

2020 Scorecard Management Discussion and Analysis (“2020 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 2020 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.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 2020, as London Hydro met or exceeded a majority of the OEB scorecard targets despite the challenging and unusual situation in which COVID-19 provided for the world. Although many of the business process were required to change to maintain social distances and work from home where possible, London Hydro continued to meet and surpass not only the OEB requirements but also customer expectations. London Hydro is extremely pleased with the continued improvement of reliability indicators while remaining one of lowest cost utilities in the Province of Ontario.

London Hydro surpassed most OEB targets and is proud of the significant advances in customer focus, operational effectiveness, public policy responsiveness and financial performance it has made in 2020.

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

Customer Focus:

Maintaining an “A” rating in our customer satisfaction surveys with an overall customer satisfaction of 93%.

London Hydro waived all late payment fees and disconnection requirements when the Pandemic was declared while also working closely with customers providing a variety of payment options.

Operational Effectiveness:

Remaining one of the lowest cost utilities in the Province as the cost per customer decreased compared to the previous year.

Continued to improve in reliability as there were fewer outages in terms of both the frequency and duration compared to the target.

Public Policy Responsiveness:

Providing funding for the Low-Income Energy Assistance Program (LEAP) in the amount of \$400,000 in 2020, double the 2019 amount as a result of the COVID pandemic.

Declaring a \$5,000,000 dividend to our shareholder in 2020.

Service Quality**• New Residential/Small Business Services Connected on Time**

In 2020, London Hydro connected 98.86% of its 2353 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%. London Hydro is consistently able to achieve high levels of compliance in this area due to the existing workflow processes and computer systems that are used to monitor the status of each job. London Hydro also previously implemented an evening shift service truck, which has resulted in improved flexibility for connecting new customers.

- **Scheduled Appointments Met On Time**

London Hydro scheduled 303 appointments with its customers in 2020 to complete work requested by customers or by customers' representatives. The utility met 100% of these appointments on time, which significantly exceeds 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 2020, 107,594 calls were made to London Hydro of which 78,982 were answered in 30 seconds or less by our Customer Service Representatives, representing an average of 430 calls a day. We continue to meet the required 65% metric for "Calls Answered on Time." While we could try to surpass that metric by hiring more Customer Service representatives, however, we balance service response time with keeping costs low. London Hydro uses a dual service model of internal staff and a call overflow company to support call-handling. This creates flexibility in managing daily and monthly peak call volumes. Over the past few years, there has been an increase in e-mail correspondence with customers. London Hydro has also implemented online, self-service tools such as MyLondonHydro, Property Manager's Portal and an Interval Data Portal called "Commerce" to offer and manage interactions 24 hours a day, seven days a week. London Hydro is committed to maintaining exceptional customer care and continuing to find ways to improve the customer experience.

Customer Satisfaction

- **First Contact Resolution**

London Hydro strives to serve customers in a friendly and professional manner and to answer their questions and resolve their issues within the first call. In 2020, London Hydro had great success on the First Contact Resolution measure, scoring over 99%. Our success can be attributed to a number of factors including our intensive training program for new hires and our dedicated resource for gap training and process management. We also use call monitoring tools to record and archive every call to allow us to evaluate our staff's call handling, and 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. We use the results of our annual Customer Satisfaction Survey to learn what is working and what areas require improvement.

- **Billing Accuracy**

In 2020, London Hydro distributed an average of 158,538 invoices per month and achieved an overall billing accuracy rate of 99.82%. To supplement our validating, estimating and editing process, our CIS system uses audits and controls to ensure the accuracy of bill calculations. Any 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. As an additional check, we audit the value of the bill, and by setting a “threshold” amount for each billing class of customers, we ensure no excessive/irregular invoice is distributed without validation.

- **Customer Satisfaction Survey Results**

For the past 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 the level of satisfaction our customers experience 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 year-to-year, 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 the 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.

In 2020 London Hydro’s Customer Satisfaction results were equal to or better than Provincial and National counterparts, and, on most measures, London Hydro demonstrated improvement over the previous year’s score. Customers’ overall satisfaction rating for London Hydro was 93%. On reliability, London Hydro scored 95%.

Again, 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 2020, London Hydro undertook major safety awareness efforts in an alternative fashion as the COVID-19 pandemic prevented in-person training and teaching. The following initiatives were completed:

- the School Electricity Safety Program, which is presented to over 10,000 students annually, was unable to be conducted in person, London Hydro offered an alternative approach by making information available online through the corporate website, such as:

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>

- the Power of Electricity, a curriculum-based program that involves training teachers to present the program to grades 5/6 each year was able to continue during the COVID-19 pandemic as the program was developed with lessons, student handouts and answer sheets to allow teachers to teach the entire unit independently.
 - media coverage for electrical safety-related issues and incidents in the community; and
 - pole top rescue training

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

Over the past five years, London Hydro has been found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This success was 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 they are put 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 2020, London Hydro was found to be in compliance on all DDIs conducted by ESA.

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

London Hydro experienced three reportable incidents for the 2020 reporting year. These electrical incidents did not result 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. Two of the incidents were caused by vehicle accidents when a member of the public lost control of their vehicle and hit a distribution pole. The third incident was caused by a large tree branch that broke and fell on an overhead line.

London Hydro continues to minimize the risk of damage to its plant from vehicle accidents through the review of its engineering designs. London Hydro also remains committed to its established vegetation management program to ensure continued safe and reliable distribution of electricity to our customers.

System Reliability

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

In 2020, London Hydro had an annual performance of 0.86 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 0.88, which is better than the target of 0.92. 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 ensures 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 2020, London Hydro had an annual performance of 1.05 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 1.12, which better than the target of 1.14. 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's engineers are actively analyzing system events and trends to identify solutions and infrastructure upgrades that will help to reduce interruptions to customers.

Asset Management

- **Distribution System Plan Implementation Progress**

London Hydro's overall DSP implementation is "On 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 0.7% of budget.

DSP Implementation (% variance from budget)	2016	2017	2018	2019	2020	5 Year Total
Annual Controllable Capital Budget	\$17.9M	\$17.3M	\$21.2M	\$25.3M	\$19.3M	\$100.9M
Actual Spending	\$18.4M	\$17.1M	\$20.6M	\$23.8M	\$20.4M	\$100.2M
Variance \$	\$0.5M	-\$0.2M	-\$0.6M	-\$1.5M	\$1.1M	-\$0.7M
Variance %	2.9%	-1.1%	-3.1%	-5.9%	5.7%	-0.7%

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 2020 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. The three year gross spending average of City and Developer works have been \$12.5M while the amounts in the three preceding years were \$13.3M, a decrease of 6%. 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 notes that with the passage of time many distributors are challenged with respect to the efficiency measures and are losing ground. 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 the OEB PEG report on London Hydro's capital and operating costs divided by the total number of customers that London Hydro serves. The cost performance result for 2020 is \$563 /customer (2019 was \$568 /customer) which is a 1.0% decrease over 2019.

Per PEG Report	2020	Cost Per Customer	2019	Cost Per Customer
Customers	162,140		160,598	
OM&A Costs	\$38,287,946	\$236	\$37,864,464	\$236
Capital Costs	\$52,935,175	\$326	\$53,390,903	\$332
Total Cost	\$91,223,121	\$563	\$91,255,367	\$568

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. London Hydro's Total Cost per Customer has increased, on average, by 2.80% (2019 3.55%) per annum over the period 2014 through 2020. 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 future 2017 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 beyond London Hydro management's control.

- **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 2020 rate is \$29,714 per km of line, a decrease over 2019.

London Hydro experienced a moderate level of growth in its total kilometers of lines complemented by moderate annual customer growth

rate. This continued modest growth rate provides London Hydro with the ability to fund capital renewal projects and buffers some of the increased operating costs realized through customer growth. As a result, over time cost per km of line has increased with the increase in capital and operating costs. See the Cost per Customer section above for cost driver's commentary. London Hydro continues to seek innovative solutions to help ensure cost per km of line remains competitive and within acceptable limits to our customers.

Per PEG Report	2020	Cost Per kM of Line	2019	Cost Per kM of Line
kM of Line	3070		3060	
OM&A Costs	\$38,287,946	\$12,472	\$37,864,464	\$12,374
Capital Costs	\$52,935,175	\$17,243	\$53,390,903	\$17,448
Total Cost	\$91,223,121	\$29,714	\$91,255,367	\$29,822

Connection of Renewable Generation

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

In 2020, London Hydro completed all Connection Impact Assessments within the prescribed time limit of 60 days.

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

In the same year, all new Micro-embedded Generation Facilities were connected within the five day window stipulated by the OEB.

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 a greater comfort zone since it indicates 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 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 2020 was 1.90, which has increased in comparison to the 2019 amount (1.36) and ratios for the last five year average (1.43).

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

London Hydro has a capital mix of 53% debt and 47% equity (debt to equity ratio of 1.13) for 2020. 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 any 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 financial position as displayed by the recent Standard & Poor's Rating Services rating of 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 8.78%. 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**

London Hydro's distribution revenue was less than anticipated due to COVID-19, while costs increased. As a result there was a decrease of our return on equity (ROE) achieved in 2020 of 7.90% down from the 2019 value of 8.82%. The achieved ROE is below the deemed ROE of 8.78%.

With the filing of the 2017 COS London Hydro anticipated that the declining ROE trend seen in 2016 and prior years would stabilize in 2018 and 2019. However London Hydro anticipates that future reported ROE balances will continue to decline annually as annual depreciation in future years is expected to be significantly higher than the 2017 COS forecast.

London Hydro is facing higher than expected municipal infrastructure and developer driven capital spend demands, which impacts annual depreciation. The ROE decline may be buoyed in part moderately by the 2018 ACM adjustment included in our 2018 IRM application. It is London Hydro's wish not to artificially curtail planned DSP projects to accommodate this unanticipated external demand.

Note to Readers of 2020 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.