

London Hydro Inc.
Annual General Meeting

*For the Financial Year Ending
December 31, 2013*



May 5, 2014

***Powering London
Empowering You***

London Hydro

2013 Ice Storm Relief in GTA

2013 London Hydro's Board of Directors

- *Peter Johnson*, HBA, MBA, LL.B. – Chair
- *Mohan Mathur*, Ph.D., P.Eng., FCAE, D.Sc. (honoris causa) – Vice-Chair
- *Marilyn Sinclair*, BA
- *Bernard Borschke*, BComm, FCA
- *Gabe Valente*, BA, BComm, CPA, CA
- *Connie Graham*, B.Sc., ICD.D
- *Mayor Joe Fontana*

London Hydro's Executives

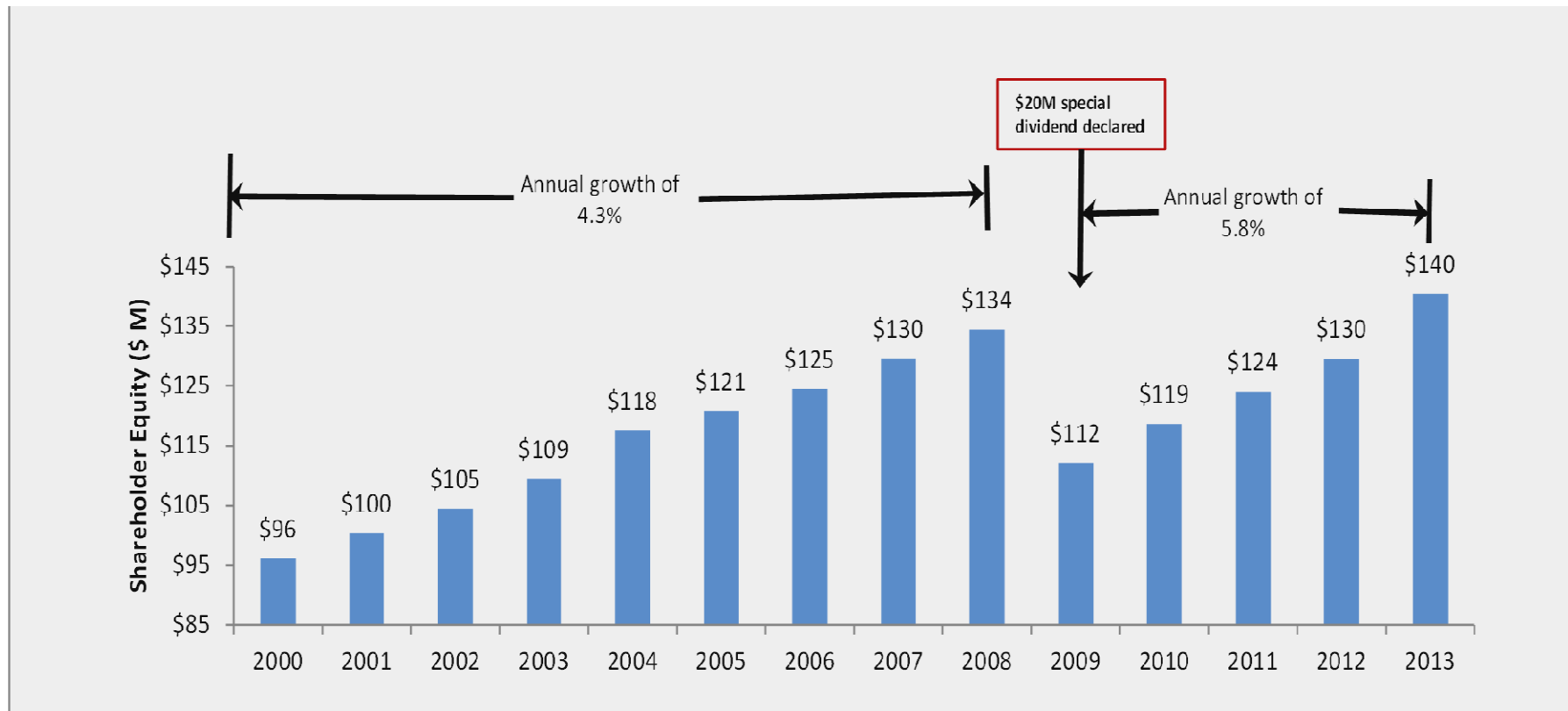
- *Vinay Sharma*, P.Eng., Ph.D., C.Dir., A.C.C. – CEO
- *Ken Walsh*, P.Eng. – Chief Engineer & V.P. of Operations
- *David Arnold*, CPA, CA – CFO
- *Syed Mir*, B.Sc. – CIO & V.P. of Corporate Services

CHAIR'S REPORT

Fiscal 2014 Performance

<i>Financial Highlights</i>	(\$ millions)			
	2012	Planned 2013	Actual 2013	Planned 2014
Energy Quantities Distributed - Gigawatt Hr:	3,351.4	3,509.6	3,346.5	3,286.4
Customers:	149,747	151,747	150,918	152,081
Revenue:				
Energy and distribution	\$ 378.5	\$ 411.1	\$ 404.9	\$ 415.6
Cost of power	\$ (316.7)	\$ (343.2)	\$ (341.1)	\$ (353.2)
Distribution revenue	\$ 61.8	\$ 67.9	\$ 63.8	\$ 62.4
Net earnings	\$ 8.6	\$ 9.5	\$ 13.8	\$ 9.3
Average return on shareholder equity	6.7%	7.1%	10.2%	6.5%
Annual investments:				
Capital assets	\$ 28.7	\$ 29.7	\$ 27.7	\$ 28.4
Regulatory Capital Initiatives	\$ 0.8	\$ -	\$ -	\$ 0.4
Financial Position:				
Total Assets	\$ 308.2	\$ 312.3	\$ 318.8	\$ 320.9
Shareholder's equity	\$ 129.6	\$ 136.1	\$ 140.4	\$ 146.2
Distributions to the City of London:				
Interest paid	\$ 4.2	\$ 4.2	\$ 4.2	\$ 4.2
Dividends declared or paid	\$ 3.0	\$ 3.0	\$ 3.0	\$ 3.0
S&P Credit Rating	A/Stable	A/Stable	A/Stable	A/Stable

Value to Shareholder Growth in Equity (in \$M)



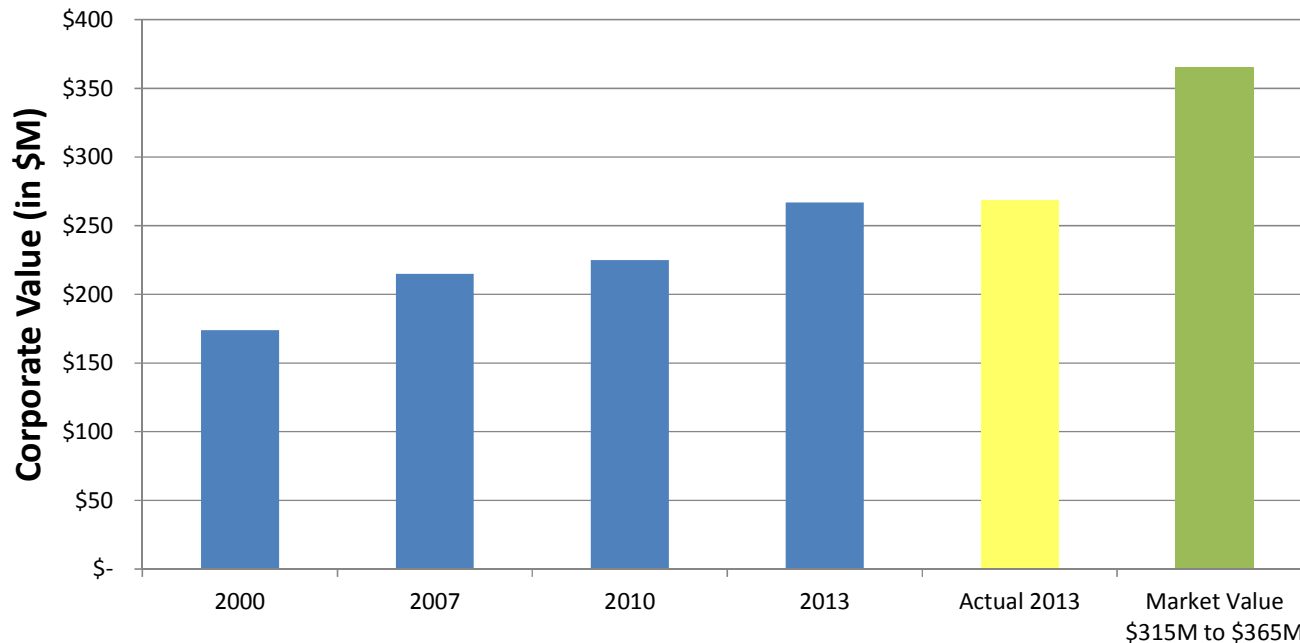
2013 Financial Stewardship

Continued Growth to the Corporate Value

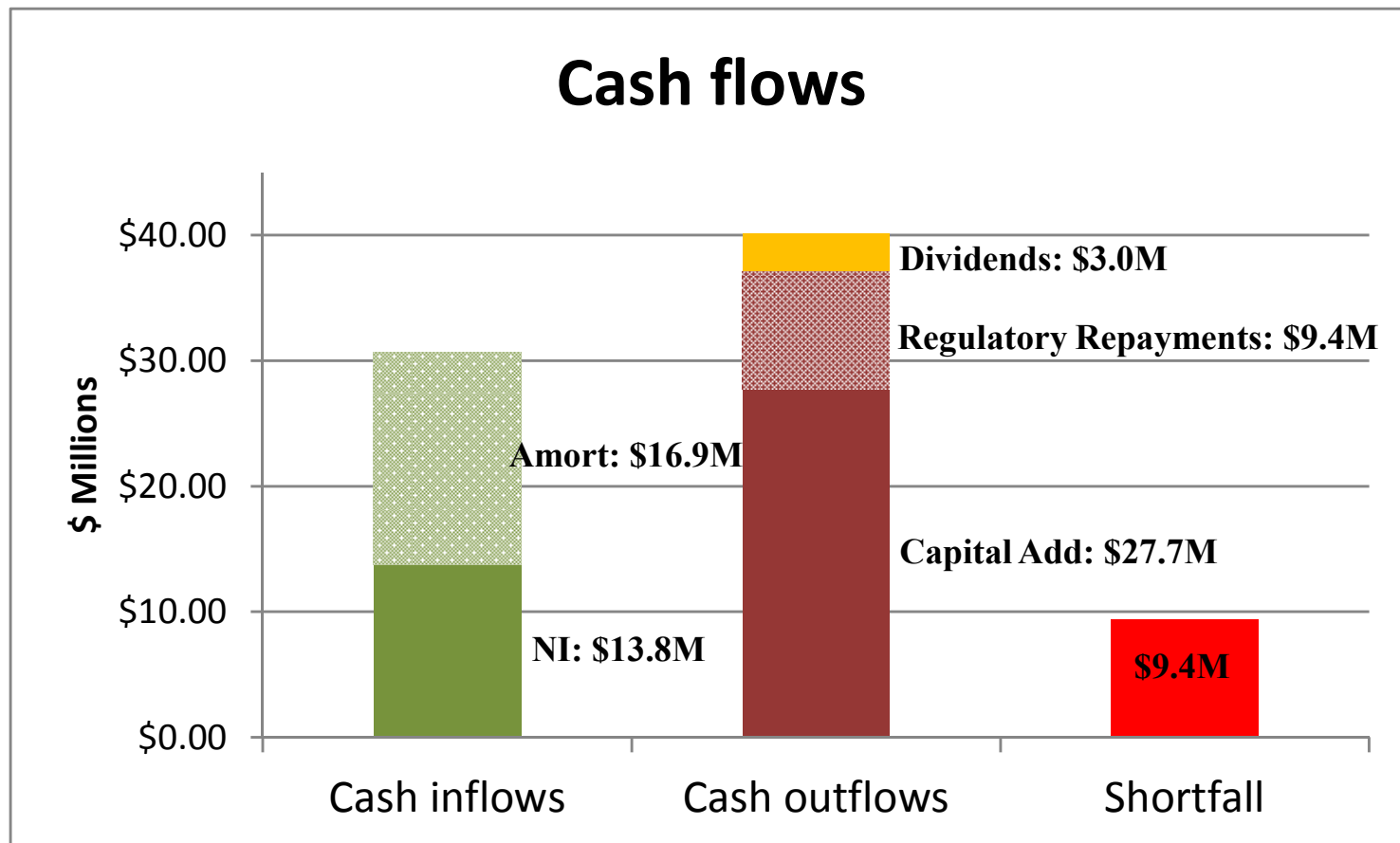
London Hydro provides value to Shareholder:

1. Annual interest on Promissory Note of \$4.2 million
2. Annual dividend payment of \$3 million
3. Capital gains expressed as increase in rate base

Corporate Value (Rate Base) Annualized Growth Rate of 3.5%



London Hydro is a Capital Intensive Operation



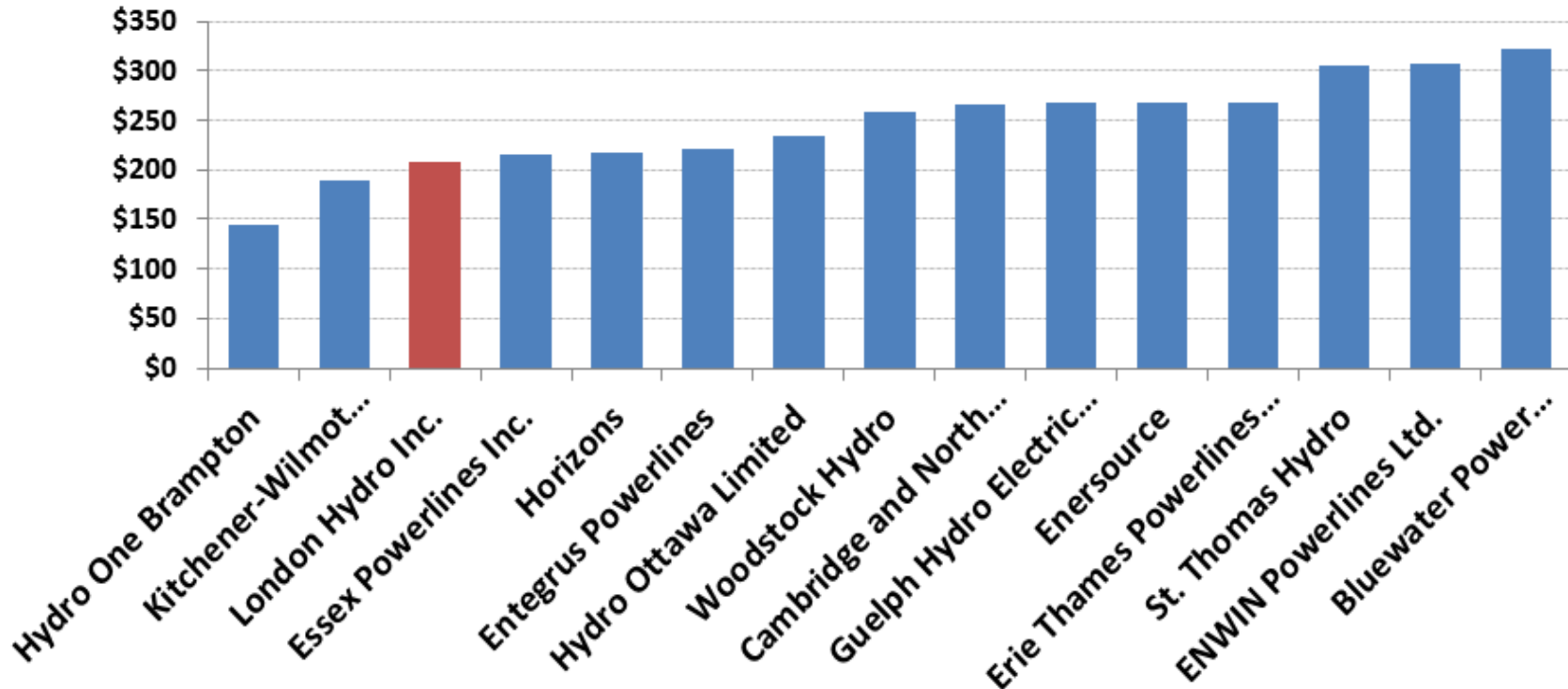
In addition to the dividend, London Hydro pays \$4.2M in interest to the Shareholder.

CEO'S REPORT

Powering London
Empowering You

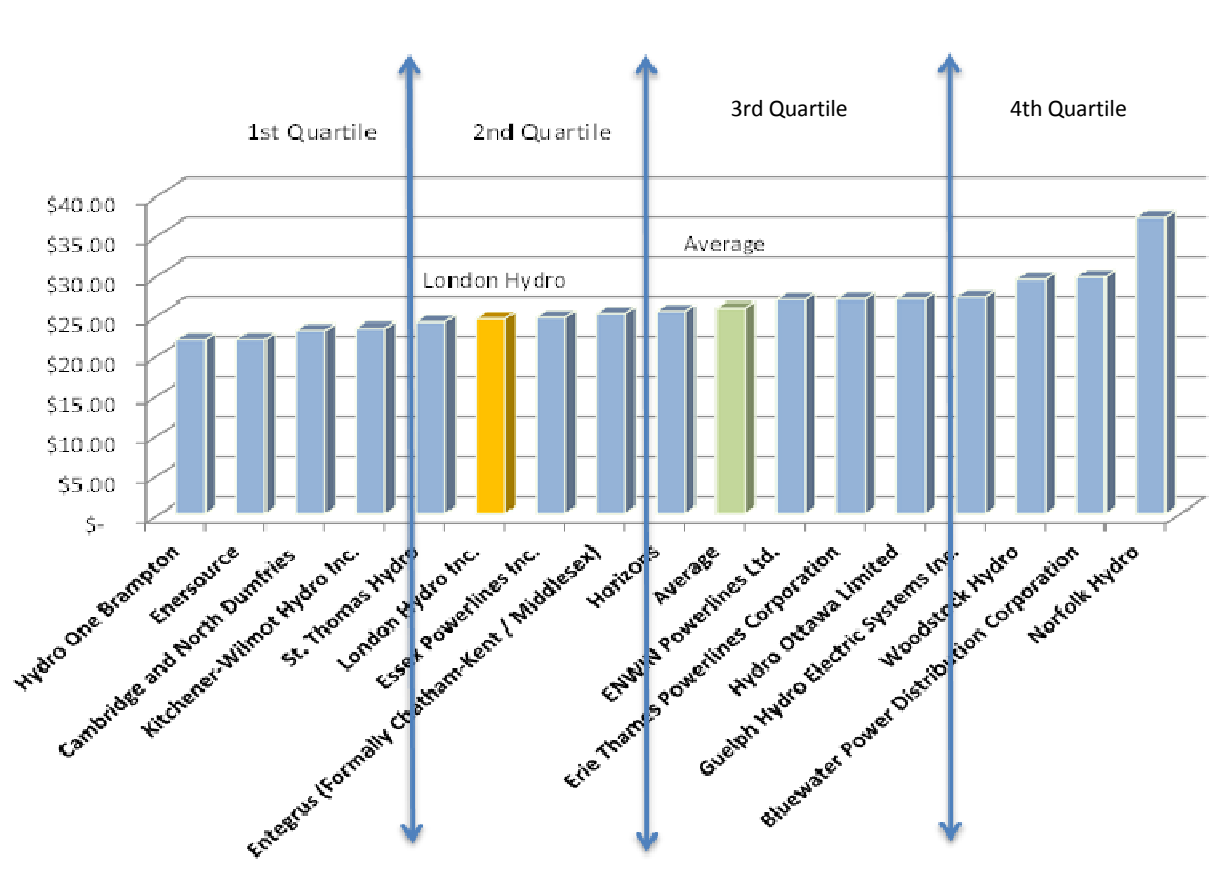
London Hydro is Prudent in Managing Costs

London Hydro's Controllable Cost per Customer Compared to OEB deemed Neighbours and Peers



Comparison of Distribution Rates Residential for 2013

London Hydro rates are among the lowest year upon year.
In 2014 reduced residential distribution rates by \$1.37 per month & for small commercial by \$3.54 per month



Source: Rate Orders OEB Website

Integrated Safety Culture: Safety is Our #1 Priority



IHSA President's Award
750,000 hours with no lost-time accidents



Health & Wellness
Benefits Canada National
Award Finalist



2013 ESA Powerline
Safety Award



Deployment of 34 AED's



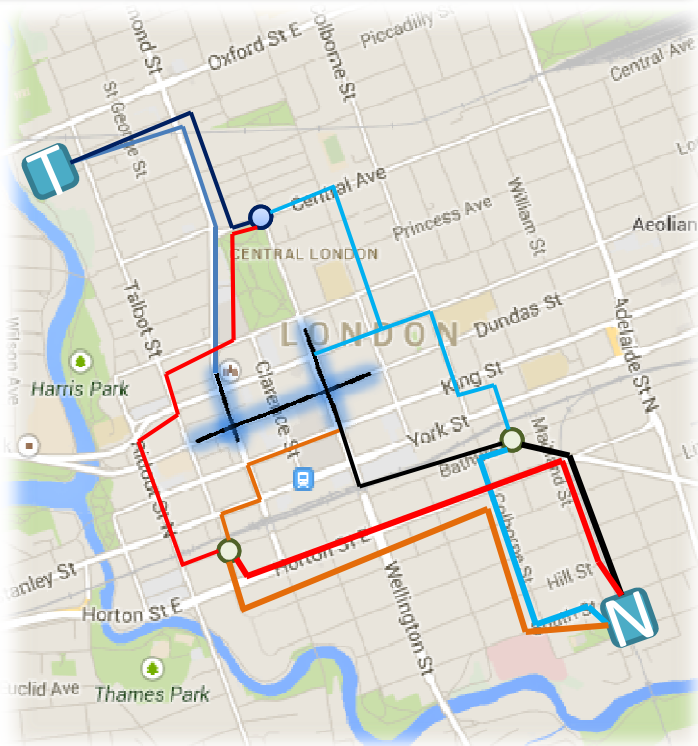
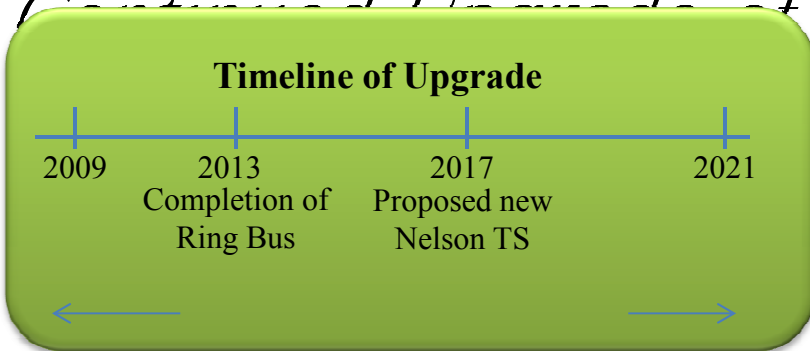
Corporate Recognition in 2013

Recognition for creativity and innovation in achieving greater corporate performance.

1. IHSA's Presidents Award for 750,000 hours without an LTI.
2. ESA's Powerline Safety Award for new innovation safety protocol.
3. Level 2 of the ZeroQuest Platinum Safety Award.
4. London Hydro was recognized nationally for our on-site wellness program for the second year in a row. We were a finalist in the category of Health and Wellness Program of the Year at the 2013 Health Benefits Awards through Benefits Canada.
5. OACETT Award for innovative ring-bus design for the downtown.
6. London Hydro was one of the provincial leaders in the Green Button innovation; awarded Ministry of Energy smart grid funding for innovation.

Infrastructure Investment - \$25M - \$30M Annually

Continued Upgrade of Supply for the Downtown



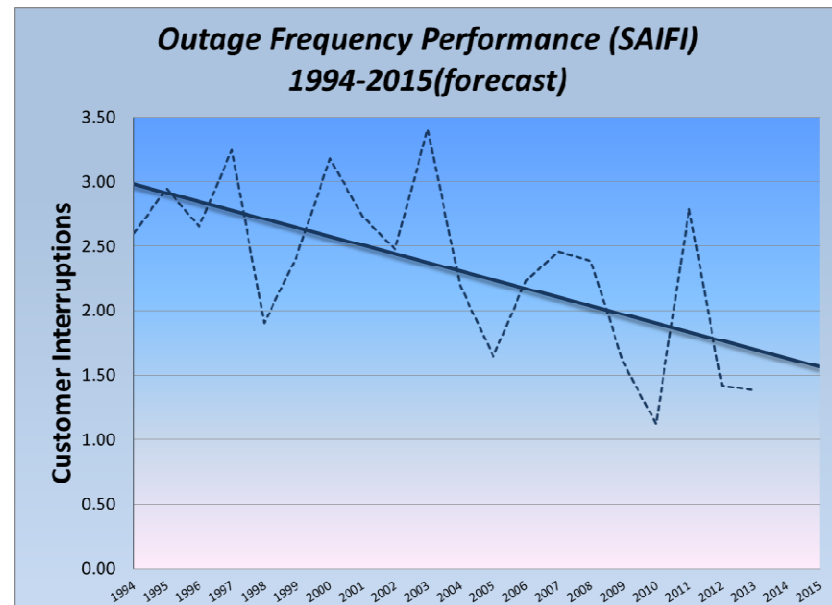
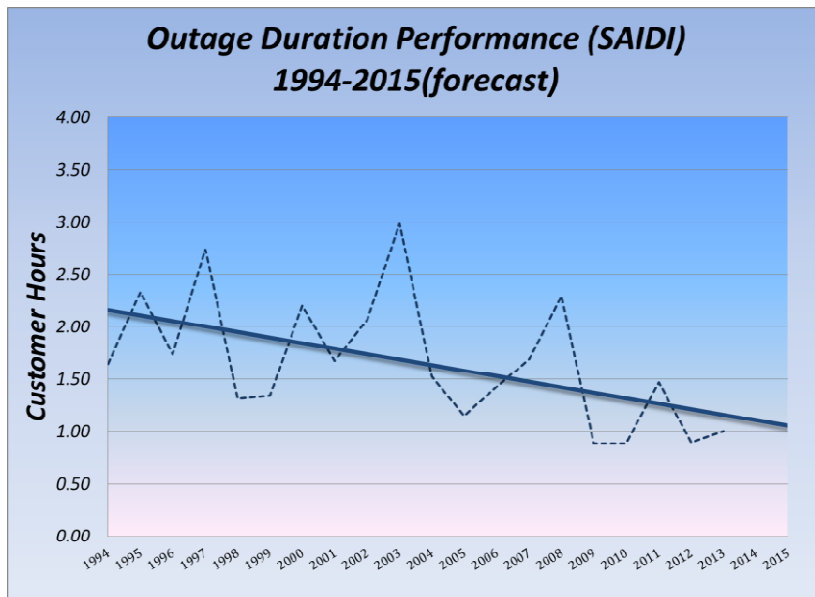
From

- Single Source: 13.8kV Hydro One's Nelson Transformer Station. Installed in the 1950's. No interstation connectivity capability (only one in London all others 27.6kV)
- Aging 13.8kV infrastructure
- Constraints on connecting new customers
- No capacity for connecting Distributed Generation in the Core

To

- New 27.6kV Hydro One's Nelson Transformer Station with interstation connectivity capability
- Upgrading of 13.8kV aging infrastructure to modern 27.6kV "Smart Grid" standard
- No constraints on connecting new customers
- Capacity for connecting Distributed Generation

Sound Investment Leads To Sound Reliability Performance

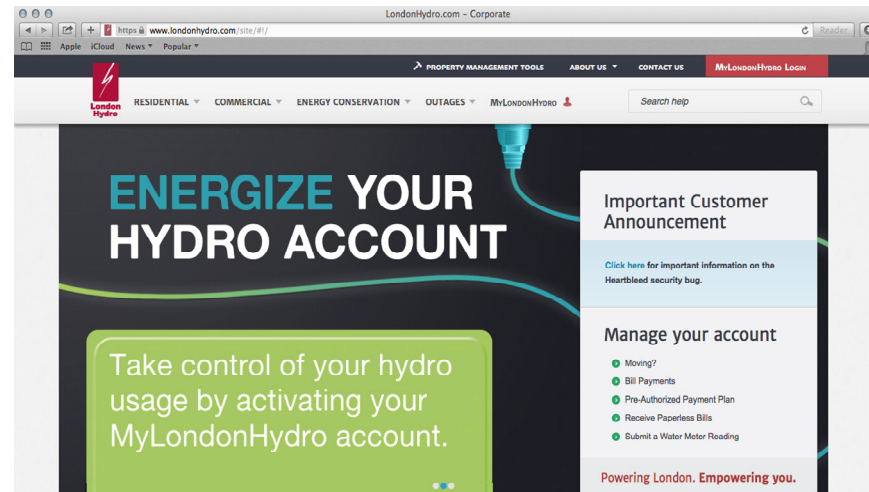


Lower Frequency and Duration of Outages is Better

Continuous Improvement in Customer Service

<http://www.londonhydro.com>

Extremely positive feedback from customers: “Your old website was awesome, and your new website is even better... I’m not used to companies like you – congrats!”



Energy Conservation Programs

Overall energy conservation goals – Condition of License

- Between 2011-2014 London Hydro to reduce:
 - ***156 GWh of energy*** – represents 4.6% of our annual consumption
 - London Hydro distributed ***over \$20M in incentives to over 5,800 business customers*** since 2007

Highlights

- A total energy reduction (cumulative to 2013) of ~153 GWh – 98% of our 2014 target – ***equivalent of taking 17,000 homes off the grid***
- Customer incentives of ~ ***\$2.6M*** which generated economic investment of ~ ***\$6.2M*** in the community. *~20% increase over 2012*
- 950 Residential energy upgrades and fire safety audits for Qualified LEAP customers – in collaboration with the City’s water and fire divisions
- Developed an innovative program “Dragon” for efficiently managing energy conservation programs

Value to Our Community

\$24M annual payroll contributes to municipal tax base

\$25M to \$30M capital investment annually

Increased IT collaboration with The Corporation of the City of London

Western University & London Hydro Partnership – our sponsorship attracted an additional ~\$4.5M from senior agencies and resulted in the application for world-wide patents. Plus, financial contribution and sponsored research for Fanshawe College - \$100,000

Supported: Mayor's Sustainable Energy Council, London Economic Development Council's Manufacturers Only Event, Canadian Manufacturers & Exporters Recognition Night, the London Chamber of Commerce Business Achievement Awards, and the Upper Thames River Conservation Authority through the annual tree power program

Participation and contribution to THAW, approx. \$100,000 annually to provide assistance to select consumers

Food Bank – Our employees donated 1,066 pounds of food for the Christmas Food Drive; and, to the Salvation Army - \$5,000 + 180 donated toys for the Christmas Hamper Program

London Hydro is Your Valuable Corporation

Interest, dividend and other payments to the City: \$84.6M since the year 2000

Corporate Value – Rate base: \$280M; market value: \$315M - \$365M

We are reducing 2014 distribution rates for residential and commercial customers

Overall Customer Satisfaction Rating of 92%

Increased customer convenience – MyLondonHydro, property management portal and Green Button

Assistance to Hydro One in managing their current billing issues

Looking Forward

1. Financing of the London Hydro Promissory Note of \$70 million.
2. Purchase of London Hydro lands.
3. Smart Grid: continued technology deployment to manage customer expectations, dynamic energy conservation, electric vehicle charging, battery storage systems, and Green Button.
4. New energy conservation framework starting in 2015.
5. Continued strategic activities in the industry – as much as 20% to 50% premium
 - Norfolk Power has been sold to Hydro One for 1.6 times the rate base
 - Haldimand County Hydro sold to Hydro One for 1.52 times the rate base
 - Brant County Power RFP for sale
 - Woodstock Hydro and Festival Hydro (Stratford) pursuing options