (deemed) regulatory return on equity of 8.52%. The Ontario Energy Board allows a distributor to earn within +/- 3% of the expected return on equity. Outside of this range,

the OEB may require a review of the distributor's over-/under- earning.

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

API's return achieved in 2022 is 10.53% (2021 - 9.38%), which is within the +/- 3% range allowed by the Ontario Energy Board. API's achieved returns are higher in 2022 as compared to 2021 due to a \$0.7 million (15.3%) increase in adjusted regulated net income and a \$2.6 million (2.2%) increase in rate base. The primary driver of the increase in adjusted regulated net income was a reduction in the current income tax expense calculated for regulated Return on Equity purposes.

Note to Readers of 2022 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.