Scorecard - Lakefront Utilities Inc.

10/7/2021

Performance Outcomes	Performance Categories	Measures		2016	2017	2018	2019	2020	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		98.50%	99.44%	98.99%	97.57%	91.17%	↓	90.00%	
		Scheduled Appointments Met On Time		99.00%	100.00%	99.09%	100.00%	100.00%	↑	90.00%	
		Telephone Calls Answered On Time		91.20%	91.95%	95.47%	94.10%	82.27%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution		99.96%	99.92%	99.14%	99.41%	99.77%			
		Billing Accuracy		99.89%	99.97%	99.96%	99.95%	99.79%	↓	98.00%	
		Customer Satisfaction Survey Results		76.10%	76.10%	80.70%	80.70%	77.70%			
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%	83.30%	83.30%	83.00%	83.00%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	NC	NC	↓		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]		0.67	0.32	0.32	0.76	4.67	↑		0.59
		Average Number of Times that Power to a Customer is Interrupted [2]		0.37	0.17	0.12	0.68	1.53	↑		0.46
	Asset Management	Distribution System Plan Implementation Progress		Complete	Complete	Completed	Completed	Completed			
	Cost Control	Efficiency Assessment		2	2	2	2	2			
		Total Cost per Customer [3]		$471	$456	$497	$501	$500			
		Total Cost per Km of Line [3]		$25,055	$21,533	$24,064	$23,885	$24,061			
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).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time		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)		1.25	0.82	1.62	1.32	0.97			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.03	1.07	1.07	1.02	1.15			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	8.78%	8.78%	8.78%	8.78%			
			Achieved	7.72%	6.57%	7.76%	7.58%	5.49%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. 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.

Legend:

5-year trend
↑ up ↓ down → flat

Current year
target met target not met

2020 Scorecard Management Discussion and Analysis ("2019 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 2018 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

2020 being a challenging year – both for our customers and organization, Lakefront Utilities Inc. ("LUI") has continued to exceed the average industry standards for Service Quality and Customer Satisfaction measures.

For residential rates, LUI has moved from the 9th lowest in the province, in 2019, to the 6th lowest in the province for 2020.

In 2020, LUI achieved the 4th lowest Operations, Maintenance, and Administrative (OM&A) cost per residential customer in the province.

In areas, where targets have not been met such as System Reliability and Safety, LUI is continuously making improvements to get their performance levels up while also maintaining cost efficiencies. Further details are described in the respective sections below.

LUI's other performance outcomes involving: Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and Financial Performance are further outlined below.

Service Quality

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

  In 2020, LUI performed at 91.17% with meeting appointments on time, which exceeds the Board's target of 90%. The number of new connections has dropped versus prior years (2018 - 98.99%, 2019 – 97.57%) due to the use of paper service orders being misplaced from the field to the administrative staff. However, LUI has adopted a paperless

solution to prevent this from happening in 2021. The electric field staff and management can manage all the orders to ensure timely completion in an efficient way due to new mobile deployments set in place.

Additionally, the drop in performance is not directly related to the work we do with our developers for new connection. LUI works closely with developers to incorporate the connection work required during the various phases of construction to connect on time.

- **Scheduled Appointments Met On Time**

LUI scheduled 103 appointments in 2020 to complete work requested by customers. Similar to prior years, the utility performed well, meeting all scheduled appointments, timely. Meeting these appointments on time exceeds the Ontario Energy Board (OEB) target of 90%.

- **Telephone Calls Answered On Time**

LUI received 6,491 qualifying incoming calls in the year 2020. 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 expectations by performing at 82.27%.

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.

LUI performed at 99.77% with logging only 4 requests needing secondary attempts to resolve.

- **Billing Accuracy**

  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 2020, LUI issued 129,003 bills with 276 being inaccurate and requiring corrections and reissuing. LUI performed at 99.95% which is above OEB's standard of 99.79%.

- **Customer Satisfaction Survey Results**

  LUI completed a survey in 2020 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. This survey was conducted in 2020 and LUI achieved a rating of 77.70%. This is a decrease from 2018 score of 80.70%. The major contributor of this decline was due to some of the power outages in 2020.

Safety

- **Public Safety**

  Public Safety measures are regulated 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. LUI's results were 83%, a drop of 0.30% since the last survey completed in 2017 (83.30%).

- **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 non-compliant with Ontario Regulation 22/04 (Electrical Distribution Safety) for the period of March 1, 2019 to February 29, 2020.

  The non-compliance finding was strictly administrative, whereby certain certificates and record of inspection documents were not completed for three projects. Process revisions were implemented to prevent re-occurrences.

- **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 2020, 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 2020, LUI performed under average of 4.67 hours that power was interrupted to its customers.

  In July 2020, there was a failure that occurred at Victoria St station due to switchgear condensation. The fault occurred between two phases on the 27.6kV station bus. Due to the high fault current the copper bus melted, and bus support insulator failed. Lakefront acquired a third party to rectify the failed equipment.
  As a result of fault on Victoria St station, all the load was shifted onto Brook Rd station. Due to the warm weather, the load in the system also increased causing the transformer breaker to trip. After several hours of investigation, it was determined that the relay settings were set at 60% of the capacity to protect the transformer from overload. After consultation with the 3rd party engineer, it was agreed that the capacity can be increase to 90% with careful monitoring.

On the evening of Brook Rd station failure, Victoria St. station was repaired and commissioned to balance the load between the stations.

LUI continues to view reliability of electricity service as a high priority for its customers and as such, makes continuous efforts to invest where required. Unplanned outages are continuously communicated through various channels such as Facebook, Twitter, the Lakefront App, Live Chat, by phone, and our website, in real-time. Customers are also informed about live updates from the field such as outage size, location(s), the cause, and dispatching information.

- **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 average number of times LUI's customers had power interruption was 1.53 times, an increase from 2019's average of 0.69 hours.

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.

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

LUI was on target with completing its DSP and submitted it with the Cost of Service rate application that was filed in

the spring of 2021.

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.

From 2013 to 2020 Lakefront was assigned to Group 2. With approximately 60 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 2020 was $500 which decreased per customer by $1 in comparison to the prior year.

- **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 2020, LUI's cost per Km of line was $24,061 a slight increase compared to the prior year being $23,885.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

LUI successfully exceeded its goal of reducing more than 12,170 Megawatt Hours (MWh) of electricity consumption within LUI's service territory by 2020 reaching 136% of its target.

LUI continues to look at opportunities to lower hydro bills with tools such as our mobile app and our new customer portal

since the Conservation and Demand Management programs are now being administered directly by the IESO, through Save On Energy programs.

Connection of Renewable Generation

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

In 2020, 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. In 2020, LUI did not have any new Micro-embedded Generation Facilities connected.

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 2020, LUI's current ratio was 0.97 explainable with being in a pandemic.

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 1.15 in 2020. LUI's debt-to-equity ratio is consistent with prior years with immaterial fluctuations.

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

  The OEB permits an electricity distributor to earn within +/- 3% of the expected 8.78% 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 5.49% in 2020, which is 0.3% away from the 5.78% to 11.78% range allowed by the Ontario Energy Board.

Note to Readers of 2020 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.