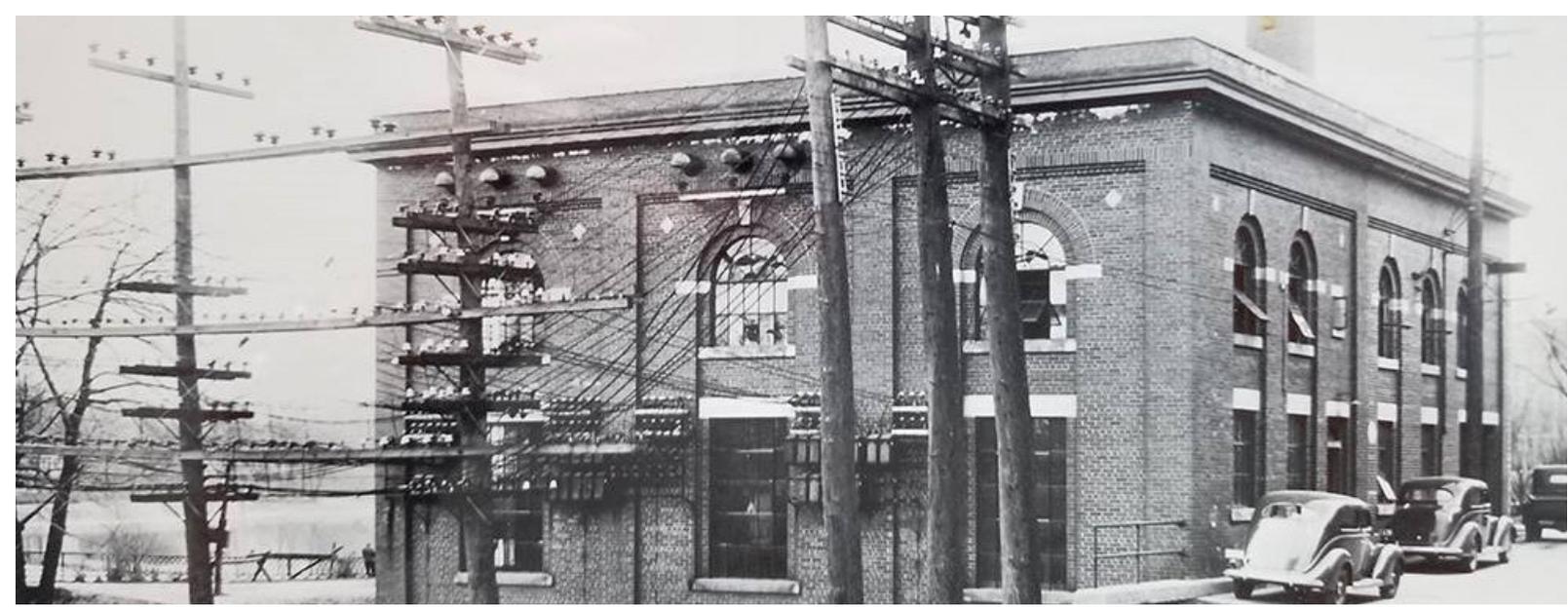


# Powering Forward

**2020 - 2024 Strategic Plan**

*Festival Hydro*  INC.



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## MESSAGE FROM THE CEO

We at Festival Hydro Inc. (FHI), take pride in our ability to be involved in big idea's. We use technology to innovate and change the way we produce, consume, and distribute energy across our communities. We aim to provide the highest quality service that not only meets, but exceeds, customer expectations.

A common theme throughout this document is our focus on innovation as a driver for our success. We look forward to the coming years that will bring more opportunities, new ideas, and exciting projects that we can share with the communities we serve.

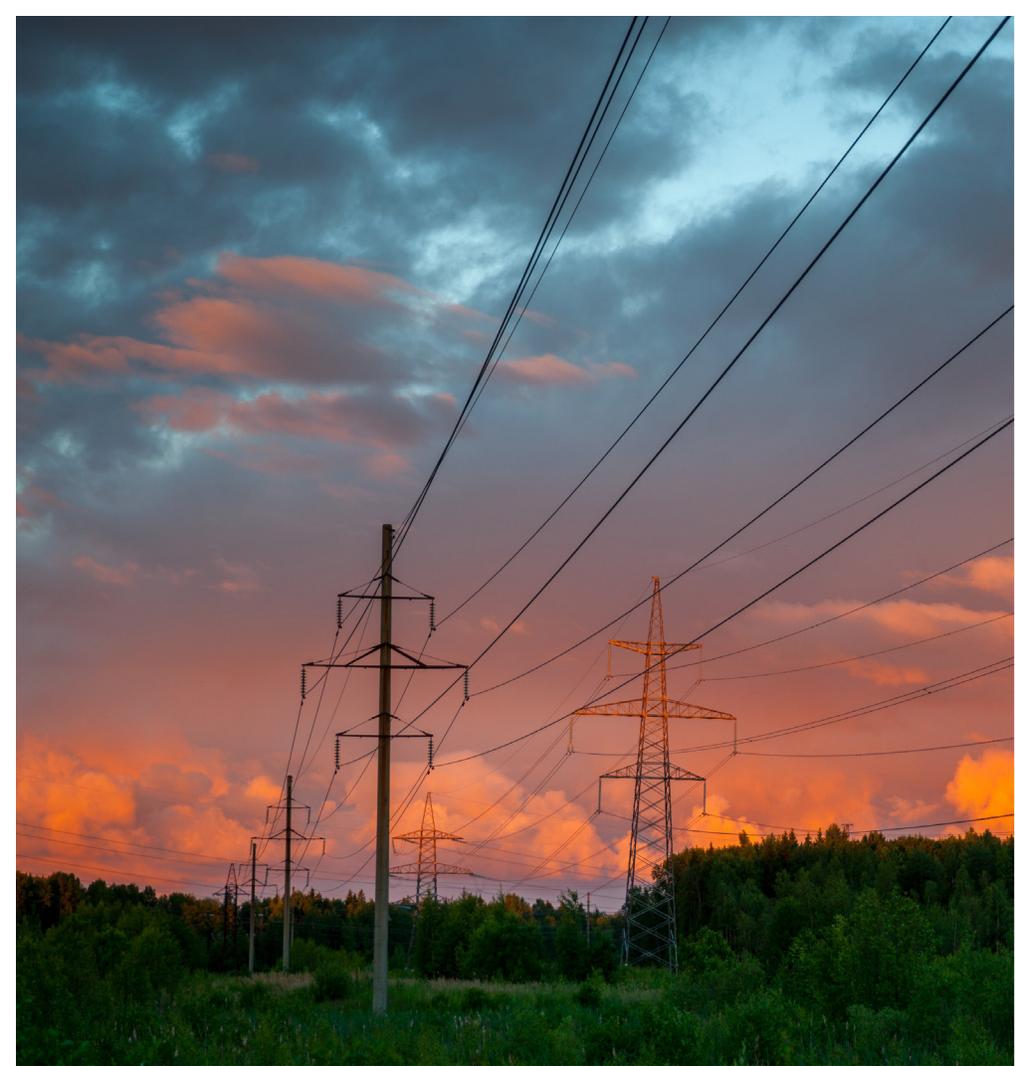
Our Strategic Plan and the associated priorities and goals are supported by our annual Business Plans which provide the more detailed operational specifics required to ensure our work initiatives move the business forward in alignment with our strategic priorities.

Annual budgets are developed every fall, drawing on these Business Plans and available revenue. Detailed Key Performance Indicators (KPIs) are identified, measured, and tracked year over year to help highlight trends and areas of success or opportunity.

The following pages of this document illustrate the strategic priorities that the Board and executives collectively identified at our planning meeting in May of 2019 which build on our 2015 Strategic plan and outline the opportunities, goals and initiatives that will define FHI Strategy in the years 2020 – 2024. This strategy will build on our core values including, safety, integrity, being proactive and accountable, and creating positive solutions. All of which we do to ensure the continued prudent operation of this organization.

As you will see when you read through this document, the four key priorities for FHI over the next four years are: Financial Stability, Customer Focus, Our People, and Community Support. We will use partnerships and innovation as a means to elevate these priorities and feel that these areas provide focus and guidance to best serve the corporation, our shareholders, customers, and our employees.

Ysni Semsedini  
Chief Executive Officer



## INTRODUCTION

Festival Hydro Inc. was incorporated in 2000 and is a wholly-owned subsidiary of the City of Stratford. The principal activity of FHI is to distribute electricity to the residents and businesses in the City of Stratford and the towns of Brussels, Dashwood, Hensall, Seaforth, St. Marys and Zurich, under a license issued by the Ontario Energy Board (“OEB”). FHI is regulated by the Ontario Energy Board and adjustments to the distribution and power rates require OEB approval.

Festival Hydro Inc’s (FHI) Strategic Plan establishes a roadmap for making informed decisions to meet current and future demands of FHI and its customers through the identification of four specific priorities and goals with actionable initiatives to accomplish them. Over the past 4 years, Festival Hydro has made great progress and this Plan provides an opportunity to reflect on these accomplishments while developing a path forward. The development of the 2020-2024 Strategic Plan was led by the Festival Hydro Inc. management team and Board of Directors, with input from the City of Stratford Municipal leadership and our customers.

## MEET OUR BOARD & EXECUTIVES

**Walter Malcolm**  
*Chairman*

**Geraldine Guthrie**  
*Vice Chair*

**David Scott**  
*Director*

**John Tapics**  
*Director*

**Frank Mark**  
*Director*

**Dan Mathieson**  
*Director*

**Brad Beatty**  
*Director*

**Graham Bunting**  
*Director*

**Ysni Semsedini**  
*Chief Executive Officer*

**Kelly McCann**  
*Chief Financial Officer*

**Jeff Graham**  
*VP of Engineering and Operations*

**Delia Campbell**  
*VP of Information Technology*



## INNOVATION POWERING PROGRESS

Festival Hydro Inc. is an energy company focused on providing customers with the highest level of service through innovation in infrastructure, financial responsibility, strategic partnerships and community outreach. Although not the largest electric utility in the Province of Ontario, with just over 20,000 customers, FHI has achieved significant recognition for our accomplishments by receiving the Electricity Distribution Association's award for Innovation in 2019, as well having been honoured with the Safety Excellence Award in 2018, the Customer Service Excellence award in 2017 and the Conservation and Demand Management award in 2016.

A culture of innovation has been the driver for strategic business and community growth by offering better ways to manage power and enhance effective use of infrastructure and capital assets. We strive to consistently prove that local utilities can play a key role in facilitating impactful initiatives while ensuring business fiduciary expectations, customer satisfaction, and managing downside risk while providing upside potential. FHI has played a key role in investment attraction and has been sought out as a thought leader willing to participate in projects leading the future of energy management. We believe in incorporating the use of technology and leveraging strategic partnerships as enablers to reach our goals and promote continuous business improvement. These efforts have led to consistently reaching or exceeding detailed key performance indicators as measured by our board and regulator.

## INNOVATION FOR THE FUTURE

The Mission and Vision Statements for Festival Hydro Inc. provide a key reference point to the corporate direction and purpose of the organization.

The Vision statement is further supported by the commitment to earn this reputation by:

- Being a leader in implementation and utilization of technology to support communication and automation
- Diversifying into new areas for alternative generation to meet customer demand/ expectation
- Increasing our scope through additional business lines
- Continuing to meet key performance indicator (KPI) targets and operate as an efficient and effective utility in the province
- Being recognized as an innovative leader and showcase utility in the industry.

As part of the strategic planning process these Corporate statements were reviewed and provided guidance for the enhancement of the four key priorities for the business over the next four years.

In developing the 2020-2024 Strategic Plan a SWOT analysis was completed to help identify areas of focus.

From the analysis, the four key priority areas were strengthened with supporting goals and initiatives.

## MISSION



To responsibly serve our customers and communities through cost effective distribution and generation of reliable and safe electric power.

## VISION

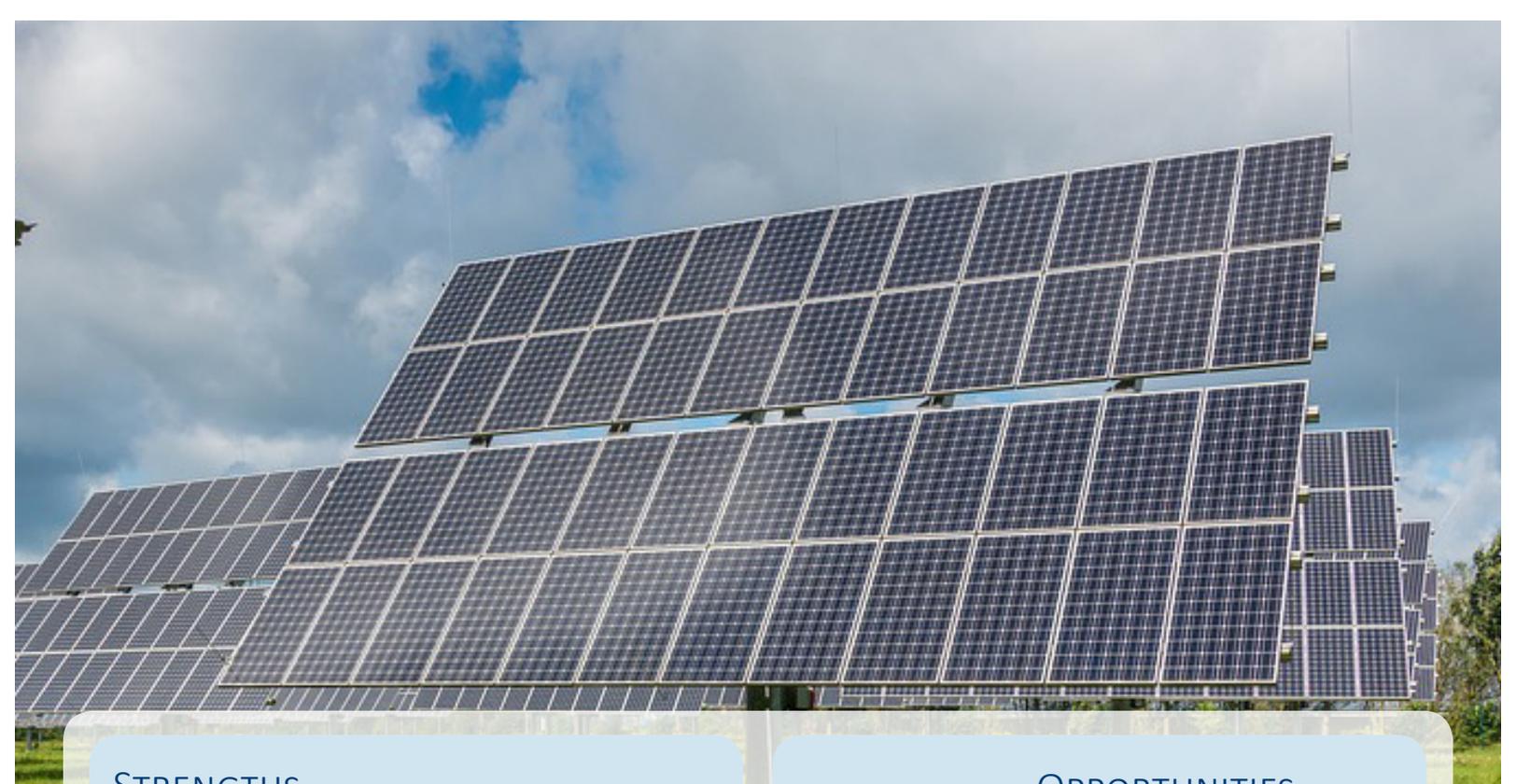


We enable prosperity within our communities through exceptional people, partnership and performance.

## VALUES



- Financial Stability
- Customer Focus
- Our People
- Community Involvement



## STRENGTHS

- Progressive
- Forward-thinking
- Entrepreneurial spirit
- Board Expertise
- Nimble & Responsive
- Strong, Professional Team



## OPPORTUNITIES

- Diversification of scope & business lines
- Generation within our own service territory
- Working with economic development
- Partnerships with other businesses & utilities



## THREATS

- Merger or forced amalgamation
- Cyber-attack security breach
- Political influence & Provincial agenda
- Shareholder: expectations, trust



## WEAKNESSES

- Some core operational processes
- Talent attraction & retention to respond to industry changes
- Consideration of cost from customer perspective
- Cash flow/debt





## **PRIORITY 1: FINANCIAL STABILITY**

### **THE OPPORTUNITY**

The cost of electric service is a core concern of our customers. A sustainable cash flow model ensures effective and efficient service delivery, business diversification, and investment in core businesses, all while managing system and shareholder needs and meeting customer expectations. Risk is ever present in the energy sector; however, effectively identifying, mitigating, and managing risk ensures a more stable and successful business model. It is our focus to reduce risk and increase value to our customers, shareholders, and employees.

### **THE GOALS**

- Maintain a high level of financial performance and meet or exceed key performance indicators
- Diversification of business lines to ensure long term Corporate stability
- Reduce risk within the organization

### **THE INITIATIVES**

- Long term dividend policy review
- Creation of additional business lines around utility services i.e. distributed generation, telecommunications
- Continue to develop partnership opportunities with economic development organizations on synergistic initiatives
- Implement the four-year Enterprise Risk Management (ERM) plan which will address risks with the greatest potential impact to the organization



## **PRIORITY 2: CUSTOMER FOCUS**

### **THE OPPORTUNITY**

The need for shareholder and customer engagement, effective communication, and reliable delivery are crucial components when defining the substantial value and positive economic impact of independent utilities.

### **THE GOALS**

- Continuous improvement on reliability metrics
- Obtain 90% customer satisfaction
- Shareholder relationships
- Engage Customers to provide feedback

### **THE INITIATIVES**

- Enhance customer communications
- Continue to strengthen shareholder relationships through strategy sessions and information sharing
- Develop a mergers & amalgamations strategy with shareholder buy in
- Continue administering customer surveys to evaluate areas for improvement
- Coordinate customer focus groups to educate customers and as a platform for customers to voice opinions and concerns



## **PRIORITY 3: OUR PEOPLE**

### **THE OPPORTUNITY**

Recognizing our team of staff is the most critical component of our business success, it is imperative that the organization ensures the success of our employee's and that the safety of our people is paramount. To sustain the organization by skillfully adapting to change and implementing efficiencies will lead to optimization of resources and capacity, enhanced service delivery, and increased value for all stakeholders.

### **THE GOALS**

- To ensure the safety of our staff is paramount
- To be evaluated as a top employer
- To be viewed as a great place to work

### **THE INITIATIVES**

- Achieve WSIB Workwell Compliance
- Be assessed as a Canadian Small Business Top 100 Employer
- Develop a roadmap to identify and effectively sequence the execution of process improvement efficiencies
- Continued documentation of knowledge-based business processes to ensure sustainability, consistency, and quality



## Priority 4: Community Support

### THE OPPORTUNITY

To be a service driven business involves a corporate social responsibility to give back to the communities in which we operate. We want to ensure our communities, in which we live and do business, know we are there to be involved and to support those initiatives that are most important to community members.

### THE GOALS

- To be known for and publicly recognized as a leader in community support and contribution
- To engage staff and provide opportunities to get involved and support community initiatives as a team
- To encourage and recognize employees' contributions to the community

### INITIATIVES

- Identify and provide impactful community sponsorships
- Encourage, support, and/or coordinate employee community involvement
- Continued provisioning of the Festival Hydro Scholarship program for community youth

## FINANCIAL STABILITY TO POWER INNOVATION

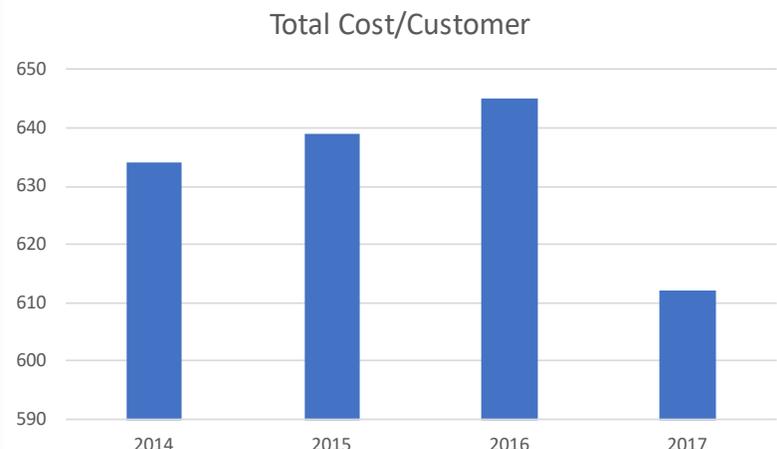
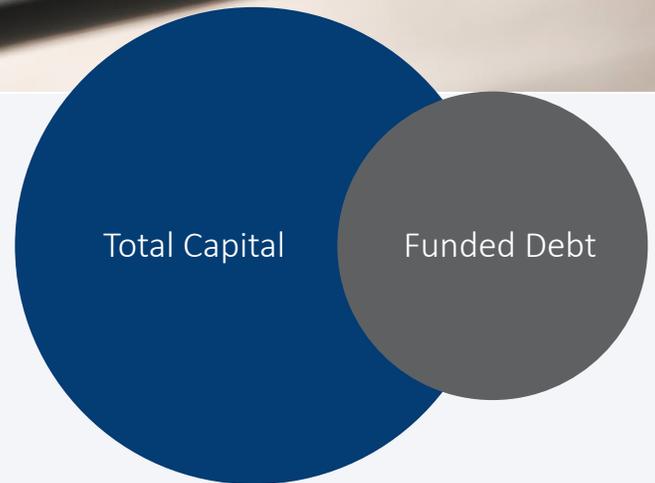
Festival Hydro Inc. has continued to meet or exceed best business practice financial measurements as well as those financial tools tracked and assessed by The Ontario Energy Board. A solid governance framework and continuous tracking of Key Performance Indicators ensures that Festival Hydro is not placed in a position of undue financial risk, or where assets are unprotected, inadequately maintained, or unnecessarily risked. Through yearly environmental scans we are able to monitor and assess the dynamic and constantly changing political, social, ecological and economic impacts in order to consider preparatory and mitigatory measures when necessary. This helps us to ensure that we are meeting our goal of providing a safe, reliable, and cost-effective electrical system for our customers while retaining and enhancing shareholder value.

### LIQUIDITY RATIO

Often used as an indicator of financial health, a ratio that is greater than one is considered good as it indicates that the company can pay its short-term debts and financial obligations without the need to raise external capital. Festival Hydro continually exhibits a ratio of greater than one and maintains the Ratio of Funded Debt to Total Capital of no greater than 0.65:1.

### TOTAL COST PER CUSTOMER

This is defined as the sum of all the costs incurred by the utility to provide service to its customers. The amount is then divided by the utility's total number of customers. Festival Hydro's cost per customer figure has remained relatively stable with a recent downward trend. The decrease in the cost per customer is attributable to increased grid stability that has been realized due to upgrades which thereby reduce maintenance costs, as well as reform and automation of internal processes in order to increase efficiency. By increasing operational efficiencies and controlling costs FHI has been able to maintain relatively stable pricing for customers.





## CAPITAL EXPENDITURES

All physical assets depreciate over time. Therefore, it is necessary to continually re-invest in the system in order to maintain value and integrity. We time our capital investment in such a way that replacement of depreciated assets occurs before they become unsafe, unreliable, and uneconomical.

When appropriate, Festival Hydro employs new and creative solutions with a proven track record in order to accommodate enhanced and expanded load growth. We believe new capital investments must enhance shareholder and customer value by improving safety, reliability, customer service, and meeting or exceeding projected consumption demand.

An Asset Management Plan is maintained and updated every year. Infrastructure is tested and inspected cyclically and the annual results are used to adjust the forecasted number of required replacements that will be necessary to maintain or improve safety and reliability over the next five to ten years. The Asset Management Plan drives the Distribution System Plan (DSP) which identifies major projects and anticipated spending levels for the next five years.

As a guideline, we look to keep our minimum expenditures for capital projects equal to the amount of depreciation in that year; however, we always seek to make decisions based on the best interests of Festival Hydro, our customers, our employees, and the communities we serve.



## INNOVATION POWERING OUR COMMUNITIES

To us, being a partner in our communities means actively supporting and getting involved with the projects, organizations, and events that resonate with and touch the lives of our customers, and we welcome the opportunity to be partners in Powering Our Communities forward.

Some of the ways in which Festival Hydro lends support to the community include annual participant in the Evan's Touch the Truck event in St. Marys to benefit Childcan, supports the United Way Perth-Huron through a workplace contribution program and other campaigns, and offers yearly support to the Canadian Cancer Society's Daffodil Campaign.

In 2018 we tied in our e-billing initiative to serve the community by conducting monthly drawings that let paperless billing customers direct Festival Hydro contributions to their favourite not-for-profits. Organizations that received support through this campaign include (but are not limited to) the Stratford Perth Community Hospice, Stratford Perth Humane Society, St. Marys Hospital Foundation, and the YMCA Healthy Kids program. Festival Hydro is also the main supporter and namesake of the Stratford Soccer Club's community park project.

We also aim to support the next generation in their educational goals and aspirations through the annual awarding of the Festival Hydro Scholarship. The recipient is a student who is enrolled in a post-secondary electrical engineering/technician/technologist program or a powerline technician program.

Through charitable giving and philanthropy, we as a Corporation can make a positive contribution to the quality of life, and the number of services and supports available in the communities we serve.



## POWERING A CULTURE OF INNOVATION

Along with the belief that our employees are the largest contributing factor to the success of Festival Hydro comes the responsibility to empower our staff members so that they thrive and to foster a healthy workplace culture. We promote an organizational culture that encourages employee growth and development and recognizes individual and team contributions.

To create a culture of innovation, you first need a culture of learning as a foundation that can be built upon, as well as a climate in which people want to do their best. We empower others and invite input from each person, share ownership and visibility for our successes, and convey that each individual's contribution is important. By fostering two-way dialogue with others, we can find positive solutions for work and results. As a means to allow for the continued growth of our team, and to promote personal development, Festival Hydro puts a priority on supporting the education and training of our staff.

In addition, we operate with a strong commitment to maintain a healthy and safe working environment for employees. Festival Hydro has implemented environmental, health, safety, emergency response policies, hazard identification, risk management programs and practices, with the goal of preventing accidents and incidents, and achieving zero lost time injuries. A key indicator that our proactive approach is effective is that the goal has been achieved the past two consecutive years. We commit to continually review, evaluate, and audit our policies and practices so that we can constantly improve our performance and pursue industry best practices. This allows us to continue meeting our safety objectives for both our employees and the communities that we operate within.



## INNOVATION POWERING ECONOMIC GROWTH

Another way in which we as locally-owned distribution company can positively impact the community is through our ability to be an active participant in promoting the economic interests of those we serve. Together with our main shareholder, the City of Stratford, investStratford, the city's economic development organization, and our affiliate company Rhyzome Networks, we challenge the traditional ideas of our roles being mutually exclusive and instead share a common objective to attract new business to the areas we serve in order to drive down costs within the community; which in turn assists in attracting more business. This is accomplished by harnessing the power of cross-functioning teams to pursue opportunities that will benefit and advance the local economies.

The key element that makes this type of collaboration possible is the ownership structure of the companies. Although the City of Stratford is the sole shareholder of all three organizations, each is a separate corporation governed by separate boards. This allows each to be agile in their individual operations while still supporting a shared vision for economic health and growth within the community, as well as a collective mindset that is open to innovative technology and business streams that generally do not fall into the scope of the LDC's/ISP's and Economic Development departments of the past.

A testament to the effectiveness of this approach is the more than \$30 Million worth of investment companies announced for establishing and expanding Stratford based operations in 2018. If the growth realized within the City last year, and the number of opportunities currently being explored are any indication, steady economic growth and success are projected well into the future.