

# Scorecard - Lakeland Power Distribution Ltd.

9/28/2015

| Performance Outcomes  | Performance Categories                      | Measures  | 2010                               | 2011     | 2012     | 2013     | 2014        | Trend  | Target   |                             |   |
|---|---|---|------------------------------------|----------|----------|----------|-------------|--------|----------|-----------------------------|---|
|   |   |   |                                    |          |          |          |             |        | Industry | Distributor                 |   |
| <b>Customer Focus</b><br><br>Services are provided in a manner that responds to identified customer preferences.  | <b>Service Quality</b>                      | New Residential/Small Business Services Connected on Time                     | 97.60%                             | 96.80%   | 99.20%   | 100.00%  | 94.60%      |        | 90.00%   |                             |   |
|   |   | Scheduled Appointments Met On Time  | 97.40%                             | 96.90%   | 100.00%  | 95.60%   | 99.80%      |        | 90.00%   |                             |   |
|   |   | Telephone Calls Answered On Time  | 80.90%                             | 82.60%   | 93.20%   | 95.00%   | 97.30%      |        | 65.00%   |                             |   |
|   | <b>Customer Satisfaction</b>                | First Contact Resolution  |                                    |          |          |          | 99.89%      |        |          |                             |   |
|   |   | Billing Accuracy  |                                    |          |          |          | 99.99%      |        | 98.00%   |                             |   |
|   |   | Customer Satisfaction Survey Results  |                                    |          |          |          | Completed   |        |          |                             |   |
| <b>Operational Effectiveness</b><br><br>Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.                             | <b>Safety</b>                               | Level of Public awareness [measure to be determined]                          |                                    |          |          |          |             |        |          |                             |   |
|   |   | Level of Compliance with Ontario Regulation 22/04                             | NI                                 | 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                       |   |
|   | <b>System Reliability</b>                   | Average Number of Hours that Power to a Customer is Interrupted               | 3.27                               | 1.85     | 0.64     | 2.06     | 1.00        |        |          | at least within 0.64 - 3.27 |   |
|   |   | Average Number of Times that Power to a Customer is Interrupted               | 0.66                               | 0.35     | 0.22     | 0.82     | 0.39        |        |          | at least within 0.22 - 0.82 |   |
|   | <b>Asset Management</b>                     | Distribution System Plan Implementation Progress                              |                                    |          |          |          | In Progress |        |          |                             |   |
|   | <b>Cost Control</b>                         | Efficiency Assessment   |                                    |          | 3        | 2        | 3           |        |          |                             |   |
|   |   | Total Cost per Customer <sup>1</sup>  | \$667                              | \$664    | \$642    | \$700    | \$741       |        |          |                             |   |
| Total Cost per Km of Line <sup>1</sup>  |   | \$17,723  | \$19,151                           | \$20,729 | \$22,852 | \$26,216 |             |        |          |                             |   |
| <b>Public Policy Responsiveness</b><br><br>Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board). | <b>Conservation &amp; Demand Management</b> | Net Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>      |                                    | 4.56%    | 17.96%   | 26.44%   | 45.44%      |        |          | 2.32MW                      |   |
|   |   | Net Cumulative Energy Savings (Percent of target achieved)                    |                                    | 21.39%   | 60.80%   | 79.06%   | 101.34%     |        |          | 10.18GWh                    |   |
|   | <b>Connection of Renewable Generation</b>   | Renewable Generation Connection Impact Assessments Completed On Time          |                                    | 100.00%  | 100.00%  | 100.00%  | 100.00%     |        |          |                             |   |
|   |   | New Micro-embedded Generation Facilities Connected On Time                    |                                    |          |          | 100.00%  | 100.00%     |        |          | 90.00%                      |   |
| <b>Financial Performance</b><br><br>Financial viability is maintained; and savings from operational effectiveness are sustainable.  | <b>Financial Ratios</b>                     | Liquidity: Current Ratio (Current Assets/Current Liabilities)                 | 0.86                               | 0.72     | 0.78     | 0.86     | 1.28        |        |          |                             |   |
|   |   | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 0.36                               | 0.38     | 0.48     | 0.41     | 0.40        |        |          |                             |   |
|   |   | Profitability: Regulatory Return on Equity                                    | Deemed (included in rates)         |          | 8.01%    | 8.01%    | 8.93%       | 8.93%  |          |                             |   |
|   |   |   | Achieved                           |          | 6.52%    | 9.73%    | 10.70%      | 12.50% |          |                             |   |

**Notes:**

- These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
- The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

**Legend:** up down flat  
 target met target not met

## Appendix A – 2014 Scorecard Management Discussion and Analysis (“2014 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 2014 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

- 2014 saw the target met for the majority of performance indicators for Lakeland Power (LPDL). LPDL’s internal drivers focus on safety and customer service including reliability. Capital projects focus on the improvement of the distribution system leading to system reliability while customer service focus is on improved customer interaction all while managing costs.

### Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2014, Lakeland Power Distribution Ltd. (LPDL) connected 94.6% of approximately 79 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB). This is a 5.4% decrease from the previous year and above the OEB-mandated threshold of 90%. The decrease over the prior year was the result of the recent merger of LPDL And Parry Sound Power, while implementing processes some connections were not completed within the five day timeline. LPDL continues to update our work process and management system to maintain the OEB mandated threshold.

- **Scheduled Appointments Met On Time**

LPDL scheduled 83 appointments with its customers in 2014 to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. LPDL met 99.8% of these appointments on time, which significantly exceeds the industry target of 90%. This is an increase of 4.8% from our 2013 numbers and can be attributed to a continued commitment to maintain the industry target by continuing to update our work management systems and work process.

- **Telephone Calls Answered On Time**

In 2014 LPDL customer contact centre agents received almost 12,000 calls from its customers – on average 50 calls per working day. An agent answered a call in 30 seconds or less on over 95% of these calls. This result significantly exceeds the OEB-mandated 65% target for timely all response. Year over year, the 2014

result amounts to less than a 1% improvement over 2013; call volumes were fairly low and very similar to 2013. Low call volume is attributed to LPDL's success in promoting online self-serve features, internal process improvements, and increased customer preference to contact Lakeland Power via email.

## Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The Ontario Energy Board (OEB) has instructed all electricity distributors to review and develop measurements in these areas and begin tracking by July 1, 2014 so that information can be reported in 2015. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as 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.

For LPDL, First Contact Resolution was measured based on calls taken by contact centre agents, calls elevated to a supervisor for response, and OEB complaints logged by customers. For the period Jan 1, 2014 to December 31, 2014, LPDL contact centre agents answered over 21,300 customer inquiry calls and emails. 24 inquiries were escalated to a supervisor for response when the customer was not satisfied with the CSR's response. Although it is recognized that some of the inquiries are customers making contact more than once about a given inquiry, the limited number of escalated calls equates to a reported First Contact Resolution of over 99%. LPDL will strive for continued success with First Contact Resolution by identifying areas for customer service improvements through our Customer Service Surveys.

- **Billing Accuracy**

Until July 2014 a specific measurement of billing accuracy had not been previously defined across the industry. After consultation with some electricity distributors, the Ontario Energy Board (OEB) has prescribed a measurement of billing accuracy which must be used by all electricity distributors effective October 1, 2014.

For the period from October 1, 2014 – December 31, 2014 LPDL issued more than 29,000 bills and achieved a billing accuracy of 99.99%. This compares favourably to the prescribed OEB target of 98%.

LPDL continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results 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 Ontario Energy Board is allowing electricity distributors discretion as to how they implement this measure.

Over the past five years, LPDL has engaged a third party to conduct customer satisfaction surveys. These customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within LPDL. The survey asks customers questions on a wide range of topics, including: overall satisfaction with LPDL, reliability, customer service, outages, billing and corporate image. In addition, LPDL provides input to this third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data is then incorporated into LPDL's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these customer satisfaction surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps identify the most effective means of communication. LPDL's 2014 Customer Satisfaction Results contain a number of measures of customer satisfaction. In its 2014 Scorecard LPDL reported higher than 8.5 on a scale of 1-10 (10 being the highest) the number of customers that were satisfied with their overall customer experience, up slightly from 2010. LPDL will continue to use the survey results to identify additional improvement opportunities.

## Safety

- **Public Safety**

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

- **Measure to be determined**

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

In 2014, the annual audit by Electricity Safety Association (ESA) was completed for LPDL. The result of the audit was that LPDL was compliant with Ontario Regulation 22/04 and has been for the past 4 years. LPDL will continue this trend.

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

For 2014, LPDL continues its trend for zero Serious Electrical Incidents. LPDL has experienced zero incidents over the past 5 years and is expecting to continue this trend through safety awareness training for staff and public.

## System Reliability

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

LPDL Average of 1 in 2014 is a significant improvement from the average of 2.06 recorded in 2013. This improvement can be attributed to LPDL's continued investments into new technologies such as SCADA, truck tracking, and mobile devices that will continue to maintain our response times and reporting accuracy within the set guidelines. LPDL also has invested in SPIDACALC software that works in conjunction with our construction standards will insure any new capital

builds meet the current construction standards. LPDL tree trimming cycle has been enhanced to a 6 year cycle thus maintaining or lowering outages caused by tree contact in our heavily forested service territory.

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

LPDL average number of times that power to a customer is interrupted (i.e., frequency) of .39 was below the target range set by the OEB and a decrease of LPDL's 2013 average of .82. This improvement can be attributed to LPDL continued investments into new technologies such as SCADA, truck tracking, and mobile devices that will continue to maintain our interruption times and reporting accuracy within the set guidelines. LPDL tree trimming cycle has been enhanced to a 6 year cycle thus maintaining or lowering outages caused by tree contact in our heavily forested service territory. LPDL continues to base its capital projects on customer needs, end of life assets as well as maintaining a safe and reliable delivery of electricity.

## Asset Management

- **Distribution System Plan Implementation Progress**

LPDL plans to file an application with the OEB for a full review of its rates effective Jan. 1, 2018. As of April 2015, LPDL is in the process of finalizing its Distribution System Plan. LPDL completes its current capital spending based on the plan filed in its 2013 Cost of Service 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 OEB 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 2014, LPDL was laced in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered "average efficiency" – in other words, LPDL's costs are within the average cost range for distributors in the Province of Ontario. In 2014, 45% (33 distributors) of the Ontario distributors were ranked as "average efficiency"; 29% were ranked as "more efficient"; 26% were ranked as "least efficient". Although LPDL's forward looking goal is to advance to the "more efficient" group, management's expectation is that efficiency performance will not decline. In 2014, LPDL merged with Parry Sound Power, driving up some costs on a one time basis and is expecting to show improved efficiencies in 2015.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of LPDL's capital and operating costs and dividing this cost figure by the total number of customers that LPDL serves. The cost performance result for 2014 is \$741/customer which is a 5.8% increase over 2013.

LPDL's Total Cost per Customer has been declining in the period 2010 through 2012 due to the efficiency gains in negotiated maintenance costs, billing improvements and lower trouble calls. 2013 saw a larger than normal increase in costs due to abnormal storm activity and multiple incidents as well as increased

capital in order to purchase a bucket truck. In 2014 with the merger with Parry Sound Power, LPDL saw an increase in capital spending for a substation in Parry Sound that was a larger than normal capital item. In addition, one time costs surrounding the merger process were incurred in 2014. It is expected that 2015 will show improvement with the completion of synergy savings from the merger.

- **Total Cost per Km of Line**

This measure used the same total cost that is used in the Cost per Customer calculation above, The Total cost is divided by the kilometres of line that LPDL operates to serve its customers. LPDL's 2014 rate is \$26,216 per km of line, a 14.7% increase over 2013. LPDL experienced a low level of growth in its total kilometers of lines due to a low annual customer growth rate. Such a low growth rate has reduced LPDL's ability to fund capital renewal and increased operating costs through customer growth. As a result, cost per Km of line has increased year over year with the increase in capital and operating costs. See above cost per customer section for cost drivers commentary. LPDL continues to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

## Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved)**

Late in 2010, the Ministry of Energy mandated a new 2011 - 2014 framework for electricity conservation and demand management (CDM) in Ontario. As a result, the OEB was required to establish CDM targets for the reduction of electrical consumption (kWh's) and electricity demand (kW's) to be met by certain licensed electricity distributors across the province. The Ontario Power Authority supported this initiative through the introduction of a number of OEB approved CDM programs designed to conserve electricity across all classes of electricity customers.

Lakeland Power Distribution did not meet its Net Annual Peak Demand (kW) Savings target at the end of 2014. Similar too many Ontario LDCs the demand portion allocate to us was beyond our reach. The DR3 was expected to assist with demand targets, this program never achieved traction.

- **Net Cumulative Energy Savings (Percent of target achieved)**

LPDL is pleased to have achieved and exceeded its four-year net cumulative energy savings target by the end of 2014. Our successful achievement was made possible by the strong and early participation by local commercial customers in our retrofit and energy efficient lighting programs.

## Connection of Renewable Generation

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

Electricity distributors are required to conduct Connection Impact Assessments (CIAs) within 60 days of receiving authorization from the Electrical Safety Authority. In 2014, LPDL completed two CIA's and it was done within the prescribed time limit. In 2013, LPDL completed one CIA which was completed within the prescribed time limit.

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

In 2014, LPDL connected 5 new micro-embedded generation facilities (microFIT projects of less than 10 kW) 100% of time within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. Our workflow to connect these projects is very streamlined and transparent with our customers. LPDL works closely with its customers and their contractors to tackle any connection issues to ensure the project is connected on time.

## 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.

LPDL’s current ratio increased from .86 in 2013 to 1.28 in 2014. This was indicative of an improvement in financial performance. LPDL’s current ratio in subsequent years is expected to maintain this improvement.

- **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. LPDL continues to maintain a debt to equity structure that closely 40/60 however it is expected that subsequent years will see a movement to the deemed 60/40 level as larger capital projects are taken on.

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

LPDL’s current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.93%. 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**

LPDL’s return achieved in 2014 was 12.5%, which is above the +/-3% range allowed by the OEB. The average return over the past 3 years was 8.9% which is within return included in LPDL’s approved rates. LPDL achieved returns higher than the deemed rate in 2014 mainly due to higher revenue than forecast, as a result of increased energy consumption; and lower operating costs due to synergy savings from the merger with Parry Sound. LPDL has mitigated the overall real

growth in its operating cost base with productivity savings arising from related process improvement initiatives and synergy savings with a larger utility.

## **Note to Readers of 2014 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.