

Town of Cobourg Holdings Inc.

ANNUAL REPORT 2021



Lakefront
Utility
Services
Inc.



Lakefront
Utilities
Inc.



CONTENTS

Corporate Mission, Vision and Values	3
A Letter to Our Customers	4
Town of Cobourg Holdings Inc.	6
Lakefront Utility Services Inc.	9
LUSI at a Glance	10
Waterworks of the Town of Cobourg	12
Lakefront Utilities Inc.	15
LUI at a Glance	16
Lakefront Utilities Inc.'s Electrical Distribution System	17
Finance and Regulatory	20
Focusing on Our Customers	24
Evolving with Technology	27
Investing in Our Community	28
Prioritizing Safety	30
Supporting Our People	32
Exceeding Standards and Expectations	32
Collaborating for Efficiencies	35

CORPORATE MISSION

We are a community-based corporation dedicated to the responsible management and delivery of safe, reliable integrated services.

CORPORATE VISION

To be recognized as a company committed to innovation, prosperity, and service excellence, valued by our customers, and reinvesting in our community's future.

OUR VALUES

- **Life:** Nothing is more important than the health, safety, and well-being of employees and customers.
- **Unified:** A locally owned company where all divisions work together to build one unified team providing reliable and integrated services to the community.
- **Service:** The customer is why we are here. We provide excellent service by offering advice, delivering services, and providing solutions that contribute to the safety and comfort of our communities.
- **Innovation:** We harness the power of relationships by collaborating with stakeholders to drive innovation and excellence.

A LETTER TO OUR CUSTOMERS

The annual report of the Town of Cobourg Holdings Inc. (Holdco) showcases the organization's resilience and strong financial management.

Holdco continues to maintain a strong fiscal plan with continued effective investment in our priorities for the future, such as sustainable growth, increased infrastructure planning, and delivering value to our customers.

Due to the ongoing pandemic, the year 2021 was full of hardship and sacrifice, putting life into perspective and reminding us of what is important. Without question there have been challenges, but what stands out is the creativity, resiliency, and community spirit that we have seen from our employees and within the communities we serve. Holdco played a major role in the frontline of the pandemic response as we navigated through the COVID-19 emergency and recovery response, while continuing to provide essential services to our customers. Holdco embraced technology as we shifted gears of our service delivery to an online format. We offered new supports and funding to residential and small commercial customers, and we found unique ways to come together and celebrate virtually, reminding one another that we are here for each other.

We listened to the opinions and needs of our customers across our communities, through consultations, submissions, and conversations; and leveraged technology to gather feedback, promote growth, and improve infrastructure spending. This past year, we successfully completed an electric Cost-of-Service rate application, updated our Business Plans, completed full deployment of a mobile work-

order system for ongoing asset data collection, GIS information, and movement towards a paperless environment. Further, we completed a Water Rate Study, Water Master Plan, and Water Financial Plan. As well, all water systems operated by LUSI achieved 100% compliance ratings from the Ministry of Environment, Conservation and Parks. We continued to invest in electric and water infrastructure and completed the Elgin Street, from D'Arcy Street to Birchwood Street, electric overhead rebuild and the Harden Street and Harden Crescent watermain replacements. While a strong focus on replacing infrastructure will take place in the coming years, Holdco remains committed to maintaining consistent performance across service quality, safety, and other performance metrics.

The Board recognizes the fundamental importance of stakeholder engagement to the long-term success and sustainability of our business, and that effective engagement and collaboration is crucial in supporting Holdco in the future. Holdco is committed to developing effective dialogue and relationships with all stakeholder groups and using learnings from the interactions we have with them. Building trust, through operating with honesty and transparency, is crucial to the development of the relationships that will underpin growth and promote the fundamental element of the organization's values and service excellence culture.

Our employees are talented individuals and are crucial to Holdco's success. The Board of Directors are proud of and energized by the strength and creativity demonstrated by staff. In 2021, we adjusted and overcame immense constraints, reassessed service delivery, and worked together in new ways to keep the organization operating. We are committed to



supporting our people and creating a culture that focuses on bringing out the best. It is imperative to us to be able to offer our staff a clear career path, supported with training, coaching, and professional development opportunities.

While much work is left to do, it is truly commendable how our organization, citizens, customers, and communities have adapted during an unpredictable pandemic and prolonged economic downturn. Despite challenging times, we continue to remain optimistic about our organization's future. As we look back on

2021, both within this annual report and in other aspects of our lives, we encourage all to remember and appreciate the things worth celebrating. Together, we will move forward and continue building our organization. We should all be proud of where Holdco is today and hopeful for where it will be in the future.

Last but not least, we offer a sincere note of appreciation to our shareholders for the trust they have placed in our company. As we look ahead to 2022 with much optimism, we are eager to ensure we fulfill our goals to the benefit of all our stakeholders.



David Tsubouchi
Chair of Town of Cobourg Holdings Inc.



Dereck C. Paul
President & C.E.O.

"...the year 2021 was full of hardship and sacrifice, putting life into perspective and reminding us of what is important...what stands out is the creativity, resiliency, and community spirit that we have seen from our employees and within the communities we serve."

TOWN OF COBOURG HOLDINGS INC.

Incorporated under the Business Corporation Act (Ontario) on April 12, 2000, Town of Cobourg Holdings Inc. (Holdco) is an amalgamation of Lakefront Utilities Inc. and Lakefront Utility Services Inc. and serves over 10,800 residential, commercial, and industrial customers. The Corporation of the Town of Cobourg is the majority shareholder of Holdco with the Township of Cramahe (Colborne) owning one share.

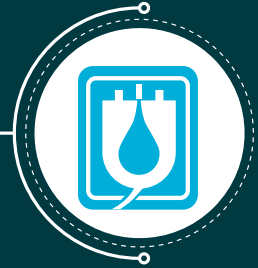


LAKEFRONT UTILITIES INC. (LUI)

A regulated utility through which it distributes electricity and promotes energy conservation.

TOWN OF COBOURG HOLDINGS INC.

The Corporation of the Town of Cobourg is the majority shareholder of Holdco with the Township of Cramahe (Colborne) owning one share.



LAKEFRONT UTILITY SERVICES INC. (LUSI)

A non-regulated services company which provides services to municipalities related to the design, operation, and maintenance of water systems and high-speed dedicated data systems.



FUNCTIONS	LUI	LUSI	Holdco	Waterworks Town of Cobourg
Regulated by the Ontario Energy Board	█		█	
Regulated by the Ministry of Environment				█
Operation of the Grafton water system		█	█	
Water quality services to Hamilton Township		█	█	
Fibre-optic high-speed dedicated data systems		█	█	
Distributes electricity	█		█	
Sale and treatment of water				█
Operation of Town of Cobourg water system				█
Solar - Venture 13		█	█	
Solar - Water Treatment Plant		█	█	
Electric, Water, Sewer Billing - Cobourg		█	█	
Water Billing - Grafton		█	█	

“COMMITTED TO INNOVATION, PROSPERITY AND SERVICE EXCELLENCE.”

TOWN OF COBOURG HOLDINGS INC.

Board of Directors

The Board of Directors at The Town of Cobourg Holdings Inc. provide leadership by overseeing operations, approving business practices, policies, strategic goals, and helping to guide management decisions. Holdco, its affiliates, Board of Directors, and management are committed to the highest standards of corporate governance and business ethics. Although not publicly traded, the Directors and management team target compliance with the corporate governance guidelines of the Canadian Securities Act and the requirements of the Ontario Energy Board's Affiliate Relationship Code.



BARRY GUTTERIDGE
Chair to April 30th, 2021



DAVID TSUBOUCHI
Chair as of May 1st, 2021



ROBERT BELL
Vice-Chair



JOHN HENDERSON



PAUL HOUSE



JOHN FARRELL



MANDY MARTIN

The Board of Directors is made up of members fully independent of management. The remuneration policy for members of the Board of Directors reflects the interests of the shareholders and the company, taking into consideration board members' required competencies, effort, and the scope of the board work, including the number of meetings. The Directors are reimbursed for their out-of-pocket expenses in attending Board and Committee meetings or otherwise in respect of the performance by them of their duties.

TOTAL BOARD REMUNERATION IN 2021:

HOLDCO

\$32,075

LUSI

\$10,050

LUI

\$11,900

Holdco's consolidated financial statement as at December 31, 2021 is available on Lakefront's website at lakefrontutilities.com/financial

LAKEFRONT UTILITY SERVICES INC.

Board of Directors

Lakefront Utility Services Inc. (LUSI) is responsible for unregulated energy related businesses and manages the operation of the water distribution systems for the Town of Cobourg Waterworks, Township of Hamilton, and Hamlet of Grafton on their behalf.

Other unregulated services include a dedicated fibre optic system and generation. LUSI continues to leverage the company's fibre assets to sell fibre optic capacity to other large corporations, government agencies, and healthcare and educational institutions.

LUSI also provides the human resources, administrative, financial, and operational services to Holdco and its subsidiaries, in compliance with applicable regulations.



PETER CHILIBECK
Chair



ROBERT BELL



MARC COOMBS



GRAHAM FISHER



KELLEY IRWIN



KAREN WEBB



LUSI AT A GLANCE

112,317 Hours Worked with Zero Lost-Time Injury

1,987 Water Meters upgraded to Radio Frequency Meters

100% Compliance across all Water Systems operated by LUSI

\$103,627 Net Income

\$0 Dividend

WATER INFRASTRUCTURE

2 Water Towers

8,438 Water Meters

211 km Water Distribution System

2,165,971 m³ Water Billed

LUSI REVENUE IS COMPRISED OF THE FOLLOWING:

\$89,740 Fibre

\$190,041 Management Fees

\$325,644 Operations

\$72,494 Interest

\$14,831 Solar – Venture 13

\$13,422 Solar – Water Treatment Plant

\$11,074 Miscellaneous Revenue

\$717,247 TOTAL REVENUE

LUSI NET INCOME & DIVIDEND

YEAR END	NET INCOME	DIVIDEND*
2015	\$187,836	\$94,500
2016	\$319,763	\$223,000
2017	\$160,692	\$200,000
2018	\$136,423	\$150,000
2019	\$197,266	\$125,000
2020	\$143,630	\$0
2021	\$103,627	\$0

*The dividends exclude regulated income and have no effect on electric or water rates. Financial information at December 31, 2021 is consolidated with Lakefront Utilities Inc.

LUSI's financial statement as at December 31, 2021 is available on Lakefront's website at lakefrontutilities.com/financial

WATERWORKS AT A GLANCE

YEAR END	REVENUE - SALE OF WATER	ANNUAL SURPLUS	CAPITAL ADDITIONS
2015	\$3,883,600	\$453,729	\$1,552,341
2016	\$4,376,420	\$863,062	\$2,010,344
2017	\$4,467,056	\$860,866	\$1,831,747
2018	\$4,785,010	\$982,634	\$3,215,496
2019	\$4,786,000	\$923,264	\$3,065,847
2020	\$5,140,761	\$1,137,978	\$3,546,882
2021	\$5,709,323	\$1,463,558	\$2,637,063

WATERWORKS OF THE TOWN OF COBOURG

Waterworks, the operating authority for drinking water systems in Cobourg, prides itself on public safety. Waterworks is committed to maintaining a high level of trust, commitment, and accountability by consistently delivering high quality drinking water to over 9,000 customers.

In 2021, the water department proved its commitment again, when the Cobourg water system received a final inspection rating of 100% during the Drinking Water System Inspection conducted by the Ministry of the Environment, Conservation and Parks.

Throughout 2021, Waterworks conducted mandatory sampling from source to tap. This constant process ensures compliance with all sampling and testing as required by Ontario Regulation 170/03. More information is provided in the 2021 Cobourg Drinking Water System Annual Report which is available at www.lakefrontutilities.com/regulatory-water.

In 2021, Waterworks continued their multi-year Water Meter Replacement program, contracted to Neptune Technology Group. The installation of the new meters allows commercial and residential customers' usage to be read and monitored through radio frequency (RF), and automatically advises customers of leaks in their homes and businesses.

In 2021, 273 RF meters were installed by Lakefront staff with an additional 1,714 RF meters installed by Neptune Technology Group. This leaves approximately 253 RF meters remaining to be replaced in the Town of Cobourg.

Lakefront Utility Services Inc. (LUSI) contracted CIMA Canada Inc. (CIMA+) to prepare a Water Master Plan for the Town of Cobourg's drinking water system (DWS), which evaluates the existing water treatment,

storage, and pumping and distribution system infrastructure capacity. Also, assessing how to meet existing and future demands, as well as the current condition of capital assets. The Master Plan presents recommendations for water infrastructure upgrades to support the current and long-term water demands of Cobourg. In addition to regular replacement of capital assets such as annual watermain replacement, the 5 Year Master Plan prepares for future expansion, including the process of designing and building a new Zone 1 Water Tower to meet elevated storage and requirements for future growth within Cobourg.

Financial and business-related decisions and priorities are guided by the Waterworks' Water Rate Study and Financial Plan. The plan acknowledges the importance of transparency, accountability, and the responsible management of financial resources. Revenue from the operation of Waterworks consists of profits related to the monthly base charge and usage charge. Although Waterworks generates a surplus, the amount is reinvested in the Town of Cobourg's water infrastructure.

2021 Capital additions were derived from long-term capital forecasts for Waterworks, as well as an assessment of the lifecycle replacement needs of the existing infrastructure. The prioritization of capital infrastructure replacement is based on safety, cost, and operational efficiencies.

LUSI's commitment to continual improvement requires investigating and investing in new methods and technologies. This includes the quality of processes used to ensure production of ample clean water and the quality and effectiveness of the distribution system.

2021 WATERWORKS MAJOR PROJECTS INCLUDED:

Cobourg Water Treatment Plant

- Granular Activated Carbon Replacement
- SCADA Computer and Software Replacement
- Chlorine Analyzers Replacement
- Waste Pump Replacement
- Install Waste Flow Meter
- Alum Pump Replacement
- Raw Water Intake Cleaning/ Repairs
- High Lift Pump Well Cleaning
- Electric Hoist for Gas Chlorine Containers Replacement
- TSSA Generator Upgrades



Cobourg Distribution System

- Watermain Replacement- Albert Street
- Watermain Replacement- Harden Street and Harden Crescent
- Watermain Replacement - Sinclair Street
- Watermain Design
- Update Water Model Calibration
- TSSA Generator Upgrades- Victoria Street Water Tower



Grafton Sample Station Repair

Miscellaneous

- Distribution Truck
- Water Treatment Plant Truck
- Cobourg Water Master Plan
- Neptune RF Meter Replacement- ICI and Residential

As a growing municipality, Council and Lakefront seek to balance customers' increasing expectations with the cost of delivering municipal services. Water rate increases in recent years have reflected the requirement for the renewal of aging infrastructure. To minimize future rate implications, Waterworks has worked hard to minimize increases in its operating expenses in a proven effort to continue to provide customers with reasonable rates. For the period 2016 to 2021, Waterworks' operating expenses increased by an average of 2.74% which is consistent with inflation over the same period.



Waterworks' financial statement as at December 31, 2021 is available at www.lakefrontutilities.com/financial

BELOW IS AN ANALYSIS OF COBOURG'S 2021 WATER RATES COMPARED TO OTHER MUNICIPALITIES.

MUNICIPALITY	MONTHLY BASE CHARGE (5/8")	\$/M3	TOTAL
City of Kawartha Lakes	\$31.58	\$2.80	\$826.96
Township of Alnwick/Haldimand	\$37.34	\$2.22	\$803.28
Municipality of Port Hope	\$42.52	\$1.75	\$790.24
Township of Cavan Monaghan	\$33.33	\$1.86	\$697.56
Township of Cramahe	\$23.25	\$2.16	\$624.60
City of Belleville	\$25.52	\$1.92	\$613.44
Municipality of Trent Hills	\$28.93	\$1.23	\$543.96
Township of Hamilton	\$24.14	\$1.47	\$524.88
Peterborough Utilities Commission	\$22.33	\$1.46	\$501.14
City of Quinte West	\$23.00	\$1.29	\$482.40
Municipality of Brighton	\$22.45	\$1.32	\$480.60
Cobourg - 2022	\$15.79	\$1.57	\$440.68
Region of Durham	\$19.19	\$1.14	\$413.00
Cobourg - 2021	\$14.74	\$1.47	\$412.08

LAKEFRONT UTILITIES INC.

Board of Directors

Lakefront Utilities Inc. (LUI) holds the Ontario Energy Board license to own and operate an electricity distribution system which delivers electricity to customers in the Town of Cobourg and Village of Colborne. While LUI owns the wires, poles, transformers, and meters that bring electricity from the provincial electricity transmission grid to over 10,800 homes and businesses, the electrical system is operated by the employees of LUSI.

The organization's sustainable and forward-thinking approach to financial management continues to serve the organization well as it responds to the ongoing growth and challenges within the community. Lakefront Utilities generates revenue from charges to its customers for delivery of electricity through its low-voltage distribution system. Distribution charges have two components: a fixed monthly service charge and a volumetric charge based on electricity consumption or demand. LUI's rates are regulated and approved by the Ontario Energy Board.



GIL BROCANIER

Chair



**LINDSEY ARSENEAU-
MACKINNON**



NEIL FREEMAN



BARRY GUTTERIDGE



LISA MCBRIDE



**MANUELA RIS-
SCHOFIELD**



DAVID TSUBOUCHI

LUI AT A GLANCE

99.46% First Contact Resolution

99.95% Billing Accuracy

6th lowest Residential Rates in the province

5th lowest OM&A Cost per Customer in the province

\$5,546,548 Total Shareholder Equity

\$160,365 Other Income

\$260,534 Net Income

\$0 Dividend

\$260,400 Interest to the Town of Cobourg

\$500 OM&A Cost per Customer

3,792 Electric Inbound Customer Calls

77.7% Customer Satisfaction Score

INFRASTRUCTURE

10,890 Customers

7 Distribution Stations

1,237 Distribution Transformers

10,894 Meters

3,145 Poles

191 Primary Switches

45,112 kW Peak Load

243,477,967 kWh Electricity Delivered

158 km of Overhead Line

67 km of Underground Line

27.64 km² Service Territory (urban)

LUI NET INCOME

YEAR END	NET INCOME	DIVIDEND*	INTEREST PAID TO TOWN OF COBOURG
2015	\$510,233	\$0	\$507,500
2016	\$470,794	\$0	\$507,500
2017	\$510,233	\$0	\$507,500
2018	\$443,734	\$0	\$507,500
2019	\$269,142	\$0	\$507,500
2020	\$143,264	\$0	\$260,400
2021	\$260,534	\$0	\$260,400

LUI's financial statement as at December 31, 2021 is available on Lakefront's website at lakefrontutilities.com/financial

LAKEFRONT UTILITIES INC.'S ELECTRICAL DISTRIBUTION SYSTEM

Annually, LUI's management and Board of Directors balance the programs, services, and infrastructure desired by the community while maintaining long-term financial sustainability through the annual budget.

Lakefront's costs are essential in order to comply with the Distribution System Code, environmental requirements, government direction, and to maintain distribution business service quality and reliability at targeted performance levels. LUI continued its focus on operational efficiency in 2021, achieving the 5th lowest Operating, Maintenance, and Administration (OM&A) cost per residential customer in the province. To further increase reliability, Lakefront continued to invest in automated switches and reclosures to reduce the duration of outages for customers and to allow LUI to make ongoing changes to its electrical system in an informed and cost-effective manner. Also, LUI continued to convert more of its electrical system from 4kV to 27.6kV, increasing reliability and durability.

Lakefront analyzes each project to develop a fact base to support informed decision making. These facts include spending to date, committed spending,

stoppage costs, measurement of expected benefits, customer impact, and risk trade-offs, to name a few. LUI's capital expenditures in 2021 totalled \$2,174,101 which included several infrastructure upgrades:

Infrastructure Upgrades

- Elgin Street – Pole Replacement
- King Street East – Overhead 27.6kV Voltage Conversion
- Parliament Street – Pole Replacement
- Victoria Street – Pole Replacement
- Division Street – Overhead 27.6kV Voltage Conversion
- Chapel Street – Overhead 27.6kV Voltage Conversion
- Overhead and Pad-mount Transformer Inspection and Replacement
- Overhead and Underground System Inspection and Infrastructure Replacement
- Annual Meter Testing and Replacement

Subdivision Developments/New Customer Services

- New Amherst, Cobourg
- Foxtail Ridge, Colborne
- East Village, Cobourg
- Mason Homes, Cobourg

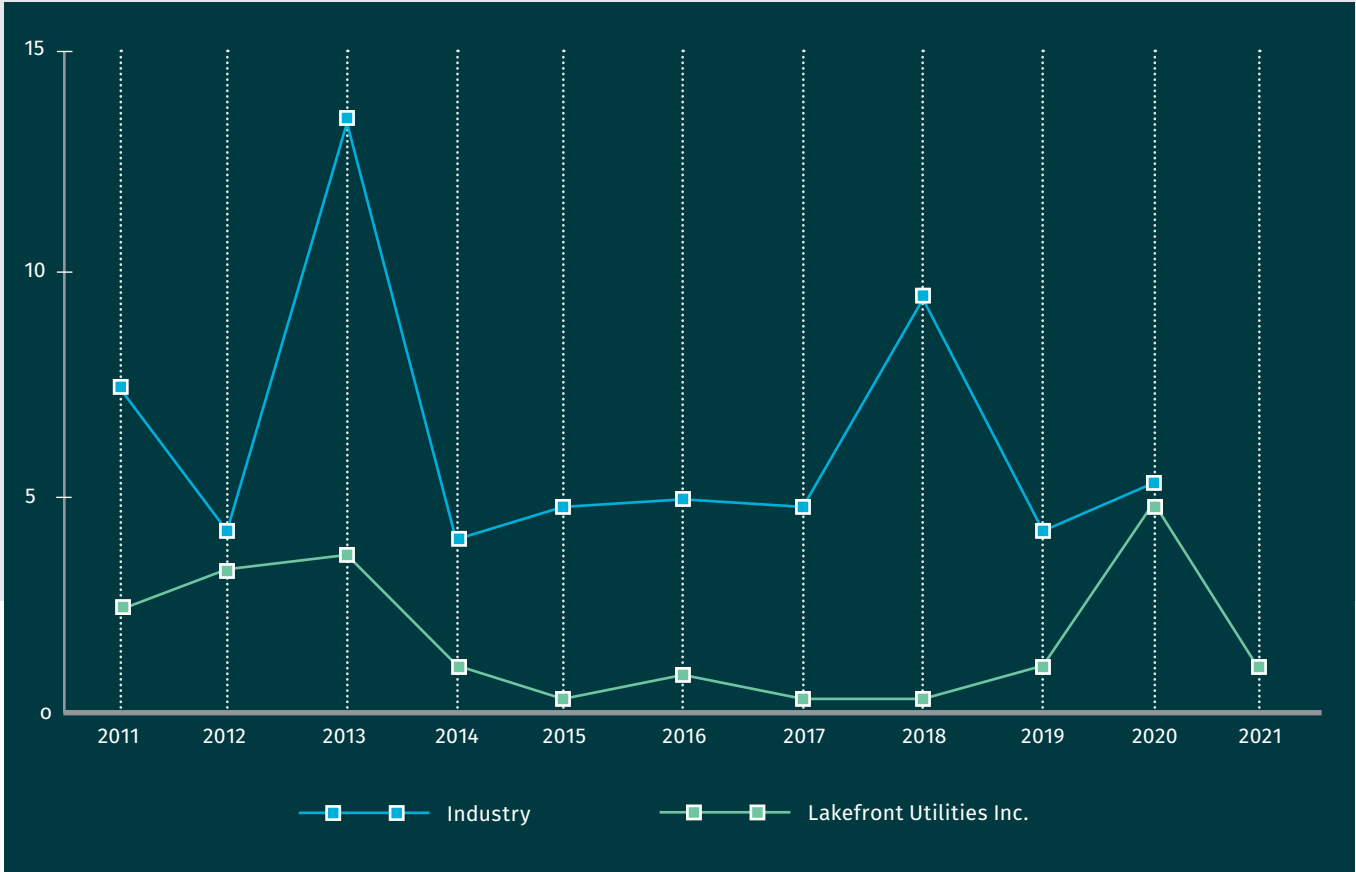


King Street Pole Replacement

Holdco's corporate mission is the responsible management and delivery of safe and reliable integrated services. LUI's dedication to that mission is evident through their annual SAIDI and SAIFI statistics, which consistently exceed industry standards.

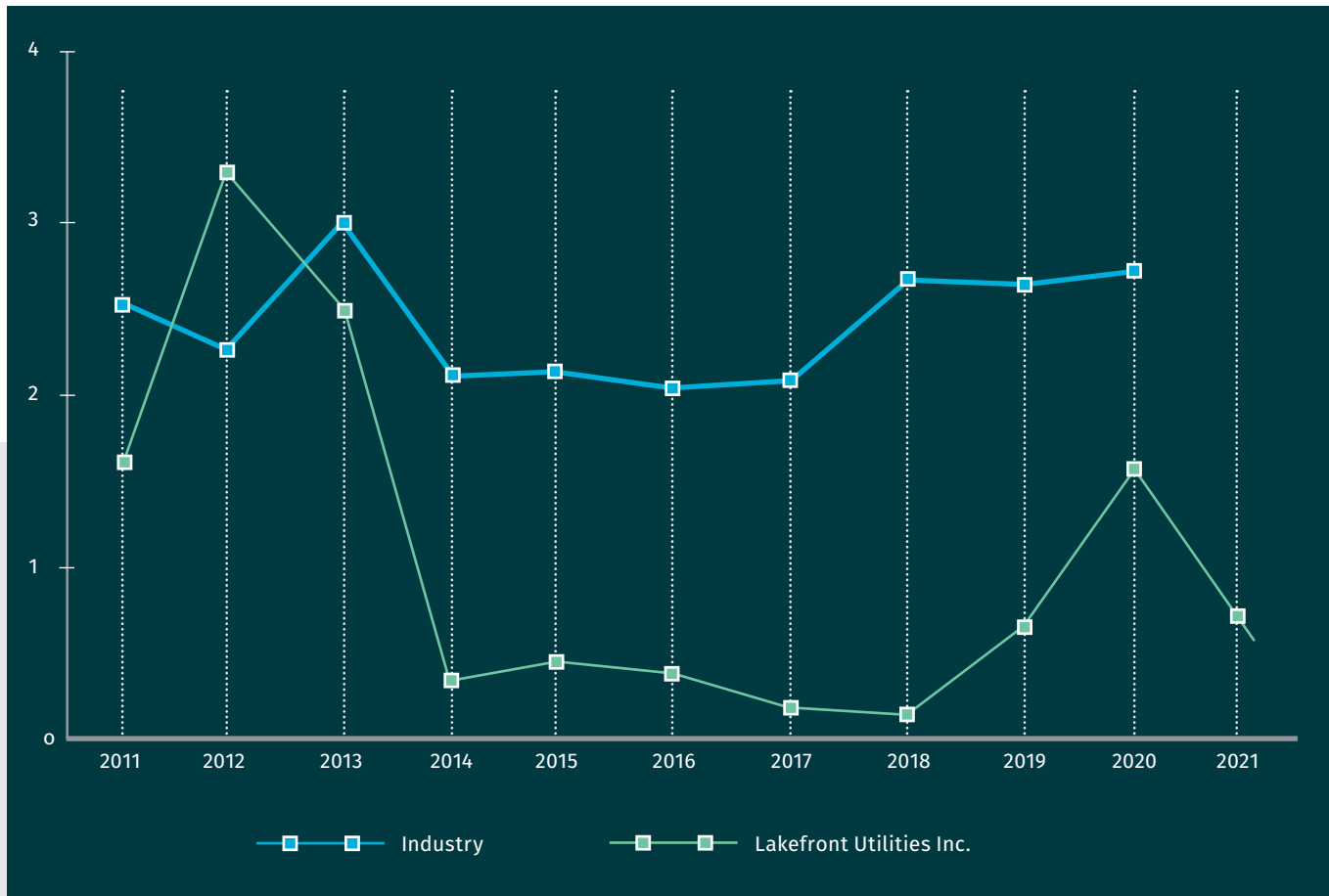


SAIDI | LENGTH OF OUTAGES (HOURS) PER CUSTOMER



**SAIDI represents the number of hours the average customer's power is off in a year.*

SAIFI | AVERAGE NUMBER OF OUTAGES PER CUSTOMER



**SAIFI represents the number of power interruptions the average customer experiences yearly.*

For 2021, LUI's average number of hours that power to a customer was interrupted was 0.9. In 2021, Lakefront had two significant power outages. As a result of heavy rainfall due to a storm on September 8th, Lakefront had an outage that impacted 4,943 Cobourg customers. Lakefront crews were immediately informed and reacted swiftly. Lakefront's Supervisory Control And Data Acquisition (SCADA) and SmartMap software indicated equipment failure at the Victoria substation. Necessary switching was performed, shifting load from the Victoria substation to the Brook substation, restoring power quickly and safely to all affected customers. A second outage occurred on October 15th, 2021, impacting 3,300 customers in Cobourg. Due to heavy rainfall, recloser

R101 sensed a fault downstream and opened, causing the outage in the west end of Cobourg. Lakefront crews patrolled the areas and once it was determined safe to close switch R101, the power was successfully restored to all customers. Crews reacted promptly during both outages, quickly and safely restoring power to all impacted customers. Despite the two power outages, customers experienced reliable power with minimal interruptions throughout 2021.

The average number of times that power to a customer is interrupted is another measure of system reliability and is also a high priority for Lakefront. LUI customers experienced interrupted power 0.57 times during 2021.

FINANCE AND REGULATORY



The year came with unforeseen and unprecedented financial challenges. The 2021 financial year was a period of refocusing and repositioning the business to create stronger foundations that will enable Holdco to focus on future needs.

Holdco's approach of fiscal prudence and financial sustainability helped to make decisions at the onset of and throughout the pandemic. Working together, Holdco applied a practical and measured approach to address the financial pressures we faced. Over the past few years, Holdco has maintained strong financial policies to support our continued investment in infrastructure, ensuring assets are well maintained.

Continued collaboration with staff and community partners, has enabled modest rate increases, low debt levels, and a stable cash flow, putting Holdco on a solid fiscal footing. This positions Holdco to address the changing needs of customers, while continuing to invest in Cobourg and Colborne's future growth and prosperity.

In 2021, we took bold action in managing our budgets to support the economic recovery and COVID-19 response. Taking a least-harm approach to customer-facing services, we worked hard to further reduce costs, while continuing to modernize services, and invest in key priorities to better serve the changing needs of our customers. A continued focus on cost reduction resulted in operating costs increasing by 1.87%.

There have been substantial improvements in Holdco's financial performance over the past few years. Reported revenue in Lakefront Utilities Inc. increased by 3.33% and Waterworks revenue increased by 11.06%, primarily due to an increase in rates. In 2021 we saw a significant increase from the previous year. Lakefront Utilities Inc.'s net income in 2021 was \$260,534 an increase of 82% from 2020. Waterworks net income for 2021 was \$1,463,558, an increase of 29% from 2020. Holdco's strong financial management and performance is something we take pride in.

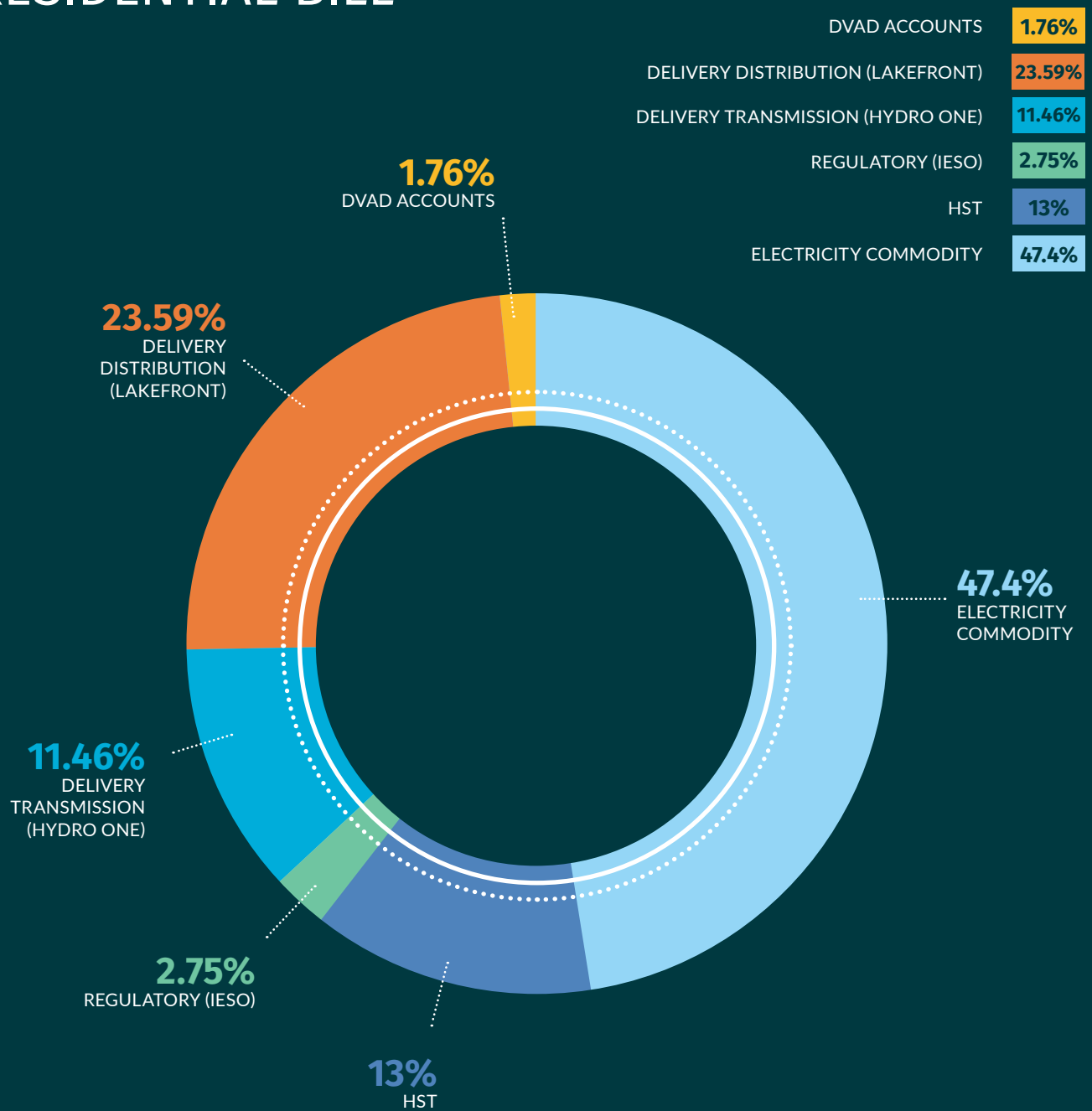
Costs and rates vary from one distributor to another, depending on factors, such as the age and condition of assets, geographic terrain and distances served, population density and growth, and the proportion of residential to commercial and industrial consumers. LUI's 2021 residential rates were the sixth lowest in the province, Operating, Maintenance, and Administration (OM&A) costs were fifth lowest, and water rates were low compared to neighbouring Municipalities. This has been achieved by investing in people and fostering a culture of continuous improvement and innovation. It's evident from the information that Holdco listens to its customers,

is responsive to changes in customer needs, and is dedicated to keeping costs low.

On April 30th, 2021, Lakefront Utilities Inc. filed a Cost of Service rate application with the Ontario Energy Board. In November 2021, we received approval from the OEB for the 2022 electric distribution rates. Lakefront received approval for 100% of the proposed capital costs, as well as 100% of the requested Operating, Maintenance, and Administration (OM&A) costs. It is a testament to our staff's hard work and commitment to delivering safe and reliable electricity that resulted in no reductions.

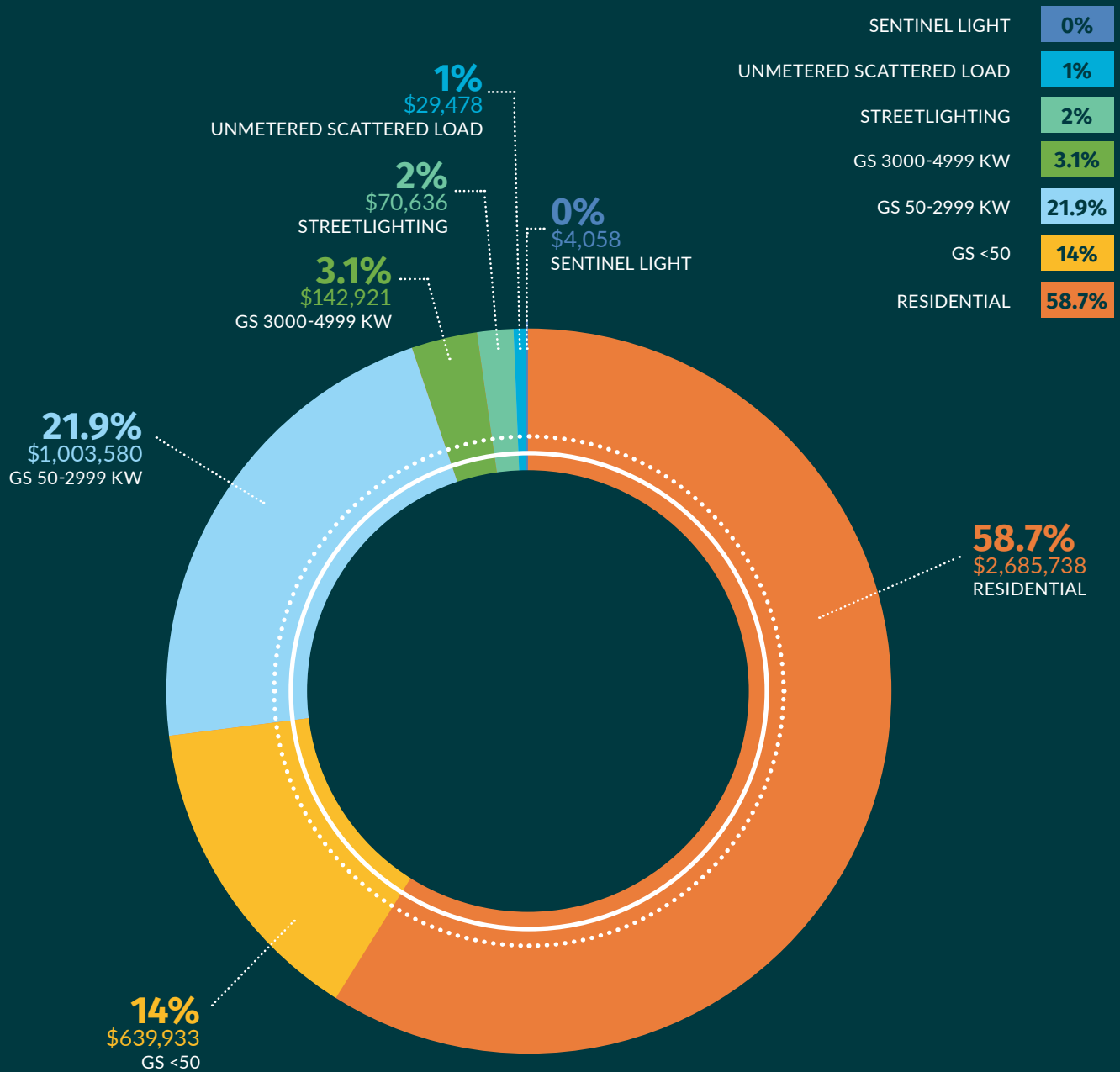
Throughout the customer consultation process, LUI ensured alignment between its operational and capital investment plans and the needs of customers. LUI believes the updated operating and capital costs represent expenditures that are required to maintain and operate Lakefront's distribution system assets at the targeted levels of performance, meet customer expectations, ensure public and employee safety, and provide quality service.

BREAKDOWN OF 750 KWH RESIDENTIAL BILL



LUI's 2021 residential rates are the sixth lowest in the province. LUI's rates are a testament of the hard work and efforts that staff give every day to the continued improvement of our utility and betterment of our services.

BREAKDOWN OF REVENUE



LUI has seven different customer classes that it bills based on rates approved by the OEB. The breakdown of revenue by customer class represented on this graph reflects only the distribution and volumetric charge.

FOCUSING ON OUR CUSTOMERS



As for all organizations impacted by the pandemic, 2021 proved to be a challenging year for customer service. Despite unique obstacles, we continued to provide quality service to our customers in the manner they have come to expect and deserve.

Using a balanced approach, we continued to deliver services across our service territories. We responded to emerging community needs and implemented transformational changes that improved how we offer services throughout the pandemic and beyond.

As we adjusted to a new way of living with the pandemic and lockdowns, we have remained committed to supporting our customers by providing financial aids, such as payment plans and disconnection relief. In early 2021, Holdco implemented applications that allowed customer service calls to be taken remotely.

We focused on being business-friendly, ensuring we are identifying all opportunities for improvement that will enable our business community to be successful. In 2021, Lakefront focused on prioritizing their customers by:

- Promotion and customer support for additional programs, such as Ontario Energy Support Program, Low-income Energy Assistance Program, COVID-19 Energy Assistance Program (for residential customers), and COVID-19 Energy Assistance Program (for small businesses).
- Implementation of the Price Plan Comparison Calculator on the customer portal. The calculator allows customers to access their historical usage and accurately compare their usage on different price plans, Tiered Pricing and Time-of-Use. Customers can assess their energy usage patterns throughout the year and switch their price plan accordingly.
- Maintain ongoing dialogue with Cobourg and Colborne’s business community. Including building stronger, more collaborative relationships with key customers and ensuring that we remain prepared to meet their evolving needs in a changing energy landscape.

With strong efforts from Lakefront’s Customer Service Representatives, Lakefront was able to promote the COVID-19 Energy Assistance Program to customers in need, fully dispersing all available funding. Customer Service Representatives demonstrated their dedication further, by initiating a diligent booking process and organizing approximately 149 appointments for residential water meters that needed replacement.

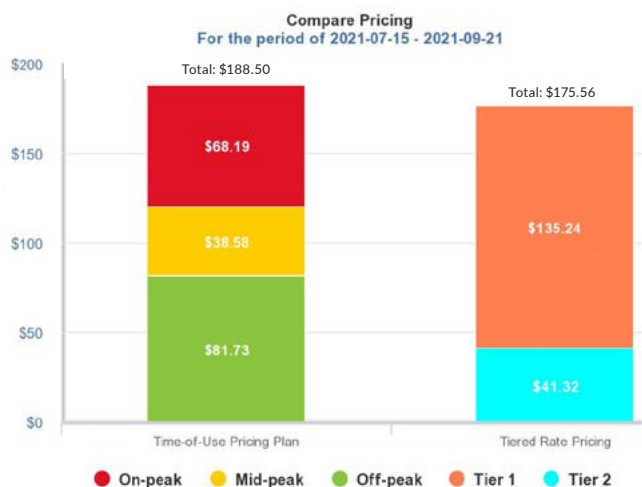
We remain committed to using customer feedback to improve the organization as customer needs and expectations evolve. We continue to see improvements in the percentage of customers utilizing our customer portal, Silverblaze, and the percentage of customers on electronic billing. All utilities in

Ontario are mandated by the Ontario Energy Board to facilitate a biennial Customer Satisfaction Survey. The telephone survey was comprised of 402 randomly selected interviews of Lakefront Utilities’ residential and general service under 50kW customers.

Our Customer Satisfaction Survey indicated that 87% of our customers were either very satisfied or somewhat satisfied with services provided by Lakefront Utilities Inc. Lakefront uses the results from the survey to drive continuous improvement in customer service.

Lakefront aims to quickly deliver accurate information to its customers. Providing an estimated time of restoration (ETR) during a power outage can be difficult, as once the cause has been identified there are many factors that can delay restoration beyond the ETR. A poll conducted of customers indicated that 75% understood that the ETR is an estimate, but would prefer to know the anticipated time frame for power restoration. With Lakefront’s continued improvements, it is evident that we are committed to using customer feedback to enhance, innovate, and advance the organization to accommodate customer needs and expectations.

The progress we have seen over the last year shows that the industry can innovate and change to improve its performance when required. We look forward to continuing to see this in the new regulatory period.



POSITIVE FEEDBACK FROM OUR CUSTOMERS

“ Thank you, for Lakefront’s continued support of the LEAP program, and choosing to keep it locally administered through The Help Centre.”

- **KARIN CUMMINGS**, SENIOR PROGRAM COORDINATOR, THE HELP CENTRE

“ Everyone arrived within minutes, was polite and helpful, and generally provided us with the best customer service experience imaginable. Their commitment to customer service was second-to-none!”

“ He was extremely helpful, truly kind and genuinely nice.”

“ He was very nice, professional, and helpful. He went above and beyond to help the customer understand the water issue he was having at his house.”

“ Lakefront has put together a great team of focused and dedicated people! Thank you again for being so calm, helpful, and understanding!”

EVOLVING WITH TECHNOLOGY

Through 2021, Lakefront continued to adapt to the pandemic, implementing virtual and digital technologies to further engage with our customers and offering online features to easily communicate with customer service.

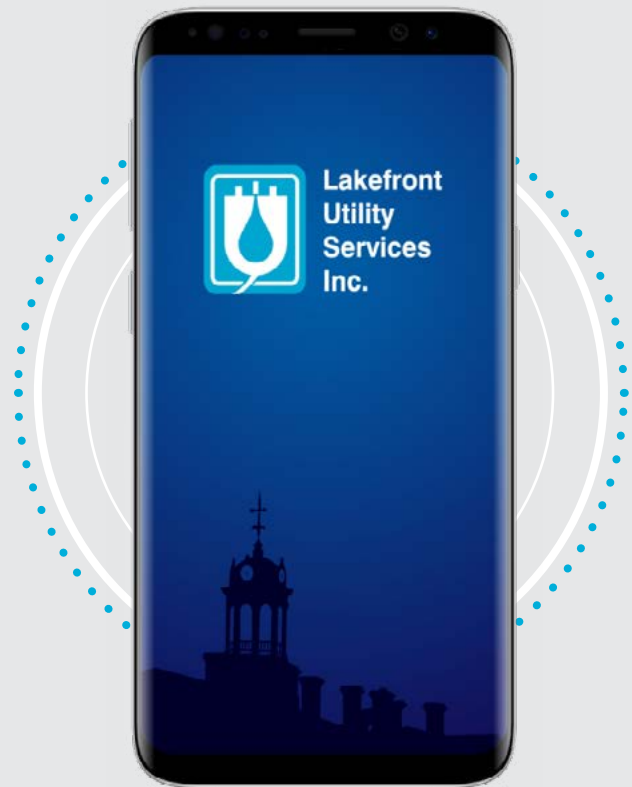
Lakefront focused on making information easily accessible for ratepayers, such as automatic updates, detailed usage reports, historical data, and online self-serve options. Lakefront has been adding to their digital customer service offerings for years through programs such as:

- Customer Portal, SilverBlaze
- MailChimp eNewsletter campaigns
- Lakefront's Mobile Application
- Electronic Billing Option
- LiveChat Website Feature
- www.lakefrontutilities.com
- Social media communications and engagement

Having a solid digital customer experience has had a positive impact on customer service ratings. Results from Lakefront's Customer Satisfaction Survey proves that customers are moving most of their communications online, with 59% indicating that email is their preferred method to stay in touch with the utility.

In 2021, Lakefront continued to invest in automating some of their operations to be more efficient and increase service to their customers. LUSI and their contractors Neptune Technology Group installed 1,987 Radio Frequency meters in the Town of Cobourg as part of their Water Meter Replacement Program. These meters provide a more efficient means to read meters, as well as assist in billing accuracy and water conservation efforts.

In August 2021, Lakefront Utilities Inc. released the 2.0 version of its mobile customer engagement application. The free application is available to Lakefront customers on iOS and Android. The 2.0 version includes better customer engagement, simplified navigation, and increased overall performance and speed.



INVESTING IN OUR COMMUNITY

Holdco embraces a corporate culture that gives back to the community it serves. The pandemic limited staff's ability to participate in the usual community fundraisers and endeavors in person; however, Holdco's commitment to supporting the community through unprecedented times was paramount during 2021 and they increased their community support in a variety of ways.



1. ANISHNAABE WOMEN'S SHELTER | In 2021, Lakefront Staff wanted to show their support to those impacted by the residential school system by wearing orange on the National Day of Truth and Reconciliation and by donating to help the women and children at the Anishnaabe Kwewag Gaming Inc. Alderville Regional Women's Shelter. In total, Lakefront and staff donated \$1,975 to the Anishnaabe Women's Shelter.

2. SALVATION ARMY | Lakefront staff coordinated a toy drive at the end of 2021 with the Salvation Army to help make the holidays a bit brighter for children in the community.

3. OUTREACH AND EDUCATION | In 2021, Lakefront sponsored an Electricity Safety Program as part of their commitment to increase electrical safety. The presentations are delivered by Electricity Safety and Conservation and teach JK - Grade 8 students, within LUI's service area, about electrical safety in the school, home, and outdoors.

4. REDUCING OUR CARBON FOOTPRINT | In 2021, LUSI moved towards its goal of becoming a net zero utility, by promoting paperless billing and replacing aging vehicles with two 2021 hybrid trucks that help reduce the carbon footprint of day-to-day operations of the water department.

5. LENDING SUPPORT TO NEIGHBOURING UTILITIES | Lakefront Utilities Inc. sent a dedicated electric crew to Hydro One's Peterborough yard to assist with storm restoration work.

SCHOLARSHIP

Lakefront's multi-disciplinary scholarship program promotes and supports the academic pursuits of local students. In 2021, Lakefront awarded a \$1,000 renewable scholarship to a student pursuing a career as an Electrical Engineering Technician. Lakefront is proud to support the next generation of professionals in water and electricity fields, as investing in the future leaders of the industry will help drive innovation.

NORTHUMBERLAND EATS

Lakefront and staff donated a total of \$800 to United Way's Northumberland Eats campaign, which helps provide food support to individuals and families while supporting local businesses across Northumberland County.

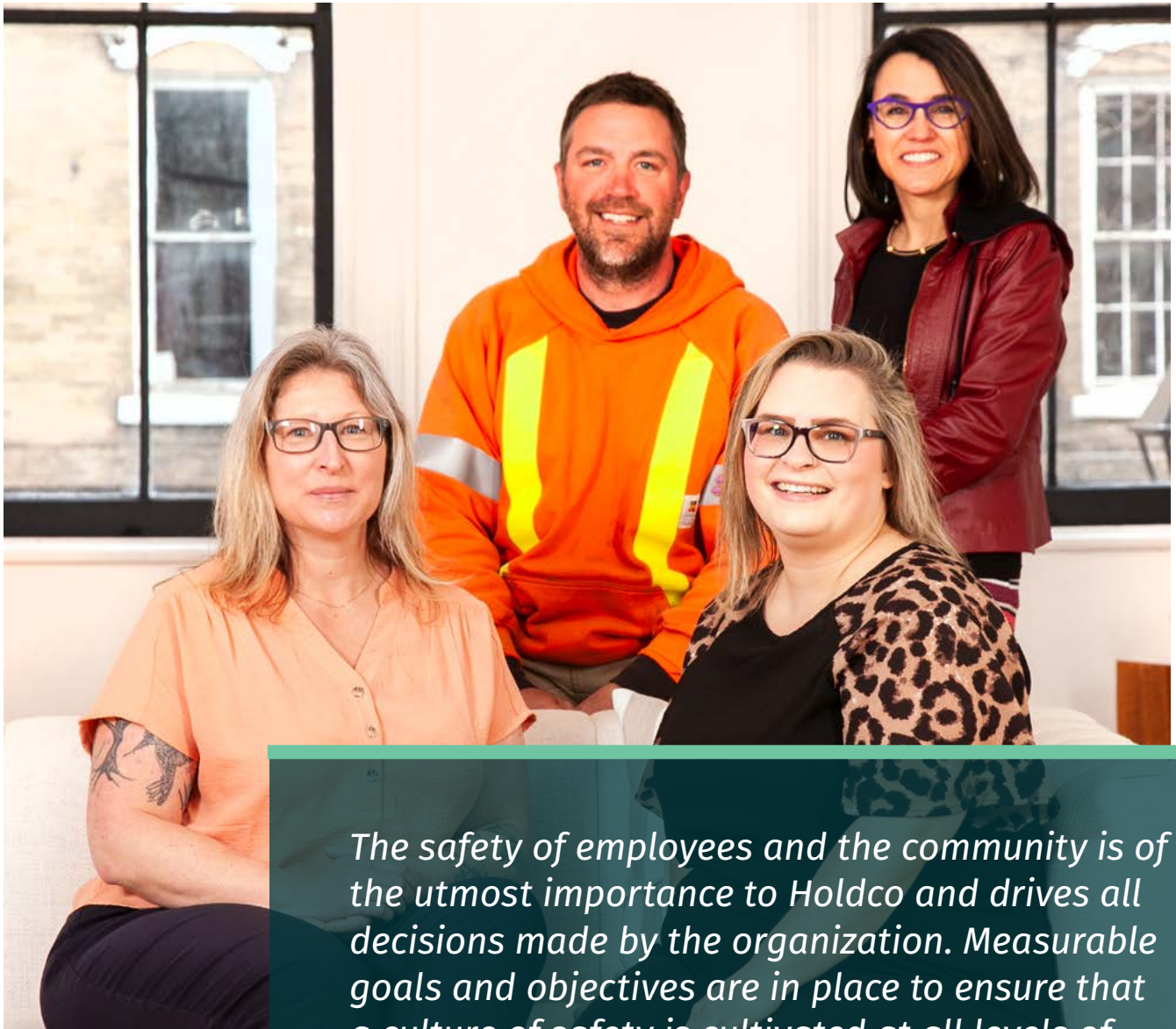


Business Achievement Awards



November 11th, Laying of The Wreath

PRIORITIZING SAFETY



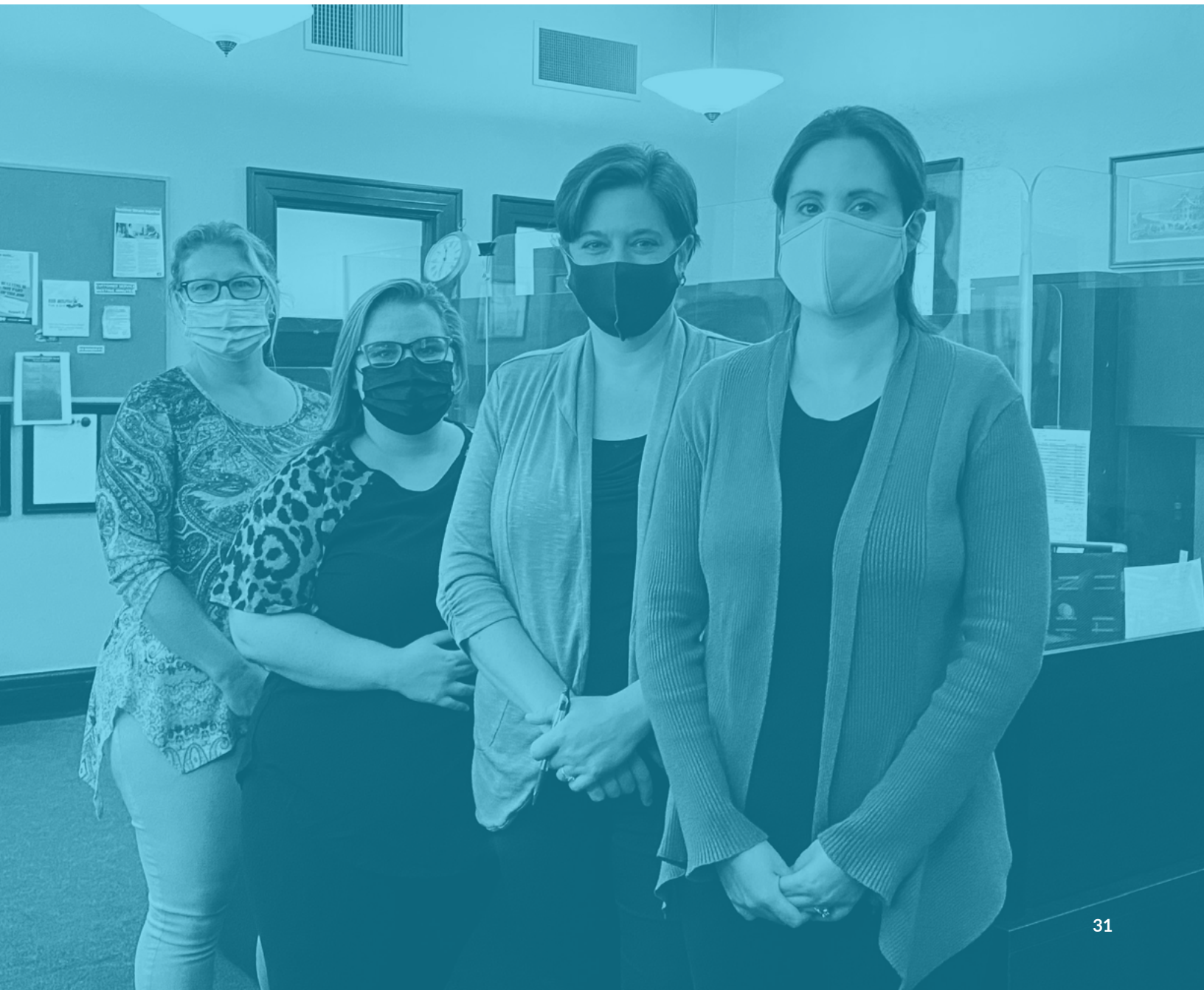
The safety of employees and the community is of the utmost importance to Holdco and drives all decisions made by the organization. Measurable goals and objectives are in place to ensure that a culture of safety is cultivated at all levels of the organization.

Throughout the pandemic, Lakefront continued to adapt quickly for the safety of its customers and employees. From January 12th to June 28th, 2021, office staff worked from home. All operations staff, including managers, worked regular hours, following health guidelines and personal protective equipment (PPE) protocols. On July 6th, 2021, Lakefront's main office was reopened to the public with reduced hours for the safety of customers and staff.

Representatives from different departments at LUSI form the Joint Health and Safety Committee (JHSC) which meets bimonthly to review recent inspections, discuss outstanding business, and prepare for any changes to safety codes. In 2021, the JHSC met 6 times, conducted a total of 64 worksite inspections, 62 workplace inspections, and reported 112,317 Hours Worked with No Lost-Time Injury. In 2021, staff received regular safety training throughout the year, including 10 department safety meetings and 9 safety orientation meetings.

The Ontario Energy Board requires utilities to measure public electrical safety awareness among

their customers via a biennial telephone survey. Lakefront maintains a score of 83 percent. This score reflects Lakefront's efforts to promote safety and advance prevention through its integrated safety campaign which includes safety information on www.lakefrontutilities.com, seasonal social media campaigns, messages distributed via the Mobile Application, information in the quarterly Stay Connected newsletters, safety materials available in the front office, presentations to schools, and topical electric safety information playing on Lakefront's phone system.



SUPPORTING OUR PEOPLE

While remaining mindful of efficiency objectives, Holdco is committed to having an appropriately sized workforce in place to execute their corporate mission to provide safe, reliable, and integrated services.

Holdco continuously adapts its corporate culture to stay competitive and current within the ever-evolving industry in order to attract and retain a skilled and adaptable workforce. In 2021, LUSI had 33 FTE, with 17 FTE working specifically for LUI.

Training and development are identified as one of LUSI's levers with the highest potential for improving

collaboration between workers, attracting, and retaining great employees, making our company a better place to work, and increasing job satisfaction and morale among employees.

In September 2021, Lakefront conducted the biennial Employee Satisfaction Survey. The purpose of this survey was to provide Lakefront with a better understanding of employee morale, satisfaction, and engagement. Lakefront improved in 9 areas and the results were shared with the entire organization in October. Questions with a net satisfying score of less than 70% were reviewed by the Improvement Group and an action plan was created.

EXCEEDING STANDARDS AND EXPECTATIONS

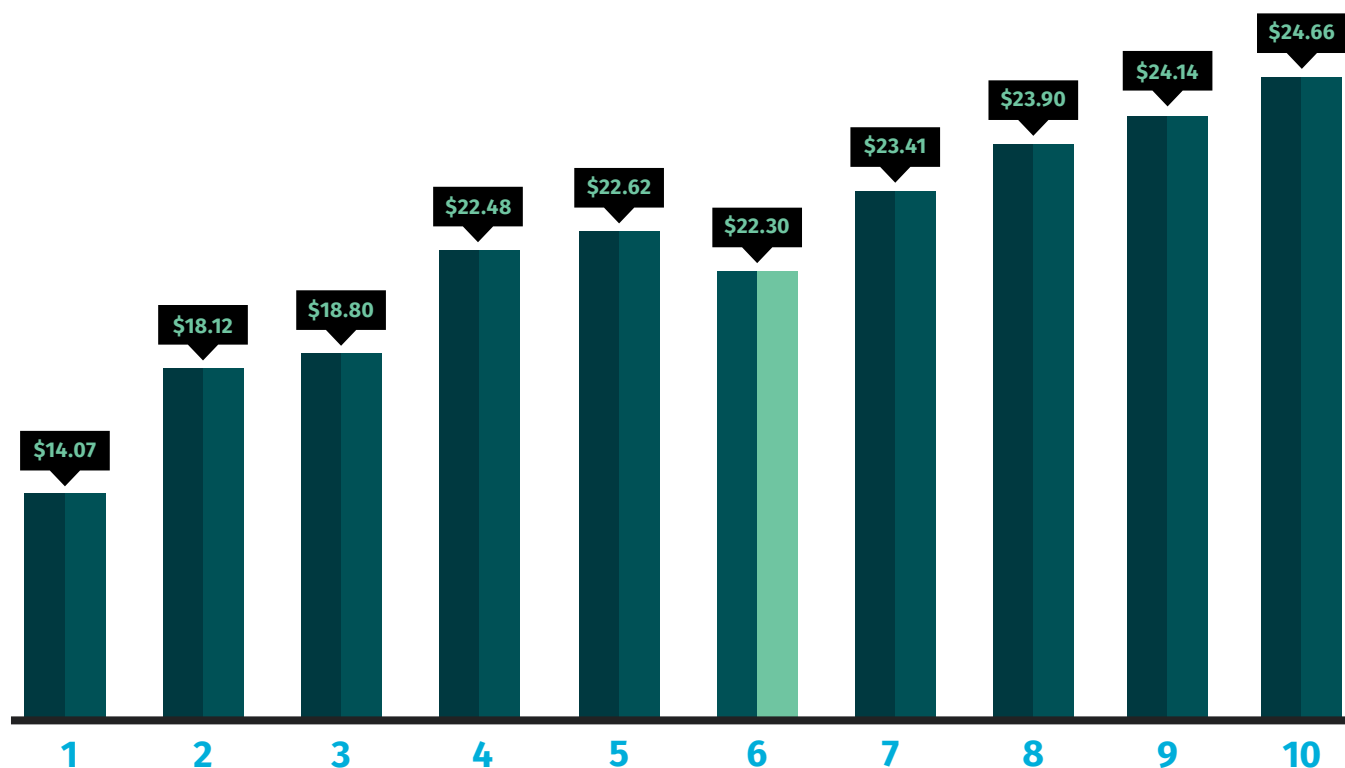
Utilizing the scorecard approach, designed by the Ontario Energy Board, Lakefront Utilities Inc. monitors its performance in key areas as compared to other utilities.

The standardized scorecard encourages electricity distributors to operate effectively, continually

improve productivity, and focus on improvements that customers value by evaluating utilities based on a series of standard metrics. The summary below demonstrates LUI's commitment to exceptional customer service in 2021.

	LUI 2021 SCORECARD RESULTS	OEB APPROVED STANDARD (ON A YEARLY BASIS)
First Contact Resolution	99.46%	*
Appointment Scheduling	93.18%	90%
Appointment Met	93.62%	90%
Telephone Accessibility	95.62%	65%
Telephone Call Abandon Rate	0.82	10% or Less
Written Response Enquiries	99.1%	80%
Reconnection Performance Standard	100%	85%

RESIDENTIAL RATES



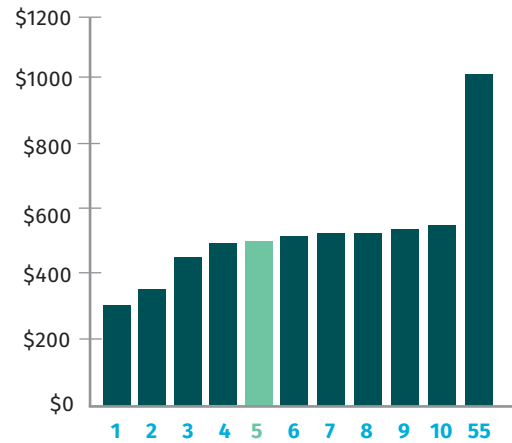
1	Espanola Regional Hydro Distribution Corporation
2	Hydro Hawkesbury Inc.
3	E.L.K. Energy Inc.
4	Kitchener-Wilmot Hydro Inc.
5	Peterborough Distribution Incorporated
6	Lakefront Utilities Inc.
7	Wasaga Distribution Inc.
8	Brantford Power Inc.
9	Ottawa River Power Corporation
10	Alectra Utilities Corporation-Enersource Rate Zone

LUI's residential rates are a testament of the hard work, efforts, and prudent financial management of staff. In 2021, Lakefront was proud to have the 6th lowest residential rates in the province.

OM&A COST PER CUSTOMER 2021

OPERATING, MAINTENANCE, AND ADMINISTRATION

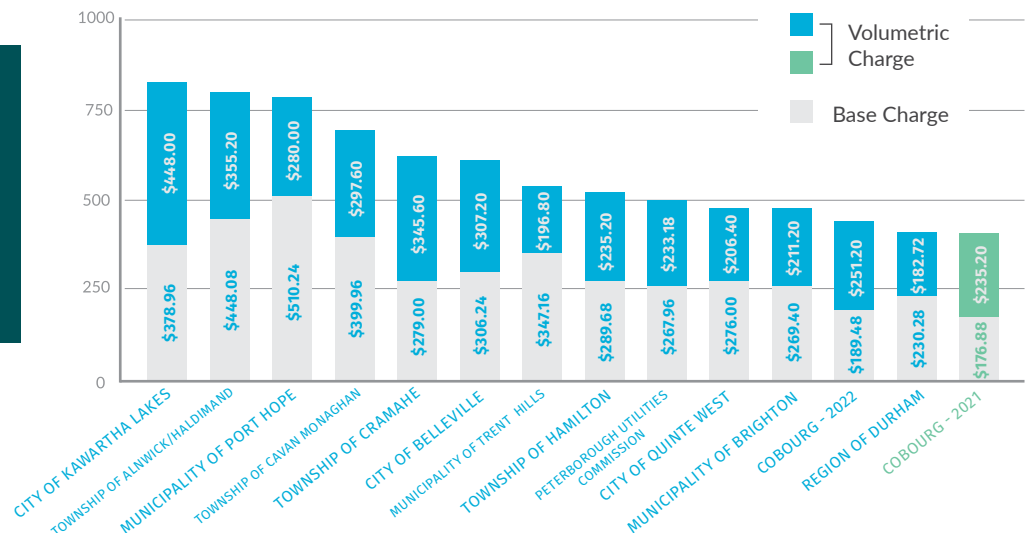
1	Hydro Hawkesbury Inc.	\$305
2	E.L.K. Energy Inc.	\$380
3	Wasaga Distribution Inc.	\$459
4	Welland Hydro-Electric System Corp.	\$494
5	Lakefront Utilities Inc.	\$500
6	Cooperative Hydro Embrun Inc.	\$511
7	Kitchener-Wilmot Hydro Inc.	\$519
8	Ottawa River Power Corporation	\$520
9	Orangeville Hydro Limited	\$535
10	Hearst Power Distribution Company Limited	\$543
55	Hydro One Networks Inc.	\$1,024



Contributing to these low rates is the fact that Lakefront Utilities had the 5th lowest Operating, Maintenance and Administration costs in the province in 2021.

WATER RATES COMPARISON

In 2021, Cobourg Waterworks had the lowest water rates compared to 12 surrounding municipalities.



The Cobourg and Grafton water systems, along with portions of the Township of Hamilton water distribution system managed by LUSI, all received a final rating of 100% during the most recent Drinking Water System Inspections conducted by the Ministry of the Environment, Conservation and Parks (MECP). This latest round of perfect scores adds to LUSI’s long history of surpassing industry standards for the water systems they manage.

COLLABORATING FOR EFFICIENCIES

Holdco is an active member of industry associations within the broader water and electric communities. This is an effort to remain current and to collaborate with other utilities to maximize opportunities for efficiencies, streamline costs, and to provide value to customers and shareholders.



Lakefront Utilities Inc. is a member of Cornerstone Hydro Electric Concepts (CHEC), a collaborative organization of 15 small utilities that share resources and expertise to provide cost efficiencies and best practices to all members of the association. LUI benefits from the support available through CHEC in Finance, Regulatory, Operations, and Health and Safety by gaining access to economies of scale and ensuring all areas of its are efficient and cost effective.



Lakefront Utilities Inc. is also a member of Utilities Standards Forum (USF), a non-profit, volunteer-based corporation owned by 50 Ontario electricity distributor members that service over 1.9 million customers. USF's primary purpose is to develop and maintain system design standards approved to Regulation 22/04. USF also offers member representatives a mechanism for collaboration and networking on other common technical challenges and regulatory requirements.



Utilities Working Together
The Power of Collaboration

Utility Collaborative Services (UCS) is an Ontario co-operative that gives local distribution companies, such as Lakefront Utilities, the opportunity to work together and benefit from collective buying pools, hosted solutions, shared resources, and standardization. LUI is a member of UCS and has optimized the power of collaboration by joining this strong, established co-operative that shares the utility's interests and needs.



The Ontario Municipal Water Association (OMWA) acts as the voice of Ontario’s public water authorities through actions which sustain and protect the life cycle of water and represents more than 180 Municipalities and Public Drinking Water Authorities in Ontario. OMWA brings together a wide cross-section of expertise to provide direction and leadership on policy, legislative, and regulatory issues. Lakefront Utility Services Inc. is a member of OMWA to aid in ensuring the safety, quality, reliability, and sustainability of drinking water in Ontario.



The Ontario Water Works Association (OWWA) is a leader in the delivery of safe drinking water. OWWA, with the support of its parent organization, the American Water Works Association, is at the forefront of research, technology, and policy development with respect to safe, sufficient, and sustainable drinking water. LUSI is a member of OWWA and benefits from its place as the authoritative ‘voice’ of the water industry.





Lakefront
Utility
Services
Inc.



Lakefront
Utilities
Inc.

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