

# Scorecard - Algoma Power Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	98.60%	97.60%	94.70%	99.00%	100.00%	↑	90.00%		
		Scheduled Appointments Met On Time	100.00%	99.80%	100.00%	100.00%	100.00%	↑	90.00%		
		Telephone Calls Answered On Time	73.20%	76.30%	78.80%	82.90%	82.60%	↑	65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution						99.76%			
		Billing Accuracy						99.88%	→	98.00%	
		Customer Satisfaction Survey Results				72.0%	69%				
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public awareness [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	NI	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	
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted	15.86	11.38	10.88	11.91	10.12	↓		at least within 10.88 - 15.86	
		Average Number of Times that Power to a Customer is Interrupted	3.72	4.76	7.66	3.64	4.04	↓		at least within 3.64 - 7.66	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress						In Progress			
	<b>Cost Control</b>	Efficiency Assessment			3	5	5				
Total Cost per Customer <sup>1</sup>		\$1,686	\$1,844	\$1,807	\$1,952	\$1,980					
Total Cost per Km of Line <sup>1</sup>		\$10,593	\$11,556	\$11,354	\$12,302	\$12,483					
<b>Public Policy Responsiveness</b>  Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	<b>Conservation &amp; Demand Management</b>	Net Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>		1.72%	7.40%	19.63%	83.18%	●		1.28MW	
		Net Cumulative Energy Savings (Percent of target achieved)		9.14%	26.03%	44.53%	60.46%	●		7.37GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time		100.00%			100.00%				
		New Micro-embedded Generation Facilities Connected On Time				96.88%	100.00%			90.00%	
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.27	1.61	1.66	1.99	2.33				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.47	1.47	1.34	1.25	1.22				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.85%	9.85%	9.85%	9.85%			
			Achieved		10.50%	11.44%	7.06%	8.38%			

**Notes:**

1. These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.  
 2. The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

**Legend:** up down flat  
 target met target not met

## Appendix A – 2014 Scorecard Management Discussion and Analysis (“2014 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 2014 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard\\_Performance\\_Measure\\_Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf)

### Scorecard MD&A - General Overview

In 2014, API exceeded all performance targets with the exception of the two measures for Conservation & Demand Management.

API’s performance with respect to CDM targets will be discussed in detail under the section “Conservation & Demand Management”.

Customer Satisfaction Survey Results were down slightly from 2013; however, API has continued to respond to Customer feedback by implementing social media applications in 2015, which will help keep customers informed regarding outages etc.

### Service Quality

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

In 2014, API connected 100% of the 77 new eligible low-voltage residential and small business customers within the Ontario Energy Board’s prescribed five day timeline. Since 2010, API has consistently met the Ontario Energy Board’s target and has exhibited year over year improvement.

- **Scheduled Appointments Met On Time**

In 2014, API met 100% of its 342 appointments within the prescribed timelines set out by the Ontario Energy Board. Since 2010, API has consistently met the Ontario Energy Board’s target.

- **Telephone Calls Answered On Time**

In 2014, customer service representatives answered 82.60% of its 14,495 calls within 30 seconds. This exceeds the Ontario Energy Board mandated 65% target. API has improved this statistic since 2010 and continues to offer self-serve options and utilizes social media to engage and inform customers in an effort to offer the customer more 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 from July 1, 2014 to December 31, 2014. For this period, less than one percent of calls were escalated.

- **Billing Accuracy**

For the period from October 1, 2014 – December 31, 2014, API issued approximately 35,300 invoices and 99.88% were accurate; above the benchmark of 98%.

- **Customer Satisfaction Survey Results**

API utilizes a third party to conduct a telephone survey for its residential customers. The survey includes questions regarding the quality of service, safety, billing, customer communications and information on the industry. The results cited on the scorecard represent customers who indicated that they were 'completely' and 'mostly' satisfied with the overall quality of service. To date, API has not included responses of being 'somewhat' satisfied in the scorecard result. 2014 results were slightly lower than 2013 which is consistent with lower 2014 industry results. This reduction may be attributable to well published events in the industry as a whole, such as the Ombudsman's report on electricity billing and the increasing cost of energy. However, within the survey, customers continue to rate API very high for the safe and reliable delivery of service and providing timely and accurate bills at 86% and 84%, respectively.

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

## Safety

- **Public Safety**

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

API has a number of internal initiatives to communicate Public Awareness of Electrical Safety to our customers. Additionally, API partners with ESA in promoting ESA provincial wide public safety campaigns.

- **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).

Results provided by ESA, API's status for 2014 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).

Results provided by ESA, API has zero incidents in 2014.

## System Reliability

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

From 2010 to 2014, API has seen an improving trend in the average number of hours that supply to a customer was interrupted. The largest contributor to this trend is a reduction in the number of planned outages required to complete API's work programs.

API continues to view reliability of electricity service as a high priority for its customers. API's Distribution System Plan contains a number of programs aimed at maintaining and improving system reliability.

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

From 2010 to 2014, API has seen an improving trend in the average number of times that power to a customer was interrupted. API has upgraded equipment on many of its express feeders (distribution lines that function more like transmission line to serve large numbers of customers). Also, a reduction in the number of planned outages has also contributed to the reduction in customer interruptions.

## Asset Management

- **Distribution System Plan Implementation Progress**

API's 2014 capital program was underspent as compared to the amounts forecasted in its most recent cost of service rate application. There were three major projects/programs contributing to this variance. The reconstruction of the Hawke Junction Distribution Station was partially deferred to 2015 due to the availability of certain equipment. Certain line reconstruction projects were deferred due to severe weather. Finally, contract costs to construct a new service center exceeded budget estimates prompting a delay in the project.

## 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 distributor, particularly its low customer density, result in API being an extreme outlier in the data set used to develop the model. In its 2014 IRM proceeding, EB-2013-0110, API presented evidence supporting its position. The Ontario Energy Board accepted API's evidence indicating that the model, although applicable to the vast majority of distributors, may not apply to distributors that are particularly unique. The Ontario Energy Board assigned a stretch factor of 0.3% for 2014.

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**

Total cost per customer is calculated as the sum of API's capital and operating costs and dividing this cost figure by the total number of customers that API serves. The cost performance result for 2014 is \$1980 /customer which is a 1.4% increase over 2013.

API's total cost per customer has increased on average by 4.2% per annum over the period 2010 through 2014. API faces 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 2010 to 2014, API's total customer count has essentially stayed the same (11,612 in 2010 vs. 11,650 in 2014), with a result that cost increases are not offset by customer growth.

API faces additional cost pressures due to the climatic and geographical traits of its service area. The entire service area is located along the shores of the Great Lakes, with its prevailing winds and lake effect precipitation. In addition, many of API's distribution lines are located in rural and rugged areas of the Canadian Shield, impacting the cost of construction, access and outage response.

API will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts as demonstrated in our 2015 rate application. API will continue 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 API'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 API operates to serve its customers. API's 2014 rate is \$12,483 per km of line, a 1.5% increase over 2013.

Many of API's significant cost drivers are directly related to its total kilometers of line. These cost drivers include most lines and forestry 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. In reviewing total cost per km of line data for all Ontario distributors for 2014, API notes that it ranks the 6<sup>th</sup>-lowest.

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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 2010 to 2014, API's total km of line has remained unchanged.

## Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved)**

On the basis of the IESO's "2011 – 2014 Final Results Report" issued on September 1, 2015, API achieved 83.2% of its Net Annual Peak Demand Savings. API fully leveraged the suite of Independent Electricity System Operator ("IESO") province-wide demand management programs and placed emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers.

API had been challenged in its efforts to meet the assigned target. API had been assigned a target which included loads associated with an embedded distributor. This customer has experienced economic difficulties during this timeframe and it has created challenges for API to offer the programs in this area. Other challenges have been the suitability of existing programs to the energy requirements of the north and the higher costs of delivering programs in remote areas.

- **Net Cumulative Energy Savings (Percent of target achieved)**

On the basis of the IESO's "2011 – 2014 Final Results Report" issued on September 1, 2015, API achieved 60.5% of its Net Energy Savings. API leveraged the suite of Independent Electricity System Operator ("IESO") province-wide demand management programs and placed emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers.

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## Connection of Renewable Generation

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

API had one request to complete a Connection Impact Assessment in 2014, and one request in 2011. Both assessments were completed within the timelines prescribed by the Distribution System Code. API did not receive requests in 2010, 2012, or 2013.

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

In 2014, API connected seven new micro-embedded generation facilities (microFIT projects of less than 10 kW). All seven facilities were connected within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. API works closely with its customers and their contractors to make the connection process as streamlined and transparent as possible.

## Financial Ratios

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

The 2014 liquidity current ratio for Algoma Power Inc. is 2.33 (2013 1.99). The liquidity ratio has increased slightly over the past several years and going forward it is expected to be held relatively constant. API has consistently shown a liquidity ratio greater than 1.0, which is an indication that API is appropriately leveraged.

- **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 2014 leverage debt to equity ratio for API is 1.22 (2013 1.25). The leverage ratio has remained relatively unchanged over the past several years and going forward it is expected to be held relatively constant.

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

API's 2014 distribution rates were approved by the Ontario Energy Board as part of its previous Cost of Service application for rates effective February 1, 2011 and this included an expected (deemed) regulatory return on equity of 9.85%. The Ontario Energy Board allows a distributor to earn within +/- 3% of the expected return on equity.

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

API's return achieved in 2014 was 8.38% (2013 7.06%), which is within the +/- 3% range allowed by the Ontario Energy Board. API achieved returns are higher in 2014 as compared to 2013 due to a higher adjusted regulated net income, as a result of decreased expenses offset by a decline in distribution revenue.

## Note to Readers of 2014 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.