

Scorecard - Festival Hydro Inc.

| Performance Outcomes | Performance Categories | Measures | 2019 | 2020 | 2021 | 2022 | 2023 | 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 | 96.99% | 95.31% | 97.89% | 95.92% | 93.26% | | 90.00% | | |
| | | Scheduled Appointments Met On Time | 98.50% | 97.69% | 98.88% | 97.70% | 97.70% | | 90.00% | | |
| | | Telephone Calls Answered On Time | 88.45% | 98.86% | 91.71% | 90.42% | 96.94% | | 65.00% | | |
| | Customer Satisfaction | First Contact Resolution | 99.99 | 99.93 | 100 | 99.99 | 100 | | | | |
| | | Billing Accuracy | 99.99% | 99.96% | 99.98% | 99.97% | 99.97% | | 98.00% | | |
| | | Customer Satisfaction Survey Results | 97% | 91 | 91 | 93 | 93 | | | | |
| 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 | 81.00% | 80.00% | 77.00% | 77.00% | 77.00% | | | | |
| | | Level of Compliance with Ontario Regulation 22/04 ¹ | C | C | C | C | C | | | C | |
| | | Serious Electrical Incident Index | Number of General Public Incidents | 1 | 0 | 0 | 0 | 0 | | | 0 |
| | | | Rate per 10, 100, 1000 km of line | 0.383 | 0.000 | 0.000 | 0.000 | 0.000 | | | 0.000 |
| | System Reliability | Average Number of Hours that Power to a Customer is Interrupted ² | 1.79 | 1.27 | 1.95 | 0.81 | 1.09 | | | 1.35 | |
| | | Average Number of Times that Power to a Customer is Interrupted ² | 1.78 | 1.00 | 1.63 | 0.77 | 0.81 | | | 1.31 | |
| | Asset Management | Distribution System Plan Implementation Progress | 112 | 92 | 105 | 95 | 106 | | | | |
| | Cost Control | Efficiency Assessment | 3 | 3 | 3 | 3 | 3 | | | | |
| | | Total Cost per Customer ³ | \$650 | \$629 | \$614 | \$674 | \$760 | | | | |
| | | Total Cost per Km of Line ³ | \$53,219 | \$51,767 | \$50,551 | \$52,180 | \$58,354 | | | | |
| 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 | 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) | | 0.53 | 0.54 | 0.51 | 0.46 | 0.53 | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | | 1.11 | 1.04 | 0.99 | 0.97 | 0.99 | | | |
| | | Profitability: Regulatory Return on Equity | Deemed (included in rates) | 9.30% | 9.30% | 9.30% | 9.30% | 9.30% | | | |
| | | | Achieved | 9.10% | 8.89% | 9.93% | 9.25% | 8.62% | | | |

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

2023 Scorecard Management Discussion and Analysis (“2023 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 2022 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

Scorecard MD&A - General Overview

Festival Hydro Inc. (“Festival”) is a locally owned distribution company (“LDC”) servicing over 22,000 customers within a 45-sq. km urban territory in the municipalities of Stratford, St. Marys, Seaforth, Hensall, Zurich, Dashwood and Brussels. Festival is committed to maintaining a safe, reliable, and efficient electricity distribution system and providing quality service to its customers.

In 2023, Festival Hydro exceeded all OEB Scorecard performance targets. Festival is pleased with its Scorecard results achieved within each of the four performance outcome measures of customer focus, operational effectiveness, public policy responsiveness and financial performance.

Festival Hydro continues to make customer experience a top priority and has made several improvements to its website, paperless processes and online forms which allowed for a quick and relatively seamless transition for its customers and staff. In 2023, Festival Hydro began the implementation of a new Customer Information System that will ensure that Festival Hydro’s and their customers’ needs can continue to be met. Festival also completed implementing an outage management system and began the process of exploring an AMI 2.0 deployment. Festival is committed to continuous improvement through its customer service activities, reliability, people and safety and financial performance

Service Quality

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

In 2023, Festival connected 93.26% of its eligible low-voltage residential, small business and net meter customer connections (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the OEB. This is down 2.66% compared to 2022 due to scheduling conflicts with contractors. Festival will continue to monitor timelines, specifically contractors, to ensure this is completed on time.

Festivals 2023 results are above the OEB-mandated threshold of 90%. The high score reflects Festival’s continued commitment to quality and timely customer service.

- **Scheduled Appointments Met On Time**

Festival met 97.70% appointments on time, as scheduled in 2023 (similarly in 2022, 97.70% of appointments were met on time) to complete work for special meter reads, reconnects, locates, or other work requiring an appointment to be performed. Festival's score continues to significantly exceed the industry target of 90%. This performance category once again reflects Festival's continued commitment to quality and timely customer service.

- **Telephone Calls Answered On Time**

In 2023, Festival's customer service representatives received 17,255 customer related calls. This compares to 18,651 customer calls received in 2022. A customer service representative answered these calls in 30 seconds or less 96.94% of the time. This is an increase from 2022's performance measurement which measured 90.42%. Festival's results continue to significantly exceed the OEB mandated 65% target for timely call response and demonstrates Festival's commitment to timely customer service. Festival continues to investigate the addition of enhanced features on the website to allow customers a greater range of self-serve options, which will help reduce call volumes and to improve the percentage of calls answered within 30 seconds.

Customer Satisfaction

- **First Contact Resolution**

Festival Hydro measures First Contact Resolution as the percentage of customer calls answered whereby the customer's initial request has been satisfied by a Customer Service Representative, as the first point of contact. Upon the completion of a call the customer service representative classifies the nature of the call and whether the reason for the call was resolved.

The OEB does not currently provide for a specific measure for First Contact Resolution and as a result, each electricity distributor may have different measurements of performance.

In 2023, 100% of the 10,601 calls received by Festival's Customer Services department were resolved by a Customer Service Representative as the first telephone contact.

- **Billing Accuracy**

During 2023, over 270,000 bills were issued for which Festival achieved a billing accuracy rate of 99.97%. This amount is in line with its 2022 99.97% result achieved. Festival's results exceeded the prescribed OEB target of 98% and are a result of the emphasis that Festival places on great value in internal processes that allow for the highest standard of billing accuracy to be achieved. Festival Hydro strives to continue this success with its transition to a new Customer Information System (CIS).

- **Customer Satisfaction Survey Results**

The OEB introduced the customer satisfaction survey results measure in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year.

During 2023, a survey was not completed, and its results reflect those of 2022. The overall informed satisfaction score was calculated at 93% which is 2% higher than what was reported in 2020. If the neutral and do not know scores are removed, the core measure is 96% compared to 96% in 2020. These results indicate a consistently high level of service for customers.

The customer satisfaction increase of 2% between the 2020 and 2022 surveys indicate that Festival's efforts to engage customers and provide timely feedback and resolutions are being recognized. The 2022 survey also revealed a 2% decline in the reliability of electricity service compared to 2020. Despite this, Festival has invested significantly in improving service reliability and are optimistic that these enhancements will be reflected in the 2024 survey results.

In 2022, 95% of customers reported being satisfied or very satisfied with Festival's convenient options for receiving and paying bills, marking a 2% increase from 2020. Festival remains committed to enhancing the bill conveyance and payment options to further improve the customer experience.

In 2024, Festival is implementing an upgraded customer portal to offer a more intuitive and user-friendly experience for updates and revamped the design of the bills, ensuring customers have easy access to the information they need.

Festival was pleased with the survey results from 2022. Festival will continue to use feedback from the survey responses to drive decisions regarding initiatives that could be pursued to improve customer satisfaction. The next customer survey is scheduled for 2024.

Safety

- **Public Safety**

The Ontario Energy Board introduced these safety measures in 2015. The measures look at safety from a customer's point of view as safety of the distribution system is a high priority. The safety measures are generated by the Electrical Safety Authority (ESA) and include three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04 and the Serious Electrical Incident Index.

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

In 2015, the ESA launched a public awareness survey among a representative sample of Festival's territory population on behalf of Festival Hydro. The survey gauged awareness levels of key electrical safety concepts related to distribution assets and was based on a template survey provided by the ESA. The survey provided a benchmark of levels of awareness including identifying gaps where additional education and awareness efforts may be required. The survey is conducted every other year and in 2022 Festival scored

77% on this survey. Festival is active in using social media as a method of outreach to encourage public awareness and will look for additional opportunities to educate the public on electrical safety.

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

Festival has been in compliance with Ontario Regulation 22/04 since it was introduced as a measure. This has been achieved as a result of Festival's strong commitment to safety and adherence to company safety procedures and practices. Ontario Regulation 22/04 establishes objective-based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications, and inspection of construction before they are put into service.

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

In 2023, Festival saw no serious electrical incidents; a target it strives to achieve. Festival is commitment to the safety of the public and employees remains its number one priority.

System Reliability

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

In 2015 the Ontario Energy Board established a measure for distributors related to the average number of hours that power to a customer is interrupted. This measure compares the annual statistic to the 5-year as the target for the utility. The result for 2023 of 1.09 is lower than Festival's 5-year target of 1.35. The main reason for this was a large decrease in the number of outage minutes due to adverse weather events and defective equipment. While significant weather events were seen, Festival Hydro's system proved very resilient. This comes from the continued investment in vegetation management, and capital asset replacement programs.

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

Festival's average number of times that power to a customer is interrupted (i.e. frequency) of 0.81 is slightly higher than 2022 but is lower than its 5-year target of 1.31. The OEB introduced a measure in 2015 with expectations that distributors be within the 5-year target, similar to the measure above. The decrease is due to lower frequencies of defective equipment and adverse weather outages compared to previous years.

Asset Management

- **Distribution System Plan Implementation Progress**

Distribution System Plan (DSP) implementation progress is a performance measure instituted by the OEB starting in 2014. Consistent with other new measures, utilities were given an opportunity to define this measure in the manner that best fits their organization. This measure is intended to assess the effectiveness of planning and implementing the DSP. As part of Festival's 2015 Cost of Service (COS) Application, its 5-year distribution system plan was developed. The DSP outlines Festival's forecasted capital expenditures which are

required to maintain and expand Festival's electricity system in order to serve its current and future customers over the period 2015 through 2019.

Festival measures the progress of its capital expenditures as a ratio of actual total capital expenditures in the year compared to the total amount of planned capital expenditure for the year included in the DSP. Festival Hydro has submitted a new COS Application for 2025, but previously prepared a five year plan for 2020-2024. In addition, Festival prepares more specific annual capital budgets that are approved by its board. In 2023, Festival was at 106% of planned capital spending, indicating Festival spent slightly more than planned on distribution capital. The majority of the increase in Capital spending can be attributed to a higher than anticipated number of projects in customer driven work and a large IT multi-year project.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC ("PEG") on behalf of the OEB to produce a single efficiency ranking. The ranking is based on a total cost approach taking into account the amounts spent on capital and infrastructure reinvestments and the amounts spent on operations, maintenance, and administration. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs.

In 2023, Festival continues to maintain its ranking from 2019 in Group 3. A Group 3 distributor is defined as having actual costs within 10% of predicted costs.

Based on the 2023 PEG results, Festival's total cost decreased by 1.2% which was better than the average of LDCs at a decrease of 0.9%. Festival Hydro total costs continue to decrease with cost efficiency results for 2020 – 2022 reported at -1.4% and results from 2021-2023 at -2.6%.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Festival's capital and operating costs as per the PEG report and dividing this cost figure by the total number of customers that Festival serves. The cost performance result for 2023 is \$760 per customer, which is a 12.75% increase from 2022. Festival's 2023 increase in total cost can be mainly attributed to an increase to capital costs relating to administration building renovations and the implementation of a new Customer Information System. The remaining third of the increase is from higher administrative costs relating to vacant executive positions in 2022 being filled in 2023.

Festival has managed to keep its costs reasonable despite having to deliver on growth in wage and benefits costs, investments in new information systems technology and the renewal and growth of the distribution system. In 2023, inflation continued to increase, and the supply chain was strained which impacted almost all costs within the utility. This trend is anticipated to continue in the near future.

Festival plans to continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts.

Festival will continue to implement productivity and improvement initiatives to help offset some of the increases in costs.

- **Total Cost per Km of Line**

This measure uses the same total cost as used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that Festival operates to serve its customers. Festivals 2023 rate is \$58,354 per Km of line, a 11.83% increase over 2022. Festival generally experiences minimal growth in its total kilometers of lines due to low annual customer and population growth rate and, as a result, the increase in this measure is mainly driven by total costs. Festival continues to seek innovative solutions to improve value to the customer or to mitigate cost increases where possible.

Connection of Renewable Generation

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

In 2023, Festival connected fourteen new micro-embedded renewable generation facilities (microFIT/Net-meter projects of less than 10kW). Festival was able to connect these facilities 100% of the time within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. Festival works closely with its customers to minimize connection issues and to ensure projects are connected on time.

Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short-term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being “liquid”. The higher the number, the more “liquid” and the larger the margin of safety to cover the company’s short-term debts and financial obligations.

Festival’s current ratio increased to 0.53 in 2023 from 0.46 in 2022 ratio. The reason for the ratio being substantially less than 1.00 is because of the shareholder loan. The repayment term on the promissory note is “on demand” and, as such, that borrowing instrument is classified as a current liability. If the impact of the promissory note is removed, Festival then has a current ratio of 0.92 for 2023 (0.91 for 2022). The ratio is also affected by an increase in bank indebtedness as a result of its increased capital spending than in previous years. To reduce the bank indebtedness in 2024 and 2025 Festival has increased long-term debt borrowing.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt-to-equity ratio of 1.5 (60/40). A debt-to-equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A debt-to-equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt-to-equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

Festival continues to maintain a debt-to-equity structure that is less than the deemed 60%/40% capital mix as set out by the OEB at 0.99. With the increase to long-term debt, Festival expects to move closer to the OEB deemed ratio but does not expect to exceed the ratio of 60%/40% in the near term.

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

Festival's current deemed regulatory return on equity (ROE) of 9.3% was approved by the OEB as part of Festival's 2015 COS Application. The deemed regulatory return on equity is traditionally only changed as part of a COS Application. The OEB expects a distributor to earn within +/- 3% of the deemed return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and cost structure.

- **Profitability: Regulatory Return on Equity – Achieved**

Festival achieved a regulatory return of 8.62% in 2023. This is within the 300-basis points band noted above and demonstrates strong financial performance and cost management.

Note to Readers of 2022 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.