Scorecard - Algoma Power Inc.

10/22/2021

Performance Outcomes	Performance Categories	Measures		2016	2017	2018	2019	2020	Trend	Target: Industry	Target: 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		99.40%	99.24%	98.63%	97.10%	100.00%	↓	90.00%	
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	100.00%	→	90.00%	
		Telephone Calls Answered On Time		86.60%	80.06%	86.06%	81.61%	84.84%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution		99.97%	99.96%	99.97%	99.96%	99.93%			
		Billing Accuracy		99.85%	99.48%	99.86%	99.87%	99.87%	↑	98.00%	
		Customer Satisfaction Survey Results		79%	88%	93%	95%	94%			
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%	82.00%	82.00%	83.00%	83.00%			
		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]		5.46	7.68	7.51	7.33	6.79	↑		7.36
		Average Number of Times that Power to a Customer is Interrupted [2]		2.57	3.95	2.20	3.39	2.93	↑		3.16
	Asset Management	Distribution System Plan Implementation Progress		Completed	In Progress	Completed	Completed	Completed			
	Cost Control	Efficiency Assessment		5	5	5	5	5			
		Total Cost per Customer [3]		$2,126	$2,116	$2,182	$2,235	$2,212			
		Total Cost per Km of Line [3]		$13,453	$13,408	$13,831	$12,107	$12,203			
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									
		New Micro-embedded Generation Facilities Connected On Time		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)		1.10	0.37	1.07	0.69	0.77			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.02	1.17	1.42	1.36	1.30			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.30%	9.30%	9.30%	9.30%	8.52%			
			Achieved	9.89%	8.11%	8.22%	8.44%	9.25%			

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.

Legend:

5-year trend
↑ up ↓ down → flat

Current year
target met target not met

2020 Scorecard Management Discussion and Analysis ("2020 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 2020 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

- In 2020, API continued to meet or exceed the majority of its performance targets.
- In 2020, API expects to continue to improve its overall scorecard performance results. 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 2020, API connected 100% of the 205 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 2020, API met 100% of its 170 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 2020, customer service representatives answered 84.8% of API's 11,026 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 2020, only 0.06% of calls were escalated.

- **Billing Accuracy**

For 2020, API issued approximately 147,461 invoices and 99.87% were accurate. This is above the industry standard 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 per cent with general service customers. The 2020 satisfaction score was 94%, which is higher than the Ontario benchmark of 93%.

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**

In 2020, 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 80% to 85%, with both average and median Index Scores of 83%. API's score of 83% 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 2022.

- **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).

Based on results provided by ESA, API's status for 2020 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).

Based on results provided by ESA, API had zero incidents in 2020.

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 2020 compared to 2019. The 2020 result is 8% better than the OEB's performance target for API.

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 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 experienced a decrease in the average number of electrical service disruptions in 2020 as compared to 2019, the result is 7.3% better than the OEB's performance target, and shows an improving trend over the most recent five-year period.

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**

In 2020, API exceeded its system access plan, which was due to a significant increase in customer and third-party driven requests. API also saw an increase in joint use and municipal-led relocation requests. API will continue to invest in this area as needed in order respond to these types of requests. API's system renewal plan was focused on the line rebuild sustainment program and the rebuild of the #2 DS in Dubreuilville. API achieved approximately 85% of its planned sustainment rebuild work, and had to defer the construction portion of the Dubreuilville DS to 2021. API's system service plan saw focused effort on system reliability through implementation smart devices, such as relays and fault indicators. API achieved approximately 85% of its planned spend. API also achieved it's planned General plant spend.

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 2020 is $2,212 per customer which is a 1% decrease over 2019.

Over the 2016 to 2020 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 2016 to 2020, API's total customer count has not grown substantially (11,707 in 2016 vs. 12,124 in 2020), 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 2020 result is $12,203 per km of line. This decrease is due to changes in OEB reporting requirements used to calculate this parameter. In 2019, API started reporting on the length of its low-voltage secondary lines, in addition to the length or higher-voltage primary lines reported in prior years. This increased the total line length used in the calculation from 1,849 km in 2018, to 2,166 km in 2019.

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 2020 liquidity current ratio for API is 0.77 (2019 - 0.69). The liquidity ratio has not significantly changed from prior year. The 2020 liquidity current ratio based on API's audited financial statements, adjusted to exclude due to related parties, is 1.31 (2019 1.29), which is an indication that API is appropriately leveraged. Going forward, the liquidity ratio is expected to be maintained at a level greater than 1, indicating that API can pay its short term debts and financial obligations.

- **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 2020 debt to equity ratio for API is 1.30 (2019 - 1.36), which has not significantly changed from prior year. The 2020 debt to equity ratio based on API's audited financial statements, adjusted to include due to related parties, is 1.38 (2019 - 1.44). Going forward, 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 2020 distribution rates were approved by the Ontario Energy Board as part of its most recent Cost of Service Application, effective January 1, 2020. API's last Cost of Service application 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.

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

API's return achieved in 2020 is 9.25% (2019 - 8.44%), which is within the +/- 3% range allowed by the Ontario Energy Board. API achieved returns are higher in 2020 as compared to 2019 due to a $0.5 million (12.0%) increase in adjusted regulated net income and a $2.4 million (2.2%) increase in rate base.

Note to Readers of 2020 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.