

Powering Forward

2020 - 2024 Strategic Plan

-Reviewed & Refreshed in 2022-

Festival Hydro  INC.

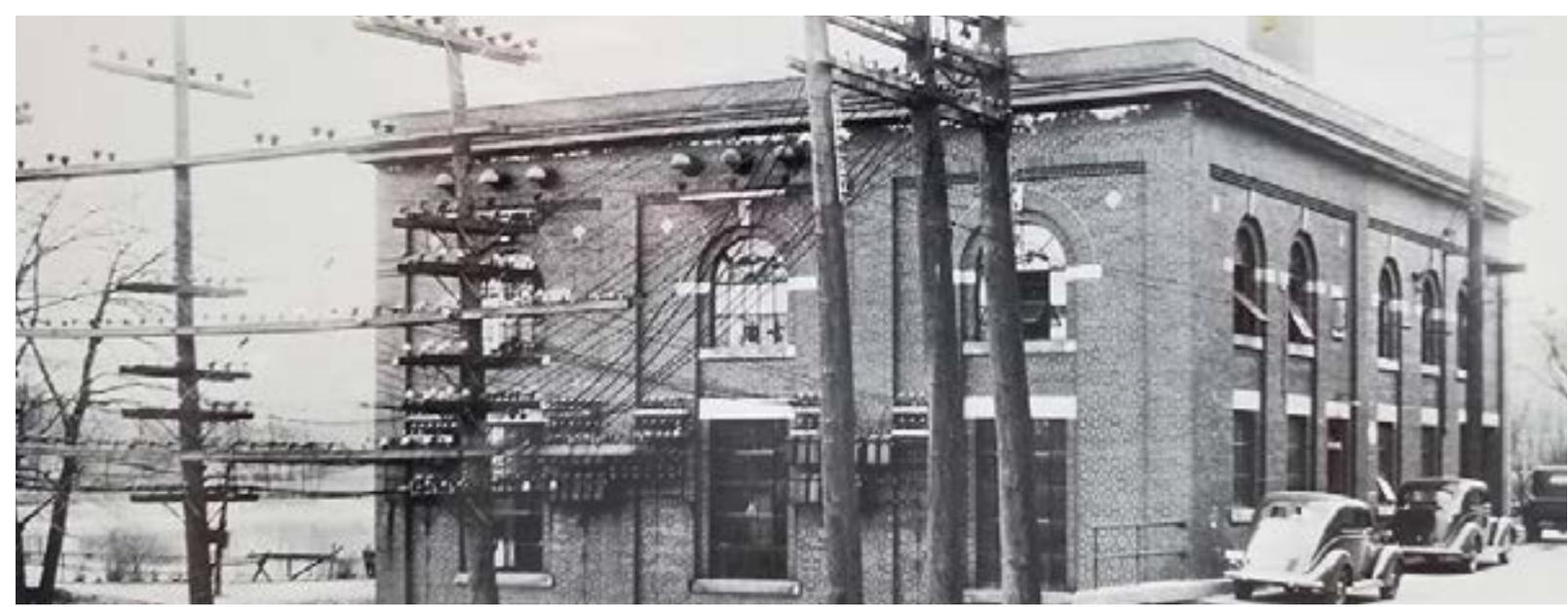


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MESSAGE FROM THE CEO

One common theme throughout this document is our focus on technology as a driver for our success. We employ technology to innovate, automate processes, and change the way we produce, consume, and distribute energy across our communities. We aim to provide the highest quality service that not only meets, but exceeds, customer expectations and we look forward to the coming years that will bring more opportunities, new ideas, and exciting projects that we can share with the communities we serve.

Our Strategic Plan and the associated priorities and goals are supported by our annual Business Plans which provide the more detailed operational specifics required to ensure our work initiatives move the business forward in alignment with our strategic priorities.

Annual budgets are developed every fall, drawing on these Business Plans and available revenue. Detailed Key Performance Indicators (KPIs) are identified, measured, and tracked year over year to help highlight trends and areas of success or opportunity.

In 2022, the board and executive team undertook a midterm review of the strategic priorities identified at the planning meeting in May of 2019 to refresh, renew and realign the strategic plan and priorities to meet the changing needs of Festival Hydro Inc., our employees, our shareholder, and the communities we serve.

As you will see when you read through this document, the four key priorities for FHI over the next two years

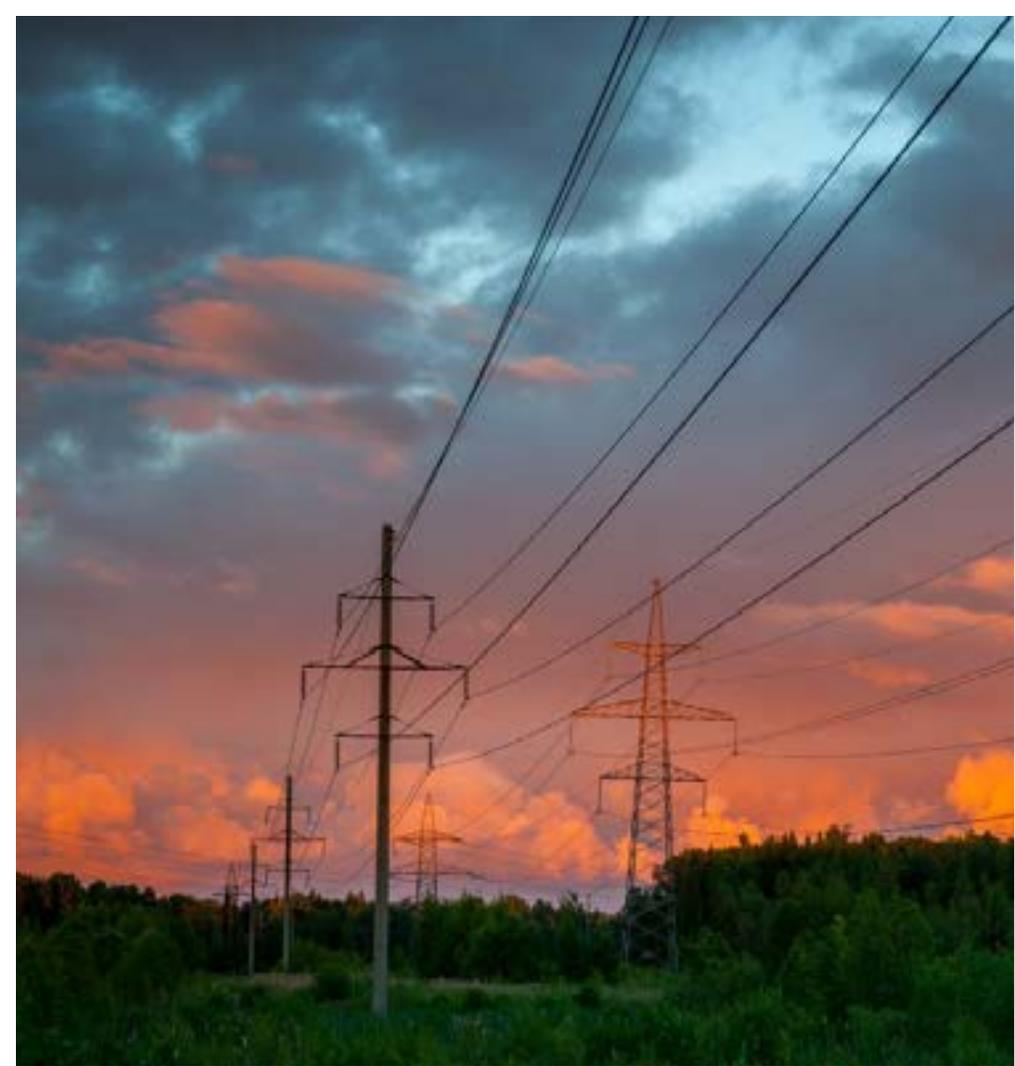
of the planning period are: our people, investment in technology to drive operational efficiencies, creating scale in the utilities space, and collaboration with strategic partners to increase business opportunities.

With these four priorities in mind, we envision a future of positive change for the organization that will continue to drive employee satisfaction with a renewed focus on technology and automation to increase process efficiencies and create increased work/life balance and job satisfaction for our Festival Hydro team. We are also dedicated to honouring our commitment to the communities we serve and are constantly striving to provide our customers, both business and residential with stable and reliable access to power, and access to beneficial programs.

Further, our focus on partnerships, collaborations, and a “people first through positive teamwork” mentality, gives a nod of recognition to the hard work of each individual and entity that comes together to create a strong foundation upon which we can build an excellent experience, opportunities for continued customer choice, and the support and empowerment of the communities we serve.

Jeff Graham

Chief Executive Officer



MEET OUR BOARD & EXECUTIVES

Geraldine Guthrie
Chair

John Tapics
Vice Chair

David Scott
Director

Mark Henderson
Director

Susan Nickle
Director

Dan Mathieson
Director

Brad Beatty
Director

Graham Bunting
Director

Jeff Graham
Chief Executive Officer

Alyson Conrad
Chief Financial Officer

Bryon Hartung
VP of Engineering and Operations

Jackie Wheel
*Director, Human Resources/Health
and Safety*

INTRODUCTION

Festival Hydro Inc. was incorporated in 2000 and is a wholly owned subsidiary of the City of Stratford. The principal activity of FHI is to distribute electricity to the residents and businesses in the City of Stratford and the towns of Brussels, Dashwood, Hensall, Seaforth, St. Marys, and Zurich, under a license issued by the Ontario Energy Board (“OEB”). FHI is regulated by the Ontario Energy Board and adjustments to the distribution and power rates require OEB approval.

Festival Hydro Inc’s (FHI) Strategic Plan establishes a roadmap for making informed decisions to meet current and future demands of FHI and its customers through the identification of four specific priorities and goals with actionable initiatives to accomplish them. Over the past 4 years, Festival Hydro has made great progress and this Plan provides an opportunity to reflect on these accomplishments while developing a path forward. The development of the 2020-2024 Strategic Plan was led by the Festival Hydro Inc. management team and Board of Directors, with input from the City of Stratford Municipal leadership and our customers.



INNOVATION POWERING PROGRESS

Festival Hydro Inc. is an energy company focused on providing customers with the highest level of service through innovation in infrastructure, financial responsibility, strategic partnerships, and community outreach. Although not the largest electric utility in the Province of Ontario, with just over 22,000 customers, FHI has achieved significant recognition for our accomplishments over the years by receiving numerous awards including Electricity Distribution Association's award for Innovation, as well having been honoured previously with the Safety Excellence Award, Customer Service Excellence Award and Conservation and Demand Management award.

A culture of innovation has been the driver for strategic business and community growth by offering better ways to manage power, enhance effective use of infrastructure and capital assets, and create increased process efficiencies through automation. We strive to consistently prove that local utilities can play a key role in facilitating impactful initiatives while ensuring business fiduciary expectations, customer satisfaction, and managing downside risk while providing upside potential. FHI has played a key role in investment attraction and has been sought out as a thought leader willing to participate in projects leading the future of energy management. We believe in incorporating the use of technology and leveraging strategic partnerships as enablers to reach our goals and promote continuous business improvement. These efforts have led to consistently reaching or exceeding detailed key performance indicators as measured by our board and regulator.

TECHNOLOGY FOR THE FUTURE

The Mission and Vision Statements for Festival Hydro Inc. provide a key reference point to the corporate direction and purpose of the organization.

The Vision statement is further supported by the commitment to earn this reputation by:

- Being a leader in implementation and utilization of technology to support communication and automation.
- Diversifying into new areas for alternative generation to meet customer demand/ expectation.
- Increasing our scope through additional business lines.
- Continuing to meet key performance indicator (KPI) targets and operate as an efficient and effective utility in the province.
- Being recognized as a technology leader and showcase utility in the industry.

As part of the strategic planning process these corporate statements were reviewed and provided guidance for the enhancement of the four key priorities for the business over the next four years.

In developing the 2020-2024 Strategic Plan a SWOT analysis was completed to help identify areas of focus. As part of the 2022 midterm review of the plan the SWOT analysis was reviewed and updated to account for the changing industry and economic landscape.

From the analysis, the four key priority areas were strengthened with supporting goals and initiatives.

MISSION



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

VISION



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

PURPOSE

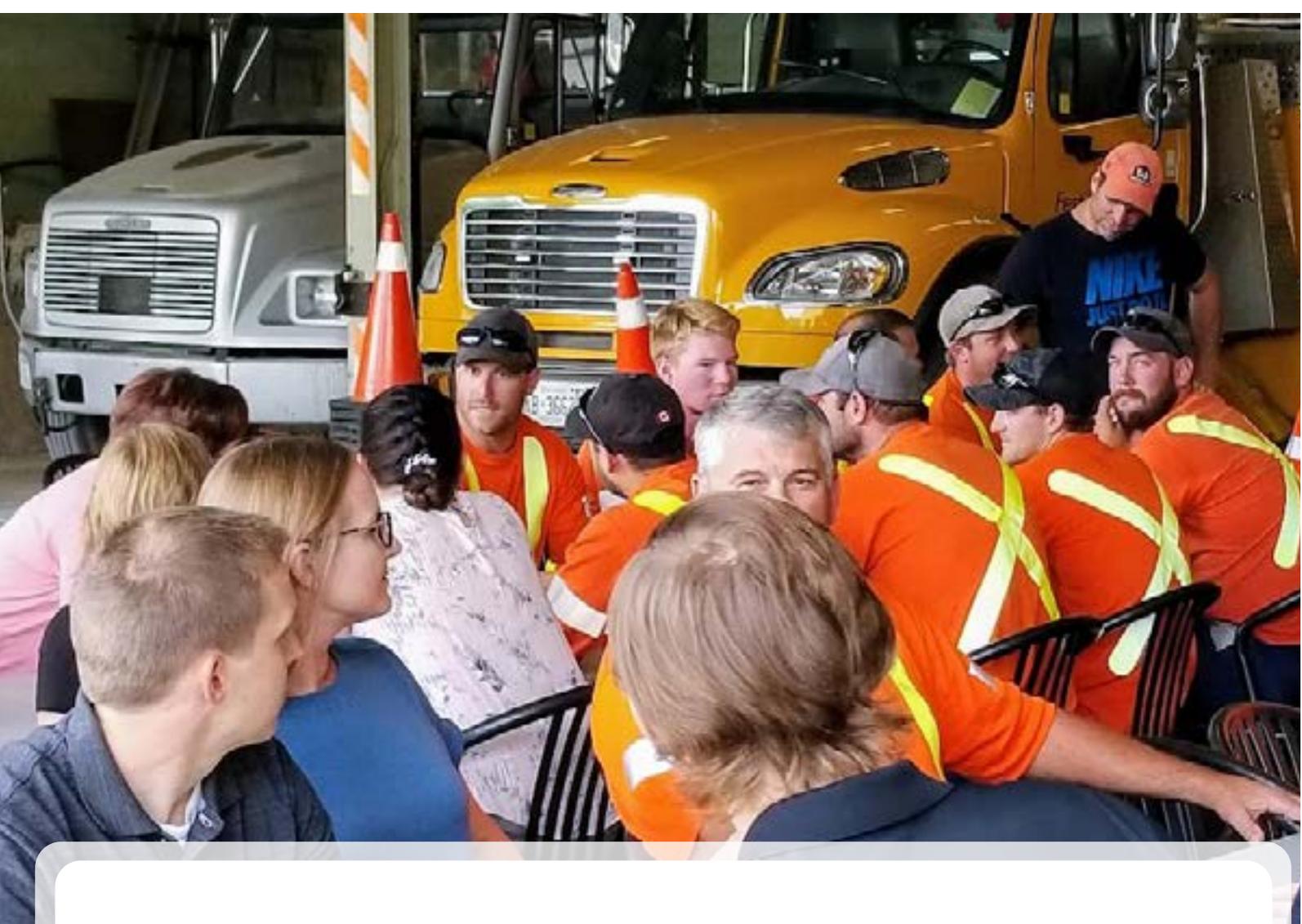


Powering lives, empowering communities.

VALUES



- People First through Positive Teamwork
- Accountability
- Honesty
- Commitment to Customers
- Trust



INITIATIVE 1: OUR PEOPLE

THE OPPORTUNITY

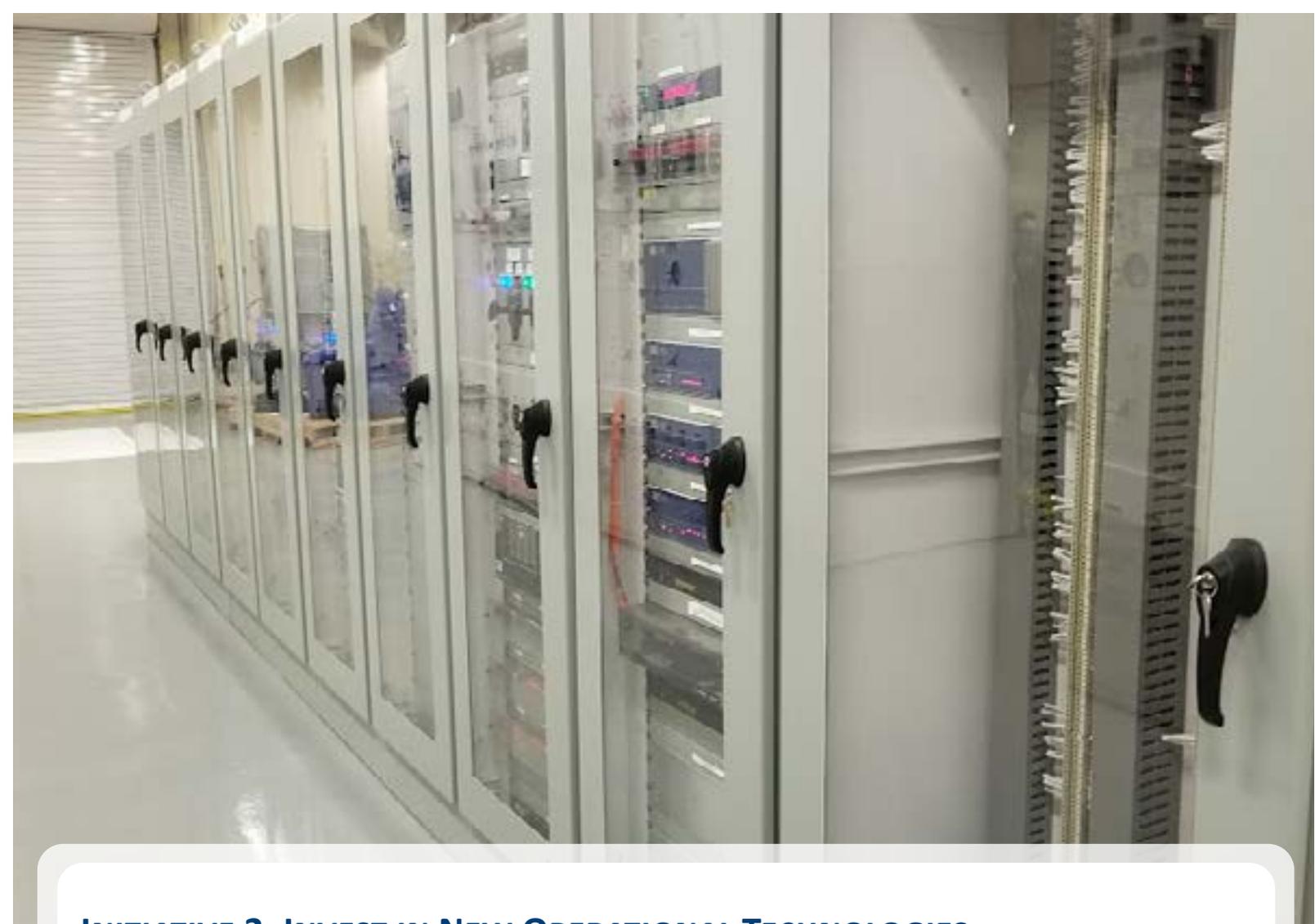
Recognizing our team of staff is the most critical component of our business success, it is imperative that the organization ensures the success of our employee's, and that the safety of our people is paramount. To sustain the organization by skillfully adapting to change and implementing efficiencies will lead to optimization of resources and capacity, enhanced service delivery, and increased value for all stakeholders.

THE GOALS

- To ensure the safety of our staff is paramount
- To create a sustainable, motivated workforce and enhance productivity
- To be viewed as a great place to work

THE ACTIONS

1. Create an employee retention plan
2. Ensure a competitive compensation plan is in place
3. Formal succession plan includes high-performing employee (HPE) identification with a corresponding multi-year Development Plan
4. Develop an Employee Recognition Program
5. Invest in physical facilities upgrade



INITIATIVE 2: INVEST IN NEW OPERATIONAL TECHNOLOGIES

THE OPPORTUNITY

Technology is constantly changing and developing at a very fast pace and every day new technologies are launched that can improve upon efficiencies and processes that the business relies on. By working with our internal teams to better understand their day-to-day processes we can formulate a plan and look for technologies that fit the unique needs of our teams, help to reduce reliance on paper, and improve upon customer and employee experiences.

THE GOALS

- To reduce costs and improve operational efficiencies
- To improve internal and external communications
- To enhance and improve the customer experience

THE ACTIONS

1. Refresh our Technology Roadmap
2. Implementation of a new Customer Information System (CIS)
3. Invest in digital systems for handling workflows
4. Continued enhancement of security to protect confidential information and internal systems and concerns



INITIATIVE 3: COLLABORATE WITH OTHER LOCAL COMMUNITY STAKEHOLDERS

THE OPPORTUNITY

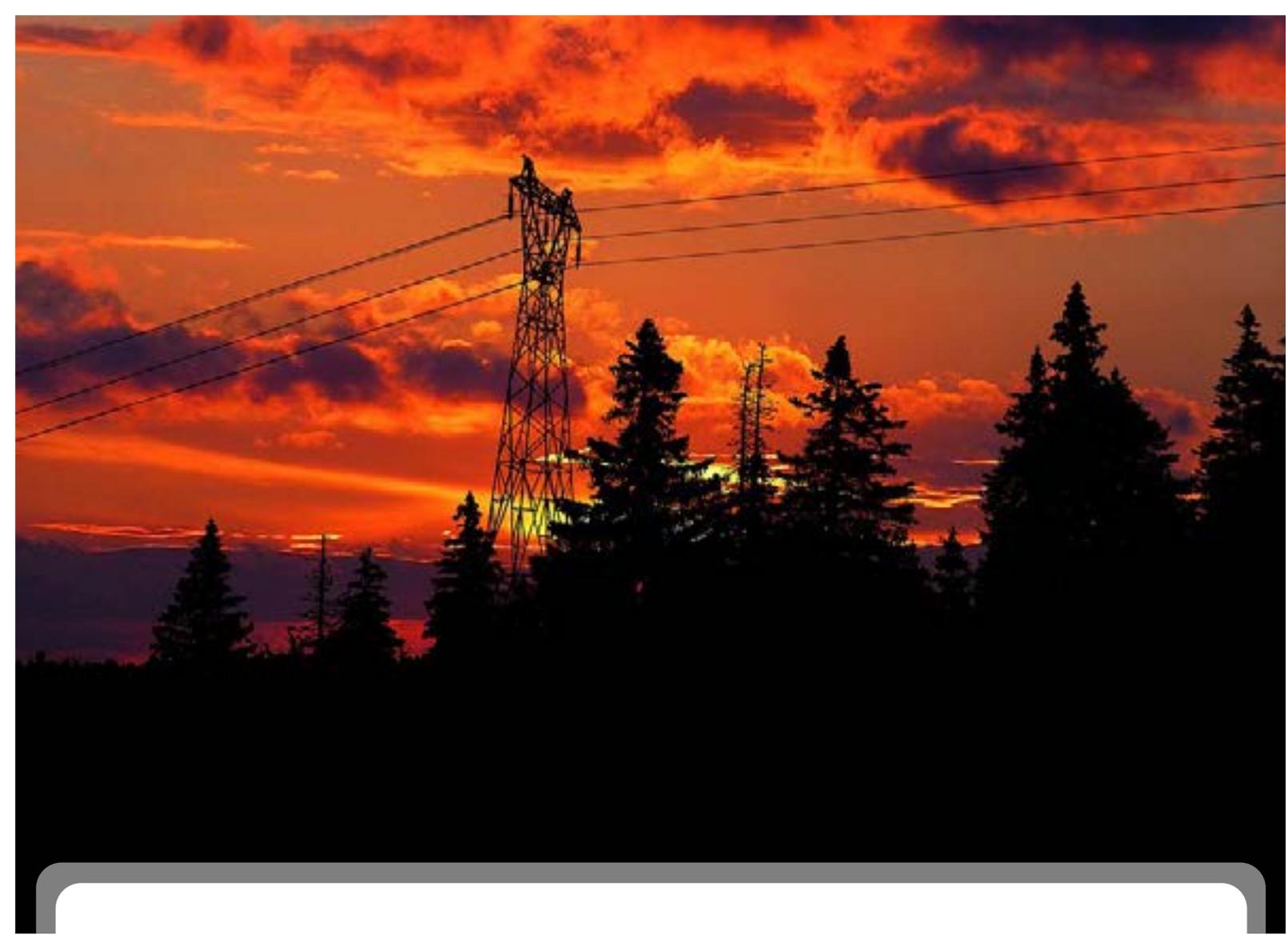
As a locally owned utility we have a unique opportunity to work in partnership with the municipality and the economic development team to attract new business, investment, and opportunities to the community and we understand the value of having strong relationships with community members and customers. Through enhanced collaboration and relationship building we can seek to better understand the goals and needs of our customers and communities to ensure that their needs are met and that we are acting as a partner in their success.

THE GOALS

- Enhance long term viability

THE ACTIONS

1. Partner with Invest Stratford and the City to support economic development & investment in our region.
2. Meet with large industrial customers to understand their business strategies/growth targets.
3. Build FHI brand & value by getting involved in Community events to show the value of local utility ownership



INITIATIVE 4: Create Scale in the Utilities Space

THE OPPORTUNITY

Just as we recognize the incredible value of relationship building with stakeholders in the communities we serve, we also emphasize the importance of teamwork and collaboration with our peers in the energy industry. By seeking out shared service opportunities, participating in working groups and industry councils, and forging strategic partnerships with other utilities, we have the opportunity to learn from others, leverage the power that comes from unity, better control costs, and contribute to setting the standards for industry best practices. This will help to ensure continued responsible and value-driven operation of our organization well into the future.

THE GOALS

- Reduce costs and enhance efficiencies,
- Ensure financial viability
- Business continuity

THE ACTIONS

1. Continue to partner with other utilities & organizations to create future opportunities.
2. Seek out shared service opportunities with other utilities.
3. Consider joining already established industry groups that we are not currently associated with.

FINANCIAL STABILITY TO POWER INNOVATION

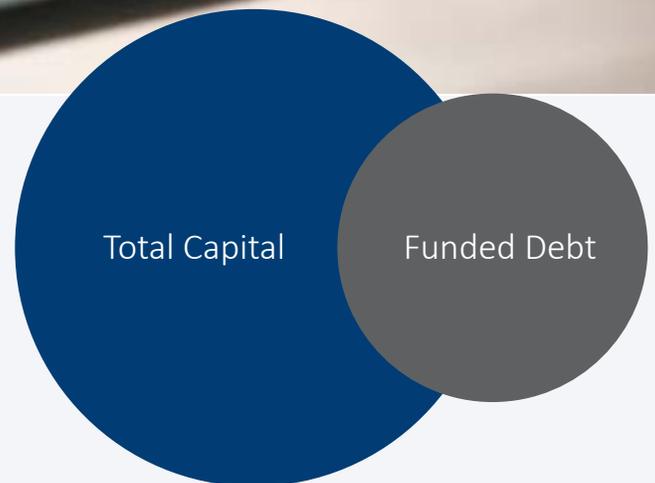
Festival Hydro Inc. has continued to meet or exceed best business practice financial measurements as well as those financial tools tracked and assessed by The Ontario Energy Board. A solid governance framework and continuous tracking of Key Performance Indicators ensures that Festival Hydro is not placed in a position of undue financial risk, or where assets are unprotected, inadequately maintained, or unnecessarily risked. This helps us to ensure that we are meeting our goal of providing a safe, reliable, and cost-effective electrical system for our customers while retaining and enhancing shareholder value.

LIQUIDITY RATIO

Often used as an indicator of financial health, a ratio that is greater than one is considered good as it indicates that the company can pay its short-term debts and financial obligations without the need to raise external capital. Festival Hydro continually exhibits a ratio of greater than one and maintains the Ratio of Funded Debt to Total Capital of no greater than 0.65:1.

TOTAL COST PER CUSTOMER

This is defined as the sum of all the costs incurred by the utility to provide service to its customers. The amount is then divided by the utility's total number of customers. Festival Hydro's cost per customer figure remained relatively stable for several years and has trended downward since 2018. The decrease in the cost per customer is attributable to increased grid stability that has been realized due to upgrades which thereby reduce maintenance costs, as well as reform and automation of internal processes in order to increase efficiency. By increasing operational efficiencies and controlling costs FHI has been able to maintain relatively stable pricing for customers. In 2019, FHI achieved the goal of reaching group 3 in the efficiency analysis (PEG) as reported on the OEB scorecard.





CAPITAL EXPENDITURES

All physical assets depreciate over time. Therefore, it is necessary to continually re-invest in the system in order to maintain value and integrity. We time our capital investment in such a way that replacement of depreciated assets occurs before they become unsafe, unreliable, and uneconomical.

When appropriate, Festival Hydro employs new and creative solutions with a proven track record to accommodate enhanced and expanded load growth. We believe new capital investments must enhance shareholder and customer value by improving safety, reliability, customer service, and meeting or exceeding projected consumption demand.

An Asset Management Plan is maintained and updated every year. Infrastructure is tested and inspected cyclically, and the annual results are used to adjust the forecasted number of required replacements that will be necessary to maintain or improve safety and reliability over the next five to ten years. The Asset Management Plan drives the Distribution System Plan (DSP) which identifies major projects and anticipated spending levels for the next five years.

When formulating the asset management plan, new solutions and technologies are considered that can serve to improve safety of the system, reduce outages and momentary interruptions, provide better longevity of installed infrastructure and contribute to faster restoration times in the event of a power outage. All of these factors contribute to our ability to provide our customers with stable and reliable access to power.

As a guideline, we look to keep our minimum expenditures for capital projects equal to the amount of depreciation in that year; however, we always seek to make decisions based on the best interests of Festival Hydro, our customers, our employees, and the communities we serve.



EMPOWERING OUR COMMUNITIES

To us, being a partner in our communities means actively supporting and getting involved with the projects, organizations, and events that resonate with and touch the lives of our customers, and we welcome the opportunity to be partners in Powering Our Communities forward.

Some of the ways in which Festival Hydro lends support to the community include ongoing support for the Festival Hydro Community Park, supporting the United Way Perth-Huron through a workplace contribution program and other campaigns, collaboration with Upper Thames River Conservation Authority (UTRCA) and the City of Stratford on the annual Festival Hydro Tree Power program, sponsorship of numerous community festivals and events, and staff organized fundraisers such as the one in 2022 for the Canadian Cancer Association. Additionally, we conduct a quarterly draw, and the selected employee gets to direct a donation to the charity of their choice in the amount of the casual Friday collection for that quarter that every FHI employee can opt to participate in.

In 2021, we tied in our e-billing initiative to serve the community by donating \$5 for each new e-billing customer to the Stratford General Hospital Foundation’s “Closing the Gap” campaign to support youth mental health services.

We also aim to support the next generation in their educational goals and aspirations through the annual awarding of the Festival Hydro Scholarship. The recipient is a student who is enrolled in any post-secondary program that teaches technical, trade, or administration skills that our organization looks for in candidates applying to work within a Festival Hydro.

Through charitable giving and philanthropy, we as a corporation can make a positive contribution to the quality of life, and the number of services and supports available in the communities we serve.



PEOPLE FIRST THROUGH POSITIVE TEAMWORK & TECHNOLOGY

Along with the belief that our employees are the largest contributing factor to the success of Festival Hydro comes the responsibility to empower our staff members so that they thrive and to foster a healthy workplace culture. We promote an organizational culture that encourages employee growth and development and recognizes individual and team contributions.

To create a positive culture that puts people first and focuses on the employment of technology to promote efficiencies, you first need a culture of learning as a foundation that can be built upon, as well as a climate in which people want to do their best and strive for improvement both personally and professionally. We empower others and invite input from each person, share ownership and visibility for our successes, and convey that everyone's contribution is important. By fostering a two-way dialogue, we can find positive technology driven solutions that streamline efforts, reduce workloads, and improves customer experience. To allow for the continued growth of our team, and to promote personal development, Festival Hydro puts a priority on supporting the education and training of our staff.

In addition to our employees, we recognize and take pride in being able to provide a high level of service to the customers and communities that we serve. As we look at technology and consider the impacts that it will have on our internal operations, we also consider the more widespread effects that these implementations will have for our customers and consider how we can continue to progress the level of service for our end users. This includes considerations for enhanced communications during outages, automation that will decrease the length and number of outages experienced, and systems that allow staff quick access to accurate customer information that can be used to assist with inquiries and better recommend support programs that are available to those in need.



ECONOMIC DEVELOPMENT & SHARED SERVICES

Another way in which we as locally owned distribution company can positively impact the community is through our ability to be an active participant in promoting the economic interests of those we serve. Together with our main shareholder, the City of Stratford, investStratford, the city's economic development organization, and our affiliate company Rhyzome Networks, we challenge the traditional ideas of our roles being mutually exclusive and instead share a common objective to attract new business to the areas we serve in order to drive down costs within the community; which in turn assists in attracting more business, job creation and creating a prosperous local economy.

The key element that makes this type of collaboration possible is the ownership structure of the companies. Although the City of Stratford is the sole shareholder of all three organizations, each is a separate corporation governed by separate boards. This allows each to be agile in their individual operations while still supporting a shared vision for economic health and growth within the community, as well as a collective mindset that is open to innovative technology and business streams that generally do not fall into the scope of the LDC's/ISP's and Economic Development departments of the past.

Another area where we see benefit for collaboration is among local distribution company's (LDC's) in the province. By working together in the search for services and technology that fit the needs of our industry and businesses we can learn from each other and benefit from the strengths of the group operating as a whole. The industry has unique challenges and requirements and by uniting we build the opportunity to create better tailored services, share the lessons we have learned, increased negotiating power and leverage, and reduce costs to the singular corporation through a shared structure and partnership.