

Scorecard - London Hydro Inc.

9/12/2024

Performance Outcomes		Performance Categories		Measures		2019	2020	2021	2022	2023	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		99.32%	98.86%	99.15%	99.27%	98.01%		90.00%			
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	100.00%		90.00%			
		Telephone Calls Answered On Time		76.79%	73.41%	68.27%	69.81%	74.84%		65.00%			
	Customer Satisfaction	First Contact Resolution		99.9%	99.5%	99.52%	99.72%	99.43%					
		Billing Accuracy		99.74%	99.82%	99.82%	99.88%	99.85%		98.00%			
		Customer Satisfaction Survey Results		A	A	A	A	A					
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		84.00%	84.00%	84.00%	83.00%	83.00%					
		Level of Compliance with Ontario Regulation 22/04 ¹		C	C	C	C	C			C		
		Serious Electrical Incident Index	Number of General Public Incidents		3	3	1	0	7			1	
			Rate per 10, 100, 1000 km of line		0.989	0.980	0.326	0.000	2.258			0.467	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²		0.80	0.86	0.83	0.63	0.76			0.85		
		Average Number of Times that Power to a Customer is Interrupted ²		1.14	1.05	0.85	0.95	0.96			1.09		
	Asset Management	Distribution System Plan Implementation Progress		Below Budget	Below Budget	Below Budget	Above Budget	Above Budget					
	Cost Control	Efficiency Assessment		3	3	3	3	3					
		Total Cost per Customer ³		\$568	\$563	\$577	\$626	\$702					
		Total Cost per Km of Line ³		\$29,822	\$29,714	\$30,797	\$33,533	\$37,717					
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%					90.00%			
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.36	1.90	0.55	1.47	1.52					
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.88	1.13	1.04	0.93	1.04					
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		8.78%	8.78%	8.78%	8.66%	8.66%				
			Achieved		8.82%	7.90%	6.96%	6.39%	7.05%				

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 2023 Scorecard MD&A:

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

Scorecard MD&A - General Overview

At London Hydro, fostering innovation in our employees is a corporate priority. Employees in every area of the organization are encouraged to be creative and look for opportunities to do things in a more efficient manner and, by doing so, they have positioned London Hydro as a leader in safety, reliability, technology, and cost management.

The innovation and dedication of our employees led to another successful year in 2023, as London Hydro met or exceeded most of the OEB scorecard targets. London Hydro continued to meet and surpass not only the OEB requirements but also customer expectations. London Hydro is extremely pleased with the continued strong performance on reliability indicators while remaining one of lowest cost utilities in the Province of Ontario.

The only OEB target not achieved related to serious reportable incidents. Seven reportable incidents were experienced in the 2023 reporting year. Three of the incidents involved vehicle collisions with distribution poles, the fourth incident involved an attempted theft of energized cable, and the remaining three incidents involved defects/failures of switches and connectors. These electrical incidents are not known to have resulted in injury to any workers or the public.

London Hydro is proud of the significant advances in customer focus, operational effectiveness, public policy responsiveness and financial performance it has made in 2023.

The following particular achievements helped us reduce or mitigate customer rates, improve safety and/or enhance the customer experience:

Customer Focus:

Maintained an “A” rating in our Customer Satisfaction surveys with an overall customer satisfaction of 91%.

London Hydro has worked closely with customers and has provided them with a variety of payment options to help them manage through

very difficult times.

Operational Effectiveness: London Hydro continued to have some of the lowest rates in the Province and exceeded reliability expectations as there were fewer outages in terms of both the frequency and duration compared to the target. London Hydro's grid is robust, secure and resilient.

Public Policy Responsiveness: Provided funding for the Low-Income Energy Assistance Program (LEAP) in the amount of \$200,000 in 2023.

Declared and paid a \$5,000,000 dividend to our shareholder in 2023.

Service Quality

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

In 2023, London Hydro connected 98.01% of its 1,810 eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB). This score exceeds the OEB-mandated threshold of 90%. Some of the reasons that London Hydro achieves success in connecting customers quickly is due to efficient workflow processes combined with the use of technology.

- **Scheduled Appointments Met On Time**

London Hydro scheduled 128 appointments with its customers in 2023 to complete work requested by customers or by customers' representatives. The utility met 100% of these appointments on time, which significantly exceeded the industry target of 90%. The duties and obligations of this requirement are well communicated to and known by London Hydro's staff, which has contributed to London Hydro's success in this area.

- **Telephone Calls Answered On Time**

In 2023, 69,640 calls were made to London Hydro, of which 52,116 were answered in 30 seconds or less by our Customer Service Representatives, averaging 282 calls per day. We continue to exceed the required 65% metric for "Calls Answered on Time." London Hydro employs a dual service model, utilizing both internal staff and a call overflow company to support call handling. This approach provides flexibility in managing daily and monthly peak call volumes which aids to ensure calls are answered on time while maintaining low costs.

Over the past few years, there has been a decline in email correspondence with customers. In 2023 there was an 8.72% decrease compared to 2022. London Hydro also offers a live chat option to its customers, encouraging more customer engagement. Additionally, London Hydro has implemented online self-service tools. London Hydro is committed to maintaining exceptional customer care and continually finding ways to improve the customer experience.

Customer Satisfaction

- **First Contact Resolution**

London Hydro strives to serve customers in a friendly and professional manner while answering their questions and resolving their issues within the first call. In 2023, London Hydro had great success resolving over 99% of customer's inquiries on the First Contact. Our success is attributed to several factors including our intensive training program for new hires, a dedicated resource for gap training and good process management for handling customer inquiries. We use call monitoring tools to record and archive every call to allow us to evaluate our staff's call handling; each month we review one randomly selected call with each CSR. Any anomalies or customer escalations are reviewed when warranted. All customer interactions are logged in our CIS System, including any escalations which provides CSRs with the customer history needed to help resolve current issues. We use the results of our annual Customer Satisfaction Survey to learn what is working and what areas require improvement.

- **Billing Accuracy**

In 2023, London Hydro distributed an average of 162,231 invoices per month and achieved an overall billing accuracy rate of 99.85%. To supplement our validating, estimating and editing process, London Hydro uses audits and controls within our CIS system to ensure the accuracy of bill calculations. Any identified billing irregularities are investigated, analyzed and evaluated for impacts. All changes are verified and tested by our Subject Matter Experts. This dedicated team also monitors and manages bill print exceptions.

- **Customer Satisfaction Survey Results**

For over 20 years, London Hydro Inc. has engaged a third party to conduct a Customer Satisfaction Survey. The purpose of London Hydro's involvement in these surveys is to determine a benchmark for measuring our customers' perceived level of satisfaction with all areas of service and, equally important, to identify any areas for improvement. The survey asks a core set of questions that provides benchmarks for a comparison of year-to-year important items such as overall satisfaction with London Hydro, reliability of service, outages, billing issues and corporate image. Additionally, London Hydro provides a second set of questions regarding specific current issues to identify and respond to

new needs or expectations of our customers. The information gathered from the survey is then carefully considered and included in the development or enhancement of both London Hydro's Strategic Plan and Corporate Communications Plan.

Once again, London Hydro received an overall score of "A" on its annual Customer Satisfaction Survey. In 2023, London Hydro's Customer Satisfaction results were frequently equal to or better than Provincial and National counterparts. Customers' overall satisfaction rating for London Hydro was 91% pre-survey and 89% post-survey. Despite concerns about the financial climate and a greater prominence and scrutiny placed on all household expenditures, customers continue to be generally satisfied with London Hydro.

Delivering reliable electricity continues to be a core expectation of customers.

This survey is a valuable tool for gauging customers' awareness of changes in the industry, their level of satisfaction with the services London Hydro provides, their insights into capital programs, and for identifying any areas of improvement to services. London Hydro's goal is to provide service excellence in all we do, and we plan to continue surveying our customers to benchmark our service levels and help us continue to develop service enhancements.

Safety

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

In 2023, London Hydro continued to provide safety awareness to various groups of customers. The following programs were delivered in 2023:

- The Power of Electricity is a curriculum-based program that involves training teachers to present the program to grades 5/6. Resources are made available by London Hydro.
- Media coverage for electrical safety-related issues and incidents in the community.
- Radio ads were run to create awareness of the dangers around deliberately damaging energized assets.
- Safety pages are periodically posted to London Hydro's website home page to increase awareness of electrical safety among customers. Some of the webpages hosted by London Hydro related to safety include:

Safety landing page: <https://www.londonhydro.com/safety>
Staying safe at home: <https://www.londonhydro.com/your-safety>
Staying safe outside: <https://www.londonhydro.com/community-safety>
Power outage safety: <https://www.londonhydro.com/power-outage-safety>
Powerline safety: <https://www.londonhydro.com/powerline-safety>

Health and Safety was one of the presentations at London Hydro's Annual Industrial Conservation Initiative event, which was attended by some of our largest commercial and industrial customers, highlighted the dangers and precautions to be taken when working around powerlines and electrical equipment. Examples of recent electrical contacts by contractors working within the city highlighted the importance of maintaining awareness of this potentially deadly hazard.

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

London Hydro continued to maintain compliance with Ontario Regulation 22/04 (Electrical Distribution Safety). This success is achieved by London Hydro's strong commitment to safety and adherence to company policies, procedures and Safe Work Practices. The Electrical Distribution Safety Regulation (Ontario Regulation 22/04) establishes objectives-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 you put it into service.

The Electrical Safety Authority (ESA) performs Due Diligence Inspections (DDI) throughout the year to ensure utilities remain compliant with the objectives set out in Ontario Regulation 22/04. London Hydro has a process in place for responding to DDI's and for reporting back to the ESA on the action plans taken within the specified time period. In 2023, London Hydro was in compliance on all DDIs conducted by ESA.

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

London Hydro experienced seven reportable incidents for the 2023 reporting year. Three of the incidents were caused by vehicle accidents when a member of the public lost control of their vehicle and left the roadway thereby hitting a wooden distribution pole. The fourth incident involved an unknown thief/vandal who fled the scene after attempting to steal an energized piece of barriered cable with an axe. The fifth incident involved a rare manufacturer's defect found in a distribution switch. The defect was not able to be identified prior to the failure. The remaining two incidents involved the failure of a legacy switch connector. London Hydro no longer uses this type of connector and has a practice to replace these legacy connectors through our renewal program.

These electrical incidents are not known to have resulted in injury, either to a worker or to a member of the public. In order to maintain the

safety and reliability of the distribution grid, London Hydro conducts an investigation of all incidents of this nature.

System Reliability

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

In 2023, London Hydro had an annual performance of 0.76 for the average number of hours that power to a customer was interrupted. London Hydro's System Average Interruption Duration Index (SAIDI) 5-year rolling average performance, without contribution from Loss of Supply and Major Event Days, was 0.78, which is better than the target of 0.85. A large percentage of the hours that power to customers was interrupted is related to scheduled outages, which are necessary to complete infrastructure improvement projects and to maintain the system. This work helps to ensure that the system will continue to be reliable in the future. London Hydro continuously strives to make reliability improvements by addressing aging infrastructure and deploying technology that will aid in restoring power to affected customers quickly.

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

In 2023, London Hydro had an annual performance of 0.96 for the average number of times that power to a customer was interrupted. London Hydro's System Average Interruption Frequency Index (SAIFI) 5-year rolling average performance, without Loss of Supply and Major Event Days, was 0.99, which is better than the target of 1.09. London Hydro's reliability performance is a clear indicator of our commitment to reliably deliver electricity to our customers. In order to achieve this performance, London Hydro actively analyzes system events and trends to identify solutions and infrastructure upgrades that will help to reduce interruptions to customers.

Based on the above metrics, in 2023, a typical London Hydro customer had around one outage and was without power for a total of 45 minutes.

Asset Management

- **Distribution System Plan Implementation Progress**

London Hydro's overall DSP implementation is "Above Budget". To ensure the objectives of the DSP are achieved, London Hydro closely monitors the "Controllable Capital" projects – System Renewal and System Service. These projects enable London Hydro to maintain system safety and reliability at the levels preferred by our customers. Year to year fluctuations occur due to the timing of projects, but the five-year trend is within 1.7% of budget.

DSP Implementation						
(% variance from budget)	2019	2020	2021	2022	2023	5 Year Total
Annual Controllable Capital Budget	\$25.3M	\$19.3M	\$18.6M	\$18.6M	\$16.5M	\$98.3M
Actual Spending	\$23.8M	\$20.4M	\$17.6M	\$20.5M	\$17.7M	\$100.0M
Variance \$	-\$1.5M	\$1.1M	-\$1.0M	\$1.9M	\$1.2M	\$1.7M
Variance %	-5.9%	5.7%	-5.5%	10.2%	7.3%	1.7%

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 electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. London Hydro's 2023 results kept us in the Group 3. Group 3 distributors are defined as having actual costs within +/- 10% of predicted costs. Group 3 is considered average performers – in other words, London Hydro's costs are in the average cost range for distributors in the Province of Ontario.

The most significant factor associated with the increased costs within London Hydro is due to the incremental growth within the City of London. It is London Hydro's opinion that this incremental spending associated with the growth of the City of London is the primary contributor for moving from tier 2 to tier 3 in 2017.

London Hydro's goal is always to advance in the ranking to the "more efficient" group; however, management's expectation is that London Hydro's efficiency performance will decline over the next few years, keeping the company in the average efficiency category. While London Hydro works hard to implement efficiencies and maintain costs at or less than inflation, continuing outside influences accelerate operational spending, which is the prime driver in this assessment.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of London Hydro's capital and operating costs divided by the total number of customers that London Hydro serves. The cost performance result for 2023 is \$702/customer (2022 was \$626/customer) which is a 12% increase over 2022. London Hydro continues to have the lowest cost per customer of the largest 12 electricity distributors in the province of Ontario.

Similar to most distributors in the province, over time London Hydro has experienced increases in the total costs required to deliver quality and reliable services to customers. Province-wide programs, such as smart meters required for Time of Use pricing, growth in wage and benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs.

London Hydro will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts. As was demonstrated in our 2022 Cost of Service rate application, London Hydro will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on London Hydro's capital spending plans. However, as discussed in our efficiency assessment, London Hydro is concerned that continuing public policy initiatives will result in continued cost escalations.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that London Hydro operates to serve its customers. London Hydro's 2023 rate is \$37,717 per km of line, an increase over the 2022 rate of \$33,533 per km of line.

Connection of Renewable Generation

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

In 2023, there were no instances where Connection Impact Assessments were not completed within the prescribed time limit of 60 days.

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

There were no new Micro-embedded Generation Facilities connected in 2023.

Financial Ratios

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

Current assets represent cash and other assets that are expected to become cash within the next year. Conversely, current liabilities are financial obligations that are anticipated to be paid within a year. A ratio that is greater than 1 may be an indicator that a company is able to meet its financial obligations coming due within the next year. A higher ratio of current assets to current liabilities provides greater comfort that current liabilities can be paid, while leaving excess funds for future investments and long-term debt servicing. A ratio of less than 1 could be a signal that a company may not be able to keep up with its upcoming payments, indicating insufficient cash flows from profits or the need for financing.

London Hydro's current ratio is affected by items such as accounts receivable and liabilities for electricity, which can fluctuate significantly, depending on factors including changes in customer consumption and the price of electricity acquired on behalf of customers. Additionally, the timing and extent of capital investments in the London Hydro distribution system can have a significant impact on cash balances. Accordingly, a fluctuation in London Hydro's ratio is not necessarily an indicator of stability or financial performance but more a matter of timing and leveling with long-term debt.

The Company's ratio as of December 2023 was 1.52, which has increased in comparison to the 2022 amount (1.47) and ratios for the last five-year average (1.36).

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

London Hydro has a capital mix of 51% debt and 49% equity (debt to equity ratio of 1.04) for 2023. The OEB uses a deemed capital structure of 60% debt and 40% equity (debt to equity ratio of 1.5) when establishing rates.

A debt to equity ratio higher than 1.5 may indicate that the Company will have difficulty obtaining the required debt to finance capital investments and meet working capital requirements. A debt to equity ratio less than 1.5 may be a signal that the Shareholder is not achieving an optimum rate of return, as a portion of their investment is providing a lower yield.

London Hydro's capital mix equips the Company with unused debt capacity making funds readily available. This, in turn, keeps London Hydro in a strong and agile financial position. The most recent Standard & Poor's Rating Services rating is A/Stable.

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

London Hydro's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.66%. The OEB allows a distributor to earn within +/- 3% of the expected 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 costs structure by the OEB.

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

There was an increase in our return on equity (ROE) achieved in 2023 of 7.05% up from the 2022 value of 6.39%. The achieved ROE is below the deemed ROE of 8.66%.

When filing the 2022 Cost of Service (COS) rebasing rate application London Hydro anticipated that the declining ROE trend seen since 2018 would stabilize in 2022 as a result of the COS rate increase. However, London Hydro has experienced cost increases in 2022 and 2023 required to provide safe, reliable, and customer focused service that were not entirely reflected in the 2022 COS rate increase.

Note to Readers of 2023 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.