

ANNUAL REPORT

2023 Year in Review



Festival Hydro INC.



www.festivalhydro.com

Innovation to Power the Future



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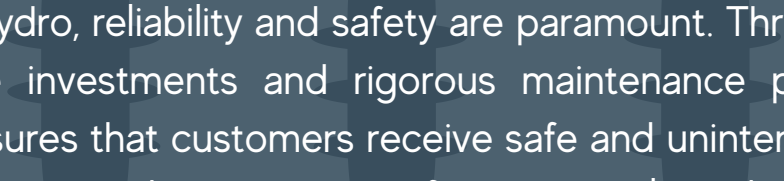
INTRODUCTION & COMPANY PROFILE

Festival Hydro incorporated in 2000 as a wholly owned subsidiary of the City of Stratford, is a leading electricity distribution company committed to powering communities with reliability, innovation, and sustainability. Headquartered in Stratford, Ontario, Festival Hydro serves over 22,000 residential, commercial, and industrial customers across a diverse and vibrant region including Stratford, St. Marys, Seaforth, Hensall, Brussels, Zurich and Dashwood.

As a customer-focused utility, Festival Hydro prioritizes efficiency, affordability, and sustainability in all its operations. The company continually invests in innovative technology and infrastructure to modernize the grid, improve service reliability, and enable energy efficiency. Festival Hydro's dedication to sustainability is evident in our prudent financial operations, our support for renewable energy initiatives & energy conservation programs, and our community engagement efforts aimed at promoting economic growth & development for a safer, greener future.


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At Festival Hydro, reliability and safety are paramount. Through ongoing infrastructure investments and rigorous maintenance programs, the company ensures that customers receive safe and uninterrupted power supply, mitigating the impacts of increasingly adverse weather conditions and climate change.

Beyond its business operations, Festival Hydro is deeply rooted in the communities it serves. Through partnerships, sponsorships, and community engagement initiatives, the company actively contributes to local development, economic growth, and social well-being.



With a team of dedicated professionals, Festival Hydro ensures dependable electricity distribution while fostering strong relationships with its customers and stakeholders. The company's commitment to excellence is reflected in its reliable service, transparent communication, and proactive approach to addressing customer needs and concerns.

Festival Hydro continues to set the standard for excellence in electricity distribution, demonstrating unwavering commitment to its customers, its community, and our people.



Our Mission

To responsibly provide value to our customers, communities, shareholders, and employees through cost effective distribution of reliable and safe electric power.

Our Vision

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

Our Values

- People First Through Positive Teamwork
- Accountability
- Honesty
- Commitment To Customers
- Trust

Our Purpose

Powering lives,
empowering communities.



MESSAGE FROM THE PRESIDENT & CEO



Jeff Graham, P.Eng.
President and CEO

Festival Hydro publishes an annual report with information about our performance and audited financial statements during the fiscal year.

As we reflect on the successes and achievements from 2023 outlined in this annual report we are reminded of our commitments to our customers, communities and our people. Supplying safe and reliable energy to residents and businesses in the Festival Hydro service territory while keeping costs affordable remains our priority.

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The electricity industry in Ontario is entering an energy transition. With the looming electrification of transportation on the horizon, there will be pressures on local distribution companies to remain agile and flexible to provide increased capacity and operational dexterity in the distribution system. In 2023 Festival Hydro continued down the path of renewing infrastructure, investing in technology, and maintaining assets to ensure capacity and reliability were maintained and where possible, improved. The organization also began preparing for its next rate application and is setting forth its infrastructure and operational plan to be ready for the transformation that is expected to arrive in the short to medium term.

Challenges in attracting and maintaining a reliable and talented workforce, along with supply chain, interest rate and inflation pressures were mitigated throughout the year and remain in the forefront of mind throughout the planning process.

2023 was full of achievements and triumphs for Festival Hydro as will be seen through this report and with strong governance, effective management and prudent operations, we are ready and prepared to continue to succeed as we move into the future.



Our Board of Directors

Geraldine (Gerry) Guthrie, Chair

John Tapics, Vice-Chair

David Baldarelli, Director

Brad Beatty, Director

Mark Henderson, Director

Susan Nickle, Director

Martin Ritsma, Director

Cody Sebben, Director



Our Executive Leadership Team

Jeff Graham

- President & Chief Executive Officer (CEO)

Alyson Conrad

- Chief Financial Officer (CFO)

Dave Cullen

- Vice-President of Information Technology

Bryon Hartung

- Vice-President of Engineering and Operations



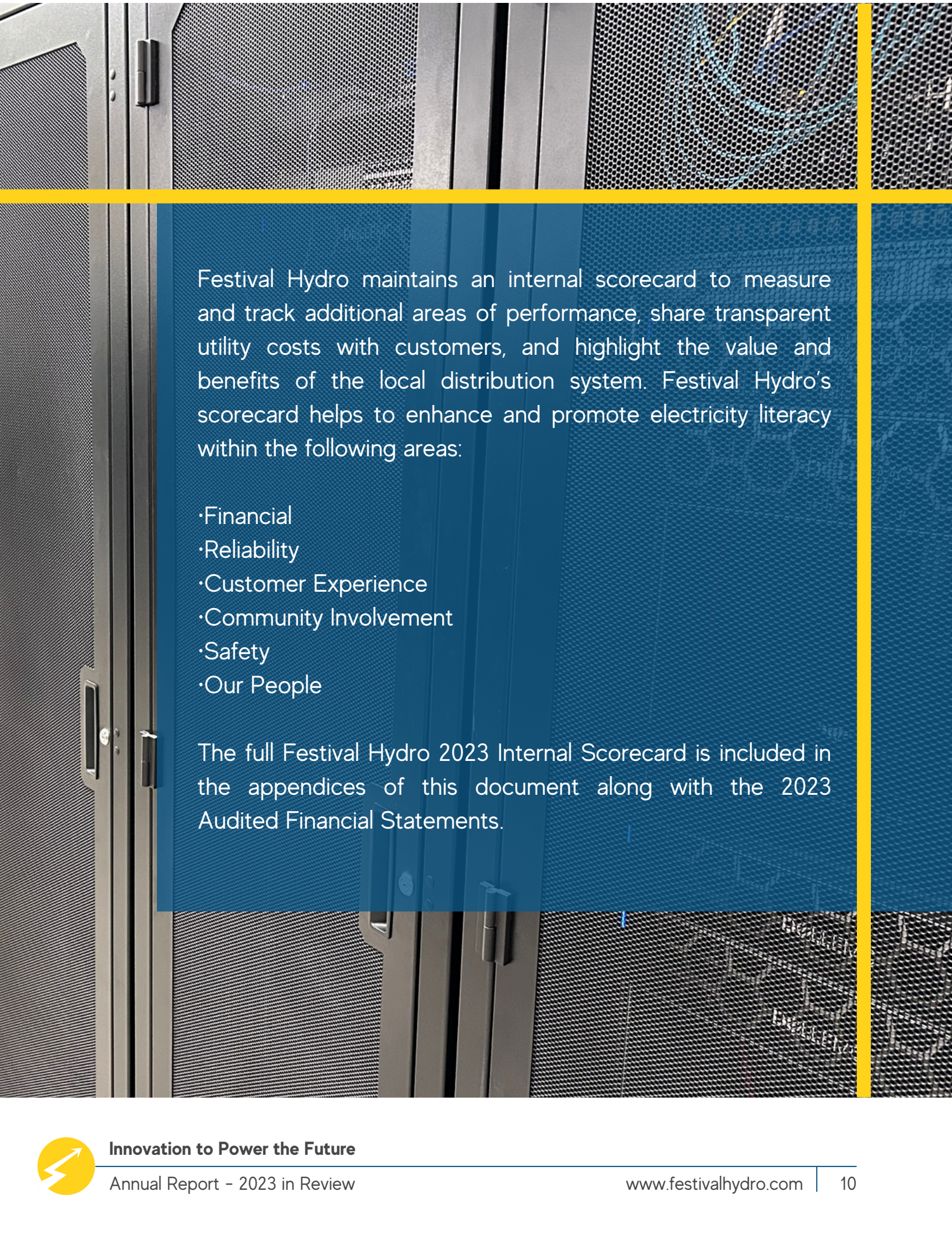
SUMMARY OF KEY PERFORMANCE INDICATORS & HIGHLIGHTS

Within the Ontario energy sector, there are performance assessments set by the OEB in which LDCs across Ontario report on annually. Specifically, electricity utilities use scorecards to track and show comprehensive performance information over a range of time and for a specific year. The scorecard shows data for 20 specific measures within the following four key areas of performance:

- Customer focus
- Operational effectiveness
- Public policy and responsiveness
- Financial performance

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Festival Hydro maintains an internal scorecard to measure and track additional areas of performance, share transparent utility costs with customers, and highlight the value and benefits of the local distribution system. Festival Hydro's scorecard helps to enhance and promote electricity literacy within the following areas:

- Financial
- Reliability
- Customer Experience
- Community Involvement
- Safety
- Our People

The full Festival Hydro 2023 Internal Scorecard is included in the appendices of this document along with the 2023 Audited Financial Statements.



FINANCIAL

Festival Hydro continued to perform well on its Financial KPI's in 2023. Gross margins on distribution revenue were predictable and came in within targets along with Operating, Maintenance and Administration expenses. Net Income and shareholder returns were strong and financial covenants were all met.

The capital program was substantially complete, and expenditures remained within the acceptable spending range. Staff continue to work with customers and manage accounts receivable balances within reasonable limits.

Festival Hydro is maintaining a good efficiency ranking in PEG Group 3 and is managing controllable costs well.

2023 continued to show variability in areas of supply chain, inflation and interest rates. Management continues to monitor the local, and global economic situation and employs prudent and conservative decisions around strategic lending and financing options for its business and works closely with vendors and other third parties to ensure it can access the materials and labour it requires to maintain its business operations.





RELIABILITY

Festival Hydro's Reliability KPI's continue to perform very well over 2023. No major events were recorded and staffs responses to unplanned interruptions were efficient and effective. System Average Interruption Duration Index (SAIDI) / System Average Interruption Frequency Index (SAIFI) and momentary interruptions continue to outperform targets. Festival Hydro's system resiliency is a direct result to its well-informed capital renewal program and its prudent operating and maintenance planning and execution.

As was noted in the previous section, issues with access to materials through the supply chain continued to have negative pressure on availability, lead times and pricing however Festival Hydro works diligently to plan ahead and ensure materials are available minimizing impact on the completion of the capital and maintenance programs.



CUSTOMER EXPERIENCE

Customer experience metrics continue to outperform industry expectations. Festival Hydro's staff are committed to providing timely and transparent communications to its customers.

In preparation for Festival Hydro's upcoming Cost of Service filing, two distinct customer engagements centered around cost, reliability, customer communications and technology occurred in 2023 and will inform Management's decisions on how customers most value Festival Hydro's use of its funding revenue.

Festival Hydro hosted a Community Open House inviting the public to tour the newly renovated space and learn some of the history of the facility and the organization. We had around 100 visitors from the area and almost half of the staff volunteered to help with the event. Our doors were also reopened to the community to interact with our customer service staff offering in-person services.



COMMUNITY INVOLVEMENT

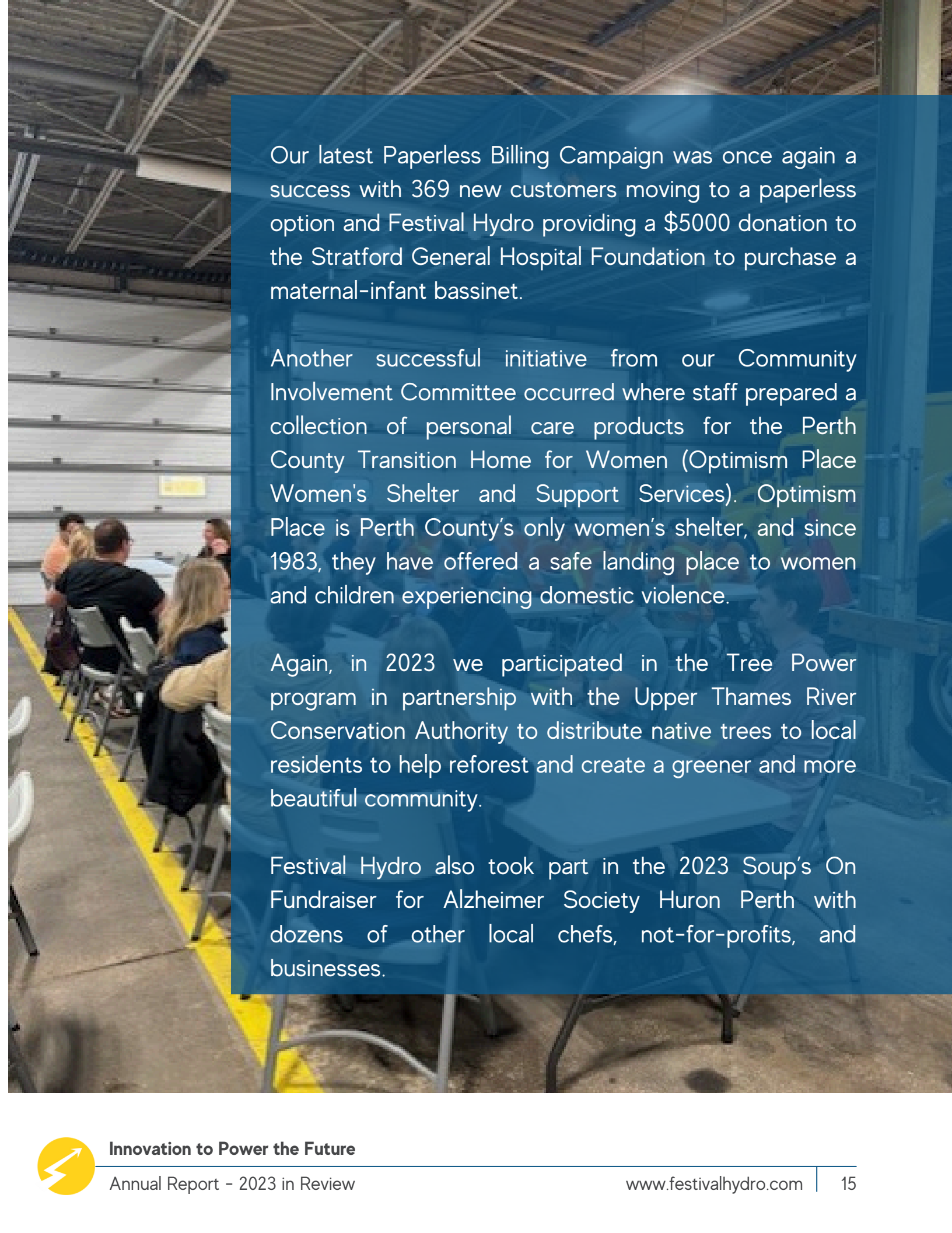
Everyone at Festival Hydro continues to believe in the importance of participating in the communities it serves. Through the internal volunteers on our Community Involvement Committee, we shared great success partnering with other local groups to support community initiatives.

Festival Hydro participated in the Perth County Municipal Day as a City of Stratford partner with a theme of Climate Change Initiatives. Councils and staff from across the municipalities attended and our booth staff shared information on conservation programs and education on electric vehicles, distributed energy resources and ways for people and organizations to save electricity and cut carbon emissions.

Festival Hydro staff took a fresh approach to helping the community with a fundraising week full of events in support of United Way. Through this event and other employee donations, Festival Hydro raised over \$3,500 in support of various United Way Perth-Huron programs.

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Our latest Paperless Billing Campaign was once again a success with 369 new customers moving to a paperless option and Festival Hydro providing a \$5000 donation to the Stratford General Hospital Foundation to purchase a maternal-infant bassinet.

Another successful initiative from our Community Involvement Committee occurred where staff prepared a collection of personal care products for the Perth County Transition Home for Women (Optimism Place Women's Shelter and Support Services). Optimism Place is Perth County's only women's shelter, and since 1983, they have offered a safe landing place to women and children experiencing domestic violence.

Again, in 2023 we participated in the Tree Power program in partnership with the Upper Thames River Conservation Authority to distribute native trees to local residents to help reforest and create a greener and more beautiful community.

Festival Hydro also took part in the 2023 Soup's On Fundraiser for Alzheimer Society Huron Perth with dozens of other local chefs, not-for-profits, and businesses.



SAFETY

Safety of our people and the public remains a high priority for Festival Hydro and the metrics for 2023 continued to show our diligence and programs are keeping us safe. No lost time injuries were reported, and we were fully compliant with the Electrical Safety Authority and the regulations they provide for our industry.

Staff are encouraged to report and safety related concerns through Management, the Joint Health, Safety and Environmental Committee or anonymously and we continue to improve our practices through this feedback and regular training.

Cyber security continues to be an ongoing and evolving threat. Festival Hydro remains diligent to meet regulatory obligations but to also ensure it has the most up to date monitoring and defences in place to protect our operations and information systems. Business continuity is front of mind for our planning and operations teams.





OUR PEOPLE

The key to our successes at Festival Hydro are our people. Through an internal employee survey, we are proud to say that the overall satisfaction of our people is excellent and has continued to improve over previous survey results. Strong results were noted in areas of health and safety, employees' awareness of company goals and objectives, teamwork, trust, and cooperation. We know that there is always a need for continuous improvement and will focus attention on rewarding and recognizing exceptional performance, clearly communicating changes throughout the organization and providing investments in workplace facilities and tools that help us to be our best.





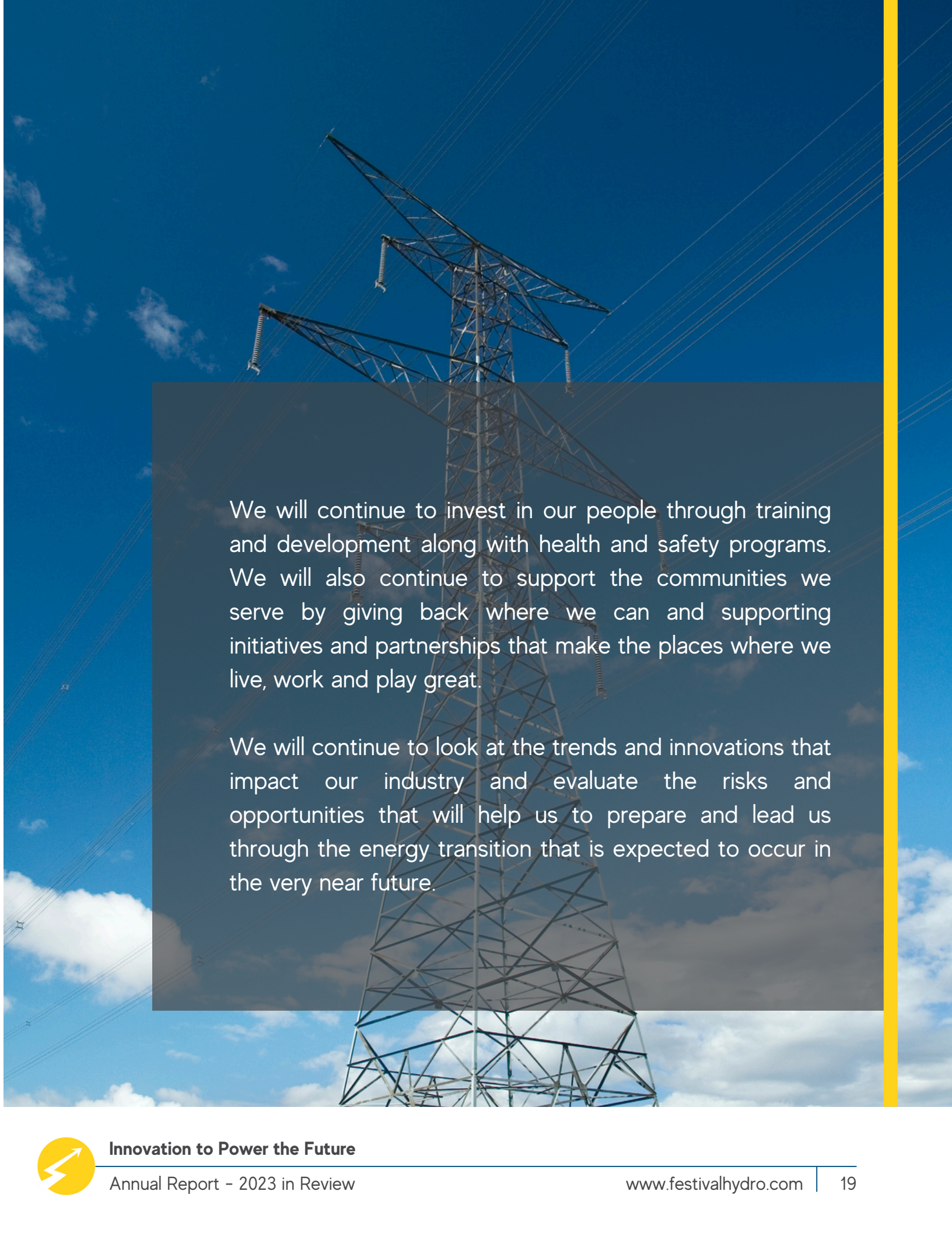
WHAT'S NEXT

Festival Hydro has begun the process of drafting its Cost of Service application for January 2025 rates. Over the course of 2024 Management will file and defend the application through the approved process managed by the OEB to secure fair and reasonable rates to accomplish its goals for the coming five years.

The organization continues to make investments in technology and facilities to provide better and more timely services to our customers, to improve efficiencies and the effectiveness of our staff and to enable ourselves to be better prepared for the changes in the energy industry that are soon approaching. We plan to make investment into the Advanced Metering Infrastructure (AMI) that will replace end of life metering assets and enable Festival Hydro and its customers access to some new technology at the grid edge. Investments in a new Customer Information System (CIS) will provide better self service tools to customers and better functionality to staff. A new Enterprise Resource Planning (ERP) system investment will replace legacy technology and will improve performance of Finance, Operations, Engineering, Customer Service and Human Resource functions in the organization. Also, facilities renovations continue to improve HVAC systems, provide better accessibility, safety and security and more efficient use of the existing building for our people and visitors.

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We will continue to invest in our people through training and development along with health and safety programs. We will also continue to support the communities we serve by giving back where we can and supporting initiatives and partnerships that make the places where we live, work and play great.

We will continue to look at the trends and innovations that impact our industry and evaluate the risks and opportunities that will help us to prepare and lead us through the energy transition that is expected to occur in the very near future.





APPENDICES

- FHI Internal Scorecard Dec 31, 2023
- Festival Hydro Inc. 2023 Audited Financial Statements



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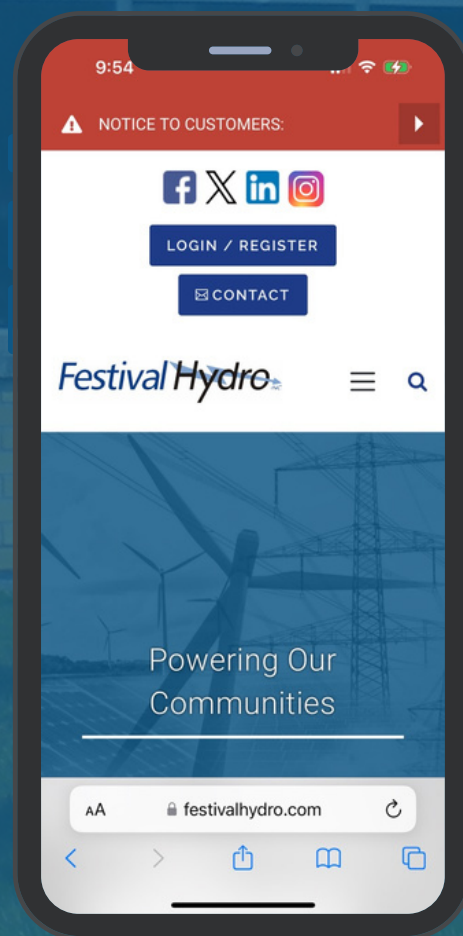


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