

Scorecard - Milton Hydro Distribution Inc.

| Performance Outcomes | Performance Categories | Measures | 2019 | 2020 | 2021 | 2022 | 2023 | Trend | Target | | |
|---|------------------------------------|---|------------------------------------|-----------|-----------|-----------|----------|--------|----------|-------------|-------|
| | | | | | | | | | Industry | Distributor | |
| Customer Focus Services are provided in a manner that responds to identified customer preferences. | Service Quality | New Residential/Small Business Services Connected on Time | 99.88% | 100.00% | 100.00% | 100.00% | 100.00% | ↑ | 90.00% | | |
| | | Scheduled Appointments Met On Time | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | → | 90.00% | | |
| | | Telephone Calls Answered On Time | 84.44% | 73.17% | 76.24% | 78.84% | 85.92% | ↑ | 65.00% | | |
| | Customer Satisfaction | First Contact Resolution | 100 | Compliant | Compliant | Compliant | 97.95 | | | | |
| | | Billing Accuracy | 100.00% | 100.00% | 99.99% | 99.98% | 99.91% | → | 98.00% | | |
| | | Customer Satisfaction Survey Results | A | A | A | A | A | | | | |
| Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives. | Safety | Level of Public Awareness | 84.00% | 82.00% | 82.00% | 80.00% | 80.00% | | | | |
| | | Level of Compliance with Ontario Regulation 22/04 ¹ | C | C | C | C | C | → | | C | |
| | | Serious Electrical Incident Index | Number of General Public Incidents | 0 | 0 | 0 | 0 | 0 | → | | 0 |
| | | | Rate per 10, 100, 1000 km of line | 0.000 | 0.000 | 0.000 | 0.000 | 0.348 | → | | 0.348 |
| | System Reliability | Average Number of Hours that Power to a Customer is Interrupted ² | 0.33 | 1.52 | 0.76 | 0.76 | 0.42 | ↓ | | 0.84 | |
| | | Average Number of Times that Power to a Customer is Interrupted ² | 0.58 | 1.15 | 0.57 | 0.66 | 0.62 | ↓ | | 0.67 | |
| | Asset Management | Distribution System Plan Implementation Progress | on track | on track | na | na | On Track | | | | |
| | Cost Control | Efficiency Assessment | 2 | 2 | 2 | 1 | 1 | | | | |
| | | Total Cost per Customer ³ | \$700 | \$682 | \$683 | \$738 | \$816 | | | | |
| | | Total Cost per Km of Line ³ | \$10,390 | \$10,157 | \$10,221 | \$11,057 | \$12,314 | | | | |
| Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board). | Connection of Renewable Generation | New Micro-embedded Generation Facilities Connected On Time | | | | | | | | | |
| | | | | 100.00% | 100.00% | 100.00% | → | 90.00% | | | |
| Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable. | Financial Ratios | Liquidity: Current Ratio (Current Assets/Current Liabilities) | | 1.56 | 1.65 | 0.80 | 1.36 | 1.39 | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | | 1.28 | 1.37 | 1.27 | 1.14 | 1.19 | | | |
| | | Profitability: Regulatory Return on Equity | Deemed (included in rates) | 9.19% | 9.19% | 9.19% | 9.19% | 8.66% | | | |
| | | | Achieved | 6.74% | 6.86% | 7.41% | 4.36% | 10.66% | | | |

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

Appendix A – 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](https://www.oeb.ca/oeb/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

Milton Hydro Distribution Inc. (“Milton Hydro”) has delivered a safe, reliable and efficient supply of electricity to the Town of Milton for over 100 years. In 2023, Milton Hydro continued to focus its strategy around modernization, efficiency and resiliency with a view to ensure that Milton Hydro is well positioned for the changing energy landscape and to enhance the overall customer experience. Milton Hydro is committed to delivering a reliable, sustainable and electrified future to its customers through leadership and innovation. In 2023, Milton Hydro met or exceeded all its industry performance targets as discussed below.

Milton Hydro’s System Reliability in 2023 improved relative to its performance in 2022, and was better, as compared to its five-year average (2019 - 2023), and was also better when compared to the targets established by Milton Hydro in its 2023 Distribution System Plan (DSP) for the five-year period from 2023 - 2027. Milton Hydro recognizes that reliability is important to its customers and continuously plans maintenance such as tree trimming and asset management to reduce the vulnerability of the distribution system outages.

Milton Hydro’s rates are approved by the Ontario Energy Board (OEB) each year according to the OEB’s rate application process. Every five years electricity distributors file a Cost of Service (CofS) rate application which takes into consideration the prior four historical years of capital expenditures, Operations, Maintenance and Administration expenses and a forecast for the years ahead. In 2023, Milton Hydro filed a CofS application which sets the base rates for years going forward. For the four years following a CofS rate application, electricity distribution rates are set on a price cap adjustment based on an inflation rate set by the OEB, and a reduction by a percentage stretch factor representing an incentive for distributors to become more efficient.

Milton Hydro’s last rate application was for the 2024 rate year and was filed on August 16, 2023. Milton Hydro received a decision from the OEB approving the 2024 electricity distribution rates on December 14, 2023.

Customer Satisfaction

In 2013, the Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey, requiring electricity distributors to measure and report customer satisfaction results, every other year at minimum. The OEB allows electricity distributor's discretion as to how they implement this measure.

Milton Hydro last engaged UtilityPULSE in 2023 to perform the fifth Customer Satisfaction Survey to obtain actionable and measurable feedback from Milton Hydro customers. Milton Hydro plans on conducting the next Customer Satisfaction Survey in the fall of 2025. Milton Hydro achieved an "A" rating from its customers in its 2023 Customer Satisfaction Survey.

The 2023 survey results are shown in the table below.

| Milton Hydro's UtilityPULSE Report Card® | | | | |
|---|-------------------------------|---------------------|-----------------|----------------|
| Category | | Milton Hydro | National | Ontario |
| 1 | Customer Care | B | B+ | B+ |
| | Price and Value | B | B+ | B |
| | Customer Service | B+ | B+ | B+ |
| 2 | Company Image | B+ | B+ | B+ |
| | Company Leadership | B+ | B+ | B+ |
| | Corporate Stewardship | B+ | B+ | B+ |
| 3 | Management Operations | A | A | A |
| | Operational Effectiveness | A | A | A |
| | Power Quality and Reliability | A | A | A |
| OVERALL | | A | A | A |

Public Safety Awareness

Also, in common with all electricity distributors in Ontario, Milton Hydro is required to engage customers with a public safety survey every two years. In spring 2022, Milton Hydro engaged UtilityPULSE to conduct its fourth Public Electrical Safety Awareness Survey targeting residents in the Town of Milton. This survey supports Milton Hydro's corporate value of Safety Above All Else and was undertaken according to the Ontario Energy Board's guidelines to assess the public's level of knowledge and awareness of key electrical safety precautions.

Residents in the Town of Milton were contacted via phone and invited to participate in the survey. The responding Milton residents provided a Public Safety Awareness Index Score of 80%, which is slightly lower than the 2020 score of 82%. However, note the margin of error for 1,000 surveys is +/-3% (19 times out of 20). While scoring well in the majority of the six questions, the change in our overall score indicates that more communication would be helpful to enhance electrical awareness knowledge to improve public safety. The 2022 survey and previous years' safety surveys show many respondents do have good general knowledge or have received some information pertaining to the six core measurement questions identified below.

The survey included six core measurement questions:

- Likelihood to "Call Before You Dig" – 81% of respondents said, "definitely or very likely". (2020 - 74% / 2018 - 71.4 % / 2016 - 71.4%). Our results continue to increase year over year, but more work is necessary, as it is the law to call first;
- Impact of touching a power line – 98% of respondents said, "very dangerous" (2020 - 97% / 2018 - 95.8% / 2016 - 94.7%). We are approaching the desired 100% result for this category;
- Proximity to overhead power lines – 71% of respondents said, "3 meters to 6 meters or more" (2020 - 83% / 2018 - 84.9% / 2016 - 78.7%). The minimum is 3 meters. Our results dipped significantly from our 2020 benchmarks and signal the need for more education of the populace of our service area;
- Danger of tampering with electrical equipment – 97% of respondents said, "very dangerous" (2020 - 85% / 2018 - 89.6% / 2016 - 86.2%);
- Proximity to downed power lines – 76% of respondents said, "10 meters or more" (2020 - 78% / 2018 - 81.5% / 2016 - 75.4%). The 10 meters or more or the length of a school bus is the safe distance. This question showed a decrease from our 2020 results; and
- Actions taken in a vehicle in contact with wires – 75% of respondents said, "stay in vehicle until told safe" (2020 - 81% / 2018 - 87.3% / 2016 - 85.0%). Which is a decrease from our 2020 results and demonstrates that more penetration is needed of our information campaigns among the populace of our service area.

The safety of the residents in the Town of Milton is one of Milton Hydro's core values and as indicated in the scores above, ongoing electrical safety campaigns are essential in educating the public. As such, Milton Hydro continues to work with Electricity Safety and Conservation, a vendor that puts on the presentations, to provide engaging and informational sessions on electrical safety in Milton Public Schools. Milton Hydro shares electrical safety information via posters and direct interactions at our public events like the Milton Santa Claus Parade, and STEM/Career Nights at local high schools that appeal to the families and youth in our community. Milton Hydro has incorporated more electrical safety messaging into our Storm Mode and Outage communications to ensure that the populace of our service area is well informed about how to safely interact with electrical infrastructure, particularly during inclement weather. The Milton Hydro website profiles ongoing safety campaigns and provides easy to understand self-service resources for our customers or others visiting our website.

A yearly review of the above provided metrics highlights the content and information that requires emphasis for ongoing educational campaigns. Milton Hydro is adapting the content and focus of its customer-education campaigns in order to continue to make gains on the recent survey results. This will ensure that all Milton citizens are armed with appropriate information so they are educated about proximity to downed power lines, actions to take when in a vehicle in contact with wires, and proximity to power lines.

Customer Billings

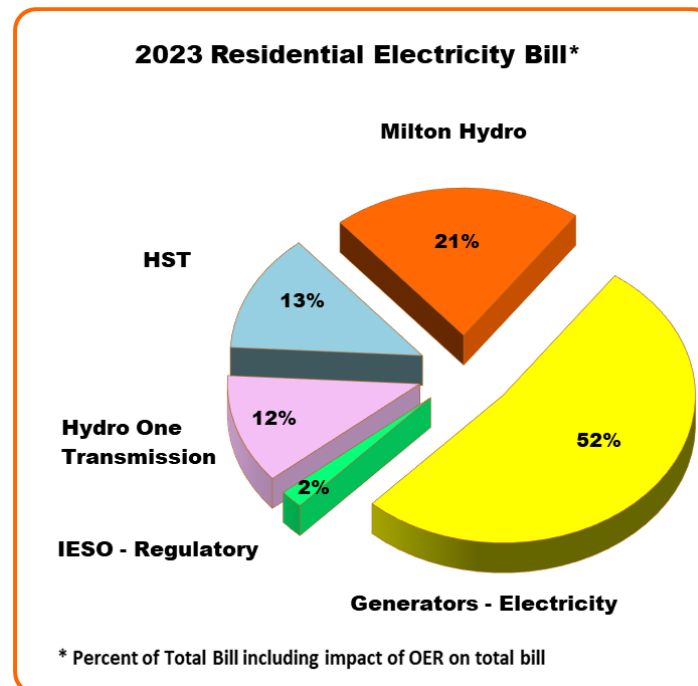
Milton Hydro's Distribution Charges, which are billed to customers to fund the delivery of safe, reliable electricity to homes and businesses within the Town of Milton, make up approximately 21% of a Residential customer's bill and less on a General Service customer's bill (16%). Milton Hydro's share of the bill is used to build new power lines with smart technology, purchase equipment such as vehicles and computers and provide for the operations, maintenance and administration of the distribution system to maintain peak efficiencies in operations.

Although Milton Hydro's invoices customers for all elements on the electricity bill, Milton Hydro only controls a minority portion of the total bill, i.e. 21% of a typical Residential customers bill. Milton Hydro bills the remaining 79% of the charges on behalf of the generators ("electricity"), the transmitters ("high voltage tower lines"), and the Independent Electricity System Operator (IESO) ("market operations"). Generator energy prices are established through both contract prices and the competitive electricity market, and the IESO and transmitters each have their rates set by the OEB.

In 2023 Milton Hydro operated its entire distribution system including poles and attachments, overhead and underground conductor, transformers, meters, operations and maintenance, billing and collections, and administration for **\$1.10 per day of the average residential customer's bill**. Over the years Milton Hydro has tightly controlled its spending, keeping its share of the total residential bill low; however, this approach was creating challenges as Milton Hydro continued to grow. Milton Hydro has been operating as a small-sized electricity distributor up until the end

of 2020. The new leadership team has been working to transform the utility into a large-sized, customer-centric, digitally modern company, and to ensure its operations are sustainable going into the next decade as Milton Hydro is expecting a new wave of growth. Starting in 2021, Milton Hydro began investing in its operations to right size its resource requirements, and digitally modernize its systems so that it may provide multi-channel services required by our customers, now and going forward as the utility enters this next phase of growth. In 2023, Milton Hydro continued its journey to transform the company, has made investments in people, processes and digital systems by initiating the procurement of a new Enterprise Resource Planning system and an Omni Channel customer engagement software platform.

The following pie chart sets out Milton Hydro's share of an average monthly Residential Hydro Bill.



Milton Hydro will strive to provide high-value for money to our customers, continue to become more efficient, and automate more of its business processes to control costs while at the same time managing the business which is subject to ongoing government intervention to help enhance the customer experience in the Ontario electricity industry.

Service Quality

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

In 2023, Milton Hydro connected 100.00% of 616 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”) 90% of the time.

- **Scheduled Appointments Met On Time**

Milton Hydro received requests for 566 appointments in 2023 with its customers to complete work requested, meter reads, reconnects and various other requests. Milton Hydro continues to meet 100% of these appointments on time exceeding the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2023, Milton Hydro received 26,665 incoming calls from its customers or 107 calls per working day. Our Customer Service Representatives (CSRs) answered 84.95% of the calls within 30 seconds or less. The telephone calls answered on time metric improved by 6.11% in 2023 as compared to 2022. This was due, in part, to a slight call volume reduction of 3.05%. Additionally, 2023 had a reduction in average call duration and hold time, which positively contributed to the increase in the service level metric. Milton Hydro continues to exceed its OEB target of answering more than 65% of the calls within 30 seconds or less.

In 2023 it was identified that a new customer communications platform was required. In 2023 Milton Hydro initiated the procurement of a new Omni Channel software platform to better communicate with its customers. This platform implementation will enable Milton Hydro to improve the performance of the call centre and provide more ways for customers to communicate with the call centre staff. Phase 1 of Omni Channel deployment was successfully launched in June 2024. Phase 1 included platform launch, Quality Management program implementation, increased Call Centre metric visibility and schedule adherence reporting. Phase 2 will be launched second half of 2024, which will include Chatbot capability and SMS messaging for service outages. All of these enhancements match customer feedback requests of more inclusive interaction options, with focus on customer centricity. Milton Hydro expects to see an improvement in all call centre-related metrics.

Customer Satisfaction

- **First Contact Resolution**

This measure can be defined in a variety of ways and further regulatory guidance is necessary to achieve meaningful comparable information across electricity distributors.

Milton Hydro tracks customer calls through its Customer Information System and if the call needs to be escalated or a second call is made then a separate tracking code is used. Milton Hydro was compliant with respect to this metric. It received 149 customer calls with complaints of which 146 were responded to on the first call.

- **Billing Accuracy**

In 2023 Milton Hydro issued 523,798 bills to customers of which 450 required corrections thereby achieving an accuracy rate of 99.91% exceeding the industry target of 98%. Milton Hydro runs consumption and dollar exception reports to identify bills to customers that may require reviewing before issuing them to customers which helps ensure a high degree of billing accuracy. These checks for billing accuracy continue to ensure that Milton Hydro's bills are near 100% accurate.

- **Customer Satisfaction Survey**

Between October 4 - 31, 2023, Milton Hydro engaged UtilityPULSE to conduct a hybrid (telephone/online) Customer Satisfaction Survey to obtain actionable and measurable feedback from 423 of Milton Hydro residential, small business, and commercial/industrial customers.

While Milton Hydro's overall rating remains an A for the UtilityPULSE Report Card, which provides customer perceptions about how the utility executes or performs its responsibilities, the score has dipped from 93% in 2021 to 90% in 2024 following a trend seen across the province and nationally and in line with other Ontario LDCs. Based on the UtilityPULSE Report Card and overall Customer Satisfaction Survey results, customers consistently count on Milton Hydro to deliver reliable electricity at an appropriate cost, provide friendly and resourceful customer service, proactively communicate updates, and resolve issues quickly and efficiently.

The Customer Satisfaction Survey is part of Milton Hydro's ongoing commitment for proactive communication and customer satisfaction. Survey results are incorporated into Milton Hydro's ongoing planning process and forms the basis of communications strategies and internal processes to improve customer communication and satisfaction to meet the evolving needs of customers.

Safety

- **Public Safety – see above for survey results –**

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

In 2015, the Ontario Energy Board (OEB) implemented the bi-annual Standardized Scorecard Public Awareness of Electrical Safety Questionnaire. In spring 2022, Milton Hydro engaged UtilityPULSE to conduct their fourth bi-annual Electrical Safety Awareness Survey to meet OEB requirements and to be a good steward of electrical safety. The purpose of the survey is to obtain actionable and measurable feedback from customers and assess/increase knowledge of electrical safety to residents in the Town of Milton. In UtilityPULSE's report published in March of 2022, Milton Hydro's Public Safety Awareness Index Score was 80%.

This survey and previous years' survey results show that many respondents have good knowledge or have received information pertaining to the 6 core measurement questions. In response to the survey results, Milton Hydro has developed communication plans to increase customers' knowledge around areas that need more awareness, such as proximity to downed power lines, especially during emergency outages. Social media campaigns and website updates are increasing awareness to Milton Hydro's customer base and the general public, and targeted email communications and letters are addressing customers specific safety concerns, such as maintaining electrical equipment on their property.

Milton Hydro contracted an authorized ESA auditor, to perform an annual safety audit of Milton Hydro and the results for 2023 have been provided below under Components B and C.

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

For 2023 Milton Hydro continued to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by Milton Hydro's strong commitment to safety and adherence to company procedures & policies. Ontario Regulation 22/04 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**

In 2023, zero (0) serious electrical incidents were reported. This result reflects the efforts of multiple organizations across various sectors to educate both workers and the public on the dangers associated with electricity. Milton Hydro supports the ongoing efforts to educate, inform and raise the general public's and workers' electrical safety awareness.

System Reliability

System Reliability is measured over a five-year rolling average and Milton Hydro continues to deliver safe and reliable electricity. Milton Hydro plans its construction and maintenance to reduce the impact outages may have on the reliability of its distribution system. Milton Hydro experienced 186 outages in 2023 affecting 25,923 customers as compared to 189 outages in 2022 affecting 27,857 customers. Of the 186 outages, 26% were related to tree contacts, 23% related to foreign interference, and 21% related to defective equipment. Milton Hydro undertook extensive tree clearing in 2023 to mitigate the risk of tree contact and continues to inspect and replace defective distribution assets as part of its preventative maintenance and System Renewal investments. The reason for the decrease in outages, duration and frequency of outages is explained below.

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

Milton Hydro experienced an average outage duration of 0.42 hours (25.2 minutes) that power to a customer was interrupted during 2023. Milton Hydro's 2023 performance was better than its own five-year outage duration average from 2019 – 2023 of 0.76 hours (45.6 minutes) of interruption, and its performance was better than its 2023 OEB approved target of 0.84 hours (50.4 minutes) as established in Milton Hydro's 2023 DSP for the five-year period from 2023 - 2027.

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

Milton Hydro's average number of times that power to a customer is interrupted (i.e. Frequency) was 0.62 times per customer during 2023. Milton Hydro's 2023 performance was better than its own five-year outage average frequency per customer from 2019 – 2023 of 0.71 times per customer, and its performance was better than its OEB approved target of 0.67 times per customer as established in Milton Hydro's 2023 DSP for the five-year period from 2023 - 2027.

Asset Management

- **Distribution System Plan Implementation Progress**

Milton Hydro filed an Application with the OEB for a full review of its rates for 2023. As part of that Application, Milton Hydro filed its DSP which provided a five-year plan from 2023 to 2027 for new distribution plant and renewal of aging distribution system plant to ensure the safe and reliable delivery of electricity and balance ratepayer and utility affordability.

Milton Hydro measures its progress of its DSP implementation each year over the five-year period, updates the plan as required to ensure a safe, and reliable supply of power, and reports monthly of progress of spending to ensure budgets are on track. In 2023, Milton Hydro began implementing the approved DSP 2023-2027 investing in customer connections, assets, reliability and resiliency. Milton Hydro is currently on track with spending related to our capital programs.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario electricity local distribution companies are evaluated using a Model prepared by the Pacific Economics Group LLC (the “PEG Model”) on behalf of the OEB to produce a single efficiency ranking. The efficiency ranking is based on a three-year rolling average of performance using the current year’s performance and the previous two years’ performance. This three-year average performance, as compared to econometric predicted values, will determine the efficiency ranking and placement of the distributor into one of five groups based on pre-defined parameters with Group 1 being the most efficient and Group 5 the least efficient. In 2023 Milton Hydro’s efficiency ranking remained in Group 1, and this is indicative of well above average efficiency.

- **Total Cost per Customer**

The total cost per customer is an econometrically derived measure calculated as the sum of Milton Hydro’s capital and operating costs divided by the total number of customers that Milton Hydro serves. The total cost performance result for 2023 of \$816 per customer is 10.6% higher than the 2022 cost performance result of \$738 per customer. The weighted average total cost performance result for 2023 for the industry was \$1,083 per customer and was 15.4% higher than the 2022 weighted average cost performance result of \$939 per

customer. In 2023, Milton Hydro is ranked 30th lowest total cost per customer out of 54 distributors in the industry. Also Milton Hydro's percentage increase in this metric relative to 2022 was ranked 16th lowest out of 54 distributors in the industry.

- **Total Cost per Km of Line**

The total cost per kilometer of line is an econometrically derived measure calculated as the sum of Milton Hydro's capital and operating costs divided by Milton Hydro's total kilometers of electricity distribution lines in its service territory. The total cost performance result for 2023 was \$12,314 per kilometer of line up by 11.4% from \$11,057 per kilometer of line in 2022. The weighted average total cost performance result for 2023 for the industry was \$21,843 per kilometer of line and was 15.86% higher than the 2022 weighted average total cost performance result of \$18,853 per kilometer of line. In 2023, Milton Hydro is ranked 3rd lowest total cost per Km of line out of 54 distributors in the industry. Also, Milton Hydro's percentage increase in this metric relative to 2022 was ranked 21st lowest out of 54 distributors in the industry.

Connection of Renewable Generation

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

Renewable generation includes generation from solar, wind, water and biomass of greater than 10 kW. Milton Hydro received multiple requests for a renewable generation connection impact assessments ("CIA") in 2023 and completed them on time to meet customer expectations.

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

Micro-embedded generation is typically roof top solar systems not exceeding 10 kW in size. Milton Hydro connected all new Micro-embedded Generation Facilities on time in 2023.

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 pay 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.

In 2023, Milton Hydro's current ratio increased slightly to 1.39 as compared to Milton Hydro’s current ratio of 1.36 in 2022 which is favourable and demonstrates a strong level of liquidity.

- **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. The 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 highly 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/Equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

In 2023, Milton Hydro's Debt/Equity ratio was 1.19, in 2022 the Debt/Equity ratio was 1.14. The Debt/Equity ratio has increased slightly since 2022, however, the Debt/Equity ratio is still lower than deemed due to Milton Hydro taking a more structured approach to receivables and collections from customers and due to the temporary drop in Milton Hydro’s capital spending in 2022 and 2023. In response to the 2023 OEB approved Settlement Proposal negotiated by Milton Hydro and Intervenors, Milton Hydro agreed to reduce capital spending for 2022 and 2023. Milton Hydro’s 2023 DSP for the ensuing years from 2024 to 2027 calls for greater annual capital expenditures than past years. This will increase the Debt/Equity ratio over time going forward.

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

Milton Hydro's current distribution rates are approved by the OEB and include an expected (deemed) regulatory return on equity of 8.66%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

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

Milton Hydro's regulatory return on equity for 2023 was 10.66%, which is 2.00% above its allowed return and is inside the +/-3% range (11.66% to 5.66%) allowed by the OEB.

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 several 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 government legislative or regulatory developments, Ontario Energy Board approval or not approval of various applications, financial market conditions, general economic conditions, customer growth 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.