

Scorecard - Algoma Power Inc.

| Performance Outcomes | Performance Categories | Measures | 2019 | 2020 | 2021 | 2022 | 2023 | 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 | 97.10% | 100.00% | 100.00% | 98.64% | 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 | 81.61% | 84.84% | 88.36% | 85.46% | 78.32% | ↓ | 65.00% | | |
| | Customer Satisfaction | First Contact Resolution | 99.96% | 99.93% | 99.95% | 99.99% | 99.91% | | | | |
| | | Billing Accuracy | 99.87% | 99.87% | 99.82% | 99.92% | 99.95% | ↑ | 98.00% | | |
| | | Customer Satisfaction Survey Results | 95% | 94% | 93% | 97% | 90% | | | | |
| 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 | 83.00% | 83.00% | 83.00% | 82.00% | 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 | 7.33 | 6.79 | 3.61 | 4.43 | 5.28 | ↓ | | 7.36 | |
| | | Average Number of Times that Power to a Customer is Interrupted ² | 3.39 | 2.93 | 1.77 | 2.08 | 2.28 | ↓ | | 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 | \$2,235 | \$2,212 | \$2,338 | \$2,479 | \$2,804 | | | | |
| | | Total Cost per Km of Line ³ | \$12,107 | \$12,203 | \$13,025 | \$14,501 | \$16,501 | | | | |
| 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 | New Micro-embedded Generation Facilities Connected On Time | | | | | 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) | 0.69 | 0.77 | 0.43 | 0.26 | 0.20 | | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 1.36 | 1.30 | 1.32 | 1.44 | 1.39 | | | | |
| | | Profitability: Regulatory Return on Equity | Deemed (included in rates) | 9.30% | 8.52% | 8.52% | 8.52% | 8.52% | | | |
| | | | Achieved | 8.44% | 9.25% | 9.38% | 10.53% | 10.54% | | | |

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

2023 Scorecard Management Discussion and Analysis (“2023 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 2023 Scorecard MD&A:

[Scorecard - Performance Measure Descriptions \(oeb.ca\)](#)

Scorecard MD&A - General Overview

- In 2023, Algoma Power Inc. (“API”) met or exceeded all its performance targets, consistent with the strong performance in prior years.
- In 2024, 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 2023, API connected 100% of the 238 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 2023, API met 100% of its 138 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 2023, customer service representatives answered 78.3% of API’s 7,891 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 various communication channels including: the customer self-serve portal; webchat function within the website; and social media postings.

Customer Satisfaction

- **First Contact Resolution**

API measures First Contact Resolution by tracking the number of escalated calls as a percentage of total calls taken by the customer service center. In 2023, only 0.09% of calls were escalated, resulting in a first contact resolution of 99.91%.

- **Billing Accuracy**

In 2023, API issued 150,523 invoices and 99.95% 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 2023 satisfaction score was 90%. The Ontario benchmark assessed by UtilityPULSE is 92%.

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. Although overall reliability is increasing with reduced outages, cost of living for customers has continued to increase significantly, potentially causing a reduction in customer satisfaction.

As a service improvement, API has introduced the outage map in late 2023. This graphic representation provides near real-time updates of outage status in the service territory and speaks directly to what customers have been requesting.

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 2023.

System Reliability

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

The average API customer experienced 5.3 hours of outage in 2023, excluding loss of supply and major events. API’s customers experienced an increase in the average duration of electrical service disruptions in 2023 compared to 2022. The 2023 result is 28% 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 main outage causes in API’s service area are Defective Equipment, Scheduled Outages and Tree Contact.

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 a 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 rights-of-way through its integrated vegetation management program.

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

The average API customer experienced between 2-3 outages in 2023, excluding loss of supply and major events. API's customers experienced a slight increase in the average number of electrical service disruptions in 2023 as compared to 2022, the result is 28% lower than API's performance target of 3.16, and shows an improving trend during the most recent five-year period. The main drivers of the number of outages are Defective Equipment, Tree Contact, and Scheduled Outages.

API reviews outage statistics on a monthly basis to identify areas of poor distribution system performance. This process indicates any trends in 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 rights-of-way through its 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 2023, API continued to see elevated levels of non-discretionary projects as a result of customer and third-party requests. API continues to invest in this area as needed in order to provide customers with access to electricity services and to ensure ongoing collaboration with third-party entities completing work in our service territory. In particular, API responded to a larger industrial connection request 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 2023, API achieved its planned rebuild plans, with the exception of the construction of the Bruce Mines greenfield station project to the spring of 2024, which was delayed in order to avoid a costlier winter construction.

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 2023, API's focus continued to be the supply contingency improvements at the Echo River TS, which was placed into service in July. 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. The refurbishment project at the Batchawana TS is expected to be completed by September 2024, while the refurbishment project at the Goulais TS has been postponed by the Transmitter until 2028.

API's general plant investments continued to be focused on facility-related investments as well as a sustaining fleet replacement program. In 2023, API saw an increase in fleet additions, making up for delays in fleet procurement in 2022 resulting from industry supply chain challenges. API completed other smaller investment plans associated with right-of-way access trail improvements, Cybersecurity enhancements of our IT and OT networks, investments related to other IT hardware and software as well as continued 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 2023 is \$2,804 per customer which is a 13% increase over 2022.

Total cost in 2023, as assessed by PEG, increased 14% over 2022, while API's customer growth in this period was less than 1%. API's operating expense component of total cost grew by less than 1%, indicating API was able to manage expenses at a rate lower than inflation in 2023. The capital cost component grew at a rate of 25%, driving the increase in total cost.

API's Gross Capital Additions in 2023 were 92% higher than 2022, driven by a significant project related to the connection of large industrial customers, which was completed in 2023, in addition to typical capital programs such as planned asset replacements and the connection of other customers.

Over the 2019 to 2023 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 2019 to 2023, API's total customer count has not grown substantially (11,732 in 2019 vs. 12,428 in 2023), 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 2023 result is \$16,501 per km of line, a 14% increase over the result for 2022. The change in 2023 is driven by the increase in total cost, of 13%. The change in km of line from 2022 to 2023 is negligible. The 14% 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. For 2023, however, as explained above, the key driver of API's total cost assessment was an increase in gross capital additions due to a large industrial customer connection project. Since the project costs involved the replacement of existing distribution lines, the typical relationship between cost and km of line did not apply (ie: the project influenced capital costs for 2023, however the km of line was unaffected).

Financial Ratios

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

The 2023 liquidity current ratio for API per the scorecard is 0.20 (2022 - 0.26). The 2023 liquidity current ratio based on API's audited financial statements, adjusted to exclude due to related parties, is 0.27 (2022 - 0.35). API has had a lower ratio 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 in 2024, 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 2023 debt to equity ratio for API is 1.39 (2022 - 1.44), which has not significantly changed from prior year. The 2023 debt to equity ratio based on API's audited financial statements, adjusted to include due to related parties, is 1.52 (2022 - 1.52). 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 2023 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 2023 is 10.54% (2022 – 10.53%), which is within the +/- 3% range allowed by the Ontario Energy Board. API's achieved returns are comparable to 2022 due to a \$0.3 million (6.4%) increase in adjusted regulated net income and a \$10.1 million (8.4%) 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 2023 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.