

# London Hydro Inc. Annual General Meeting

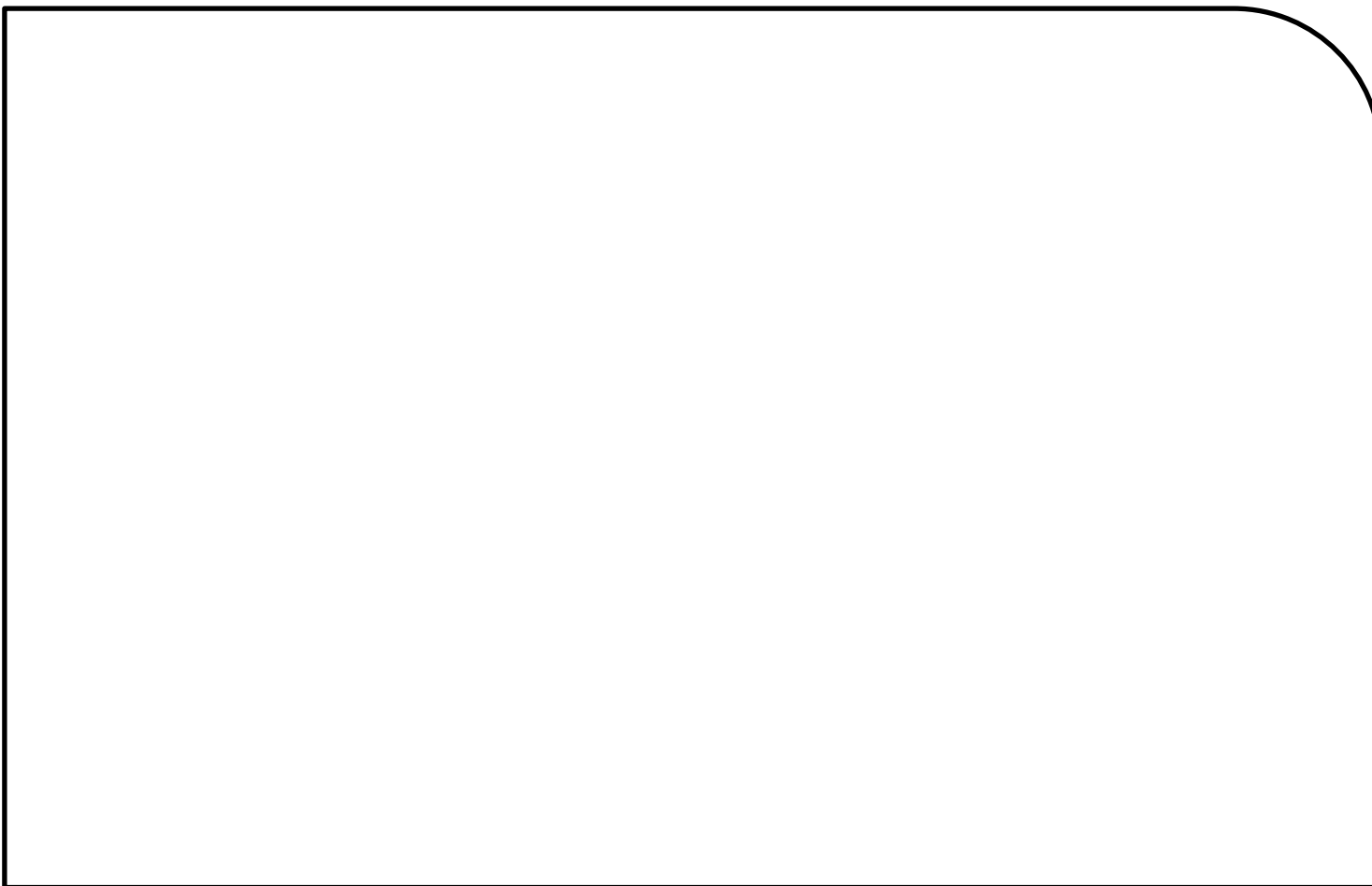
*For the Financial Year Ending December 31, 2014*

***June 9, 2015***

THE POWER OF  
**PEOPLE**



**London  
Hydro**



# *Agenda*

## Chair's Report

- Introduction
- 2014 Financial Performance
- Value to Shareholder
- Looking Forward

## CEO's Report

- 2014 Performance
- Service to our Customers
- Value to our Community

London Hydro is your Valuable Corporation

# CHAIR'S REPORT

# 2014 London Hydro's Board of Directors

- *Mohan Mathur*, DSc, PhD, PEng, FCAE, - Chair
- *Bernard Borschke*, BComm, FCA – Vice-Chair
- *Marilyn Sinclair*, BA
- *Gabe Valente*, BA, BComm, CPA, CA
- *Connie Graham*, BSc, ICDD
- *Peter Johnson*, HBA, MBA, LLB
- *City Councillor Michael van Holst*, HBSc, BEd

# London Hydro's Executives

***Vinay Sharma***, PhD, PEng, CDir, ACC - CEO

***Ken Walsh***, PEng – Chief Engineer & VP Operations

***David Arnold***, CPA, CA – CFO, VP Finance & Corporate Secretary

***Syed Mir***, BSc – CIO & VP Corporate Services

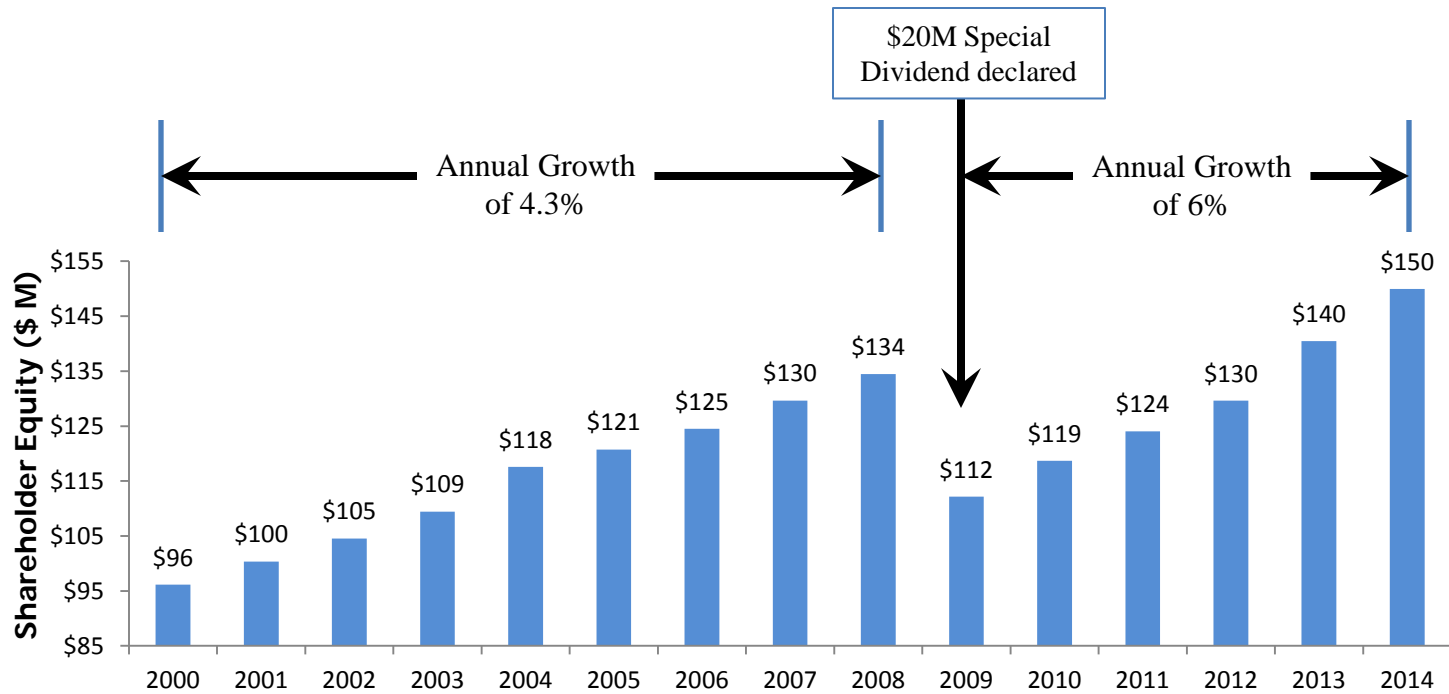
# 2014 Financial Performance

(\$ Millions)

Financial Highlights	2013	2014	2014	2015
	Actual	Planned	Actual	Planned
<b>Energy Quantity - Distributed - Gigawatt Hours</b>	3,346.5	3,286.4	3,286.8	3,312.0
<b>Revenue:</b>				
Energy and Distribution	\$ 404.9	415.6	426.8	458.2
Cost of Power	\$ -341.1	-353.2	-363.4	-393.5
Distribution Revenue	\$ 63.8	62.4	63.4	64.7
Net Earnings	\$ 13.8	9.3	12.5	11.4
Average Return on Shareholder's Equity	10.20%	6.5%	8.6%	7.3%
<b>Annual Investments:</b>				
Capital Assets	\$ 27.7	28.4	27.0	30.2
Regulatory Capital Initiatives	\$ 0.0	0.4	0.3	0.6
<b>Financial Position:</b>				
Total Assets	\$ 318.8	320.9	335.9	357.4
Shareholder's Equity	\$ 140.4	146.2	150.0	158.1
<b>Distributions to the City of London:</b>				
Interest Paid	\$ 4.2	4.2	3.9	0.0
Dividends Declared/Paid	\$ 3.0	3.0	3.0	5.0
Special Dividend Declared	\$ 0.0	0.0	0.0	5.0
<b>S&amp;P Credit Rating</b>	<b>A/Stable</b>	<b>A/Stable</b>	<b>A/Stable</b>	<b>A/Stable</b>

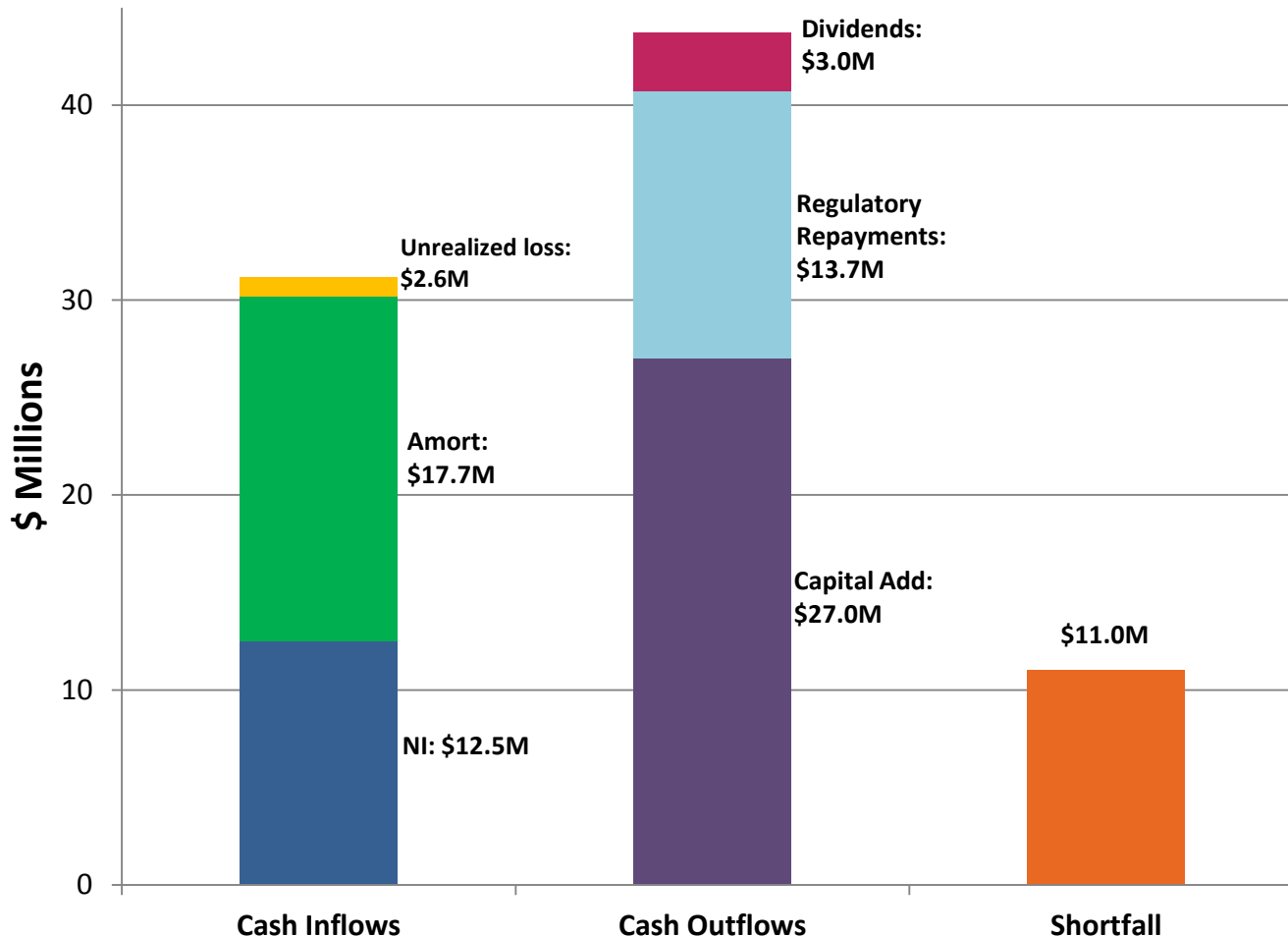
# Value to Shareholder

Growth in Shareholder Equity (in \$M)





# 2014 Cash Flows



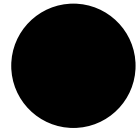
**London Hydro is a capital intensive operation**

**In addition to the dividend, London Hydro paid \$3.85M in interest to the Shareholder.**

# Bringing value to our city

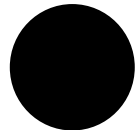
- **Very strong balance sheet** – 41% leverage
- **Successfully monetized the \$70 million promissory note**
- **High Return on Equity**
- Since incorporation, it has provided **\$130 million in cash value to the City of London**
- Strong S&P credit rating of **A/Stable**
- One of the **most efficient utilities** in Ontario

# Looking Forward

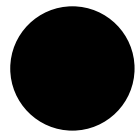


Continued cash needs for:

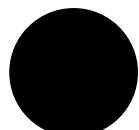
- Investment in Infrastructure Replacement – \$25M to \$28M per annum for next five years
- Investment in Smart Grid and Computer Technologies – \$4M to \$5M per annum for next five years



Continued focus on public safety, employee safety and wellness as well as culture enhancements



A healthy balance sheet – projected debt to equity ratio to remain around 40% to 43%, ensuring a strong S&P credit rating



London Hydro has strong performance and continues to enhance shareholder value

# CEO'S REPORT

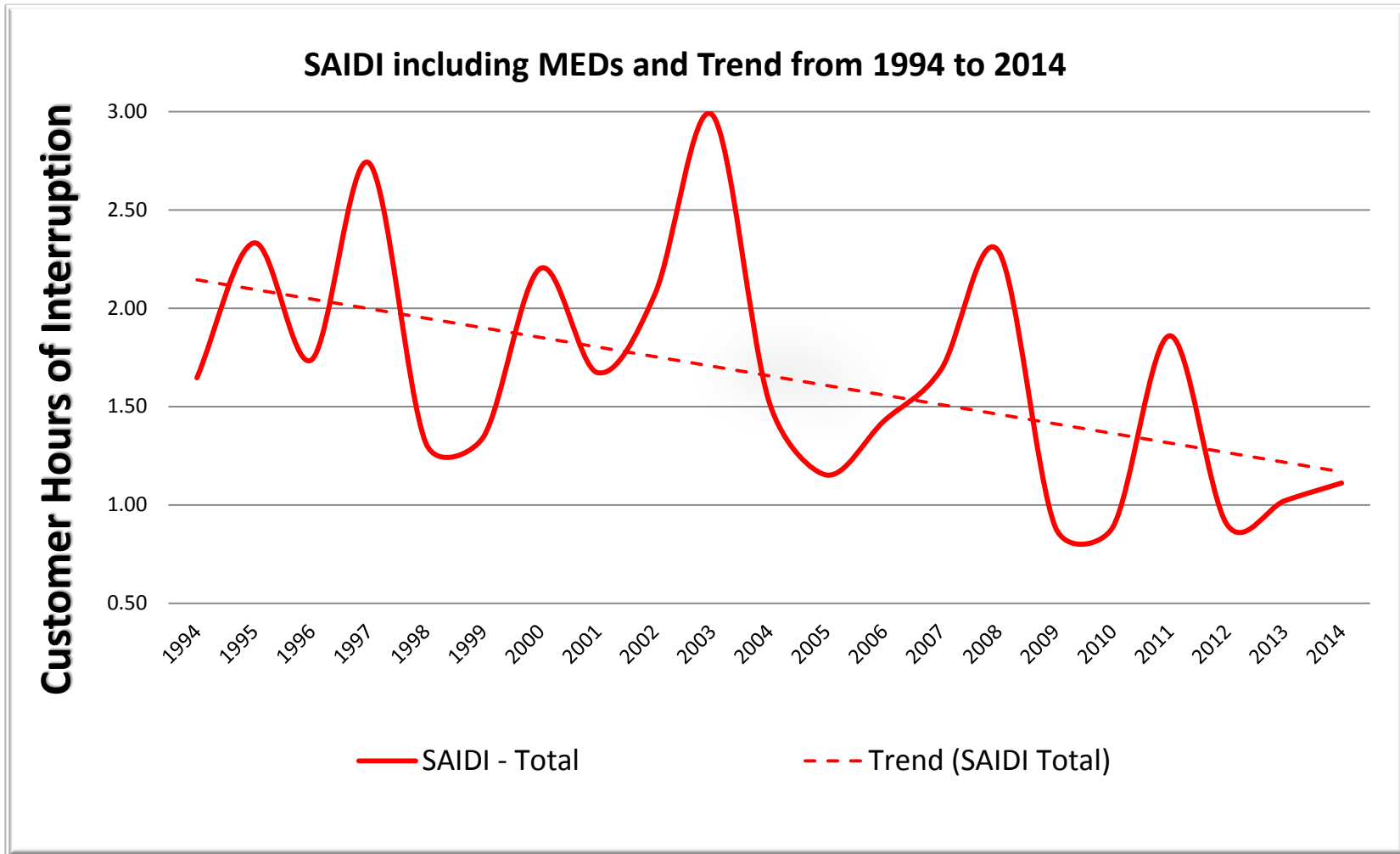
# London Hydro

## Sixth Largest Utility in Ontario

- **152,549 Customers**
- **Energy Consumption for 2014:  
3,286.8 GWh (621 MW)**
- **315 Employees - \$26M payroll**
- **Conservation & Demand Management Program**
  - **17,955,984 kW of energy saved (equivalent annual consumption of 1,800 homes)**
  - **\$3M in incentives to customers**
  - **Assisted about 700 low income households (Home Assistance Program)**
- **Total Generation in London: 55,040 kW**
  - **Small Solar (< 10 kW): 1,854 for a total of 1,536 kW**
  - **Large Solar (> 10 kW): 21 for a total of 3,279 kW**
  - **Gas Generation: 6 for a total of 50,225 kW**

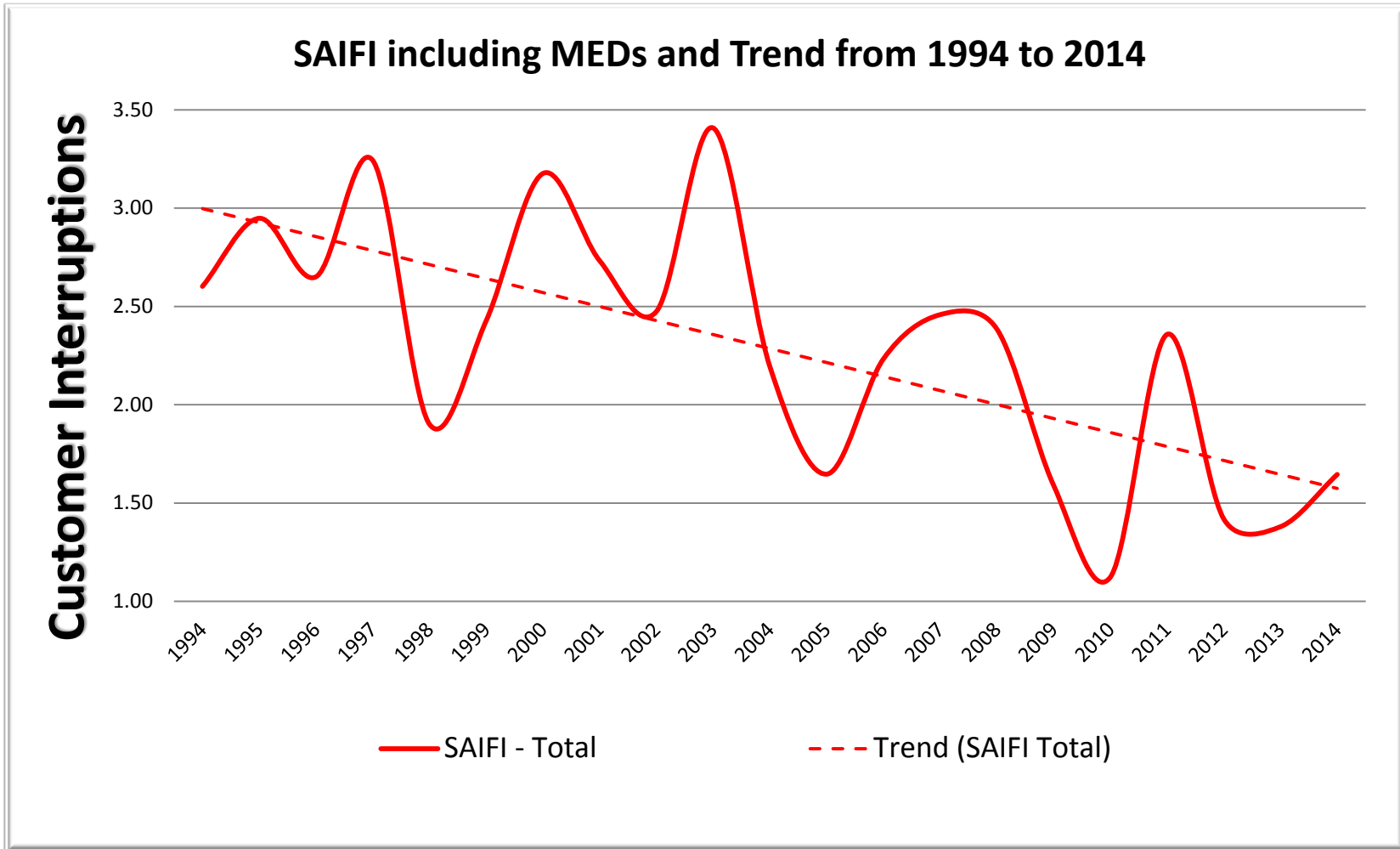


# London Hydro's Reliability of Distribution System has Continuously Improved



**Note: SAIDI – System Average Interruption Duration Index  
MED – Major Event Days**

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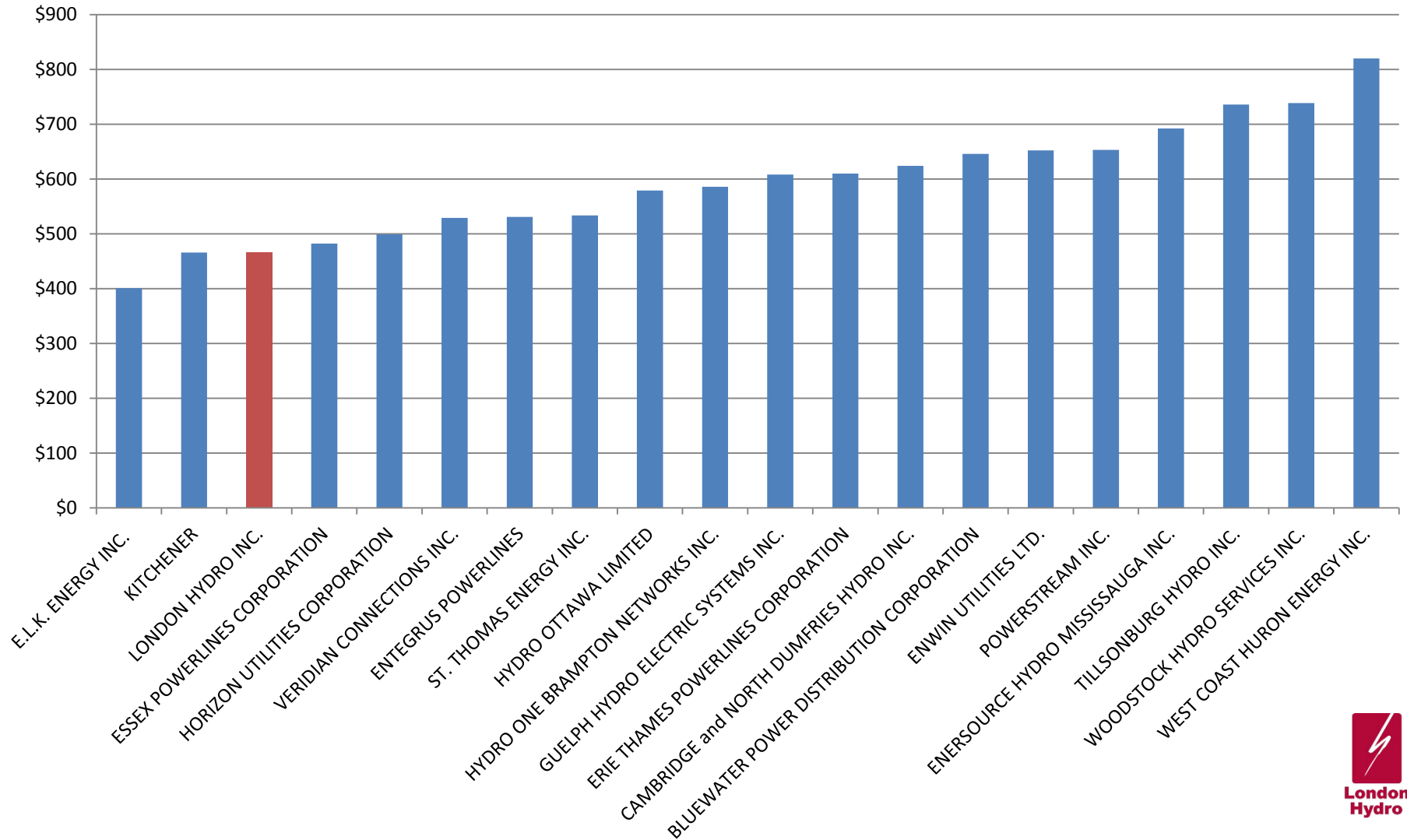


**Note: SAIFI – System Average Interruption Frequency Index**  
**MED – Major Event Days**



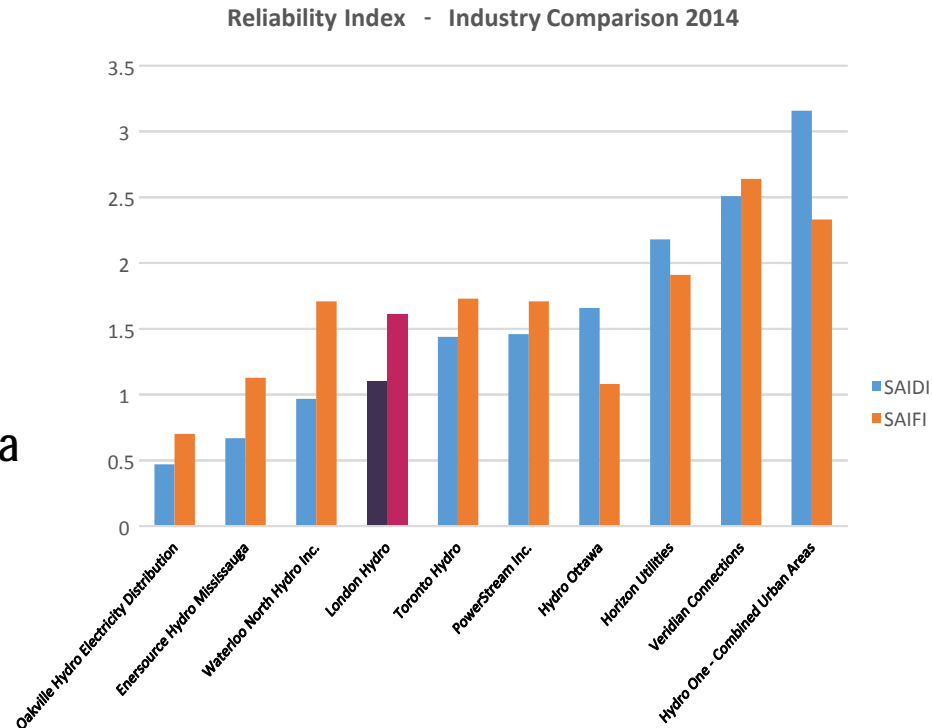
# Sound Cost Management

## Total Cost (OM&A + Capital) per Customer






# Sound Cost Management

London Hydro Provides Excellent Quality of Service (Reliability) at a Very Low Cost

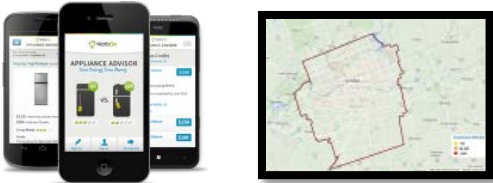






London Hydro is ranked fourth in both SAIDI and SAIFI performance out of 10 provincial LDC's

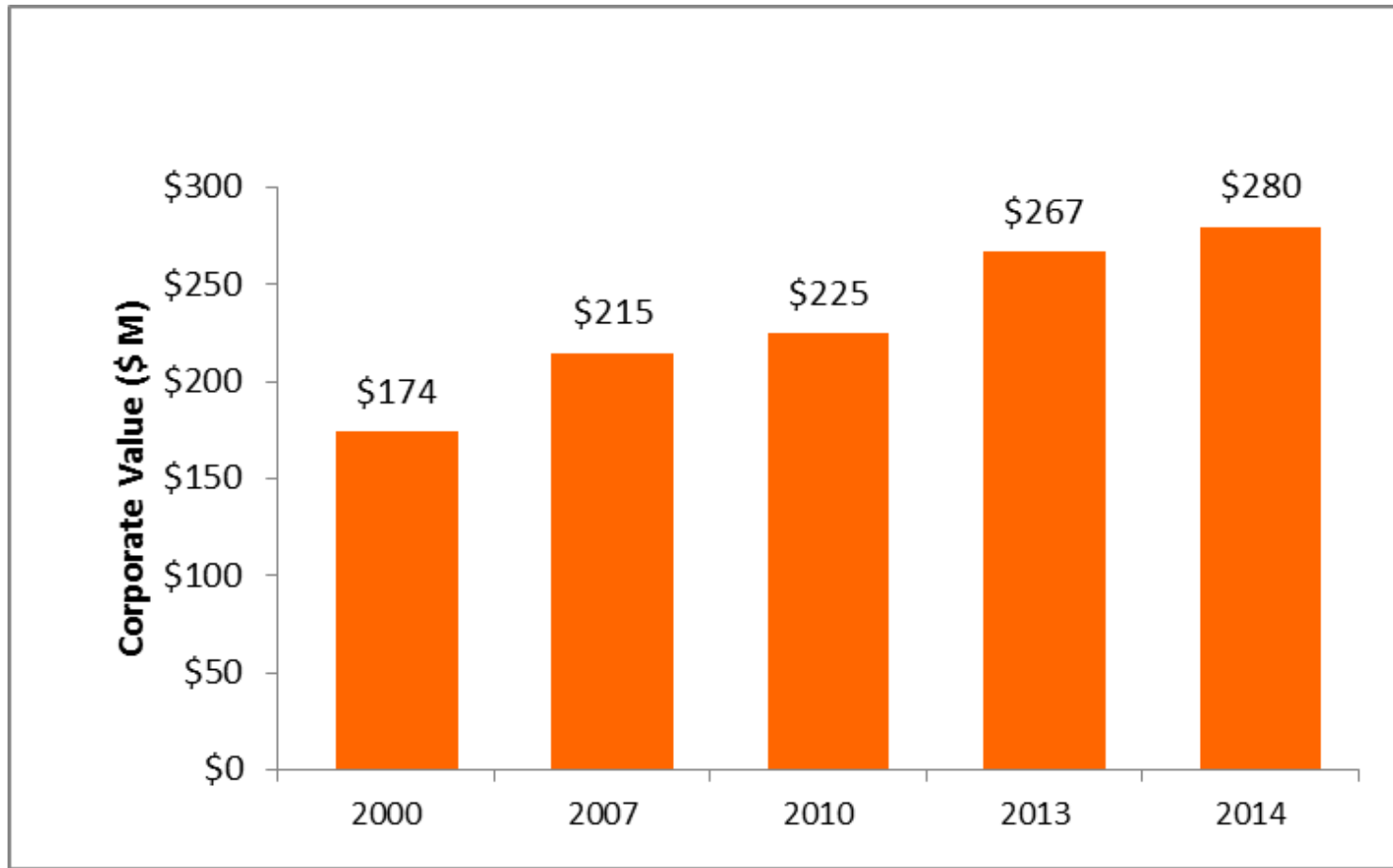
# Planned Electrical Infrastructure Investments

Infrastructure Capital Programs	Program Elements	2015 - 2019 Program Cost Projections
Upgrade of the Supply to the City Core		\$23.3M
Rebuild of Fully Depreciated Distribution Infrastructure		\$62M
Maintenance of Fleet and Facilities		\$13.7M
Installation of meters and Smart Grid devices		\$8.5M
Rebuilds and Expansions – City & Developer		\$31.2M
	<p data-bbox="691 1253 1503 1296"><b>Planned Total 5-Year Program Investment</b></p>	<p data-bbox="1628 1253 1812 1296"><b>\$138.7M</b></p>

# London Hydro is a Technology Innovation Company

Information Technology Program	Program Elements	2015 – 2019 Program Cost Projections
Customer Engagement		\$9M
Industry Innovation		\$4M
Stakeholder Engagement (Energy Conservation Programs)		\$3M
Regulatory Requirements		\$2M
Sustainment (Infrastructure Refresh & Replace)		\$7M
Planned Total 5-Year Program Investment		\$25M

# Growing Corporate Value (3.5% per annum)



**Note: Above is the Ontario Energy Board approved rate base for 2007, 2010 and 2013.**

# London Hydro Continues to Earn National & International Awards

## 2014

- Canada's Safest Employer Award
  - *Utility Category*
- Benefits Canada
  - *National Wellness Program*
- Ontario Fire Marshal's Fire Safety Award
- Creativity International Media Silver Award
  - *MyLondonHydro*
- National Marketing Digital Media Campaign Award (Hall & Associates)
- IHSA President's Award
  - 500,000 hrs.
- IHSA President's Award
  - 250,000 hrs.
- IHSA ZeroQuest Program
  - Gold Award (Outcomes – Level 3)



# Service to our Customers - Technology Leadership

## Green Button Apps

greenhome

GOODcoins™

3<sup>rd</sup> Party Apps

London Hydro Developed Apps



GB Test Environment



Event Assist



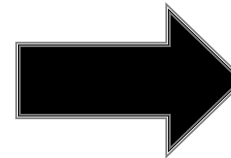
IDC2



Energate



PeoplePower



**Customer  
Engagement**

## London Hydro Systems



Validation  
Bench

Home  
Assistance  
Program

Property  
Manager



Outage  
Management



Zapple



MyLH.com



**Industry  
Innovation**

## Emerging Technologies



energybox®



ecobee



**Utility  
Collaboration**

# Leading the way with Innovative Solutions to Engage Customers

*"... this can help homeowners manage their electricity bill."*

*~ Bob Chiarelli,  
Ontario Minister of Energy*

The image shows a screenshot of a tweet from Bob Chiarelli (@Bob\_Chiarelli). The tweet text reads: "Congratulations @LondonHydro and Festival Hydro on signing a collaboration agreement to support customer & Green Button solutions #onpoli". The tweet has 8 retweets and 1 favorite. The user's profile picture is a headshot of Bob Chiarelli. There is a "Follow" button next to the profile information. Below the tweet text are icons for reply, retweet, favorite, and a menu. At the bottom of the tweet, there is a row of logos including opritt, IEEE EPEC 2015, PSystems, and a profile picture of Bob Chiarelli. The timestamp at the bottom left of the tweet is "11:36 AM - 26 Feb 2015".



# London Hydro is the First Utility to Adopt the Aeroplan® Loyalty Program

## Corporate Objective:

- ✓ Encourage customers to move to “e-Bills” (paperless billing) by incenting enrollment with Aeroplan® reward points and sustaining enrollment by issuing additional points for every e-Bill
- ✓ Target Audience: Residential and Small Commercial customers

## Anticipated Benefits:

- ✓ Customers:
  - Can redeem points for travel, activities & merchandise, donations, carbon offsets, Points.com, or transfer to another Aeroplan® account
- ✓ London Hydro:
  - Efficiency gains
  - Promotes customer to use self-service features
  - Strengthens the London Hydro brand



# Ontario Energy Board Scorecard

## London Hydro is among the Best Performing Utilities

			Efficiency Performance	Cost Performance			Reliability Performance			Financial Performance		
Sr. No.	Utility	Service Area	Efficiency Assessment	Controllable (OM&A) Cost per customer	Total Cost (capital+OM&A) per customer	Total Cost (capital+OM&A) per km-line	SAIFI (Outage Frequency index)	SAIDI (Outage Duration index)	CDM Target (energy conservation) accomplishment	Current Ratio	Total Debt (ST+LT):Equity	Return on Equity
1	E.L.K. Energy	Essex, Leamington & Kingsville	1	\$188	\$401	\$29,697	1.05	0.44	84.00%	3.10	1.03	9.20%
<b>2</b>	<b>London Hydro</b>	<b>London</b>	<b>2</b>	<b>\$210</b>	<b>\$466</b>	<b>\$24,430</b>	<b>0.99</b>	<b>1.24</b>	<b>100.50%</b>	<b>1.13</b>	<b>0.61</b>	<b>11.22%</b>
3	Enersource	Mississauga	2	\$275	\$692	\$26,742	1.49	1.37	85.70%	1.45	1.26	9.46%
4	Essex	Amherstburg, LaSalle, Leamington & Tecumseh	2	\$213	\$482	\$29,323	2.24	1.12	89.70%	1.01	0.96	11.20%
5	Entegrus	Chatham-Kent	2	\$237	\$531	\$22,407	1.23	0.94	81.10%	1.16	1.22	7.61%
6	Kitchener Hydro	Kitchener & Wilmot	2	\$186	\$466	\$22,062	0.87	0.69	98.50%	2.14	0.69	8.94%
7	Hydro Ottawa	Ottawa	3	\$239	\$579	\$33,222	1.64	1.36	88.70%	1.07	1.64	7.80%
8	Horizon	Hamilton & St. Catherine's	3	\$231	\$499	\$35,054	4.36	1.76	85.60%	1.12	0.89	9.72%
9	Hydro One Brampton	Brampton	3	\$163	\$586	\$27,565	9.84	3.30	77.30%	0.89	1.57	10.64%
10	Ascent	St. Thomas	3	\$253	\$533	\$33,412	0.99	1.42	105.20%	1.42	0.83	10.77%
11	Cambridge Hydro	Cambridge & North Dumfries	3	\$275	\$624	\$28,714	2.67	2.35	133.30%	2.32	0.57	7.80%
12	Guelph Hydro	Guelph	3	\$298	\$608	\$28,952	2.21	3.36	127.40%	1.33	1.04	7.29%
13	Erie Thames Power	Ingersoll, Aylmer	3	\$312	\$610	\$32,792	0.41	0.20	109.20%	0.75	1.19	11.80%
14	Bluewater Power	Samia	3	\$349	\$646	\$29,017	1.82	1.48	71.80%	1.66	1.01	11.40%
15	PowerStream	Vaughan, Richmond Hill, Markham, Barrie	3	\$234	\$653	\$29,912	9.77	2.24	92.60%	0.77	1.39	9.98%
16	Veridian	Ajax, Pickering	3	\$221	\$529	\$23,757	18.21	2.80	69.00%	1.14	1.37	12.39%
17	EnWin Utilities	Windsor	4	\$264	\$652	\$48,500	0.94	2.29	109.00%	1.18	0.58	13.04%
18	Tillsonburg	Tillsonburg	4	\$434	\$736	\$32,796	2.08	2.58	57.00%	2.22	0.08	6.50%
19	Woodstock Hydro	Woodstock	5	\$277	\$723	\$47,394	1.26	1.54	176.60%	2.15	1.18	11.80%
20	West Coast Huron	Goderich	5	\$498	\$820	\$50,545	3.56	1.16	36.60%	0.51	0.63	9.40%

# Value to Our Community

## ▪ **Significant Cash Injection**

- \$25M to \$30M capital investment annually
- \$26M annual payroll contributes to local economy
- \$100,000 Contribution and Sponsored Research for Fanshawe College
- Increased annual contribution to Housing Stability Bank by 50% from \$100,000 to \$150,000

## ▪ **Valuable Collaboration and Partnerships**

- 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

# Value to Our Community

## ■ **Commitment to Community Participation**

- Mayor's Sustainable Energy Council
- London Economic Development Council's Manufacturers Only Event
- Canadian Manufacturers & Exporters Recognition Night
- London Chamber of Commerce Business Achievement Awards
- Upper Thames River Conservation Authority (annual tree power program)

## ■ **Our Employees Care – They Donated/Contributed**

- 1,041 pounds of food for the Food Bank's Christmas Food Drive
- \$5,000 and 181 toys for the Salvation Army's Christmas Hamper Program
- \$30,650 to the Employee Community Chest Organization (ECCO) supporting 43 local charities
- London Hydro sponsored a golf tournament on behalf of the Industrial Association which helped raise over \$50,000 to the benefit of Wellspring London and Region

# London Hydro is your Valuable Corporation

- ***Sound Financial Health***  
Our strategy remains focused on ensuring the continued success and sustainability of London Hydro
- ***Investment in Capital Assets***  
We invest in infrastructure and technology to deliver exceptional value to customers
- ***Continuously Improving System Reliability***  
We know that a reliable supply of electricity is critical to our valued customers

# London Hydro is your Valuable Corporation

- ***High Performance Culture***  
Employee engagement drives corporate excellence
- ***Safety Culture***  
We champion employee safety, health and wellness
- ***Conservation and Demand Management***  
We're excited to roll out the new 2015-2020 energy- conservation framework to our customers!

**We continue to develop our capacity and capabilities for the future!**



# Questions & Answers