Scorecard - Lakefront Utilities Inc.

9/28/2015

Performance Outcomes	Performance Categories	Measures		2010	2011	2012	2013	2014	Trend	Target: Industry	Target: 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%	93.90%	down	90.00%	
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	100.00%	flat	90.00%	
		Telephone Calls Answered On Time		100.00%	100.00%	100.00%	100.00%	96.60%	down	65.00%	
	Customer Satisfaction	First Contact Resolution						99.58%			
		Billing Accuracy						99.98%	flat	98.00%	
		Customer Satisfaction Survey Results						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 [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04		C	NI	NI	C	C	flat		C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	flat		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	flat		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted		2.95	1.94	0.50	2.48	1.06	down		at least within 0.50 - 2.95
		Average Number of Times that Power to a Customer is Interrupted		1.55	1.51	1.00	1.24	0.34	down		at least within 1.00 - 1.55
	Asset Management	Distribution System Plan Implementation Progress						In-progress.			
	Cost Control	Efficiency Assessment				2	2	2			
		Total Cost per Customer [1]		$413	$427	$430	$465	$451			
		Total Cost per Km of Line [1]		$34,350	$36,999	$36,506	$39,825	$23,584			
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 Annual Peak Demand Savings (Percent of target achieved) [2]			8.22%	16.97%	29.16%	40.20%	target not met		2.77MW
		Net Cumulative Energy Savings (Percent of target achieved)			39.83%	55.22%	66.62%	76.88%	target not met		13.59GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time									
		New Micro-embedded Generation Facilities Connected On Time					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)		3.13	3.37	2.53	2.74	1.68			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.31	1.33	1.19	1.17	1.18			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.57%	9.12%	9.12%	9.12%			
			Achieved		8.64%	11.40%	9.20%	6.50%			

Notes:
1. 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.
2. 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

Scorecard MD&A - General Overview

In 2014, Lakefront Utilities Inc.("LUI") performed well in all areas of their scorecard. Despite LUI's performance, continuous improvement is a regular occurrence in all areas of the utility. Aging distribution infrastructure continues to be the primary challenge facing utilities today. Like most utilities in Ontario, LUI must replace aging distribution infrastructures in order to ensure the safe and reliable supply of electricity. LUI continues to focus on transformer maintenance, distribution station maintenance, and vegetation control, including tree trimming activities, to reduce the disruption of electricity distribution to our customers.

Further to the above, LUI makes every effort to engage its customers to ensure awareness of their needs and that they are receiving the best value for their cost. LUI is dedicated to delivering its customers with the most reliable and cost-effective distribution of electricity. With respect to the reliability of the system, LUI is diligently constructing their geographical information system which will provide real-time data capturing of the electricity functionality and distribution. Implementing this tool will allow speed and accuracy of responses to outages and will allow LUI to better manage the maintenance of their system while reducing costs and outage times to their customers.

Additionally, LUI continually increases their performance year over year with energy conservation within their service area. With promotional tools, LUI is striving to encourage their customers to reduce the amount of power they use in order to save on their electricity bill.

In 2015, LUI will continue its efforts to improve its overall scorecard performance results. This performance improvement is expected as a result of continued investment in distribution infrastructure, response to customer needs, and our increasing energy conservation obligations.

Service Quality

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

  In 2014, LUI connected 138 low-voltage (connections under 750 volts) residential and small business customers within the five-day timeline as prescribed by the Ontario Energy Board. This represents a decrease of 6% in the number of connections over 2013. The

significantly small decrease is mainly due to uncontrollable circumstances occurring before the scheduled time.

Satisfying the expectations of our customer's needs from the moment service is established is a priority for LUI. In order to continually achieve this goal, LUI is implementing improvements for 2015. One of the improvements include deploying mCare which will assist with setting up appointments when a residential developer is ready to connect. This will provide a controllable environment to meet the timeline of new connections for our customers. For 2014, LUI still achieved 93.9%, performing well above the mandated target of 90% set by the Ontario Energy Board. LUI is anticipating this trend to be consistent in the forwarding years.

- **Scheduled Appointments Met On Time**

LUI scheduled 84 appointments in 2014 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%. Similar to the above, the implementation of mCare will improve the way appointments are processed and met. This tool will eliminate possible misreading of handwritten information, provide real-time data for efficient scheduling and service time allocation in the field. Additionally, implementing this technology will improve LUI's internal controls and subsequently improve the reporting requirements to the OEB.

- **Telephone Calls Answered On Time**

LUI received 9,704 qualifying incoming calls in the year 2014. The Distribution System Code (DSC) requires 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 96.60%. The volume of calls decreased by 2% and is attributed to LUI promoting online self-serve features.

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 performed the task of measuring this requirement by logging all calls, letters, and emails received, and then tracking if the inquiry was successfully answered at the first point of contact. A series of logged calls have been created to assist the customer service representative to accurately choose the logged call pertaining to the inquiry received. A specific order has been created to track any calls, letters, or emails that were not resolved at the first point of contact. If the log was not successfully completed at first contact a second request is logged. In 2014, LUI performed at 99.58% with logging only 4 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 their 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 allocated to the customer's bill.

  In 2014, LUI issued 17,153 bills with only 3 being inaccurate and needing reissuing. LUI performed at 99.98% which is above OEB's standard of 98%.

- **Customer Satisfaction Survey Results**

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

  LUI performed a customer satisfaction survey in 2013. Based on the survey results, LUI received a grade of A.

  For 2015, LUI decided to engage with their customers by requesting them to complete a questionnaire consisting of 25 questions using an online tool called Survey Monkey. This ensured that the cost of performing the survey would be minimal to the customer. The questions are formatted 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 are 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. These results will be available to our customers on the 2015 Scorecard.

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 survey for Component A has not yet been implemented and will not be reported until 2015.

- **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 complaint 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 2014, similar to their achievements for the prior four 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 2014, LUI performed considerably well compared to the prior year measuring an average of 1.06 hours that power was interrupted to its customers. The expected target to perform as prescribed by the OEB is within 0.50 – 2.95 which LUI was successfully in compliance with. 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 the 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 between 1.00 and 1.55. The average number of times LUI's customers had power interruption was 0.34 times, the lowest it has been since 2010. LUI is pleased with these results and is focusing on continuing this trend in future years. LUI feels that its proactive, balance 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 their investment lifecycles, maintenance planning, renewable energy plans, and asset management policies. The DSP will outline 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 is at the initial stages of collaborating with a contracted organization called AESI (Acumen Engineered Solutions International Inc.). Measuring cannot be implemented at this time as the utility is in working progress in all areas of the DSP. The process of assessing their aged assets began the summer of 2015 and LUI is currently determine the correct optimization of the assets.

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 and 2014, Lakefront was assigned to Group 2. With 72 electrical distributors across Ontario, LUI achieved a place in the top 2 ranked groups while the remaining 52 fall in lower efficiency performing 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. This serves as a comparison to the other 71 utilities in Ontario in terms of the required costs used to service its customers. Comparing the 2014 average total cost per customer of $545 for all provincial electrical distributors, LUI is performing favorably well at a cost of $95 less per customer. LUI's total cost per customer for 2014 was $451 improving over the prior year by a decrease of $14.

- **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 2014, LUI's cost per Km of line was $23,584, a significant decrease compared to the prior year. This was primarily due to an increased focus on reducing OM&A costs and partly due to an increase in circuit km of line from residential subdivisions being connected to the electrical grid.

Conservation & Demand Management

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

The Ontario Energy Board introduced a mandatory function of Conservation and Demand Management (CDM) for electric utilities. Targets have to be achieved for each utility to contribute to the province's total savings of 1,330 MW of peak demand by 2014. To reach this goal, the Ontario Power Authority initiated programs for the utilities to participate in, for the purpose of reducing electricity consumption and demand. These programs are intended for all the rate classes from residential to commercial electricity customers.

LUI attained 40.20% (1 MW) of its Net Annual Peak Demand (kW) Savings target of 2.77 MW at the end of 2014. This was possible by attaining a Roving Energy Manager who assisted in developing energy plans and energy efficiency opportunities.

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

LUI attained 76.88% (10.4 GWh) of its four-year Net Cumulative Energy (kWh's) Savings target of 13.59 GWh. LUI has also begun preparing for a new CDM framework along with new targets to be measured starting in 2015 and the forwarding five years. LUI's approach will be to maximize energy savings while ensuring administrative costs required to support this achievement do not exceed the approved budgets.

Connection of Renewable Generation

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

  As a requirement, electricity distributors conduct Connection Impact Assessments (CIAs) within a certain 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 few years, LUI didn't perform any CIAs in its service territory but we expect to see this change for 2015 with new applications on the horizon.

- **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 2014, LUI did not connect any new micro-embedded generations.

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 and 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 2014, LUI's current ratio was 1.68 which declined from the prior year. The decrease in the current ratio was caused by a few major capital projects that occurred in Q4 of fiscal 2014 that caused a reduction in cash flow. LUI also used a portion of its line of credit to fund the capital purchases, which caused an increase in short-term debt. LUI continues to monitor the current ratio and reports the figure at its quarterly board meetings.

- **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 of 1.18 has decreased significantly and is at its lowest since 2010. Compared to the average ratio of 1.01 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, as mentioned above.

- **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 6.5% in 2014, 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. LUI makes every effort to comply with its profitability levels by regularly managing their financial position with a cost reduction approach as opposed to revenue generation.

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.