

Scorecard - Algoma Power Inc.

9/24/2017

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	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	94.70%	99.00%	100.00%	100.00%	99.40%	↑	90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	→	90.00%		
		Telephone Calls Answered On Time	78.80%	82.90%	82.60%	81.90%	86.60%	↑	65.00%		
	Customer Satisfaction	First Contact Resolution			99.76%	99.74%	99.97%				
		Billing Accuracy			99.88%	99.85%	99.85%	↓	98.00%		
		Customer Satisfaction Survey Results		72.0%	69%	92%	79%				
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				81.00%	81.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	→	C	C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	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	0.000	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	10.88	7.00	7.96	8.80	5.46	↓	10.62	10.62	
		Average Number of Times that Power to a Customer is Interrupted ²	7.66	2.94	3.24	3.68	2.57	↓	4.46	4.46	
	Asset Management	Distribution System Plan Implementation Progress			In Progress	Completed	Completed				
	Cost Control	Efficiency Assessment	3	5	5	5	5				
Total Cost per Customer ³		\$1,807	\$1,952	\$1,980	\$2,107	\$2,126					
Total Cost per Km of Line ³		\$11,354	\$12,302	\$12,483	\$13,306	\$13,453					
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).	Conservation & Demand Management	Net Cumulative Energy Savings ⁴				13.73%	31.19%		7.51 GWh	7.51 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			100.00%	100.00%					
		New Micro-embedded Generation Facilities Connected On Time		96.88%	100.00%	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)	1.66	1.99	2.33	1.14	1.10				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.34	1.25	1.22	1.12	1.02				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.85%	9.85%	9.30%	9.30%			
			Achieved	11.44%	7.06%	8.38%	11.07%	9.89%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

4. The CDM measure is based on the new 2015-2020 Conservation First Framework.

Legend:

5-year trend

↑ up ↓ down → flat

Current year

● target met ● target not met

2016 Scorecard Management Discussion and Analysis (“2016 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2016 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

In 2016, API continued to meet or exceed the majority of its performance targets.

In 2017, API expects to continue to improve its overall scorecard performance results as compared to previous years. These performance improvements 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 2016, API connected 99.4% of the 162 new eligible low-voltage residential and small business customers within the Ontario Energy Board’s prescribed five day timeline. Since 2011, API has consistently met the Ontario Energy Board’s target of 90%.

- **Scheduled Appointments Met On Time**

In 2016, API met 100% of its 364 appointments within the prescribed timelines set out by the Ontario Energy Board. Since 2011, API has consistently met the Ontario Energy Board’s target of 90%.

- **Telephone Calls Answered On Time**

In 2016, customer service representatives answered 86.6% of its 15,125 calls within 30 seconds. This exceeds the Ontario Energy Board’s mandated 65% target. 2016 results are improving over the previous three years. 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 2016, less than one percent of calls were escalated.

- **Billing Accuracy**

For 2016, API issued approximately 142,481 invoices and for the second year in a row, 99.85% were accurate. This is above the industry standard of 98%.

- **Customer Satisfaction Survey Results**

In 2015, API moved to a new third party survey provider, UtilityPULSE, to be more consistent with other LDCs in the province. The survey size was expanded and general service customers were included in the telephone survey. The phone numbers were randomly selected and were stratified so that 85 per cent of the interview were conducted with residential customers and 15 per cent with general service customers. The 2016 satisfaction score was 79%, which is comparable to the Ontario benchmark of 81%. API's 2016 results are lower than in 2015, but remain higher than 2013 and 2014 results.

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**

In 2015, UtilityPulse was also engaged to complete surveys in relation to "Public Awareness of Electrical Safety". On completion of this survey, UtilityPulse generated a "Public Safety Awareness Index Score" for API and other LDC's. Province-wide scores ranged from 77% to 86%, with both average and median Index Scores of 82%. API's score of 81% 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

2017.

- **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 2016 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 had zero incidents in 2016.

System Reliability

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

API’s customers experienced a decrease in the average duration of electrical service disruptions in 2016. The 2016 result is both better than target, and better than the result of any recent year. The largest reductions are in the categories of tree contact and planned outages.

API continues to invest in grid modernization in order 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 and implementation of an outage management system. API understands that reliability of electrical service is a high priority for its customers and continues to invest in replacement of end-of-life assets as well as vegetation management.

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

API’s customers also experienced a decrease in the average number of electrical service disruptions in 2016. The 2016 result is both better than target, and better than the result of any recent year.

API has deployed several initiatives aimed at reducing the number of electrical service interruptions such as the vegetation management program and cyclical asset preventative maintenance programs.

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.

Asset Management

- **Distribution System Plan Implementation Progress**

API continues to implement the 2015-2019 Distribution System Plan approved in its last rate application.

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.

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 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 2016 is \$2,126 per customer which is a 0.9% increase over 2015.

API's total cost per customer has increased on average by 3% per annum over the period 2011 through 2016. 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 2011 to 2016, API's total customer count has essentially stayed the same (11,581 in 2011 vs. 11,679 in 2016), 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 2016 result is \$13,453 per km of line, a 1.1% increase over 2015.

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 2015, API notes that its cost is the 5th-lowest among 71 distributors.

API's total cost per km of line has increased on average by 3.2% per annum over the period 2011 through 2016. Over the same period, API's total km of line has increased by only 2 km, or 0.1%. As a result, changes in the cost per km result are simply reflective of changes in API's overall costs.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

On the basis of the IESO's "Final 2016 Annual Verified Results Report" issued on June 30, 2017, API achieved 31.19% of its Net Energy Savings target for the 2015 – 2020 timeframe. 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.

Much of this success can be attributed to the successful promotion of energy efficiency programs and strong participation by commercial customers in the Retrofit and Small Business Lighting Programs.

Connection of Renewable Generation

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

API did not receive any requests for renewable generation connections requiring Connection Impact Assessments in 2016.

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

In 2016, API connected two (2) new micro-embedded generation facilities (microFIT projects of less than 10 kW). Both 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 2016 liquidity current ratio for Algoma Power Inc. is 1.10 (2015 1.14). The liquidity ratio has remained relatively unchanged over prior year and going forward the liquidity ratio is expected to, at a minimum, 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 2016 leverage debt to equity ratio for API is 1.02 (2015 1.12). The leverage ratio has decreased slightly 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 2016 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, 2015 and this included an expected (deemed) regulatory return on equity of 9.30%. 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 2016 was 9.89% (2015 11.07%), which is within the +/- 3% range allowed by the Ontario Energy Board. API achieved returns are lower in 2016 as compared to 2015 due to a \$0.2 million (5.0%) decrease in adjusted regulated net income and a \$6.2 million (6.3%) increase in rate base.

Note to Readers of 2016 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.