

Scorecard - Lakefront Utilities Inc.

Performance Outcomes	Performance Categories	Measures	2011	2012	2013	2014	2015	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%	93.90%	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	100.00%	100.00%	100.00%	96.60%	92.20%		65.00%		
	Customer Satisfaction	First Contact Resolution				99.58%	99.96%				
		Billing Accuracy				99.98%	100.00%		98.00%		
		Customer Satisfaction Survey Results				A	A				
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					79.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	NI	NI	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	1.94	0.50	2.48	1.06	0.49			1.78	
		Average Number of Times that Power to a Customer is Interrupted ²	1.51	1.00	1.24	0.34	0.46			1.13	
	Asset Management	Distribution System Plan Implementation Progress				In-progress.	Completed				
	Cost Control	Efficiency Assessment		2	2	2	2				
		Total Cost per Customer ³	\$427	\$430	\$465	\$451	\$447				
		Total Cost per Km of Line ³	\$36,999	\$36,506	\$39,825	\$23,584	\$23,547				
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					18.40%			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%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	3.37	2.53	2.74	1.68	1.98				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.33	1.19	1.17	1.18	1.09				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.57%	9.12%	9.12%	9.12%	9.12%			
			Achieved	8.64%	11.40%	9.20%	6.50%	7.69%			

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. This measure is under review and subject to change in the future.

Legend:

5-year trend up down flat

Current year target met target not met

2015 Scorecard Management Discussion and Analysis (“2015 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 2015 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

As indicated in last year’s Management Discussion and Analysis, Lakefront Utilities Inc. (“LUI”) said it would continue its efforts to improve the overall performance results. This was successfully done as evidence shows on LUI’s 2015 scorecard. With investments in the distribution infrastructure, increasing energy conservation obligations, and cost effective planning, LUI is headed in the right direction.

In 2015, LUI conducted a number of customer engagement activities for the purposes of better servicing their requirements, educating them about the electricity distribution system, conservation of energy, and allowing them an opportunity to voice any concerns. One of the activities involved an open house called “emPower Hour” which was held every Friday in August 2015. Customers were given an opportunity to ask questions, better understand their electricity bill, and learn about energy saving techniques and products on display.

In the last two years (2014 and 2015), LUI has managed to decrease its cost per customer and in turn extends this cost saving through customer’s electricity rates. Further discussion on this measure can be seen 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 2015, LUI connected 154 eligible low-voltage (connections under 750 volts) residential and small business customers within the five-day timeline as prescribed by the Ontario Energy Board. The utility performed 100% of these appointments on time, which exceeds the Board’s target of 90%. The number of new connections have increased 12% over the prior year due to a steady increase in new development in LUI’s service territory. LUI works closely with developers to incorporate the connection work required and the various phases of the construction needed in order to connect on time.

- **Scheduled Appointments Met On Time**

LUI scheduled 86 appointments in 2015 to complete work requested by customers. Similar to prior years, the utility performed 100% of these appointments on time, which exceeded the Ontario Energy Board (OEB) target of 90%. A new tool called mCare has been introduced at the utility. This tool will assist in eliminating possible misreading of handwritten information, provide real-time data for efficient scheduling and service time allocation in the field. This technology will improve efficiencies, internal controls and subsequently improve the reporting requirements to the OEB.

- **Telephone Calls Answered On Time**

LUI received 12,374 qualifying incoming calls in the year 2015. The Distribution System Code (DSC) require calls to be answered within 30 seconds when a customer calls into the customer care line. The Ontario Energy Board has a target for utilities to achieve at least a 65% answering time within 30 seconds from qualifying incoming calls. LUI exceeded these expectation by performing at 92.20%.

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, starting July 1, 2014. Since this was a new implementation, 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 were not resolved at the first point of contact.

The total logged calls for 2015 are 4,473. LUI performed at 99.96% with logging only 2 requests needing secondary attempts to resolve.

- **Billing Accuracy**

Similar to the First Contact Resolution measure, Billing Accuracy is a new measure being governed by the Ontario Energy Board beginning in 2014. It is a crucial part of our business to ensure accuracy on our customer's 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 2015, LUI issued 84,649 bills with only 3 being inaccurate and requiring corrections and reissuing. LUI performed at 100% which is above OEB's standard of 98%.

- **Customer Satisfaction Survey Results**

Customer Satisfaction Survey is a new measure introduced for 2014 and has not been defined by the Ontario Energy Board. The OEB is working on defining this measure in more detail, after seeing how the utilities perform with their own approach. Utilities are only required to report on this measure every second year.

Instead of using a third party to administer this customer satisfaction survey requirement by Ontario Energy Board, LUI created its own set of questions and used an online tool called Survey Monkey. LUI is pleased to have saved thousands of dollars in third party costs minimizing the impact to customers. The questions were in a multiple choice format touching on the areas of service reliability, billing and payment options, customer service, online services, communication, and overall performance. Customers were invited to participate in the survey in person, online through a link accessible on the utility's website, and advertised on LUI's Twitter and Facebook.

Based on the survey results, LUI received 243 responses resulting in a grade of A. 82% rated the overall value of their electricity service between good to excellent. 9% of customers felt that LUI should be spending more to decrease the frequency and duration of outages, with the understanding that it could increase their hydro bill. Overall, 78% found the existing level of reliability to be acceptable. 94% rated LUI's performance in restoring service from good to excellent. 74% of respondents indicated LUI's performance in restoring services as good to excellent during extended outages. 34% of customers indicated they have a fair to poor understanding of LUI's bills. 9% of customers are not satisfied with the payment options offered by LUI. 87% of customers indicated that they received good to excellent service from LUI's customer service staff. 2% indicated they received fair to poor service from LUI's field staff. 70% of customers have not had any communication with LUI during the past 12 months. 74% of respondents indicated that LUI was good to excellent at communicating with them.

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.

The six questions outlined the following 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.

LUI's overall Public Safety Awareness Index Score was 79%. LUI has already started to utilize this information gathered from the survey to promote awareness messages of public safety.

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

Component B consists of a utilities 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 2015, 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 2015, LUI performed considerably well compared to the prior year measuring an average of 0.49 hours that power was interrupted to its customers. The expected target to perform as prescribed by the OEB is 1.78. LUI exceeds the target by a 72% decrease in the average number of hours that power to a customer was interrupted in 2015. Compared to prior year measuring at an average of 1.06 hours, the utility has also performed significantly well with a decrease of 54%. 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 1.13. The average number of times LUI's customers had power interruption was 0.46 times. This is considerably above expectation with a decrease of 59%. LUI is pleased with these results and is focusing on continuing this trend in future years. LUI feels that its proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets has contributed to the positive results.

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 the next five (5) years, required to maintain and expand the electricity system to service its current and future customers.

LUI has collaborated with a contracted organization called AESI (Acumen Engineered Solutions International Inc.) to complete the DSP. In developing this DSP, LUI's plan is to ensure the future distribution system is designed to deliver power at the quality and reliability levels required by customers and at a minimum cost to them.

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, and 2015, Lakefront was assigned to Group 2. With 71 electrical distributors across Ontario, LUI achieved a place in the top 2 ranked groups while the remaining 51 fall in lower efficiency performing groups for 2015.

- **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. This serves as a comparison to the other 71 utilities in Ontario in terms of the required costs used to service its customers. LUI's total cost per customer for 2015 was \$447 which has improved over the prior year by a decrease of \$4 per customer. After comparable data was published by the Ontario Energy Board, LUI was found to be the 4th lowest ranked out of 71 electricity distributors in Ontario for the total cost per customer, in 2014. LUI is confident to stay close within that ranking for 2015, after those comparable results are published.

- **Total Cost per Km of Line**

The total cost per Km of line is a similar measure as above where 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 2015, LUI's cost per Km of line was \$23,547, a slight decrease compared to the prior year of \$37 per km of line.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

The IESO implemented the new six-year province wide Conservation First Framework in 2015 with an objective to reduce electricity consumption by a total of 7 terawatt hours by December 31, 2020. In 2015, LUI attained 18.4% (2.239 GWh) of its six-year Conservation First Framework Net Cumulative Energy Savings target of 12.17 GWh. This was achieved through strong participation in the retrofit and lighting programs and by leveraging the suite of OEB approved CDM programs to residential, low income, commercial and industrial customers.

Connection of Renewable Generation

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

As a requirement, electricity distributors conduct Connection Impact Assessments (CIAs) within a 60 or 90 day timeframe as prescribed by the Ontario Energy Board. The assessment goes through a process of determining the impact of connecting the project to a given point on the distribution system. This needs to be performed in order to alleviate any potential adverse effects new or modified renewable generation connections can have on the power system. In the prior years, LUI didn't perform any CIAs in its service territory but in 2015 applications were on the horizon. LUI completed 4 CIAs in 2015 within the required timeframe.

- **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 2015, LUI connected 2 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 is greater than its current assets possibly causing them the inability 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 depends from industry to industry an adequate current ratio falls between 1.5 and 3.

In 2015, LUI's current ratio was 1.98 which increased from the prior year by 0.30. Compared to the average ratio of 1.53 for all other Ontario electrical distributors, LUI's standing does exceed by 0.45.

- **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 debit-to-equity ratio in continuing to decline year by year resulting at 1.09 in 2015. Compared to the average ratio of 0.99 for all other electrical distributors, LUI's standing is significantly close. 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 7.69% in 2015, 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 2015 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.