Scorecard - Fort Frances Power Corporation

8/26/2024

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		100.00%	100.00%	100.00%	100.00%	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		97.62%	96.67%	90.88%	95.13%	94.25%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution		98.9%	99.9%	100%	100%	98			
		Billing Accuracy		99.77%	99.82%	98.75%	99.77%	99.67%	↓	98.00%	
		Customer Satisfaction Survey Results		91.7%	91.7%	98.4%	98.4%	99.7			
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		79.91%	79.91%	84.30%	84.30%	83.90%			
		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	10.000	↑		10.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		0.54	0.09	0.13	2.12	0.15	↑		0.30
		Average Number of Times that Power to a Customer is Interrupted [2]		1.39	0.37	0.19	1.86	0.07	↓		0.55
	Asset Management	Distribution System Plan Implementation Progress		78%	119.8%	109.4%	178.7%	145.3			
	Cost Control	Efficiency Assessment		3	3	3	2	2			
		Total Cost per Customer [3]		$679	$655	$669	$737	$822			
		Total Cost per Km of Line [3]		$31,609	$30,435	$30,891	$34,059	$37,170			
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								90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	**Financial Ratios**	Liquidity: Current Ratio (Current Assets/Current Liabilities)		4.44	3.75	3.98	3.89	4.54			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.00	0.00	0.00	0.00	0.00			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	0.00%	0.00%	0.00%	0.00%	0.00%			
			Achieved	-1.73%	1.17%	1.02%	-2.31%	0.19%			

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:
https://www.oeb.ca/oeb/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

The Fort Frances Power Corporation (FFPC) is a municipally owned local distribution company serving the residents and businesses of the Town of Fort Frances. FFPC is currently licensed to distribute electricity within the confines of the municipal boundaries of the community. The utility is one of the last local distribution companies in Ontario to operate under the principle of “Power at Cost”, which was the philosophy under which the province was electrified in the early 1900’s. The residents and small businesses of Fort Frances enjoy the benefits of a 1905 Historic Power Agreement that the utility administers on their behalf, and in order to safeguard this agreement, the utility does not pay any form of dividends, including shareholder dividends.

The electrical sector is at the early stages of a profound transformation driven by technological advancements and a government commitment to combat climate change by reducing carbon emissions. FFPC anticipates a substantial increase in its capital investment requirements over the next decade to accommodate rising consumer demand for electricity. This surge is primarily driven by the ongoing transition towards electric transportation and the phasing out of natural gas for residential heating. Furthermore, increased capital investments will be required to refurbish aging infrastructure such as the 1970’s vintage Fort Frances Municipal Transformer Station (FFMTS). To fund these large capital investments, the utility may require implementing a modest rate-of-return for the purpose of building and replenishing capital reserves. FFPC elected a rate-of-return of 0% in its 2014 Cost-of-Service rate application, and to date it has not been necessary for FFPC to rebase its rates as the utility’s annual income is still slightly higher than its annual expenses.

Overall, 2023 was another good year for FFPC, with solid performance achieved across all performance categories of the scorecard. Over the last several years FFPC has successfully realized sustained operational cost saving that resulted in the utility moving to the “more efficient” cohort of distributors. Reliability performance metrics returned to normal levels following two consecutive years in which community wide state-of-emergencies were declared due to extreme weather events including flooding. The number one cause of outages continues to be planned transmission system outages, which account for over 90% of all customer interruption hours. FFPC has partnered with the Town of Fort Frances to explore the feasibility of developing a community-wide microgrid capable of powering the entire community throughout typical planned transmission supply outages. The microgrid would also serve as a tremendous asset for storm proofing the community in the event of unplanned transmission system outages.

The Fort Frances Power Corporation strives to be a model distributor of electricity and supplier of supporting energy services, with excellence in customer focus, operational efficiency, and community partnership.

Service Quality

- **New Residential/Small Business Services Connected on Time – Industry Target Exceeded**
  Throughout 2023, FFPC connected 100% of 18 eligible low-voltage residential and small business customers (those utilizing connections under 750 Volts) to its distribution system within the five-day timeline prescribed by the Ontario Energy Board (OEB). FFPC has achieved 100% for this performance metric for the last five years, exceeding the OEB-mandated threshold of 90% each year.

- **Scheduled Appointments Met On Time – Industry Target Exceeded**
  Throughout 2023, FFPC received 560 appointment requests to conduct work such as meter reads, service disconnections and reconnections. Of these, 59 required the customer or their representative to be present. FFPC was able to meet all 59 appointments that required the customer or their representative to be present. FFPC was able to schedule and meet all appointments as required, thereby scoring 100% for the "Scheduled Appointments Met on Time" performance metric. The majority of all appointment requests received are requested to occur on an "as soon as possible" basis, and they are usually completed within one to two business days from the time that the request is received by the utility. Over the last five years, FFPC has been able to exceed the industry standard target of meeting 90% of its appointment obligations. As the utility has a compact service territory, staff are able to drive to any customer location within the utility's licensed service territory within 15 minutes.

- **Telephone Calls Answered On Time – Industry Target Exceeded**
  During FFPC's regular hours of operation all incoming customer telephone calls are answered in a traditional manner, in that a customer service representative answers and routes all calls, as opposed to incoming calls being routed through an automatic routing service (For service in English Press "1", etc.) before speaking to a customer service representative. The utility has an automatic telephone call routing service available to its customers for afterhours calls, or as a backup in the event that the volume of incoming calls exceed the utility's simultaneous call answering capability. Throughout 2023 FFPC received 2,416 qualifying telephone calls from customers in regard to their electrical service or other energy related needs. Of these telephone calls, the utility was able to answer 2,277 of them within 30 seconds. For 2023, FFPC achieved a performance level of 94.25% for the "Telephone Calls Answered On Time" performance measure, exceeding the industry target of 65%.

Customer Satisfaction

- **First Contact Resolution – Industry Target Not Yet Established**
  Specific customer satisfaction measurements have not been defined across the industry. The Ontario Energy Board (OEB) has instructed all electricity distributors to review and develop measurements in these areas and to begin tracking them by July 1, 2014 so that information can be reported as of 2014. The OEB plans to review information provided by electricity distributors over the next few years and implement commonly defined measures in the future. As a result, each electricity distributor may have different measurements of performance until such time that the OEB provides specific direction regarding a commonly defined measure.

  First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

  FFPC devised a methodology that a customer inquiry is resolved at first contact if the inquiry does not need to be escalated from front line staff to upper management for resolution. The measure is calculated by subtracting the number of escalated inquiries from the total number of inquiries and then dividing the difference by the total number of inquiries.

  For the 2023 calendar year FFPC's Percent First Contact Resolution performance was 98%.

- **Billing Accuracy – Industry Target Exceeded**
  Prior to July 2014, a standard measurement for billing accuracy had not been defined across the industry. After consultation with some electricity distributors, the Ontario Energy Board (OEB) prescribed a measurement of billing accuracy that must be used by all electricity distributors effective October 1, 2014.

  Throughout 2023 FFPC issued 44,779 customer bills achieving a billing accuracy level of 99.67%, exceeding the prescribed industry standard of 98%.

  The utility has developed and deployed a standalone bill calculator that is used to spot check customer bills being generated from its actual billing system. Any discrepancies found indicate a potential billing problem, enabling the utility to not release bills until the billing system error is rectified. The standalone bill calculator has been invaluable for ensuring that bills issued to customers are accurate.

- **Customer Satisfaction Survey Results – Industry Target Not Yet Established**
  The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results performance measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time the OEB is allowing electricity distributors discretion as to how they implement this measure.

  The 2023 customer satisfaction results are based on the biennial survey conducted in 2023. The survey specifically asked its customers "Overall, how satisfied are you with the services provided by the Fort Frances Power Corporation (FFPC)?" Customers then select one of the following responses: Very Satisfied; Satisfied; Neutral/Don't Know; Unsatisfied; and Very Unsatisfied. FFPC polled 100% of its customer base and received responses from 8.1% (304 / 3,750) of it. 193 respondents were Very Satisfied, and another 110 respondents were Satisfied for a total of 303 / 304 (99.7%) of respondents indicating that they were Satisfied. FFPC has adopted this measure to represent the level of Customer Satisfaction. For 2023 FFPC achieved a Customer Satisfaction score of 99.7%.

Safety

- **Public Safety**
  - **Component A – Public Awareness of Electrical Safety – Industry Target Not Yet Established**
    FFPC conducted its fourth biennial Public Awareness of Electrical Safety survey in the fall of 2021. The survey was based on a standard question set that was utilized by all utilities to allow for meaningful comparisons across the industry. FFPC's public scored 83.9% on this survey, which in turn is the utility's performance score on the scorecard. The survey focused on the following six key areas of public safety and the respective score for each area was:

      - Likelihood to "call before you dig": Score: 84.0%
      - Impact of touching a power line: Score: 98.3%
      - Proximity to overhead power lines: Score: 60.8%
      - Danger of tampering with electrical equipment: Score: 96.7%
      - Proximity to downed power lines: Score: 75.9%
      - Actions taken in vehicle in contact with wires: Score: 87.8%

The following table illustrates the level of public knowledge by age demographic:

Age Demographic	% of Survey Respondents	Overall Score %
18 - 24	2.1	82.6
25 - 34	24.5	83.1
35 - 44	28.7	83.2
45 - 54	16.1	83.7
55 - 64	14.7	85.9
65+	14.0	85.0

Based on the survey results, the largest opportunity for enhancing public knowledge lies in the focus areas of safe proximity to overhead & downed power lines and educating the 18 to 24 age demographic on electrical safety.

- **Component B – Compliance with Ontario Regulation 22/04 – Distributor Target Met**
  Over the last five years, FFPC was found to be in full compliance with Ontario Regulation 22/04 (Electrical Distribution Safety). The regulation establishes safety requirements and objectives for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

- **Component C – Serious Electrical Incident Index – Distributor Target Met**
  FFPC is pleased to report a long-standing accident and injury-free history with both the general public and its employees. FFPC believes that all work-related injuries can be prevented and is committed to the safety of the general public and its employees. The five-year incident rate history of “0” for the Number of General Public Incidents is a good illustration of the utility’s commitment to safety.

System Reliability

The utility's biennial Customer Satisfaction Survey indicated that overall customers are satisfied with the reliability of their electricity. When asked *"How satisfied are you with the reliability of the electricity being supplied to you?",* 99.7 percent of customers indicated that they are satisfied with the reliability of the electricity being supplied to them. Throughout 2023 customers experienced power interruptions caused by utility scheduled outages, loss of supply, lightning, defective equipment, and foreign interference such as squirrels contacting power lines. The following table summarizes the impact of outages by the standard outage codes defined by the Ontario Energy Board:

OEB Outage Cause Code	Customer Hours of Outage by Cause	% Customer Hours of Power Interruption
0 - Unknown/Other	0	0.00%
1 - Scheduled Outage	118	0.35%
2 - Loss of Supply	32,873	98.34%
3 - Tree Contacts	0	0.00%
4 - Lightning	177	0.53%
5 - Defective Equipment	235	0.70%
6 - Adverse Weather	0	0.00%
7 - Adverse Environment	0	0.00%
8 - Human Element	0	0.00%
9 - Foreign Interference	25	0.08%
Total	33,427	100.00%

FFPC's 2023 reliability performance metrics were below the utility's five-year average, indicating better than average performance. FFPC's electrical distribution system continues to perform very well, exceeding customer expectations. Over the last 15 years, over 90% of all customer interruption hours were caused by "Loss of Supply" from the transmission system type outages, due to the community being connected via a single transmission line. Any interruption to the transmission supply line results in a community-wide power outage. FFPC has engaged Hydro One Networks Inc. to explore options for constructing a second transmission supply line that would essentially eliminate Loss of Supply type outage to Fort Frances. The initiative would eliminate in excess of 90% of all customer interruptions.

- **Average Number of Hours that Power to a Customer is Interrupted – Distributor Target Met**

  This performance metric compares the performance of FFPC's electrical distribution system relative to itself over the last five years (five-year average), and as such is not a comparison relative to other distributors or industry in general. It is important to note that Loss of Supply type outages are excluded from this metric as they relate to the bulk supply (transmission) system. For 2023, FFPC's performance target was 0.30 hours. In 2013, as part of the utility's customer satisfaction survey, customers were asked *"How many hours in a year do you expect to be without electricity?".* The average response received was 4.4 hours, which in turn FFPC adopted as its internal target for meeting customer expectations. For 2023, FFPC's average number of hours that power to a customer was interrupted was 0.15 hours, which is below FFPC's five-year average of 0.3 hours and well below the 4.4 hours customer expectations target.

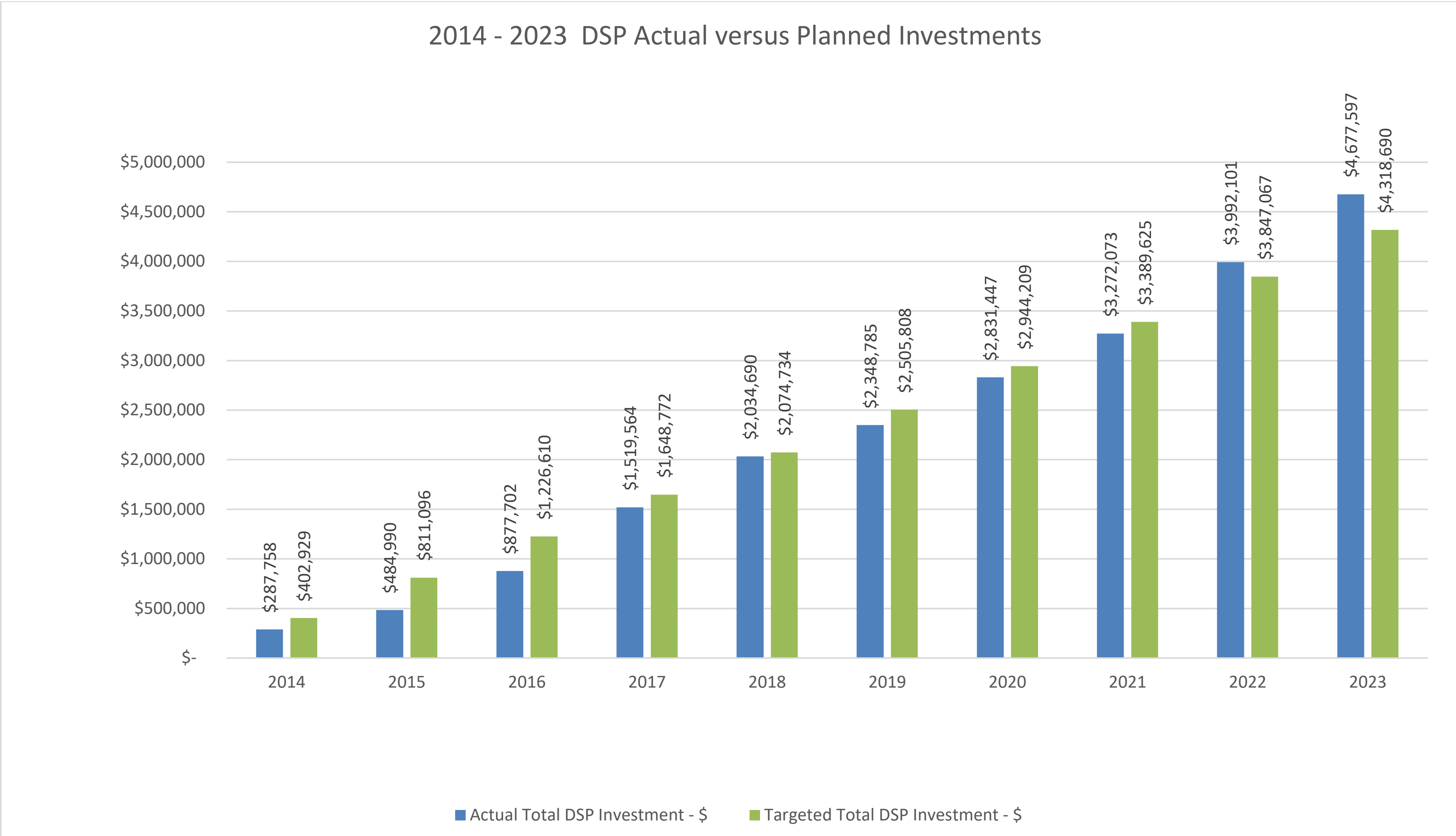
- **Average Number of Times that Power to a Customer is Interrupted – Distributor Target Met**
  This performance metric compares the performance of FFPC's electrical distribution system relative to itself over the last five years (five-year average), and as such is not a comparison relative to other distributors or industry in general. It is important to note that Loss of Supply type outages are excluded from this metric as they relate to the bulk supply (transmission) system. For 2023, the utility's performance target was 0.55 times. In 2013, as part of the utility's customer satisfaction survey, customers were asked *"How many unplanned power outages do you expect to happen at your home in a typical year?".* The average response received was 2.9 times, which in turn FFPC adopted as its internal target for meeting customer expectations. For 2023, FFPC's average number of times that power to a customer was interrupted was 0.07 times, which is below FFPC's five-year average of 0.55 times and well below the 2.9 times customer expectations target.

Asset Management

- **Distribution System Plan Implementation Progress – Industry Target Not Yet Established**
  "Distribution System Plan Implementation Progress" was a new performance measure instituted by the OEB starting in 2013. Consistent with other new measures, utilities were given an opportunity to define it in the manner that best fits their organization. FFPC's Distribution System Plan (DSP) outlines the utility's five-year forecasted capital expenditures (from 2014 to 2018) that are required for the upkeep of the electrical distribution system, and for meeting the needs of current and future customers. The "Distribution System Plan Implementation Progress" measure is intended to assess the utility's effectiveness at planning and implementing the DSP. FFPC measures the progress of its DSP implementation as a ratio of the actual total capital expenditures made in a calendar year over the total amount of planned capital expenditures for that calendar year as per the DSP.

  FFPC changed its approach for the 2023 reporting year by increasing the annual capital investment target amount by the % Annual IR amount approved by the OEB for each calendar year beyond 2014. The Annual IR amount is essentially a cost-of-living increase to recognize the impact of inflation. Under this methodology FFPC increased its 2023 target annual capital investment amount from the base $402,929 established in 2014 to $471,623. The 2023 % Annual IR amount approved by the OEB was 3.1% for FFPC.

  For the 2023 calendar year, the utility's ratio of actual to planned capital expenditures was 145.3%. The following diagram illustrates FFPC's actual versus planned annual investment history since filling its DSP in 2014. Notably FFPC has achieved reinvesting a total of $4,677,597 relative to a total target of $4,318,690 since 2014, which corresponds to an achievement of 108.3%.


2014 - 2023 DSP Actual versus Planned Investments
$5,000,000
$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$-
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
$287,758
$402,929
$484,990
$811,096
$877,702
$1,226,610
$1,519,564
$1,648,772
$2,034,690
$2,074,734
$2,348,785
$2,505,808
$2,831,447
$2,944,209
$3,272,073
$3,389,625
$3,992,101
$3,847,067
$4,677,597
$4,318,690
Actual Total DSP Investment - $
Targeted Total DSP Investment - $

Cost Control

Over the last several years FFPC has successfully realized sustained operational cost saving that resulted in the utility moving from the “average” to the “more efficient” grouping of distributors as of 2022. Throughout 2023 FFPC was able to maintain its “more efficient” grouping status by continuing to demonstrate sustained operational cost savings. Increases in the Total Cost per Customer and Total Cost per Km of Line metrics are largely due to FFPC’s intensified capital reinvestments into its electrical distribution system and Ontario’s high rate of inflation.

- **Efficiency Assessment**

  The total costs for Ontario local electrical distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. Electrical distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. FFPC continues to be placed in the Group 2 cohort, which is the second highest efficiency ranking category. A Group 2 distributor is noted as having “above average efficiency”, with actual costs between 10% to 25% lower than predicted costs. For 2023, 31% (19 out of 54 distributors) of Ontario distributors were ranked as “average efficiency”; 61% were ranked as “more efficient”; and 9% were ranked as “least efficient”.

- **Total Cost per Customer**

  Total cost per customer is calculated as the sum of FFPC’s capital and operating costs and dividing this amount by the total number of customers that the utility serves. FFPC’s 2023 cost per customer was $822, which is an increase of $85 or 11.5% from the $737 reported for 2022. The increase was mainly driven by Ontario’s high rate of inflation and FFPC’s significant capital infrastructure reinvestment of $685,496.

- **Total Cost per Km of Line**

  This measure uses the same total cost that is used in the Cost per Customer calculation discussed above. The Total cost is divided by the kilometers of primary line that FFPC operates to serve its customers. For 2023, FFPC’s rate per kilometer of line was $37,170 which is an increase of $3,111 or 9.1% from the 2022 rate of $34,059 per kilometer. The increase was mainly driven by Ontario’s high rate of inflation of and FFPC’s significant capital infrastructure reinvestment of $685,496.

Financial Ratios

FFPC's operating strategy is different from most Ontario LDCs, in that the utility operates under the "Power at Cost" model, which was the philosophy under which the province was electrified in the early 1900's. In other words, the utility does not make a profit on the portion of the bill that it controls. This operating strategy is often referred to as a "rate-minimization" model, as any profits made are ultimately returned to the consumer through reduced rates. Under this model, FFPC has paid off all of its debt, similar to a homeowner paying off their mortgage, in order to not have to pay interest charges and pass these interest charges on to its customers. FFPC is pleased with sheltering its customers from the significant rise in borrowing costs that began in March of 2022, as the utility currently has no debt.

Under the current provincial rate setting framework utilities are allowed to realize a return of up to 9.51% on their equity. This profit is often used to pay dividends to shareholders. FFPC has elected a return on equity of 0%, as it does not intend to make a profit and does not pay dividends to its shareholder. In the future FFPC may elect a modest rate-of-return strictly for the purpose of funding major capital reinvestments into its distribution system and transformer station. This approach allows for the lowest possible rates for the benefit of consumers.

- **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.

  FFPC's liquidity ratio increased from 3.89 in 2022 to 4.54 in 2023. The long-term objective for FFPC is to keep this ratio well above 1, in order to be able to continue to fund its own capital reinvestments so that its customers do not have to pay interest fees on borrowed money.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**
  The OEB 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 (60/40). A debt-to-equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt-to-equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure.

  As discussed above, FFPC's operating strategy is to minimize consumer rates by avoiding or paying off its debt. As a result of not having any debt, FFPC's five-year Total Debt to Equity Ratio is "0" and no associated interest charges were passed on to customers over this time frame.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**
  FFPC's distribution rates were approved by the OEB when the utility rebased its rates under the Renewed Regulatory Framework for Electricity in 2014 and include an expected (deemed) regulatory return on equity of 0%. The elected 0% rate of return supports FFPC's operating model of "Power at Cost". 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 an OEB led regulatory review of the distributor's revenue and cost structures.

- **Profitability: Regulatory Return on Equity – Achieved**
  FFPC's Regulatory Return on Equity (ROE) achieved in 2023 was 0.19%, which is well within the +/-3% range allowed by the OEB, and relatively close to the current target of 0%. A comprehensive income of $151,079 was achieved at the end of 2023, which means that the utility's income was higher than its expenses. FFPC has been able to operate on the rate model established in its 2014 Cost of Service application and anticipates being in a position to justify a Cost-of-Service rate rebasing within the next three years.

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.