

Scorecard - Atikokan Hydro Inc.

Performance Outcomes	Performance Categories	Measures	2014	2015	2016	2017	2018	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		100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time								90.00%	
		Telephone Calls Answered On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	65.00%		
	Customer Satisfaction	First Contact Resolution	95%	100	100	100%	100%				
		Billing Accuracy	100.00%	99.98%	99.98%	99.99%	99.98%	➡	98.00%		
		Customer Satisfaction Survey Results	Favourable	Favorable	Favourable	100%	100%				
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%	82.00%	85.00%	85.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	➡		C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	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	0.37	0.13	1.01	2.74	1.17	⬆️		1.05	
		Average Number of Times that Power to a Customer is Interrupted ²	0.09	0.03	0.22	2.39	0.60	⬆️		0.39	
	Asset Management	Distribution System Plan Implementation Progress	On Track	on Target	Completed	On Target	On Target				
	Cost Control	Efficiency Assessment	4	3	3	4	4				
		Total Cost per Customer ³	\$800	\$936	\$974	\$1,002	\$1,024				
		Total Cost per Km of Line ³	\$14,459	\$16,810	\$17,357	\$17,829	\$18,212				
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		9.63%	26.45%	61.45%	71.00%			1.14 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time									
		New Micro-embedded Generation Facilities Connected On Time								90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.35	1.41	1.69	1.55	1.37				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.32	0.25	0.20	0.14	0.19				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.12%	9.12%	8.78%	8.78%			
			Achieved	28.33%	13.14%	2.73%	9.46%	11.86%			

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 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 2015-2020 Conservation First Framework. 2018 results are based on the IESO's unverified savings values contained in the March 2019 Participation and Cost Report.

Legend:

5-year trend
 ⬆️ up ⬇️ down ➡ flat

Current year
 ● target met ● target not met

2018 Scorecard Management Discussion and Analysis (“2018 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 2018 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

Scorecard MD&A - General Overview

- In 2018, Atikokan Hydro (“Atikokan”) mainly performed well in all areas of the scorecard.
- Atikokan Hydro met or exceeded all performance objectives with the exception of its System Reliability measures; both the average number of hours that power to a customer is interrupted, and the average number of times that power to a customer is interrupted were unfavorable for the residents of Atikokan. This will be discussed further under System Reliability.
- Atikokan Hydro continues to strive to meet or exceed its scorecard performance and maintain reliability of supply to its customers with minimal interruptions.
- As general feedback from customers, Atikokan Hydro customers are primarily concerned with the cost of power and reliability. Atikokan Hydro strives to minimize the cost impacts per customer.
- Cost Control is a challenge for Atikokan Hydro. Similar to other LDC’s, aging infrastructure and a decline in customer count continues to be a challenge for the utility. Atikokan must continue heavily investing in the infrastructure, maintaining safety and reliable supply of electricity to those serviced by Atikokan Hydro.

Service Quality

- **New Residential/Small Business Services Connected on Time**
Once all conditions of service are met, 90% of the time, utilities must connect new customer services within five working days. Atikokan Hydro exceeds the industry target, performing 100% of connections on time. Atikokan Hydro takes pride in its ability to honor customer requests for connections. Due to the small size of the LDC, office staff directly engage with the outside crew and are aware of their schedules and abilities to complete work order requests. Historically, Atikokan Hydro does not have a lot of new connection requests but performs the same service quality for all connection requests including disconnect/reconnects for electrical upgrades, or seasonal reconnections.
- **Scheduled Appointments Met On Time**
For 2018, Atikokan Hydro had no appointments scheduled; thereby, 2018 no measure was reported. However, historically Atikokan Hydro meets 100% of its scheduled appointments on time, this exceeds the Industry target of 90%. Atikokan Hydro strongly believes that our

customer's time is very important and should be respected by meeting all scheduled appointments on time.

- **Telephone Calls Answered On Time**

The Ontario Energy Boards target for answering telephone calls on time is 65%; however, Atikokan Hydro exceeds this with answering 100% of calls on time and has historically been consistent. These statistics are manually logged. Atikokan Hydro has two incoming telephone lines and typically three staff are in the office to ensure incoming calls are answered in a timely manner. Again, this demonstrates Atikokan Hydro's focus on customers and excelling in service quality.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution is a measure of a distributor's effectiveness at satisfactory addressing customer's complaints. This measure was added in 2014; the OEB has permitted distributors discretion on how this measure is reported. Based on the 2018 Scorecard, Atikokan Hydro resolves 100% of customer contact the first time and does not require referral to management for resolution.

- **Billing Accuracy**

The OEB Industry target for billing accuracy is 98%; Atikokan exceeds this with 99.98% billing accuracy for 2018. Atikokan has internal controls in place for verification of bills prior to releasing the bills to its customers.

- **Customer Satisfaction Survey Results**

Atikokan Hydro has a portion of the bill dedicated for customers to have the ability to make comments, and to express their satisfaction or dissatisfaction with Atikokan Hydro. Atikokan Hydro did not have customers respond to this feature during 2018 and, for this reason, this has been interpreted as favorable. While Atikokan Hydro did not survey its customers in 2018 with a survey, the prior (2016) survey results indicated overall 97% customer satisfaction with the services provided by Atikokan Hydro. Atikokan was pleased with the results.

Safety

- **Public Safety**

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

The Public Awareness of Electrical Safety component of the public safety measure is expected to measure the level of awareness of key electrical safety precautions among public within the electricity distributor's service territory. It measures the degree of effectiveness for distributors' activities on preventing electrical accidents. Distributors are expected to demonstrate the impact of their public education efforts through biannual surveying of adults residing in their territory. Atikokan Hydro hired UtilityPulse to conduct a survey to determine Atikokan Hydro's Public Safety Awareness. The survey was performed quarter 1 of 2018; the telephone survey results indicated an index score of 85%, whereas the prior survey in 2016 was 82%. This is an improvement. Atikokan Hydro is pleased with the level of knowledge and awareness of the public on electrical safety.

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

Atikokan Hydro takes compliance issues with the Ontario Regulation 22/04 very seriously and strives to ensure that all aspects of Regulation 22/04 are met. Any 'needs improvement' notations from the annual audit are implemented as soon as possible. The regulation establishes safety requirements and objectives for design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Atikokan Hydro was compliant with the Ontario Regulation 22/04 for 2018 and the historical years 2010 through 2017, with the exception of 2013, with a 'needs improvement'.

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

Atikokan Hydro is pleased to report zero serious electrical incidents and, as the 2018 Scorecard indicates, for the years prior to this as well. Atikokan Hydro believes safety of both staff and the public to be of the highest importance. The results received from the ESA for 2018 Scorecard reporting and historical years are as follows:

Results					Target
Year	Number of Incidents	Km of Line	Rate Default Value	Serious Incident Index	Serious Incident Index
2018	0	92	10	0.000	0.000
2017	0	92	10	0.000	0.000
2016	0	92	10	0.000	0.000
2015	0	92	10	0.000	0.000
2014	0	92	10	0.000	0.000
2013	0	92	10	0.000	0.000
2012	0	92	10	0.000	0.000
2011	0	92	10	0.000	0.000

System Reliability

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

The average hours that power is interrupted is a measure of system reliability. It is determined by dividing the total monthly duration of all interruptions experienced by all customers (excluding interruptions caused by Loss of Supply events), in hours, by the average number of customers served. The measure for 2018 is 1.17. Atikokan Hydro's distributor target by the OEB is 1.05. The lower the reliability figure, the better the utility has performed compared to the target. Atikokan did not meet the target for 2018. The majority of the outages were a result of weather, lightning and trees.

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

The average number of times that power to a customer is interrupted is a system reliability measure. It is determined by dividing the total number of interruptions experienced by all customers (excluding interruptions caused by Loss of Supply events), by the average number of customers served. The measure for 2018 is calculated as 0.60 which is slightly greater than the distributor target of 0.37. This measure results is unfavorable for Atikokan Hydro customers. As noted in the prior system reliability measure the majority of the outages were a result of weather, lightning and trees.

Asset Management

- **Distribution System Plan Implementation Progress**

Atikokan Hydro Inc. submitted its Distribution System Plan with its 2017 Cost of Service Rate Application; October of 2016. This Distribution System Plan is for the period of 2017 through 2021. Therefore, 2018 was the second year of the plan.

Cost Control

- **Efficiency Assessment**

The total cost and efficiency ranking was developed by Pacific Energy Group (PEG), an independent third party consultant of the OEB. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual, actual, and predicted costs. For 2018, Atikokan fell within Group 4 (actual costs within 10-25% of predicted costs); however, it should be noted the efficiency assessment was 11.3% which is just slightly above the maximum for Group 3. For Group 3, a distributor is defined as having actual costs within +/- 10 percent of predicted costs; Atikokan Hydro was considered Group 4 for the prior year 2017; Group 3 for prior years 2016 and 2015. Group 3 is considered "average efficiency," in other words, costs are within the average cost range for distributors in the Province of Ontario. Atikokan Hydro is continually striving to become more efficient and emphasize efforts to control costs. At the very least, Atikokan would like to improve its cost control and fall back within the provincial average of Group 3. Cost control has always been a challenge given the declining customer base and the large territory Atikokan services.

- **Total Cost per Customer**

Atikokan Hydro's total cost per customer for 2018 is \$1,024. This is calculated by the sum of Atikokan Hydro's capital and operating costs, divided by the total number of Atikokan Hydro's customers. Atikokan reported a total of 1,636 customers for 2018. The total cost per customer has increased over the past few years; while total costs have increased, Atikokan Hydro's total customer base has a trend of decline year over year. An increased customer base would lower the total cost per customer. Atikokan has been heavily investing in its aging infrastructures which drives up the cost per customer. The expenditures are necessary to ensure safe and reliable supply of electricity.

- **Total Cost per Km of Line**

Atikokan Hydro's total cost per Km of Line for 2018 is \$18,212. This measure is calculated as the sum of capital and operating costs, divided by the number of kilometers of line the utility operates to serve its customers. Atikokan has a total of 92 Km of line. Some of Atikokan Hydro's lines are in rugged and thick bush terrain with minimal access points. As a result of the challenging area, greater costs to maintain these lines are incurred.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

Atikokan Hydro in collaboration with the Northwest Group (Synergy North (formerly, Thunder Bay Hydro Electricity Distribution), Fort Frances Power Corp., Kenora Hydro and Sioux Lookout Hydro) received approval for its joint 2015-2020 Conservation plan. Atikokan Hydro's allocated target is 1,140,000 kWh. 2018 Results reported Atikokan Hydro has met 71% of its target. However, as per Ministry direction and OEB revocation of the CDM provisions in LDCs licenses; whereby, LDCs are to discontinue the Conservation First Framework, Atikokan Hydro will not be offering various Conservation & Demand Management (CDM) programs.

Connection of Renewable Generation

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

Atikokan Hydro did not have any renewable generation impact assessments to consider.

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

Atikokan did not have any new Micro-embedded Generation Facilities connected during 2018; however, based on previous connections and Atikokan Hydro's practices, all connection requests are completed within the prescribed time frame of five business days.

Financial Ratios

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

As an indicator of financial health, a current ratio that is greater than 1 is considered good, as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being “liquid”. The higher the number, the more “liquid” and the larger the margin of safety to cover the company’s short-term debts and financial obligations.

Atikokan Hydro’s Current Ratio was 1.37 for year ending December 31, 2018.

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

The OEB uses a deemed capital structure of 60% debt and 40% equity or a ratio of 1.5 (60/40) for rate setting purposes. A high debt to equity ratio indicates a distributor may have difficulty generating cash flows to make its debt payments. Atikokan Hydro has significantly improved its debt to equity ratio over the last few years; continuing to pay back its borrowed debt, but further converting its debt with its Shareholder, to equity. For 2018, Atikokan Hydro’s debt to equity ratio was 19% debt and 81% equity. In the past, Atikokan has had to borrow for implementation of smart meters and funding capital upgrades to the distribution system. Atikokan Hydro incurred additional debt in 2018 for a non-distribution capital purchase; however, the debt to equity ratio reflects Atikokan has been paying down the principal debt owed and maintaining its financial leverage.

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

Atikokan Hydro’s current distribution rates were approved by the Ontario Energy Board and include an expected (deemed) Regulatory Return on Equity of 8.78%. The deemed Return on Equity was approved in Atikokan Hydro’s last cost of service rate application for 2017 rates in decision EB- 2016-0056. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor’s revenues and costs structure by the OEB.

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

Atikokan Hydro filed a Cost of Service Rate Application fall of 2016 to realign its Return on Equity and the cost allocation among customer classes, 2017 being the test year with a deemed Return of Equity of 8.78%. Atikokan Hydro’s actual achieved Return on Equity for 2018 was 11.86%; thereby, 0.08% greater than the allowable target range when following the +/- 3%. Atikokan Hydro had items one time in nature that impacted the overall return on equity.

Note to Readers of 2018 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.