

Scorecard - Festival Hydro Inc.

Performance Outcomes	Performance Categories	Measures	2014	2015	2016	2017	2018	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b> Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	100.00%	99.60%	99.70%	98.66%	99.25%		90.00%		
		Scheduled Appointments Met On Time	100.00%	99.80%	100.00%	99.42%	98.93%		90.00%		
		Telephone Calls Answered On Time	84.60%	90.10%	87.00%	84.71%	87.59%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution	99.89%	99.97%	99.99	99.97	99.99				
		Billing Accuracy	99.89%	99.97%	99.97%	99.99%	99.95%		98.00%		
		Customer Satisfaction Survey Results	79%	79	91%	91%	97%				
<b>Operational Effectiveness</b> Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public Awareness		80.00%	80.00%	81.00%	81.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000			0.000
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.65	1.02	1.32	1.69	0.92			1.19	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.05	1.21	0.93	1.92	0.73			1.57	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress	91.45%	107.67%	97.2%	94.2	103.6				
	<b>Cost Control</b>	Efficiency Assessment	4	4	4	4	4				
		Total Cost per Customer <sup>3</sup>	\$634	\$639	\$645	\$612	\$658				
		Total Cost per Km of Line <sup>3</sup>	\$50,028	\$50,535	\$51,669	\$49,303	\$53,904				
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	<b>Conservation &amp; Demand Management</b>	Net Cumulative Energy Savings <sup>4</sup>		13.92%	47.13%	83.32%	120.00%			34.65 GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%	100.00%	100.00%		90.00%		
<b>Financial Performance</b> Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.48	0.46	0.55	0.50	0.50				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.40	1.26	1.32	1.32	1.19				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.85%	9.30%	9.30%	9.30%	9.30%			
	Achieved		8.18%	14.24%	7.37%	8.43%	8.30%				

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).  
 2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. 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. The CDM measure is based on the 2015-2020 Conservation First Framework. 2018 results are based on the IESO's unverified savings values contained in the March 2019 Participation and Cost Report.

**Legend:**

5-year trend  
 up down flat

Current year  
 target met target not met

# 2018 Scorecard Management Discussion and Analysis (“2018 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2018 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard\\_Performance\\_Measure\\_Descriptions.pdf](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 20,000 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 2018, 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.

One of Festival’s goals is to continue to improve the customer experience. In early 2016, Festival replaced its current website with a more user focused system, with a broad array of useful, real-time, and interactive tools that allow customers more self-service features. Since that time Festival has continued to add features to the website and online customer account portal. In 2018 Festival implemented an upgrade to increase the frequency of customer data refresh on the portal. Festival also streamlined the online account sign-up process.

## Service Quality

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

In 2018 Festival connected 99.25% (264 of 266 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 a slightly higher score than 2017 and is well 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 98.93% or 650 appointments on time of the 657 scheduled in 2018 (in 2017 518 or 99.42% of appointments were met on time) to complete work for special meter reads, reconnects, locates, or other work requiring an appointment to be performed. Festivals’ 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 2018, Festival's customer service agents received 19,226 customer related calls. This compares to 20,936 customer calls received in 2017. A customer service representative answered these calls in 30 seconds or less 87.59% of the time. This is a slight increase from 2017's performance measurement which measured 84.71%. 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 add enhanced features and self-help options on the website to continue to 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 2018, 99.99% were found to be resolved after the first call to Festival. This is a slight increase from 2017's measure of 99.97%.

- **Billing Accuracy**

During 2018, over 256,000 bills were issued for which Festival achieved a billing accuracy rate of 99.95%. This amount is a slight decrease from the 2017 99.99% result achieved. Festival's results adequately met the prescribed OEB target of 98% and are a result of the emphasis that Festival places 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 2018, Festival issued its third customer satisfaction survey. This survey was conducted by a third party. The survey was composed of low, medium-low, medium-high and high consumption customers, with representation from customers in Stratford and also Festival's

distribution territory outside of Stratford. The respondents were from proportionally representative samples of residential vs. general service customers. Questions were posed around power quality and reliability, billing and payment, customer service experience, communications, and price. The overall informed satisfaction segmentation Festival received as a result of the survey responses was 97%.

Festival is very pleased with the survey results. There was also a positive trend in the results relative to the already high satisfaction scores obtained in the 2016 survey. 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 2020.

## 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 2018 Festival scored 81% on this survey. Festival provides a safety awareness program to grade 5 and 6 students through local schools and is using social media and website materials to encourage public awareness of 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

Festival has reported no serious electrical incidences in the past 7+ years, which reflects Festival's commitment to public safety and setting the safety of the public and our employees as 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 new measure for distributors related to the average number of hours that power to a customer is interrupted in that distributors stay within the 5-year target. The result for 2018 of 0.92 is lower than Festival's 5-year target of 1.19. Festival's score of 0.92 is lower than the 2018 provincial average of 2.65 as reported in the 2018 OEB Yearbook of Electricity Distributors. Results in 2018 are lower than the 5-year average as a result of a decrease in SAIDI in the areas of defective equipment, adverse weather, foreign interference (animal contacts and motor vehicle accidents) and tree contacts. Festival continues to help reduce outage durations by replacing older infrastructure through its capital program and working with the local Municipality to provide more aggressive tree trimming.

- **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 0.73 is lower than previous years. The OEB introduced a new measure in 2015 with expectations that distributors be within the 5-year target, similar to the measure above. Festival's result of 0.73 is lower than our 5-year target of 1.57 and lower than the provincial average (adjusted for loss of supply and major events) of 1.48 as reported in the 2018 OEB Yearbook of Electricity Distributors. The decrease is due to lower frequencies in defective equipment, foreign interference (animal contacts and motor vehicle accidents) and tree contacts. As above Festival is replacing equipment and tree trimming to reduce the number of interruptions.

## Asset Management

- **Distribution System Plan Implementation Progress**

Distribution System Plan (DSP) implementation progress is a new 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. In 2018, Festival was at 103.6% of planned capital spending, indicating Festival spent slightly more than planned on distribution capital.

Because the DSP is a plan with a five-year horizon, Festival expects that some years may be slightly more or slightly less than budget for the year, with the objective that Festival will cumulatively achieve close to 100% of budget levels over the five-year period. Festival has planned relatively flat expenditures on infrastructure and capital over the time period of 2015 to 2019. Due to strong capital

programs in the past, Festival is fortunate to not be in the position where substantial amounts of capital investment are required over the next five to ten years to address aging infrastructure.

## 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 2018, Festival was placed in Group 4. A Group 4 distributor is defined as having actual costs in excess of 10% to 25% above predicted costs. The group 4 rating was anticipated by Festival as a result of a number of years of sustained higher investment to improve the infrastructure within the smaller towns purchased by Festival.

Based on the 2018 PEG results, Festival's total cost increased by 8.54% which was above the average of LDCs at 4.68%.

Festival Hydro total costs continue to decrease with cost efficiency results for 2015 – 2017 reported at 12.1% and results from 2016-2018 at 11%. With major capital investments now completed, Festival anticipates a continued decrease in total cost and advancing to the “more efficient” group 3 within the next few years.

- **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 2018 is \$658 per customer, which is a 7.5% increase from 2017. Festival's 2018 increase in total cost is attributed to non-reoccurring costs.

Festival has managed to keep its costs reasonable despite having to deliver on provincial wide programs such as Time of Use metering, growth in wage and benefits costs, investments in new information systems technology and the renewal and growth of the distribution system.

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 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 2018 rate is \$53,904 per Km of line, a 9.33% increase over 2017.

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 help ensure cost/km of line remains competitive and within acceptable limits to our customers.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

Festival, as a participant in the Conservation First Framework, was contracted with the IESO for the delivery of CDM programs over the 2015 – 2020 period with an energy savings target for the six-year period of 34.65 GWh. Earlier in 2018 the termination of the CFF framework was announced, however Festival Hydro will continue to support customer projects through Wind Down activities. To 2018, Festival has achieved 123% of its target. Festival is very pleased to have achieved over 100% of our targeted results well before the end of the six-year program.

## 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. Festival completed all CIAs in 2018 within the prescribed time limit.

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

In 2018, Festival had no applications to connect new micro-embedded generation facilities (microFIT projects of less than 10kW). Festival remains prepared 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 remained flat at 0.50 in 2018 from the 2017 ratio but continues to exceed prior year ratios. 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 1.12 for 2018 (1.03 for 2017).

- **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 1.19. Capital expenditures planned for the 2015 – 2019 period will be primarily funded through current operations, so the leverage ratio is expected not to exceed the OEB deemed ratio of 1.5.

- **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. The 2018 deemed regulatory return on equity approved by the OEB as part of Festival's 2015 Cost of Service Application is set at 9.3% compared to the previous approved rate of 9.85%, resulting in a lower return to Festival and a lower amount to be collected through distribution rates.

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

Festival achieved a regulatory return of 8.30% in 2018. This is within the 300-basis points band noted above.

## Note to Readers of 2018 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.