Scorecard - Lakeland Power Distribution Ltd.

9/29/2019

Performance Outcomes	Performance Categories	Measures		2014	2015	2016	2017	2018	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		94.60%	98.00%	99.20%	100.00%	100.00%	↑	90.00%	
		Scheduled Appointments Met On Time		99.80%	97.60%	98.60%	100.00%	100.00%	↑	90.00%	
		Telephone Calls Answered On Time		97.30%	92.70%	90.60%	88.20%	93.00%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution		99.89%	99.93	99.98	99.95	99.97			
		Billing Accuracy		99.99%	94.39%	99.86%	99.94%	99.92%	↑	98.00%	
		Customer Satisfaction Survey Results		Completed	86.5%	74.5%	74.5	75.00%			
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			82.50%	82.50%	83.80%	83.80%			
		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]		1.00	1.74	2.01	1.46	2.82	↑		1.76
		Average Number of Times that Power to a Customer is Interrupted [2]		0.39	0.82	0.73	0.83	1.50	↑		0.49
	Asset Management	Distribution System Plan Implementation Progress		In Progress	In Progress	In Progress	In Progress	Complete			
	Cost Control	Efficiency Assessment		3	3	3	2	2			
		Total Cost per Customer [3]		$741	$756	$734	$697	$744			
		Total Cost per Km of Line [3]		$26,216	$27,506	$27,559	$26,273	$28,665			
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).	Conservation & Demand Management	Net Cumulative Energy Savings [4]			28.11%	48.42%	74.50%	87.00%			15.78 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		100.00%	100.00%	100.00%	100.00%	100.00%			
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%	100.00%	→	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.28	1.12	1.70	1.80	1.65			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.40	0.31	1.13	1.00	1.12			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.93%	9.08%	9.08%	9.08%	9.08%			
			Achieved	12.50%	9.90%	10.86%	12.69%	12.59%			

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 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 2015-2020 Conservation First Framework. 2018 results are based on the IESO's unverified savings values contained in the March 2019 Participation and Cost Report.

Legend:
5-year trend: ↑ up ↓ down → flat
Current year: target met; target not met

2018 Scorecard Management Discussion and Analysis ("2018 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**

Scorecard MD&A - General Overview

- 2018 saw the continuance of meeting targets 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 2018, LPDL connected 100% (251 of 251) of 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 the same achievement as the previous year and above the OEB-mandated threshold of 90%. This achieved standard is the result of improved tracking and scheduling systems. LPDL continues to update our work process and management system to maintain the OEB mandated threshold.

- **Scheduled Appointments Met On Time**

LPDL scheduled 501 appointments with its customers in 2018 to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. LPDL met 100% of these appointments on time which significantly exceeds the industry target of 90% and is the same achievement as the previous year. This can be attributed to a continued commitment to maintain the industry target by continuing to update our work management systems and work processes.

- **Telephone Calls Answered On Time**

In 2018, LPDL's customer contact center agents received close to 12,300 calls from its customers, an average of 47 calls per working day. 93.0% of these calls were answered by an agent in 30 seconds or less, which is an 5.4% improvement over the previous year (at 88.2%). This result continues to significantly exceed the OEB-mandated target of 65%. LPDL has seen 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**

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. 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.

For LPDL, First Contact Resolution was measured based on calls taken and emails received by customer contact center agents, calls elevated to a supervisor for response and OEB complaints logged by customers. In 2018, LPDL customer contact center agents answered over 15,300 customer inquiry calls and emails. Only 5 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 in customer service improvements through our Customer Service Surveys.

- **Billing Accuracy**

In 2018, LPDL issued more than 164,500 bills and achieved a billing accuracy of 99.92%, a 0.02% decrease over last year. LPDL continues to monitor its billing accuracy results and processes to identify opportunities for improvement in order to continue to achieve a result higher than the prescribed OEB target of 98%.

- **Customer Satisfaction Survey Results**

Over the past eight years, LPDL has engaged a third party to conduct biennial 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, power quality and reliability, billing and payment, customer service experience, communications and price. 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 to identify the most effective means of communication. LPDL's 2018/19 survey reported an overall Customer Satisfaction Index Score of 75% which was an improvement from 74.5% achieved on the previous survey done in 2016. LPDL will continue to use the survey results to identify additional improvement opportunities.

Safety

- **Public Safety**

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

In the spring of 2018, a provincial standardized survey was conducted that focused on public awareness relating to electrical incidents involving utility equipment that had most frequently occurred in Ontario in the last decade. LPDL's survey resulted in a Public Safety Awareness Index Score of 83.8% indicating that a large percentage of LPDL's customers are very aware of electrical safety. LPDL's 2018 Public Safety Awareness Index Score achieved a 1.6% improvement over the previous survey conducted in 2015. This survey will be conducted biennially and LPDL strives to continually improve this score through customer engagement, school safety presentations and website information.

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

In 2018, the annual audit was completed by the Electricity Safety Association (ESA) for LPDL. The result of the audit was that LPDL was compliant with Ontario Regulation 22/04 and has been for the past 8 years. LPDL will continue this trend.

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

For 2018, LPDL continued its trend for zero Serious Electrical Incidents. LPDL has experienced zero incidents over the past 8 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's average number of hours that power to a customer is interrupted (i.e. duration) of 2.82 in 2018 is an increase from 2017's average of 1.46. LPDL's continued investments into new technologies such as SCADA, truck tracking, and mobile devices will continue to improve 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 to ensure any new capital builds meet the current construction standards. LPDL's 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 will continue to invest in system renewal projects which identify and replace old, aging assets. LPDL continues to upgrade and implement our SCADA system by investing in reclosers, communication infrastructure and line sensor technology which help to identify and respond to outages more quickly and reduce restoration resources. Line sensor technology will improve grid efficiency and stabilize voltages which assist in reporting and locating outages as well.

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

LPDL's average number of times that power to a customer is interrupted (i.e., frequency) of 1.50 in 2018 is an increase from 2017's average of 0.83. 2018 saw higher than normal outages caused by defective equipment (switches/pole fire), human element (switching drop) and foreign interference (car accidents due to poor weather driving conditions). LPDL now has a program in place to replace all porcelain switches to polymer switches as it has been recently discovered that they are failing early thus causing switch failures/pole fires. The replacement program is prioritizing large service areas to mitigate outages to areas that service the most customers or during routine inspections/service calls. LPDL will continue investments into new technologies such as SCADA, truck tracking, and mobile devices that will aid in decreasing our interruption times and improving our 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's Distribution System Plan is complete. The DSP was submitted with the Cost of Service application filed in September 2018 and was approved for rates effective May 1, 2019.

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 2016 LPDL was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. However, in 2017, LPDL's rank improved and was moved to Group 2 which is defined as having actual costs that average 10%-25% below predicted costs. LPDL has maintained this Group 2 ranking in 2018 for a second consecutive year. Group 2 is considered "more efficient" – in other words, LPDL's costs are better/within the average cost range for distributors in the Province of Ontario. In 2018, 40% (25 distributors) of the Ontario distributors were ranked as "more efficient"; 41% (26 distributors) were ranked as "average efficiency"; and 19% (12 distributors) were ranked as "least efficient". LPDL continues to focus on improving cost savings and efficiencies in order to maintain their rank within the "more efficient" group.

- **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 2018 is $744/customer which is a 6.7% increase over 2017.

LPDL's Total Cost per Customer had 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 and 2015. 2016 experienced a partial year of continued synergy savings and 2017 experienced a full year of synergy savings as well as an understaffing. 2018 moved back to 2015/2016 levels with full staffing in place. Reviewing this result from the perspective of general inflation, LPDL was able to curtail inflationary pressure over the past three years through merger activities as well as efficiency improvements all while customer count stayed fairly level or low growth.

- **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 kilometers of line that LPDL operates to serve its customers. LPDL's 2018 rate is $28,665 per km of line, a 9.1% increase over 2017. For the same indications as Total Cost per Customer discussion above, km of line did not increase while costs would have been burdened with inflationary pressure and changing staffing. The merger savings as well as efficiency changes helped mitigate an upward movement and brought the value close to 2015/2016 levels. Cost per Km of line will increase with inflationary pressures, however, 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 Cumulative Energy Savings**

LPDL is pleased to report that it achieved 87.0% of its 2015-2020 net cumulative energy savings by the end of 2018. 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 2018, LPDL completed 1 CIA and it was done within the prescribed time limit.

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

In 2018, LPDL connected 2 new micro-embedded generation facilities (microFIT projects of less than 10 kW) 100% of the 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 decreased from 1.80 in 2017 to 1.65 in 2018 (8.3% decrease), mostly due to the timing on the monthly bill from Hydro One, remaining above the “1” indicator. As indicated in the 2018 Scorecard, LPDL has worked to improve its current ratio through improved receivable and cash management.

- **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.

The indicator of 1.12 in 2018 is a representation of total debt in relationship to equity. This is managed through improved cash management, cost efficiencies and capital stability. While LPDL works on moving towards a 1.5 ratio through refinancing, LPDL retains a potential opportunity for borrowing funds for innovation and Smart Grid projects for the future.

- **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 9.08%. 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 2018 was 12.59%, which was just above the +/-3% range allowed by the OEB. LPDL achieved returns higher than the deemed rate in 2018 mainly due to higher revenue than forecast, as a result of increased energy consumption; and lower operating costs as mentioned in previous sections. LPDL has mitigated the overall real growth in its operating cost base with productivity savings arising from related process improvement initiatives and synergy savings to become a larger utility. LPDL filed a Cost of Service rate application in September 2018 for May 1, 2019 rates to realign revenue requirement to current costs.

Note to Readers of 2018 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.