

Scorecard - Festival Hydro Inc.

Performance Outcomes		Performance Categories	Measures	2018	2019	2020	2021	2022	Trend	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		99.25%	96.99%	95.31%	97.89%	95.92%		90.00%		
		Scheduled Appointments Met On Time		98.93%	98.50%	97.69%	98.88%	97.70%		90.00%		
		Telephone Calls Answered On Time		87.59%	88.45%	98.86%	91.71%	90.42%		65.00%		
	Customer Satisfaction	First Contact Resolution		99.99	99.99	99.93	100	99.99				
		Billing Accuracy		99.95%	99.99%	99.96%	99.98%	99.97%		98.00%		
		Customer Satisfaction Survey Results		97%	97%	91	91	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%	81.00%	80.00%	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		0	1	0	0	0			0
			Rate per 10, 100, 1000 km of line		0.000	0.383	0.000	0.000	0.000			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²		0.92	1.79	1.27	1.95	0.81			1.35	
		Average Number of Times that Power to a Customer is Interrupted ²		0.73	1.78	1.00	1.63	0.77			1.31	
	Asset Management	Distribution System Plan Implementation Progress		103.6	112	92	105	95				
	Cost Control	Efficiency Assessment		4	3	3	3	3				
		Total Cost per Customer ³		\$658	\$650	\$629	\$614	\$674				
		Total Cost per Km of Line ³		\$53,904	\$53,219	\$51,767	\$50,551	\$52,180				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time ⁴		100.00%	100.00%	100.00%	100.00%					
		New Micro-embedded Generation Facilities Connected On Time		100.00%			100.00%	100.00%		90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		0.50	0.53	0.54	0.51	0.46				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.19	1.11	1.04	0.99	0.97				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.30%	9.30%	9.30%	9.30%	9.30%			
			Achieved		8.30%	9.10%	8.89%	9.93%	9.25%			

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.
 4. Value displayed for 2021 reflects data from the first quarter, as the filing requirement was subsequently removed from the Reporting and Record-keeping Requirements (RRR).

Legend:

5-year trend
 up down flat

Current year
 target met target not met

2022 Scorecard Management Discussion and Analysis (“2022 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 2022, 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.

Over the past several years Festival Hydro has made customer experience a top priority while also managing the challenges that arose through the covid pandemic. Festival had made several improvements to its website, paperless processes and online forms which allowed for a quick and relatively seamless transition for our customers and staff. In 2022, Festival also reopened its doors to the public with reduced hours. This allowed for customer engagement and service with the local community while still being able to manage staffing time and costs. Festival has also worked hard to improve reliability and is focused on continuing to reduce outages where possible. Festival is in the early stages of implementing a customer outage map and a new customer information system which will allow for better tools and communication opportunities with customers. 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 2022, Festival connected 95.92% (282 of 294 requested) of its eligible low-voltage residential, small business and microFIT customer connections (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the OEB. This is above the OEB-mandated threshold of 90%. The high score reflects Festival’s commitment to quality and timely customer service.

- **Scheduled Appointments Met On Time**

Festival met 97.70% or 1,018 appointments on time of the 1,042 scheduled in 2022 (in 2021 794 or 98.88% 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 commitment to quality and timely customer service.

- **Telephone Calls Answered On Time**

In 2022, Festival's customer service representatives received 18,651 customer related calls. This compares to 19,185 customer calls received in 2021. A customer service representative answered these calls in 30 seconds or less 90.42% of the time. This is a slight decrease from 2021's performance measurement which measured 91.71%. Festival's result significantly exceeds 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**

Specific customer satisfaction measurements have not been formally defined across the industry. The OEB instructed all electricity distributors to review and develop measurements in these areas and to be tracking by July 1, 2014. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First contact resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors. In July 2014, Festival implemented a first contact resolution process whereby at the end of a customer phone call, our customer service representative records whether the customer's issue or reason for calling was satisfactorily resolved on their first call. Of the total customer calls received in 2022, 99.99% were found to be resolved after the first call to Festival.

- **Billing Accuracy**

During 2022, over 270,000 bills were issued for which Festival achieved a billing accuracy rate of 99.97%. This amount is a slight decrease from the 2021 99.98% 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.

- **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 2022, Festival issued its fifth customer satisfaction survey. The overall informed satisfaction score was calculated at 93% which is 2% higher than what was reported in 2020. If the neutral and don't 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.

Festival was pleased with the survey results. 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 2021 Festival scored 77% on this survey. This is a slight decrease from its last 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 2022, Festival saw no serious electrical incidents; a target it strives to achieve. Festival's commitment to the safety of the public and our employees remains our 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 2022 of 0.81 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 tree contacts. 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. Through recent years, Festival's score is historically lower than the provincial average when compared to the annual OEB Yearbook of Electricity Distributors. However, the comparison could not yet be completed as the 2022 provincial results were not yet available at the time of preparing the 2022 Scorecard MD&A.

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

Festival's average number of times that power to a customer is interrupted (i.e. frequency) of 0.77 is lower than previous years. The OEB introduced a measure in 2015 with expectations that distributors be within the 5-year target, similar to the measure above. Festival's result of 0.77 is lower than our 5-year target of 1.31. This target could not be compared to the provincial average as the 2022 provincial results were not yet available at the time of preparing the 2022 Scorecard MD&A. The decrease is due to significantly lower frequencies of tree contacts 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 COS application, our 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 our 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 not submitted a new COS Application since 2015, but prepared a new five year plan for 2020-2024. In addition, Festival prepares more specific annual capital budgets that are approved by its board. In 2022, Festival was at 95% of planned capital spending, indicating Festival spent less than planned on distribution capital. The majority of the shortfall in Capital spending can be attributed to delays in supply chain postponing the delivery of a piece of large equipment.

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 2019, Festival improved on its ranking from 2018 and was placed in Group 3. A Group 3 distributor is defined as having actual costs within 10% of predicted costs. The Group 3 rating was an anticipated objective of Festival, as following a number of years of sustained higher investment to improve the infrastructure within the smaller towns purchased by Festival, efficiencies were realized resulting in a decrease in the total cost per customer. In 2022, Festival maintained its Group 3 position.

Based on the 2022 PEG results, Festival's total cost decreased by 2.8% which was better than the average of LDCs at a decrease of 2.1%. Festival Hydro total costs continue to decrease with cost efficiency results for 2019 – 2021 reported at 1.4% and results from 2019-2021 at -1.4%.

- **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 2022 is \$674 per customer, which is a 9.77% increase from 2021. Festival's 2022 increase in total cost can be evenly attributed between higher administrative costs and increases to capital costs towards the distribution system. In 2021, there were several senior staff vacancies through portions of the year which increased administration costs when these vacancies were filled in 2022.

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 2022, inflation increased significantly, 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, as demonstrated in Festival's Distribution Plan filed as part of its 2015 Cost of Service application. 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. Festival's 2022 rate is \$52,180 per Km of line, a 3.22% increase over 2021.

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

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

Electricity distributors are required to conduct connection impact assessments (CIAs) within 60 days of receiving authorization from the ESA. The score does not appear on the scorecard as the filing requirement was removed from the Reporting and Record-keeping Requirements (RRR). In 2022, Festival had one application and completed the CIA within the prescribed time limit.

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

In 2022, Festival connected ten 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 decreased to 0.46 in 2022 from 0.51 in 2021 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 0.91 for 2022 (1.11 for 2021). The ratio is also affected by an increase in our bank indebtedness as a result of our increased capital spending than in previous years.

- **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 0.97. Festival is expected not to exceed the OEB deemed ratio of 1.5 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 Cost of Service Application. The deemed regulatory return on equity is traditionally only changed as part of a Cost of Service 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 9.25% in 2022. 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.