



March 4th, 2025

Ms. Nancy Marconi
Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge St., 27th Floor
Toronto, ON M4P 1E4

**RE: Halton Hills Hydro Inc.
2026 Cost of Service Rate Application Deferral Request**

On December 9, 2024, the Ontario Energy Board ("OEB") issued a letter regarding Applications for 2026 Electricity Distribution Rates, which outlines a preliminary schedule of electricity distributors who are scheduled to file a Cost of Service ("COS") rate application for the years 2026 to 2029. However, Halton Hills Hydro Inc. ("HHHI") has no record of receipt of this letter.

The letter indicates that any distributor included on the 2026 rebasing list that plans to request a deferral must notify the OEB in writing, along with supporting rationale, by January 24, 2025. HHHI is optimistic that the OEB will consider HHHI's request for deferral given the situation of the request. HHHI has not previously requested a deferral.

HHHI last filed a Cost of Service rate application in proceeding EB-2020-0026 for rates effective May 1, 2021. For the rate years 2022 through 2025, HHHI has submitted and been approved for the Price Cap IR. HHHI is scheduled to rebase again for rates effective May 1, 2026. HHHI is requesting a two (2) year deferral of the rebasing. If permitted, HHHI would file a Cost of Service rate application for rates effective May 1, 2028. HHHI has included the rationale to support the deferral request below.

Background

In its letter dated December 1, 2021, the OEB noted that when considering a deferral request, the OEB would look at both financial and non-financial performance. Included in these performance measures would be return on equity, capital expenditures and OEB Scorecard performance. While HHHI has not completed all the analysis for final 2024 Scorecard measures, where estimated metrics are available, HHHI has included these for consideration.

Financial Performance

Return on Equity

The table below provides HHHI's historical regulated Return on Equity ("ROE") for the previous three (3) years.

HHHI Historical ROE

Year	Deemed	Actual	Variance
2024	8.34%	*	-
2023	8.34%	8.71%	0.37%
2022	8.34%	8.19%	-0.15%
2021	8.34%	10.50%	2.16%

*2024 final numbers still awaiting year end audit

Capital Expenditures

HHHI continues to track close to the 2021-2025 Distribution System Plan ("DSP") as filed in the 2021 Cost of Service rate application Settlement Proposal. The table below provides the historical annual capital expenditures for the years 2021 to 2024 (estimated for 2024).

HHHI Historical Annual Capital Expenditures

Year	Actual Capital Expenditures	Planned Capital Expenditures	Variance	% of Capital Expenditures
2024	*	5,045,873	-	-
2023	4,748,486	5,221,803	- 473,317	-9.06%
2022	5,425,609	5,286,608	139,001	2.63%
2021	6,199,270	5,466,824	732,446	13.40%
Aggregate	16,373,365	15,975,235	398,130	2.49%

*2024 final numbers still awaiting year end audit

HHHI expects that the annual Price Cap IR rate increases for the 2026 and 2027 deferral period will be sufficient to fund HHHI’s ongoing capital needs.

Total Cost Benchmarking

In the Pacific Economics Group (“PEG”) annual total cost benchmarking report, HHHI has maintained a Group 1 efficiency ranking for twelve (12) successive years. HHHI expects to maintain a Group 1 ranking for the 2025, 2026 and 2027 years while maintaining reliability and customer service excellence.

Non-Financial Performance

HHHI maintains high standards for OEB Scorecard metrics. A copy of the 2023 OEB Scorecard with Management Discussion and Analysis is included as Appendix A.

SAIDI / SAIFI

Reliability is important and HHHI strives to achieve reliability standards that meet both OEB and Corporate standards. Below are the historical SAIDI and SAIFI numbers.

HHHI Historical SAIDI and SAIFI

Year	SAIDI	SAIFI
2024	0.71	0.93
2023	0.58	0.96
2022	1.83	2.23
2021	0.97	1.85

Customer Satisfaction Survey

HHHI has historically scored well (90% or over) in the Customer Satisfaction Survey when compared to both Ontario and National surveys. HHHI conducted its most recent Customer Satisfaction Survey in the fall of 2024 and achieved a score of 94% (National – 87%, Ontario – 88%). This score was an increase of 4% over the 2022 survey and HHHI was ranked “A” overall by the pollster, UtilityPulse.

Conclusion

As shown above, HHHI remains committed to continued reliability, safety, customer service and cost control. HHHI requests that the OEB approve HHHI’s request for a two (2) year deferral of its Cost of Service rate application. Given the strong financial and non-financial performance, HHHI believes that the requested deferral is in the best interest of the company and the customers.

Should you require any questions or clarifications, please contact Tracy Rehberg-Rawlingson at tracyr@haltonhillshydro.com or 519-853-3700 extension 257.

Sincerely,



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Cc: Ahmad Niazi, CFO, HHHI
 Tracy Rehberg-Rawlingson, Regulatory Affairs, HHHI

Encl: Appendix A – HHHI’s 2023 OEB Scorecard

Scorecard - Halton Hills Hydro Inc.

9/12/2024

									Target		
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	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time	97.66%	100.00%	100.00%	99.26%	100.00%	⬆	90.00%		
		Telephone Calls Answered On Time	96.43%	95.91%	96.73%	96.29%	97.10%	⬆	65.00%		
	Customer Satisfaction	First Contact Resolution	99.98%	100%	99.96%	99.96%	99.98%				
		Billing Accuracy	99.88%	99.90%	99.92%	99.88%	99.92%	⬆	98.00%		
		Customer Satisfaction Survey Results	95%	96%	96%	90%	90%				
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	83.00%	83.00%	79.00%	79.00%	81.15%				
		Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C	➡		C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	2	0	1	2	⬆		0
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.591	1.176	⬆		0.000	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.60	1.36	0.97	1.83	0.58	⬇		1.49	
		Average Number of Times that Power to a Customer is Interrupted ²	1.70	1.73	1.85	2.23	0.96	⬇		1.56	
	Asset Management	Distribution System Plan Implementation Progress	114.56%	104.55%	113.4%	108.10%	97.91%				
	Cost Control	Efficiency Assessment	1	1	1	1	1				
		Total Cost per Customer ³	\$817	\$804	\$813	\$874	\$994				
Total Cost per Km of Line ³	\$10,917	\$10,856	\$10,928	\$11,770	\$13,485						
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							90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.86	1.08	0.73	0.70	0.94				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	2.34	2.75	2.14	1.49	1.56				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.19%	9.19%	8.34%	8.34%	8.34%			
			Achieved	4.24%	2.65%	10.50%	8.19%	8.71%			

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:

https://www.oeb.ca/oeb/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

Halton Hills Hydro Inc. (HHHI) is an innovative electric distribution utility committed to progress and dedicated to meeting its customers' evolving electrification and reliability needs. HHHI owns and operates the electricity distribution system within its licensed service area of 277 square kilometres extending mainly to the municipal boundaries of the Town of Halton Hills, of which 251 square kilometres, or 91%, is a rural distribution system. In 2023, HHHI introduced a new rate class specifically for Residential electric vehicle owners, a net metering option for residential customers on time-of-use billing, and the industry-standard *Green Button* which offers additional tools to help customers better manage their electricity consumption.

HHHI’s Mission Statement, “*provide Halton Hills with Electricity Distribution Excellence in a safe and reliable manner*”, is supported by eight (8) strategic objectives:

- Safety
- Reliability
- Competitive Rates
- Financial Metrics
- Conservation
- Environment
- Community Focus
- Smart Grid Implementation

HHHI management undertakes an annual review of its business strategy and objectives. HHHI places a strong focus on providing customers with distribution excellence. HHHI has continuously exceeded the OEB’s minimum standards. In most areas measured, HHHI has met or exceeded its controllable internal and OEB targets in 2023. In 2023, HHHI once again earned the OEB's top group rating for cost efficiency.

Service Quality

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

In 2023, HHHI connected 100% of 533 (2022 – 659) eligible low-voltage residential and small business customers (those utilizing connections under 750 volts) to its system within the five (5) day timeline prescribed by the Ontario Energy Board (OEB). 2023 is the fourteenth (14th) straight year that HHHI has maintained 100% and is consistently above the OEB-mandated threshold of 90%. HHHI maintains its dedication to distribution system excellence through efficient crew scheduling, thereby allowing HHHI to connect customers within the five (5) day window and in fact, usually within one (1) day of all requirements being completed.

- **Scheduled Appointments Met On Time**

HHHI scheduled 782 appointments with its customers in 2023 (2022 – 811) to complete work requested by customers including disconnections for upgrades, customer service meetings, reconnections, and trench inspections. HHHI met the scheduled on time appointment metric 782 times for a 100% success rate. HHHI significantly exceeded the industry target of 90%. HHHI continues to maintain its commitment to customer service by maintaining its high target for scheduled appointments.

- **Telephone Calls Answered On Time**

In 2023, HHHI Customer Care Representatives (CCRs) received 16,241 (2022 – 18,726) calls from its customers. The year 2023 saw a slight decrease in the number of calls as compared to 2022. An increase in available web-based forms and proactive collection contacts has contributed to the slight decrease in number of customer calls. A CCR answered a call in thirty (30) seconds or less 97.10% of the time. A comparison of the past five (5) years shows HHHI performance has remained above 95%. These results significantly exceed the OEB-mandated 65% target for timely call response.

Customer Satisfaction

- **First Contact Resolution**

HHHI defines First Contact Resolution as a measure of customer calls satisfied without escalation. Starting in 2015, all escalated calls and emails from Customer Care were directed to the Customer Care Manager (CCM). The CCM determines whether the escalation is due to there not being a possible resolution to the issue or if the customer is not willing to accept the resolution (i.e. customer has a high bill, confirms consumption but still wants to discuss with the CCM). If the CCM determines that the call was not resolved, then a specific call type is entered into HHHI's Customer Information System and summarized for reporting. All OEB complaints are included as unresolved first contacts.

The process used by HHHI for reporting first contact resolution resulted in six (6) unresolved first contacts in 2023 which is equivalent to 99.98% (2022 – 96.96%).

- One customer had called and left a message but did not receive a call back. The CCM spoke to the customer and followed up to determine why the message was missed.
- One customer had tried to contact the Engineering Department and had not received a return call in a timely manner. The Customer Care Manager was able to locate the proper person and transfer the customer.

- One customer filed an OEB complaint concerning the treatment of the Ontario Energy Rebate on Net metered accounts. HHHI discussed the issue with the OEB and the customer was refunded the amount in question.
- One customer filed an OEB complaint concerning the request by HHHI to remove hedges and garden ornaments from around a padmount transformer that were impeding access to allow for maintenance. The customer admitted to having received numerous past requests but chose to ignore the correspondence. A temporary compromise was met.
- One customer requested a refund after a scheduled, automated withdrawal was made on their account. The cheque process was delayed and as a result, the cheque was not ready for the customer at the time arranged. HHHI ensured the cheque was processed as soon as possible and picked up by the customer.
- A final or closing amount refund cheque sent in the mail to a customer wasn't received. It was determined that the mailing address was incorrect. The address was corrected in the system and the cheque was re-issued.

- **Billing Accuracy**

In 2023, HHHI issued 279,340 bills (2022 – 248,278) and achieved a billing accuracy of 99.92% (2022 – 99.88%). This compares favourably to the prescribed OEB target of 98%.

HHHI continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time the OEB is allowing electricity distributor's discretion as to how they implement this measure.

Customer satisfaction is an important measure of customer loyalty and trust. Maintaining customer satisfaction is a priority for HHHI and delivering an excellent customer experience forms an important part of our culture. HHHI engages our customers throughout the year at community events, online through social media and through bill inserts and website messaging. HHHI strives to maintain customer satisfaction through ongoing efforts to communicate relevant and timely customer information.

HHHI has engaged a third party to conduct a customer satisfaction survey every two (2) years beginning in 2012. These customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within HHHI. The survey asks customers questions on a wide range of topics, including: overall satisfaction with HHHI, reliability, customer service, outages, billing and corporate image. In addition, HHHI provides input to this third party to enable them to develop questions that will aid in gathering data about customer expectations and needs. This data is then incorporated into HHHI's planning process and forms the basis of plans to improve customer satisfaction and meet the needs of customers. The final report on these customer satisfaction surveys evaluates the level of customer satisfaction and identifies areas of improvement. It also helps identify the most effective means of communication.

The overall results of the 2022 Customer Service Survey reported 90% of customers were “very or fairly” satisfied and is the same as the Ontario average (90%).

Safety

- **Public Safety**

The Ontario Energy Board (OEB) introduced the Safety measure in 2015. This measure looks at safety from a customer's perspective given safety of the distribution system is a high priority. The Safety measure is generated by the Electrical Safety Authority (ESA) and includes three (3) components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

Safety for HHHI employees and the community is HHHI's number one priority, always. HHHI actively promotes the ESA's safety messaging through our website and social media, including annual participation in Powerline Safety Week. As well, HHHI has an ongoing education program in local public schools to educate children on the importance of electrical safety and energy conservation.

Our Contractor Compliance program ensures that subcontractors adhere to the same levels of safety as HHHI. HHHI's Empower safety program ensures ongoing staff understanding and compliance with safety policies, training and procedures.

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

The Public Awareness of Electrical Safety measure is determined by public survey. The purpose of the survey is to monitor the effort and impact LDCs are having on improving public electrical safety awareness for the distribution network. This public safety survey is intended to be conducted every two (2) years. This survey differs from HHHI's customer satisfaction survey in that it targets the general public regardless of whether they were an LDC customer. The questions on the survey are standardized across the province.

HHHI's Public Awareness of Electrical Safety survey result was 81.15% and was conducted in early 2024. This result was a 2% increase over the previous Safety survey in 2022. HHHI continues to promote safety through an elementary school program and social media.

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

The past thirteen (13) annual Ontario Regulation 22/04 Audits have concluded that HHHI is compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety and adherence to company procedures and policies. Ontario Regulation 22/04 - Electrical Distribution Safety 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**

The utility must report on any serious electrical incidents involving its equipment and the general public. HHHI had two (2) Serious Electrical Incident in 2022 (the most recent reporting year):

The first incident involved squirrels who shorted out the primary phase conductor energized at 2,400 V, causing a fire that burned off the top of pole and resulted in the pole top pin insulator to fail allowing the primary conductor to fall, making contact with the ground. The phase conductor also made contact with the roof of a customer's car. No injuries were reported.

The second incident involved a high wind event. A tree limb fell to the ground after striking an overhead power line. The line snapped and made contact with the ground. An upstream line fuse blew and isolated the downed power line. The line was repaired by a responding crew and power was restored without further incident.

HHHI continues to work diligently with staff and the public to maintain the highest degree of safety and education.

System Reliability

HHHI experienced zero (0) Major Event outages in 2023.

In response to the severity of the outages relating to lightning strikes in past years, HHHI installed lightning arrestors on certain critical components. The result was zero (0) outages related to lightning strikes in 2022 and 2023.

HHHI is an embedded distributor to Hydro One and as such, will experience loss of supply. HHHI works closely with Hydro One to minimize customer impact from planned outages however, Loss of Supply is not a variable that HHHI can alter in an effort to improve reliability.

For the purposes of the Scorecard reporting, Major Events and Loss of Supply are excluded from the reported numbers.

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

HHHI experienced a total of 13,565.32 customer hours of outages in 2023. The average number of hours that power to a customer was interrupted was lower than most recent four (4) years. The longest outages were a result of adverse weather and defective equipment. These two (2) causes accounted for 60% of total outage time.

Adverse Weather – On February 17, 2023, high winds resulted in multiple feeder lockouts for extended periods of time due to galloping lines covered in ice. This outage affected a larger number of customers for almost two (2) hours. The total customer outage hours for this event was 3,925 hours.

Defective Equipment – HHHI experienced defective equipment failures resulting in 2,597 customer outage hours. Many of these incidents affected a small number of customers, however, two particular incidents resulted in 2,134 outage hours. On February 3, 2023, a switch failure caused 1,331 customer outage hours. Most outages can be limited by opening and closing other switches. In this particular case, switching orders were required and extended the outage duration for 1,949 customers. On the same day, February 3, 2023, as they were repairing the switch failure, the line crew noticed a defective transformer that needed replacement. As such, the crews performed additional switching to energize as many customers as possible before the replacement. The replacement of the transformer included an additional 802 customer outage hours.

In an effort to decrease the duration of outages, HHHI continues to work towards a more automated and integrated distribution system. Substation reclosers, Supervisory Control and Data Acquisition (SCADA) system remote operated switches and SCADA wireless faulted circuit indicators enable the Control Room to locate faulted portions of the system quicker, dispatch crews more efficiently and effectively and remotely sectionalize faulted sections

allowing crews to focus their time on repairing the fault, instead of manually sectionalizing before beginning repairs.

In addition to the automation, HHHI continues to optimize its Control Room operation. HHHI is in the process of providing line crews with updated computer tablets that will enable operational crews to access real time mapping data to ensure information provided to the Control Room and crews is consistent.

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

In 2023, HHHI had a total of 22,492 times that power to a customer was interrupted. The greatest frequency of outages in 2023 was a result of adverse weather (60%) and foreign interference (14%).

Adverse Weather – On February 28, 2023, HHHI experienced a large number of customers’ (8,156) outages. On this date, two (2) different feeder lockouts occurred within minutes of each other. The outages were determined to be caused by a snow storm. The control room waited for a few minutes (nine (9) and six (6) minutes, respectively) to reclose the fault resulting in the higher frequency customer outage. These very brief outages were responsible for 36% of all outages.

Foreign Interference – On April 14, 2023, a vehicle came into contact with a hydro pole resulting in two (2) phases from two (2) different feeders tangling, causing an outage to 2,971 customers. This one vehicle incident contributed to 13% of all outages. Vehicle accidents resulted in 8 of 9 foreign interference outages, totalling 3,069 outages for 2023.

Asset Management

- **Distribution System Plan Implementation Progress**

HHHI’s estimated total capital expenditures for 2023 as presented in HHHI’s 2021 Cost of Service Distribution System Plan (DSP) total is \$15,975,235. HHHI’s actual capital additions for 2023 totalled \$4,748,486 (net of contributed capital). HHHI is currently at 97.91% of its DSP.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five (5) groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2023, for the twelfth (12th) year in a row, HHHI was placed in Group 1 where a Group 1 distributor is defined as having actual costs (opposite of excess but not shortage) of predicted costs. Group 1 is considered the “Most Efficient”. Prior to 2012, the OEB benchmarked LDCs by comparing similar distributors and using OM&A unit cost per customer.

Since the benchmarking has changed to a solely econometric approach, HHHI has consistently placed in the top seven (7) in the province. The updated methodology includes weighting factors for costs associated with overhead versus underground infrastructure in addition to the inclusion of both capital and OM&A costs.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of HHHI’s capital and operating costs and dividing this cost figure by the total number of customers that HHHI serves. The total cost performance result for 2023 is \$994 per customer (2022 - \$874). In 2023, HHHI saw an increase in the total cost per customer as the cost of materials used in capital and maintenance dramatically increased due to inflation in addition to internal costs for financing.

- **Total Cost per km of Line**

Total cost per km of line is calculated as the sum of HHHI’s capital and operating costs and dividing this cost figure by the total kilometers of line. The 2023 total km of lines in HHHI’s distribution system was 1,700 km. The cost performance result for 2023 is \$13,485/km of line (2022 - \$11,770). In 2023, HHHI saw an increase in the total cost per customer as the cost of materials used in capital and maintenance dramatically increased due to inflation in addition to internal costs for financing.

HHHI continues to build a culture of innovation by engaging staff through the Creative and Critical Thinking initiative to find additional cost efficiencies throughout the LDC. A new program that HHHI began in 2017 focussed on “Relentless Incrementalism”. Relentless incrementalism – small steps that make a difference and help pave the way for more significant change – involves all staff members examining processes and procedures and implementing changes that would create cost savings, efficiencies or benefit customers.

Connection of Renewable Generation

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

With the end of the Feed-in-Tariff program, Connection Impact Assessments (CIAs) requests for renewable generation are few. HHHI consistently achieves 100% of renewable generation connection impact assessments completed on time.

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

With the end of the Feed-in-Tariff program, micro-embedded generation connection request reporting is no longer required after 2018.

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 meet 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.

HHHI’s Liquidity for 2023 is 0.94 (2022 – 0.70). The main driver of the change is the Bank Indebtedness used in part to fund the net Regulatory Assets during the year.

- **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 levered than the deemed capital structure. A high 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 provide.

HHHI's 2023 debt to equity ratio is 1.56 as compared to the 2022 value of 1.49. The main driver of the increased debt to equity position is the Fair value adjustment on the derivative market to market liability loss of \$2,471,436 (2022- \$10,241,315).

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

HHHI's distribution rates were approved by the OEB in the 2021 Cost of Service Application (EB-2020-0026), effective May 1, 2021, and included an expected (deemed) regulatory return on equity of 8.34%. 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**

In 2023, HHHI's achieved regulatory return on equity was 8.71% (2022 – 8.19%), which is within the +/- 3% of the OEB deemed percentage of 8.34%.

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.