

Scorecard - Lakefront Utilities Inc.

9/24/2017

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b>  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%	93.90%	100.00%	98.50%		90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	99.00%		90.00%		
		Telephone Calls Answered On Time	100.00%	100.00%	96.60%	92.20%	91.20%		65.00%		
	Customer Satisfaction	First Contact Resolution			99.58%	99.96%	99.96%				
		Billing Accuracy			99.98%	100.00%	99.89%		98.00%		
		Customer Satisfaction Survey Results			A	A	76.10%				
<b>Operational Effectiveness</b>  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness					79.00%	79.00%			
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	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	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.50	0.21	1.06	0.49	0.67			1.33	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.00	0.10	0.34	0.46	0.37			0.90	
	Asset Management	Distribution System Plan Implementation Progress			In-progress.	Completed	Complete				
	Cost Control	Efficiency Assessment	2	2	2	2	2				
Total Cost per Customer <sup>3</sup>		\$430	\$465	\$451	\$447	\$471					
Total Cost per Km of Line <sup>3</sup>		\$36,506	\$39,825	\$23,584	\$23,547	\$25,055					
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings <sup>4</sup>					18.40%	30.45%		12.17 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time					100.00%				
		New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	100.00%		90.00%		
<b>Financial Performance</b>  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.53	2.74	1.68	1.88	1.25				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.19	1.18	1.18	1.09	1.03				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.12%	9.12%	9.12%	9.12%			
			Achieved	11.40%	9.20%	6.50%	7.69%	7.72%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

4. The CDM measure is based on the new 2015-2020 Conservation First Framework.

**Legend:**

5-year trend up down flat

Current year target met target not met

## 2016 Scorecard Management Discussion and Analysis (“2016 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 2016 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard\\_Performance\\_Measure\\_Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf)

### Scorecard MD&A - General Overview

- Lakefront Utilities Inc. (“LUI”) has made some substantial improvements within internal controls in the last couple of years. LUI continues to invest in the distribution infrastructure to ensure ongoing reliability of electricity service to its customers. Importantly noted, LUI filed its Cost of Service application in 2016 which was well received by the Ontario Energy Board. There has been substantial efforts made to reduce costs in the making of this application.

Further discussion on cost measures can be found below under the “Cost Control” section along with LUI’s other performance outcomes involving: Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and Financial Performance.

### Service Quality

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

In 2016, LUI connected 201 residential and small business customers within the five- day timeline as prescribed by the Ontario Energy Board. The utility performed at 98.50% with meeting appointments on time, which exceeds the Board’s target of 90%. The number of new connections have increased 31% which is more than double the increase from 2015 (increase of 12% vs 2014) due to growth in residential development in LUI’s service territory. LUI works closely with developers to incorporate the connection work required during the various phases of construction in order to connect on time.

- **Scheduled Appointments Met On Time**

In 2016, LUI scheduled 203 appointments to complete work requested by customers. Similar to prior years, the utility performed well, at 99%. Meeting these appointments on time exceeds the Ontario Energy Board (OEB) target of 90%. mCare is a tool being utilized to assist in the elimination of misreading of handwritten information, providing real-time data for efficient scheduling and service time allocation in the field. This technology has created efficiencies, internal controls and has subsequently improved the accuracy of reporting requirements to the OEB.

- **Telephone Calls Answered On Time**

LUI received 11,979 qualifying incoming calls in the year 2016. The Distribution System Code (DSC) requires incoming calls to our customer care line to be answered within 30 seconds. The Ontario Energy Board has a target for utilities to achieve at least a 65% answering time within 30 seconds for qualifying incoming calls. LUI exceeded these expectation by performing at 91.20%.

## Customer Satisfaction

- **First Contact Resolution**

The Ontario Energy Board issued a new measure to see how successful utilities are at resolving customer requests from the first point of contact with the utility. Utilities were given the opportunity to independently strategize how they could measure their first contact resolution.

LUI measures this performance by logging all calls, letters, and emails received, and tracks them to determine if the inquiry was successfully answered at the first point of contact. A series of logged calls would be created to assist the customer service representative to accurately choose the logged call pertaining to the inquiry received. A specific service order has been created to track any call, letter, or email that was not resolved at the first point of contact.

The total logged calls for 2016 are 4,958. LUI performed at 99.96% with logging only 2 requests needing secondary attempts to resolve.

- **Billing Accuracy**

It is a crucial part of our business to ensure accuracy on our customers' bill. LUI performs due diligence by testing the consumption levels in correlation to the amount expensed to its customers. The utility also performs analysis of meter reading data and fixing any errors that may arise, before it is input onto the customer's bill.

In 2016, LUI issued 132,564 bills with 145 being inaccurate and requiring corrections and reissuing. LUI performed at 99.89% which is above the OEB's standard of 98%.

- **Customer Satisfaction Survey Results**

LUI completed a survey in 2017 based on question scoring and index methodologies prescribed by the Electricity Distribution Association and a market research company called Innovative. A sample size of over 4% of LUI's customers were interviewed. Based on the survey results, LUI received an index score of 76.1%.

## Safety

- **Public Safety**

Public Safety is a new measure introduced by the Ontario Energy Board. It is generated by the Electrical Safety Authority and consists of three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index. Details of these three components are indicated below:

## ○ **Component A – Public Awareness of Electrical Safety**

Component A is a survey that measures the public's awareness of key electrical safety concepts related to electrical distribution equipment found in a utility's territory. The survey provides a benchmark of the levels of awareness identifying areas where education and awareness efforts may be needed. This survey was conducted in 2015 and the information below would also have been indicated on the 2015 Scorecard Management Discussion and Analysis.

Below is a sample of six questions and the percentage of respondents that selected the "best answer" out of 400 randomly selected residents 18 years+ residing in LUI's service area:

- Likelihood to call before you dig: 43% would definitely call before digging.
- Impact of touching a power line: 93% think touching a power line is very dangerous.
- Proximity to overhead power line: 19% believe you should maintain a distance of 3 to 6 metres.
- Danger of tampering with electrical equipment: 90% believe tampering with equipment is very dangerous.
- Proximity to downed power line: 73% believe you should maintain a distance of 10 metres or more.
- Actions taken in vehicle in contact with wires: 92% believe you should stay in a vehicle until the power has been disconnected from the line.

## ○ **Component B – Compliance with Ontario Regulation 22/04**

Component B consists of utility compliance with Ontario Regulation 22/04 - Electrical Distribution Safety. Ontario Regulation 22/04 establishes the safety requirements for the design, construction, and maintenance of electrical distribution systems, particularly in relation to the approvals and inspections required prior to putting electrical equipment into service. Lakefront Utilities Inc. was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety).

## ○ **Component C – Serious Electrical Incident Index**

Component C consists of the number of serious electrical incidents and fatalities, which may occur within a utility's service territory. This measure is intended to address the impacts and need for improving public electrical safety on the distribution network. Lakefront Utilities Inc. rated 0.00 for serious electrical incidents per 100 km of line in 2016, similar to their achievements for the prior five years.

## System Reliability

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

The average hours that power is interrupted is a measure of system reliability. LUI is continuously improving the reliability of electricity being delivered to its customers by replacing equipment and performing the necessary maintenance on its distribution infrastructure. In 2016, LUI performed considerably well measuring an average of 0.67 hours that power was interrupted to its customers. The expected target to perform as prescribed by the OEB is 1.33. LUI exceeds the target by a 50% decrease in the average number of hours that power to a customer was interrupted in 2016. LUI continues to view reliability of electricity service as a high priority for its customers and as such, reports this reliability statistic to its Board of Directors at quarterly meetings.

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

Similar to the above, the average number of times that power to a customer is interrupted is a measure to determine the system reliability of delivering electricity. The OEB expects the utility to perform at an average of 0.90 times. The average number of times LUI's customers had power interruption was 0.37 times. This is considerably above expectation with a decrease of 59% and a decrease of 24% from 2015. LUI is proud with these results and is focusing on continuing this trend in future years.

## Asset Management

- **Distribution System Plan Implementation Progress**

As a filing requirement with the Ontario Energy Board, a Distribution System Plan (DSP) needs to be completed by utilities consisting of several areas such as investment lifecycles, maintenance planning, renewable energy plans, and asset management policies. The DSP outlines LUI's forecasted capital expenditures over a five year period with a focus of maintaining and expanding the electricity system to service its current and future customers.

The key areas of focus in LUI's 5 year DSP include:

- Performance Measurement for Continuous Improvement
- Asset Management and Capital Investment Process
- Overview of Assets Managed
- Asset Lifecycle Optimization Policies and Practices
- Capital Expenditure Plan and Process Overview

## Cost Control

- **Efficiency Assessment**

The Ontario Energy Board acquired expert consultants from the Pacific Economics Group LLC (PEG) to evaluate electric distributor's efficiencies. These efficiencies are based on each utility's actual cost compared to the average levels predicted by a study conducted by PEG. Based on the efficiency levels achieved, each utility is grouped in their ranking with the most efficient being assigned to Group 1 and the least efficient to Group 5.

In 2013, 2014, 2015, and 2016 Lakefront was assigned to Group 2. With 68 electrical distributors across Ontario, LUI achieved a place in the top 2 ranked groups.

- **Total Cost per Customer**

The total cost per customer is the sum of Lakefront's capital and operating costs incurred divided by the total number of customers that the distributor serves. LUI's total cost per customer for 2016 was \$471 which increased by \$24 per customer in comparison to the prior year.

- **Total Cost per Km of Line**

The total cost per Km of line is a similar measure as the above. It can be used as a comparable to other utilities and its past performance levels in terms of cost efficiencies. The total cost is divided by the kilometers of line that LUI operates to serve its customers. In 2016, LUI's cost per Km of line was \$25,055, an increase of approximately 6% compared to the prior year. This increase is aligned with the cost per customer increase of 5%, detailed in the above section.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

The Conservation First Framework seeks to reduce electricity consumption in Ontario by a total of 8.7 Gigawatt Hours (GWh) between 2015 and 2020. In 2016, Lakefront Utilities Inc. launched into the province's Conservation First Framework, tasked with reducing 12,170 Megawatt Hours (MWh) of electricity consumption within LUI's service territory by 2020. LUI achieved 1,186 MWh of savings in 2016, and have accomplished 30% of their 6 year target. By leveraging IESO's Save On Energy programs, LUI is continuing to help residential, low income, commercial and industrial customers better understand and reduce their energy usage through the range of energy conservation tools, resources and incentives.

## Connection of Renewable Generation

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

In 2016, LUI did not have any Renewable Generation Connection Impact Assessments to complete.

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

Micro-embedded generations are supplied from renewable energy sources such as sun, wind, and water at a capacity of less than 10 kW. These connections are to be completed within 5 business days as prescribed by the Ontario Energy Board (OEB). The OEB's mandatory target of connecting on time is 90%. In 2016, LUI connected 3 new micro-embedded generations within the required timeframe performing at 100%, exceeding the Board's standard.

## Financial Ratios

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

The current ratio is a test to see if a company is capable of paying its short-term debts and financial obligations. A ratio under 1 indicates the company's current liabilities are greater than its current assets possibly making them unable to meet their short-term obligations. On the other hand, a greater than 1 ratio shows the company has a good standing with meeting its creditor's demand. Although it varies from industry to industry an adequate current ratio falls

between 1.5 and 3.

In 2016, LUI's current ratio was 1.25 which decreased from the prior year by 0.63. This was mainly the result of slight fluctuations in accounts receivable and accounts payable.

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

The total debt to equity ratio is a measure of financial leverage used to finance a company's assets. This leverage is evaluated from the proportion between the shareholder's equity and debt. Ideally, the Ontario Energy Board structured the capital mix at a 60/40 (or 1.5) ratio. A ratio of more than 1.5 means the company may be highly leveraged with financing and possibly unable to generate adequate cash flow to pay its debt.

LUI's debt-to-equity ratio is 1.03 in 2016, compared to 1.09 in 2015. LUI's debt-to-equity ratio continues to decrease as regular payments are being made to pay down the financing needed for capital investments.

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

In 2012, a rate application was submitted by LUI to the Ontario Energy Board (OEB) where a deemed rate of 9.12% was approved. The OEB permits an electricity distributor to earn within +/- 3% of the expected 9.12% return of equity. When a distributor performs outside of this earning threshold, a regulatory audit of the distributor's financials could be initiated by the OEB.

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

LUI achieved a return of equity of 7.72% in 2016, which is within the 6.12% to 12.12% range allowed by the Ontario Energy Board. The consistency with meeting the required return allowance has been evident since 2011 as per LUI's scorecard. LUI makes every effort to comply with its profitability levels by regularly managing its financial position with a cost reduction approach as opposed to revenue generation.

## Note to Readers of 2016 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.