

**LONDON HYDRO INC.
ANNUAL GENERAL MEETING**

***FOR THE FINANCIAL YEAR
ENDING***

DECEMBER 31, 2012

May 13, 2013



***Powering London
Empowering You***

Outline

- Chair's Report
 - 2012 Performance
 - Value to Shareholder
 - Looking Forward
 - Board of Directors

- CEO's Report
 - 2012 Financial Stewardship
 - Value to our Customers
 - Value to our Employees – Operational Efficiencies
 - Value to our Community
 - London Hydro's Business Model
 - Summary

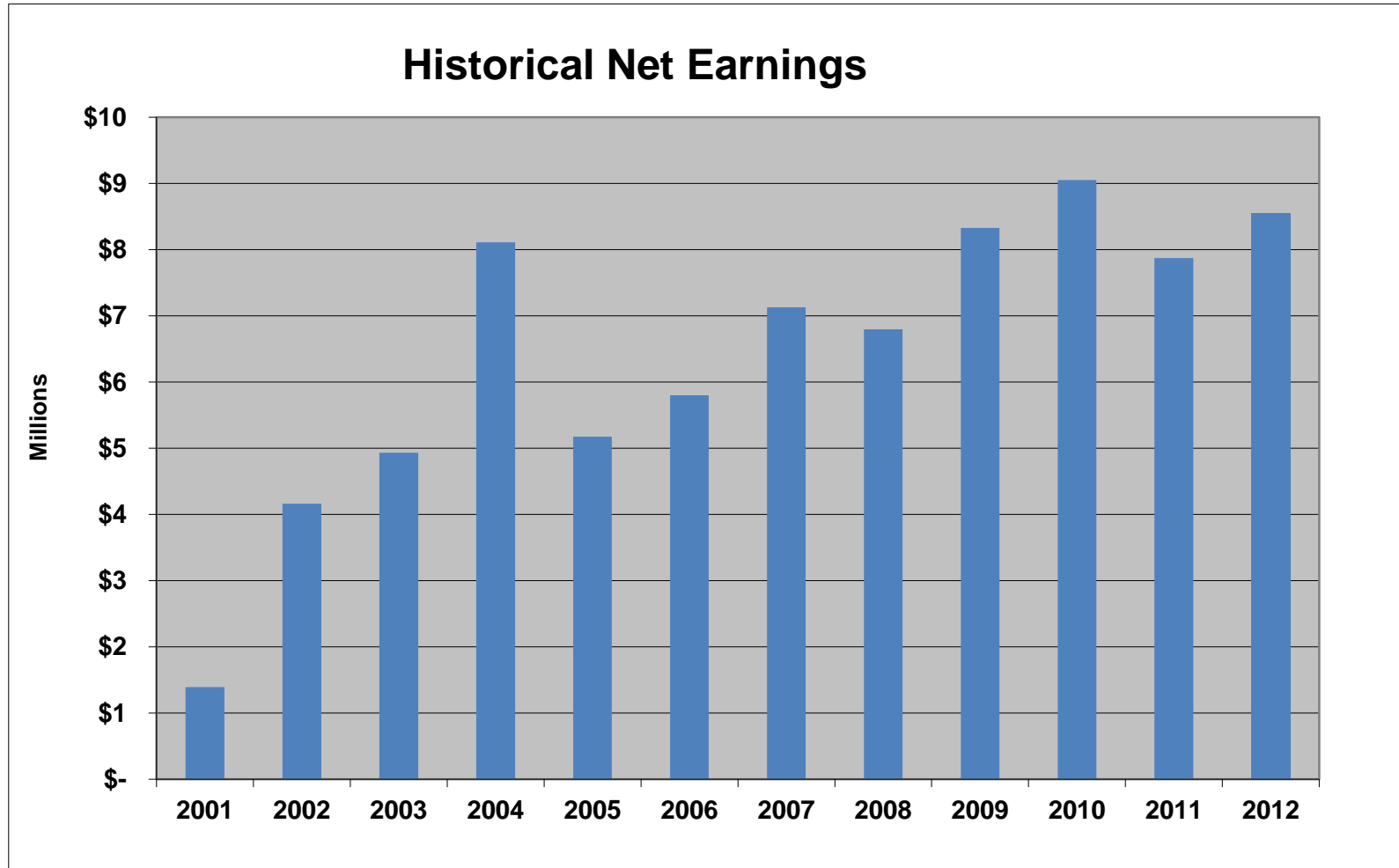
CHAIR'S REPORT

Fiscal 2012 Performance

<i>Financial Highlights</i>	(\$ millions)			
	2011	Planned 2012	Actual 2012	Planned 2013
Energy Quantities Distributed - Gigawatt Hrs	3,408.4	3,488.3	3,345.3	3,473.4
Revenue:				
Energy and distribution	\$ 356.7	\$ 381.6	\$ 378.5	\$ 403.6
Cost of power	\$ (297.9)	\$ (321.5)	\$ (316.7)	\$ (335.7)
Distribution revenue	\$ 58.8	\$ 60.1	\$ 61.8	\$ 67.9
Net earnings	\$ 7.9	\$ 8.0	\$ 8.6	\$ 9.5
Average return on shareholder equity	6.5%	6.3%	6.6%	7.0%
Annual investments:				
Capital assets	\$ 28.7	\$ 30.6	\$ 27.9	\$ 29.7
Smart Meter Initiative	\$ 3.2	\$ 0.7	\$ 0.8	\$ -
Financial Position:				
Total Assets	\$ 300.6	\$ 308.8	\$ 308.2	\$ 317.3
Shareholder's equity	\$ 124.1	\$ 129.1	\$ 129.6	\$ 136.1
Distributions to the City of London:				
Interest paid	\$ 4.2	\$ 4.2	\$ 4.2	\$ 4.2
Dividends declared or paid	\$ 2.5	\$ 3.0	\$ 3.0	\$ 3.0
S&P Credit Rating	A/Stable	A/Stable	A/Stable	A/Stable

Note: Above financial results and projections are presented using Canadian Generally Accepted Accounting Standards

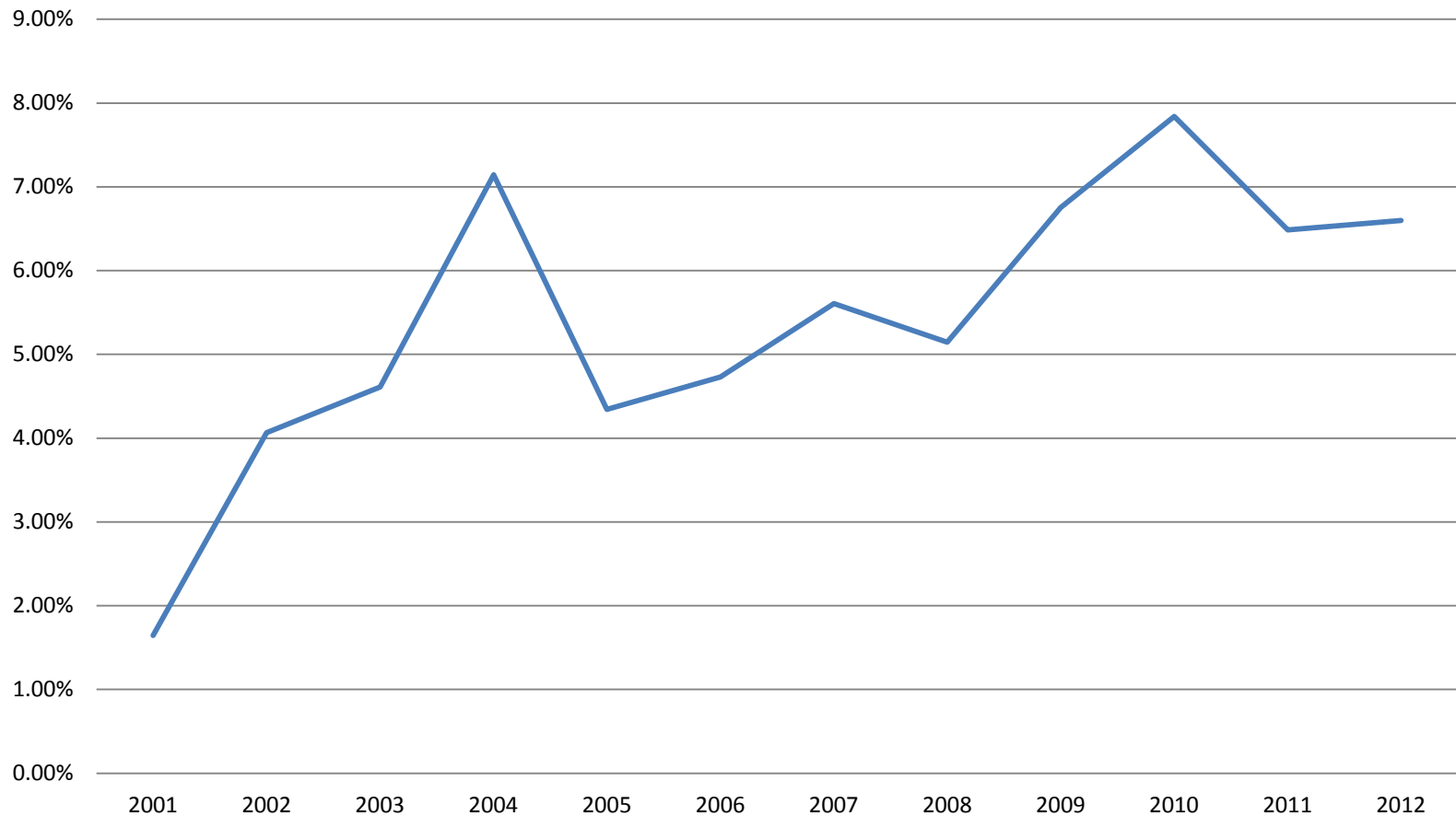
Value to Shareholder



Future Net Earnings to range between \$9 to \$10 million

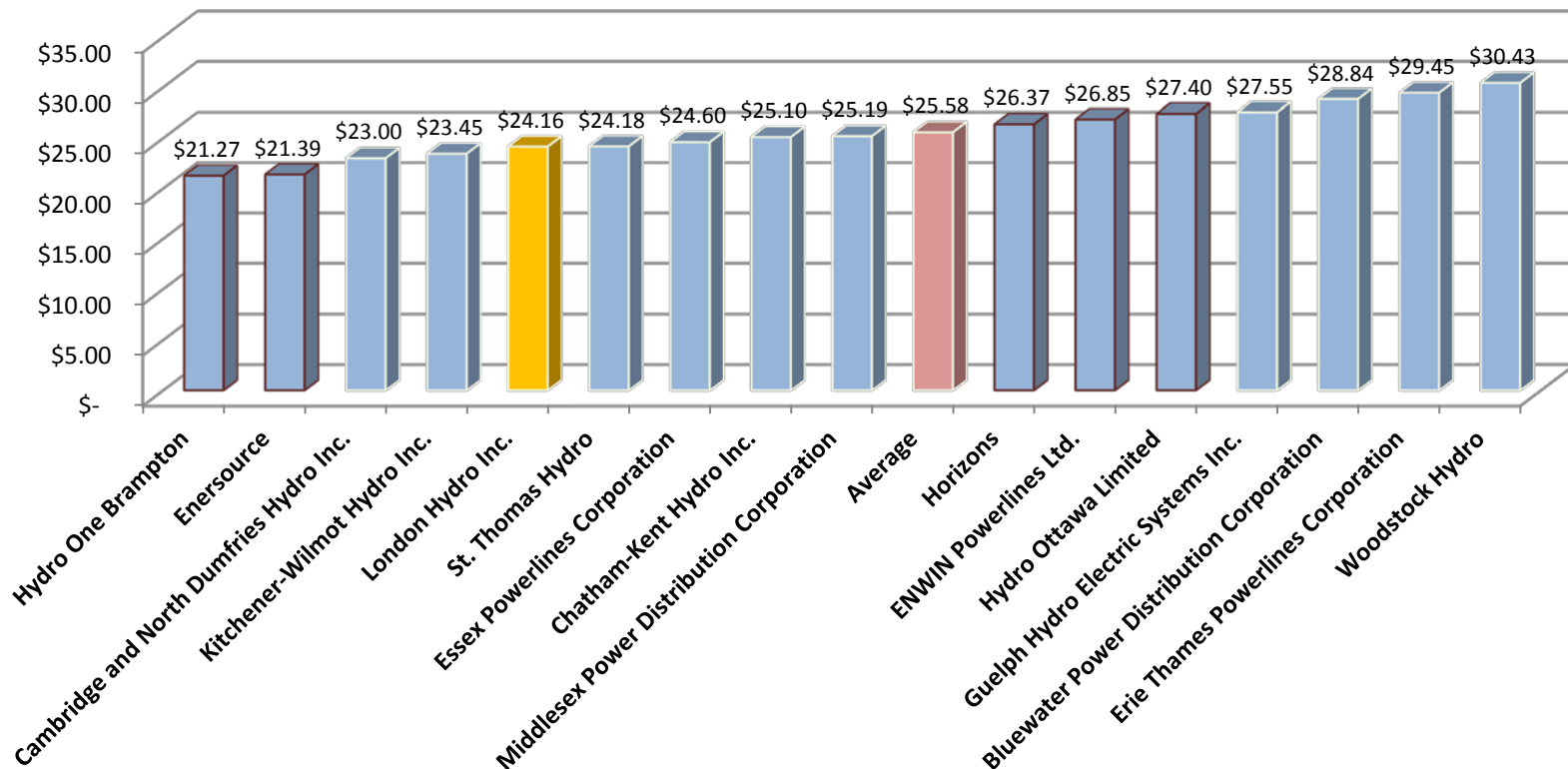
Value to Shareholder

Return on Equity



An above average Return on Equity

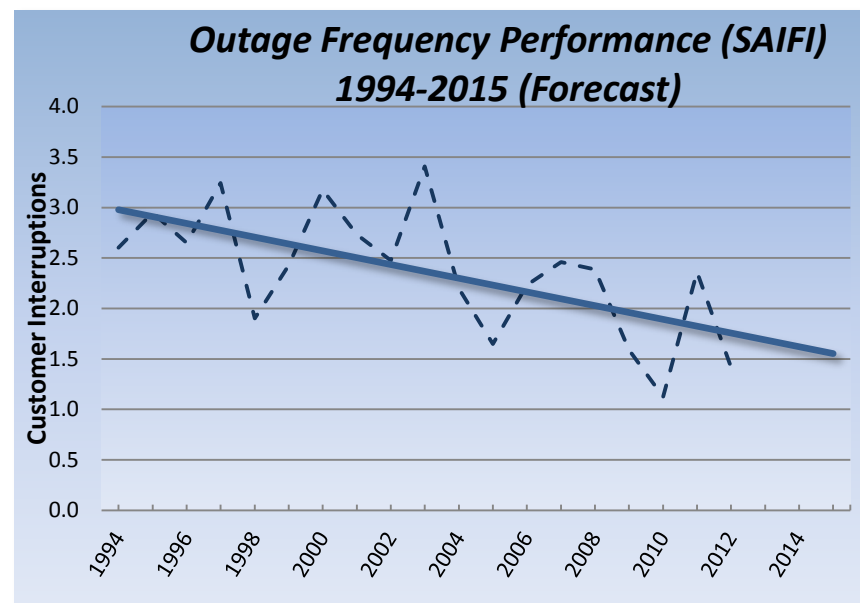
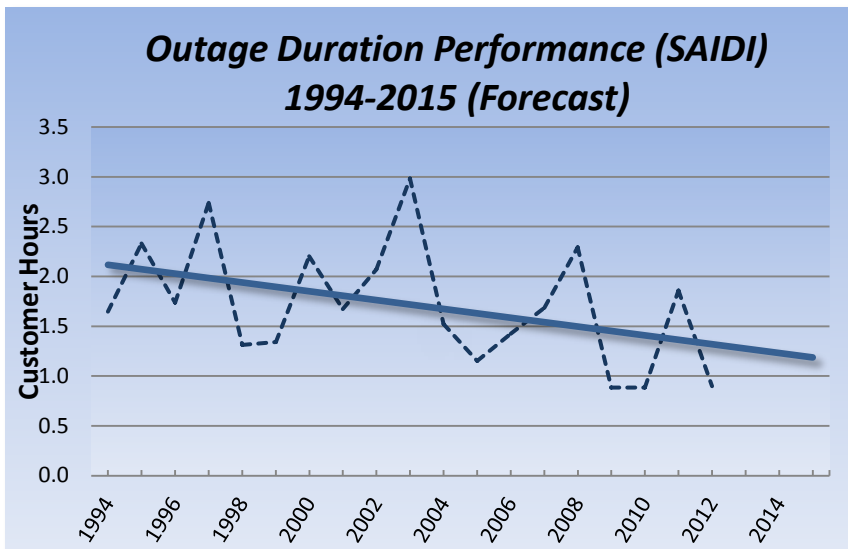
Comparison of Distribution Rates Residential for 2012



London Hydro rates are among the lowest year upon year

Value to Customers

Reliability Performance



Among the top performing utilities

Looking Forward

1. Repurposing of the London Hydro Promissory Note of \$70 million.
2. Shared services model with water and wastewater – work in progress.
3. Distribution Sector Review Panel’s report on industry consolidation
 - Increased merger and acquisition activity
 - Sale of Norfolk Power
 - Other hydros to follow
4. Continued focus on Health, Safety and Wellness.
5. Smart Grid: to facilitate dynamic system control, dynamic energy conservation and future electric vehicle charging.
6. Continued energy conservation focus between now and 2014.
7. Joint venture with co-operative for renewable projects.
8. Technology deployment to manage customer expectations, enhanced services, as well as greater efficiencies.

2012 London Hydro's Board of Directors

- Peter Johnson, Chair
- Mohan Mathur, Vice-Chair
- Marilyn Sinclair
- Bernard Borschke
- Gabe Valente
- Connie Graham
- Mayor Joe Fontana

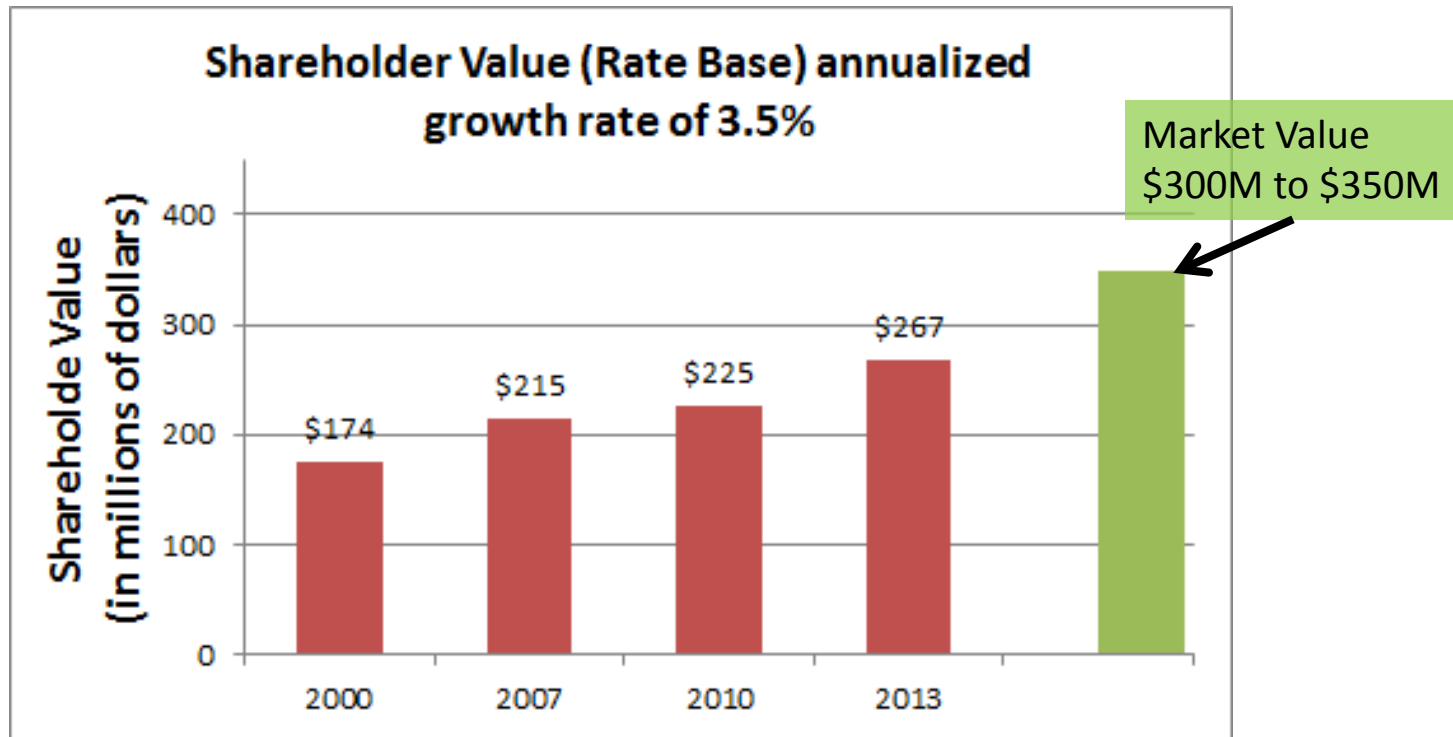
CEO'S REPORT

**Powering London
Empowering You**

Financial Stewardship

London Hydro provides value to Shareholder:

1. Annual interest on Promissory Note of \$4.2 million
2. Annual dividend payment of \$3 million – 20% increase from 2011
3. Capital gains expressed as increase in rate base - like shares, the market value is realized only when sold.



Value to Customers

Impact of London Hydro's Distribution Rates

In 2012 reduced residential bill by \$2.29

In 2013 increased residential bill by \$1.90

In 2012 reduced small commercial bill by \$3.70

In 2013 reduced small commercial bill by \$3.03

In 2013 reduced large user bill by \$2,750

London Hydro continues to minimize the rates for its customers

Safety is Paramount

We believe the key to Public Safety is Awareness



We teach it in the schools

“You’ll Make a World of Difference” – a curriculum based energy conservation program for grade 5 students

&

Reinforce it on the job.

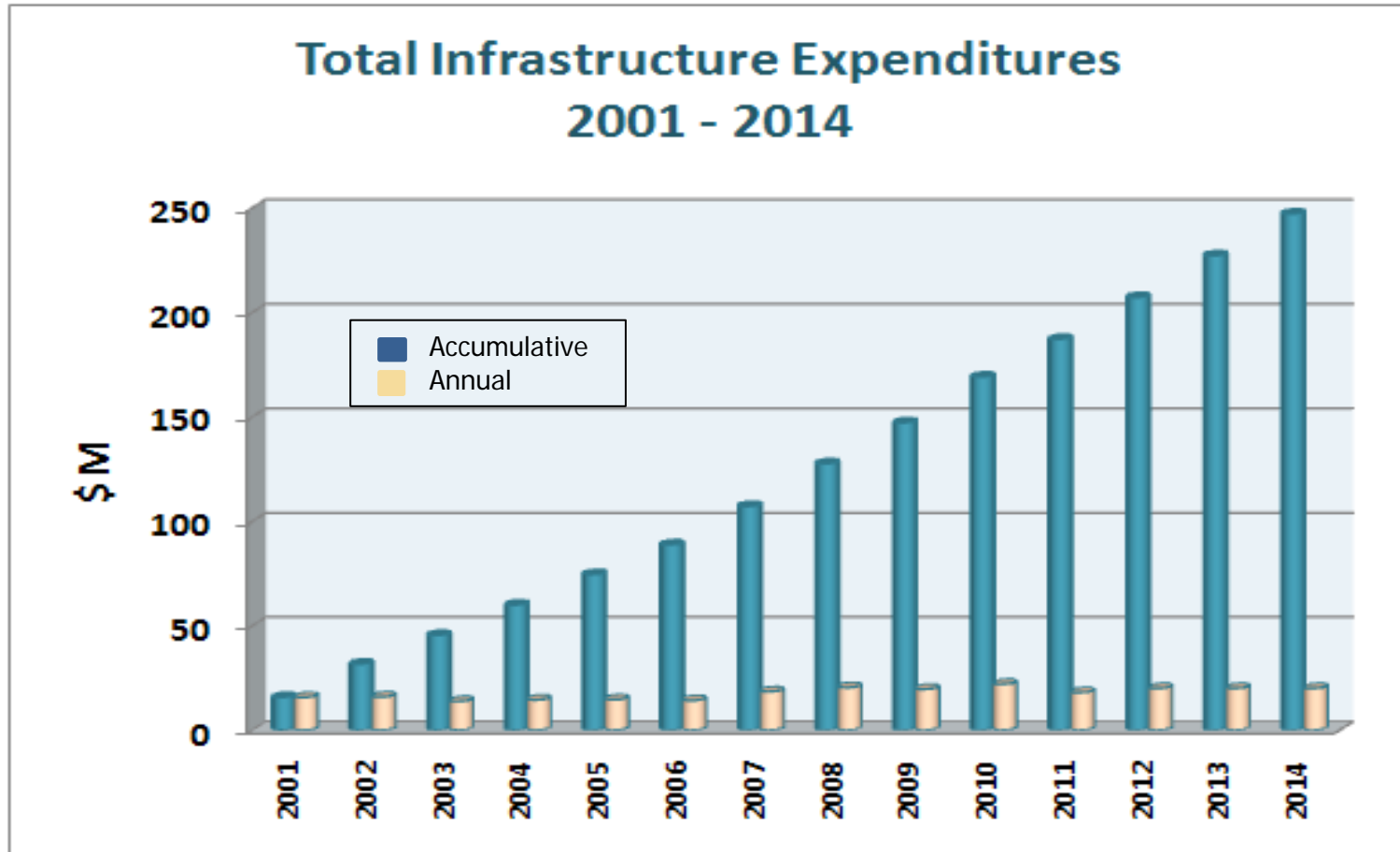
The Industry Health & Safety Association’s Presidents’ Award



Value to Employees *Operational Efficiencies*

Investments *in* *Capacity & Capabilities*

Infrastructure Investment



Since incorporation, \$220M has been invested in upgrades to aging infrastructure. Over the next 10 years we anticipate spending an additional \$200M – *all to improve the reliability of supply to our customers*

Rejuvenation of Underground 27.6 kV Cable using Silicone Injection



- Warranted 40 year life extension
- Minimal disruption to customers
- Rejuvenation of 40 km to 50 km of cable per year – 51 km in 2012
- Ensures compliance with Asset Sustainment Plan
- \$ 3.3M investment in 2012 – 60%-70% more economical than cable replacement

Most importantly – Improves reliability

Adding Value to the Economic Development of the City

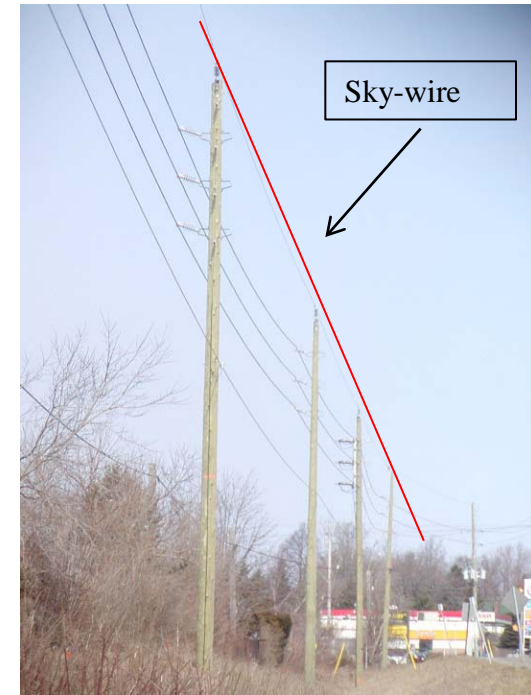
1. Added 1,000 new single and multi-family residential installations
2. Installed 700 new commercial services
3. Work collaboratively with the LEDC for economic development



Connecting a new large commercial customer

Complements the strategic vision of the City of London

Reduction of Momentary Outages

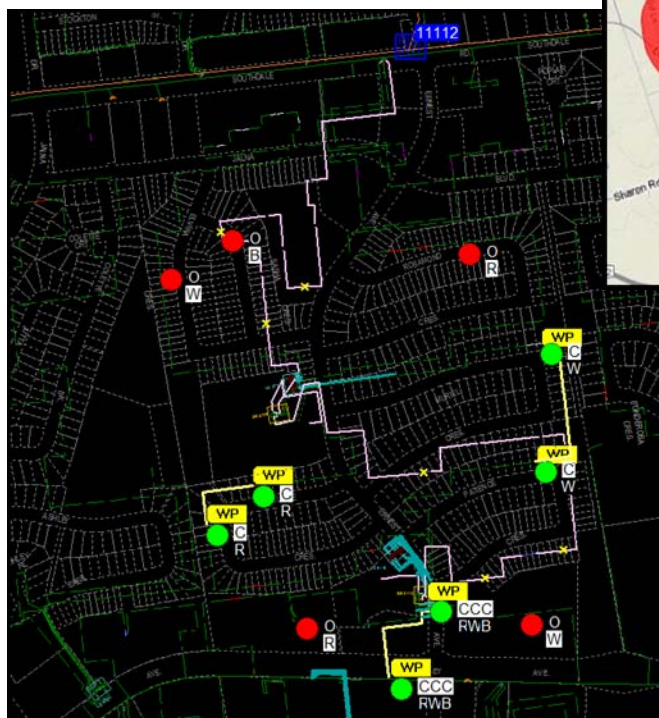
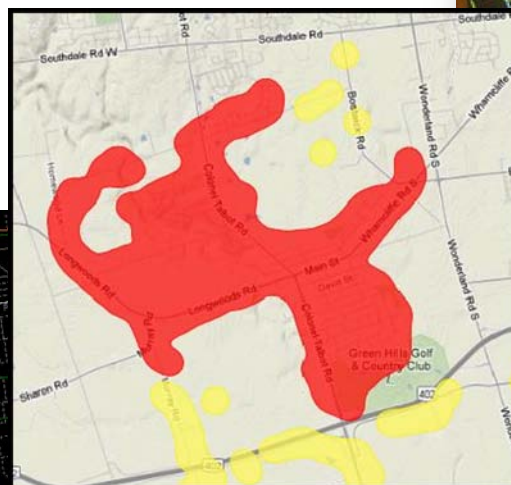


Installation of:

- Animal protection guards
- Overhead sky-wire
- Lightning arrestors at strategic/susceptible locations

Reduction in momentary outages adds significant value to industrial customers

Outage Management System (OMS)



- Enhanced public and employee safety
- Improved communication with customers
- Improved outage response times

OMS assists in reducing the duration of outages and hence improves reliability

Customer Friendly Time-of-Use Portal



Customer Feedback:

- *“Just to let you know – the more I use your “new” site the more I am amazed at how much information is available to me. Thanks for taking the time to do it right.”*
- *“I LOVE the way you can check your hydro usage now.”*
- *“I am blown away with the level of information you guys can provide with the new Smart Meters and have it instantly appear for me to view. Our family now knows the time to use appliances and are dealing with it. Way to go!”*

Significant efficiency gains

A Convenient Tool for Property Managers & Owners

LONDON HYDRO
PROPERTY MANAGEMENT

HANS SCHREFF
Owner

MY PROPERTIES MY PROFILE CUSTOMER SUPPORT RETURN TO ADMIN

DOWNLOAD FULL REPORT LIST VIEW: EXPAND ALL MINIMIZE ALL ALL DISCONNECTIONS ALL PENDING MOVES

LOCATIONS & UNITS		OCCUPANCY	STATUS	CSA [?]	PENDING MOVES
125 ANN ST LONDON (ON), N8A 1R2	+	Tenant: 1 Owner: 0	Disconnected: 0	Yes: 1 No: 0	Move-Ins: 0 Move-Outs: 1
272 GROSVENOR ST LONDON (ON), N8A 1Y8	+	Tenant: 0 Owner: 1	Disconnected: 0	Yes: 0 No: 1	Move-Ins: 0 Move-Outs: 0
15 JACKSWAY CRES LONDON (ON), N5X 3T8	+	Tenant: 0 Owner: 1	Disconnected: 0	Yes: 1 No: 0	Move-Ins: 0 Move-Outs: 0
6 KENNETH AVE LONDON (ON), N8A 1R6	+	Tenant: 2 Owner: 2	Disconnected: 0	Yes: 1 No: 3	Move-Ins: 0 Move-Outs: 0
8 KENNETH AVE LONDON (ON), N8A 1R6	+	Tenant: 0 Owner: 2	Disconnected: 0	Yes: 1 No: 1	Move-Ins: 1 Move-Outs: 1
352 PICCADILLY ST LONDON (ON), N8A 1S7	+	Tenant: 0 Owner: 5	Disconnected: 0	Yes: 0 No: 5	Move-Ins: 0 Move-Outs: 0
283 STEELE ST LONDON (ON), N8A 2L2	+	Tenant: 0 Owner: 1	Disconnected: 0	Yes: 0 No: 1	Move-Ins: 0 Move-Outs: 0

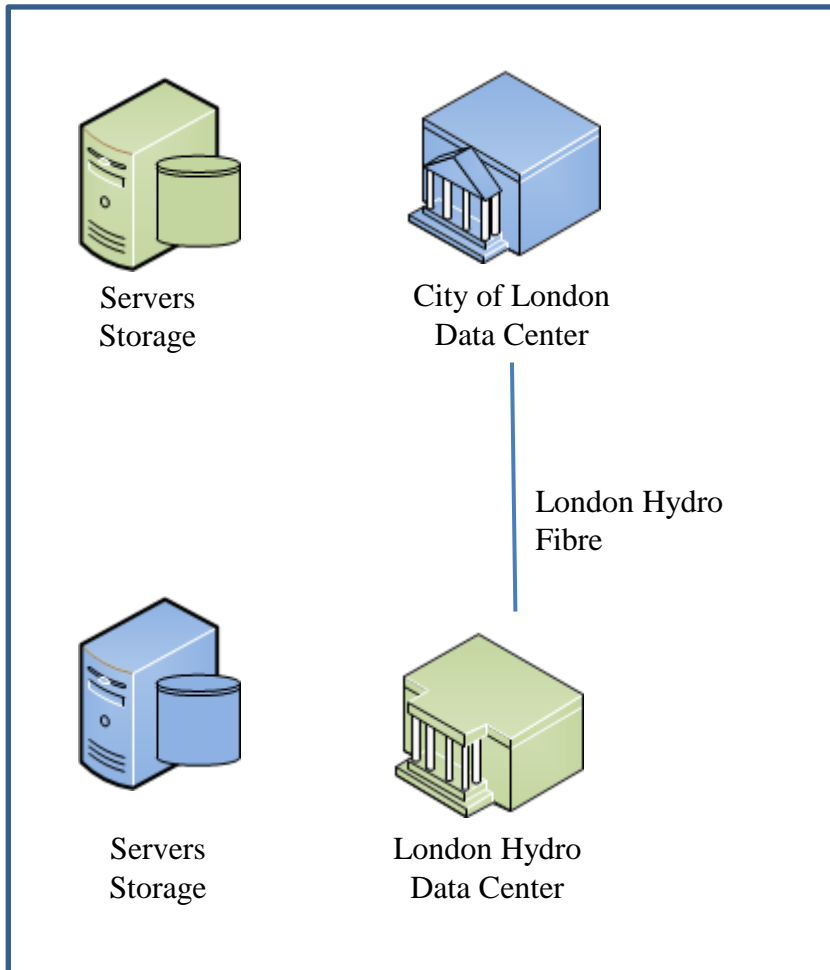
Customer Feedback:

- *“I really love this website. It is awesome. Thank You.”*
- *Avoids one week delay for a property management company that required 80 consumption reports per month.*

* Developed in conjunction with the LPMA

Significant convenience to property owners and managers

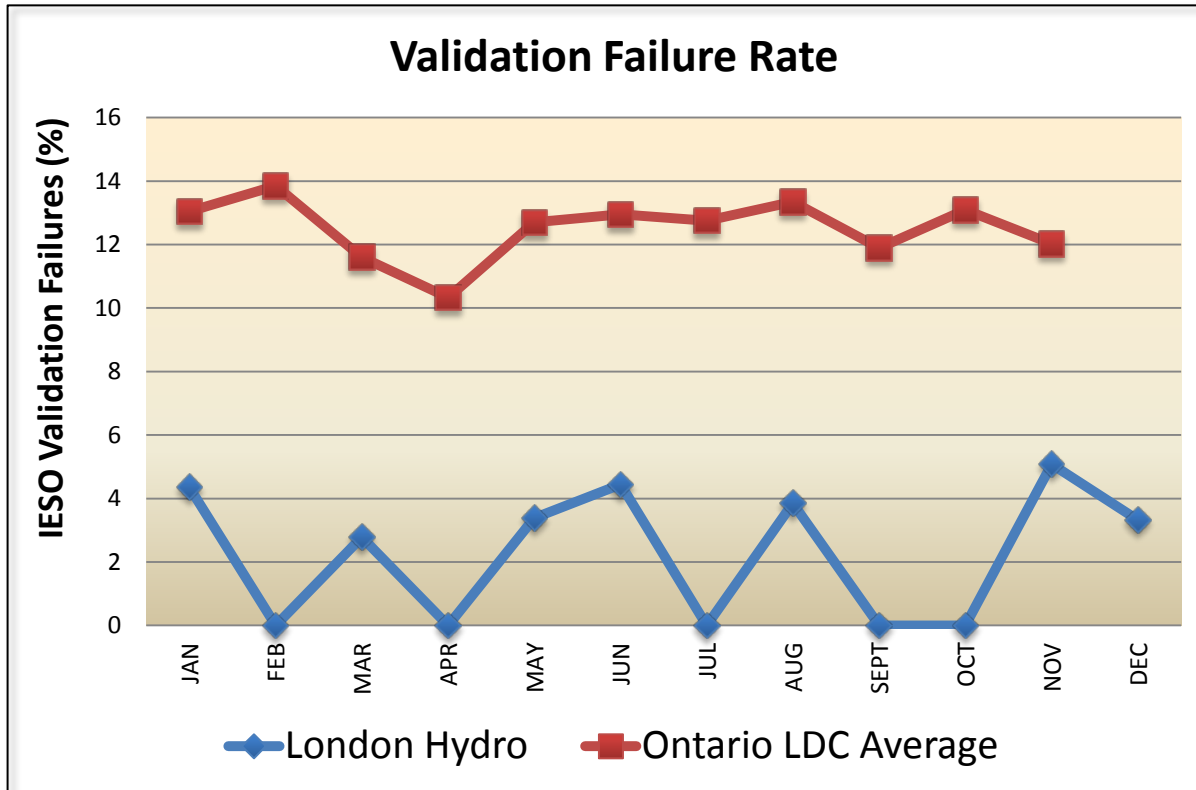
IT Collaboration with City of London



- Co-Location Agreement with the City of London signed Nov. 7th, 2012.
- Enhances disaster recovery capability for both organizations.
- Enables future cost sharing opportunities.
- London Hydro saves \$60,000 annually.

Increased collaboration with the City leads to more efficiencies

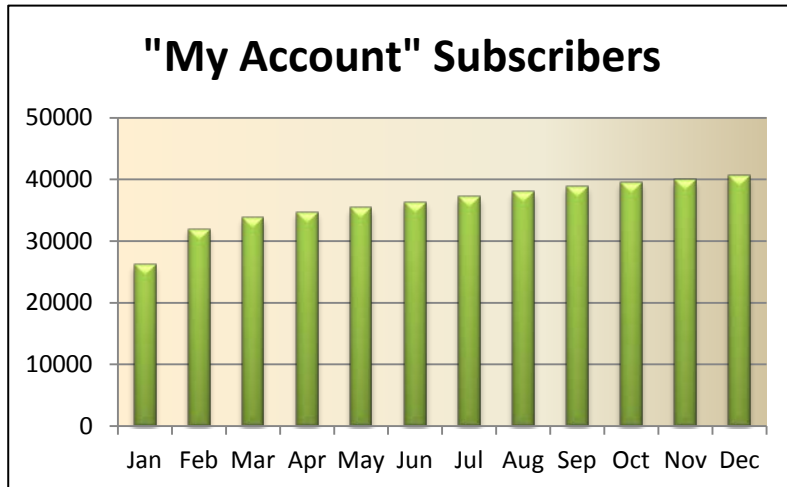
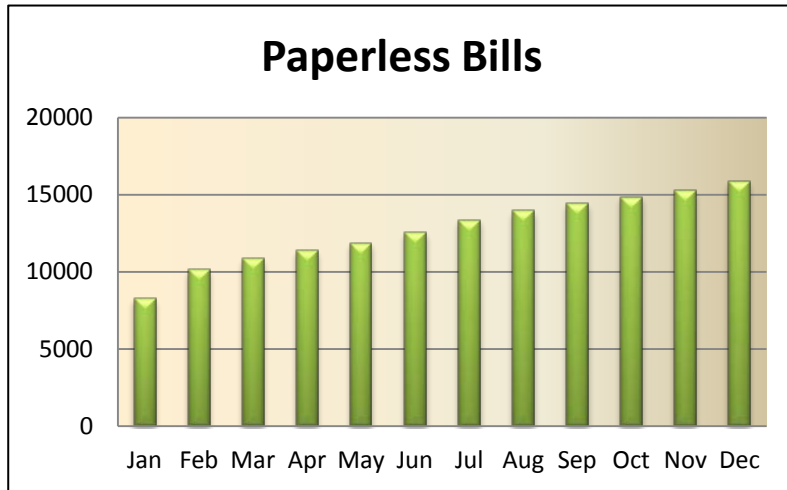
London Hydro – Among the Top Ontario LDC Performers



- Throughout 2012, London Hydro was a top performer in data quality based on the metric calculated by the Independent Electricity System Operator.
- London Hydro focused on providing quality. This ensures accurate billing for our customers.
- We send 3 million data sets to the provincial repository every day.

Hallmark of a high performing utility

Enhancing Customer Service Operational Efficiencies



- **91% increase** in Paperless billing subscribers.
- **54% increase** on “My Account” users.
- We are giving our customers the tools they need to help themselves, make informed decisions about their energy consumption, and reducing the need to contact our call center.

Convenience to customers

Customer Satisfaction

London Hydro has conducted an independent survey of our customers over the past 14 years:

- The recent results reflect a continued satisfaction of the sample surveyed, ranking a ‘A’ for customer care, ‘A’ for company image and an ‘A’ for management of operations; overall ‘A’

London Hydro's UtilityPULSE Report Card®			
Part 2: Performance			
CATEGORY		London Hydro	Ontario
1	Customer Care	A	B+
	Price and Value	B+	B+
	Customer Service	A	B+
2	Company Image	A	B+
	Company Leadership	A	B+
	Corporate Stewardship	A	B+
3	Management Operations	A	A
	Operational Effectiveness	A	A
	Power Quality and Reliability	A+	A
	OVERALL	A	B+

Value to our Community

\$22M annual payroll contributes to municipal tax base

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

Western University & London Hydro Partnership – our sponsorship attracted an additional ~\$4.5M from senior agencies and resulted in the application for world-wide patents

Financial contribution and sponsored research for Fanshawe College - \$100,000

Youth Education: Internship program for Western University and Fanshawe College students

Continued partnership with Upper Thames River Conservation Authority through annual tree power program

Value to our Community

Food Bank – Our employees donated 2,603 pounds of food for the Christmas Food Drive

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

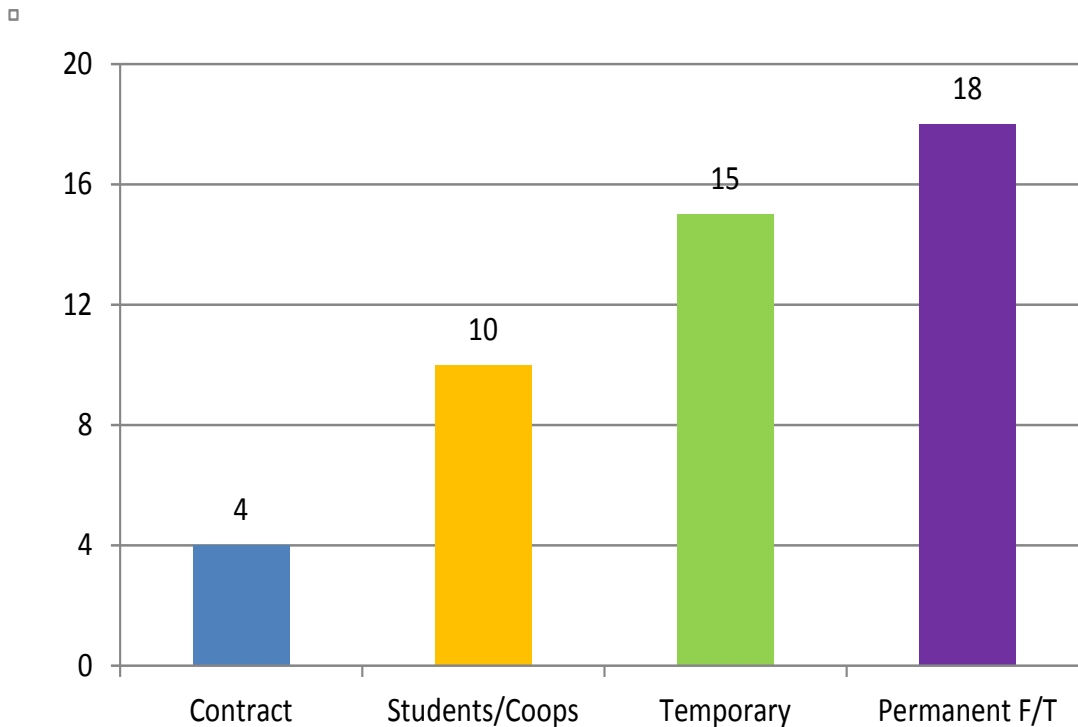
Salvation Army - \$5,000 for Christmas Hamper Program

Employee Safety Award from IHSA recognizing another year of safety performance and an ongoing commitment to a safe and healthy workplace

Supported: Mayor's Sustainable Energy Council, London Economic Development Council's Manufacturers Only Event, Canadian Manufacturers & Exporters Recognition Night, and the London Chamber of Commerce Business Achievement Awards

Value to our Community

Employment Growth



London Hydro Participated in University & College Coop and Internship Programs

Western University
Engineering Coop (2)

University of Ontario Institute of Technology UOIT
Engineering Coop (1)

Fanshawe College
Human Resources Mentorship (1)

Cambrian College
Powerline Technician Coop (2)

Conestoga College
Powerline Technician Coop (2)

triOS College
IT Service Desk Internship (2)

Strong partnership with universities and colleges

Value to our Community

Our Green Energy Projects

	111 Horton Street	5200 Highbury Ave	500 Wellington Road	825 Commissioners Road	1159 Adelaide Street	401 & Wellington Road	1570 Oxford Street W	130 King Street	Rooftop Location #1	Rooftop Location #2
Totals	\$ 16,508	\$ 16,552	\$ 16,536	\$ 16,525	\$ 16,486	\$ 16,560	\$ 14,528	\$ 10,036	\$ 95,999	\$ 234,826
Grand Total	\$ 454,556									



8% to 10% return on investment

Value to our Community

Energy Conservation Programs

Overall energy conservation goals – Condition of License

- Between 2011-2014 London Hydro to reduce:
 - *41 MW* of power demand - represents 6% of our Peak Demand
 - *156 GWh of energy* – represents 4.6% of our annual consumption

Highlights

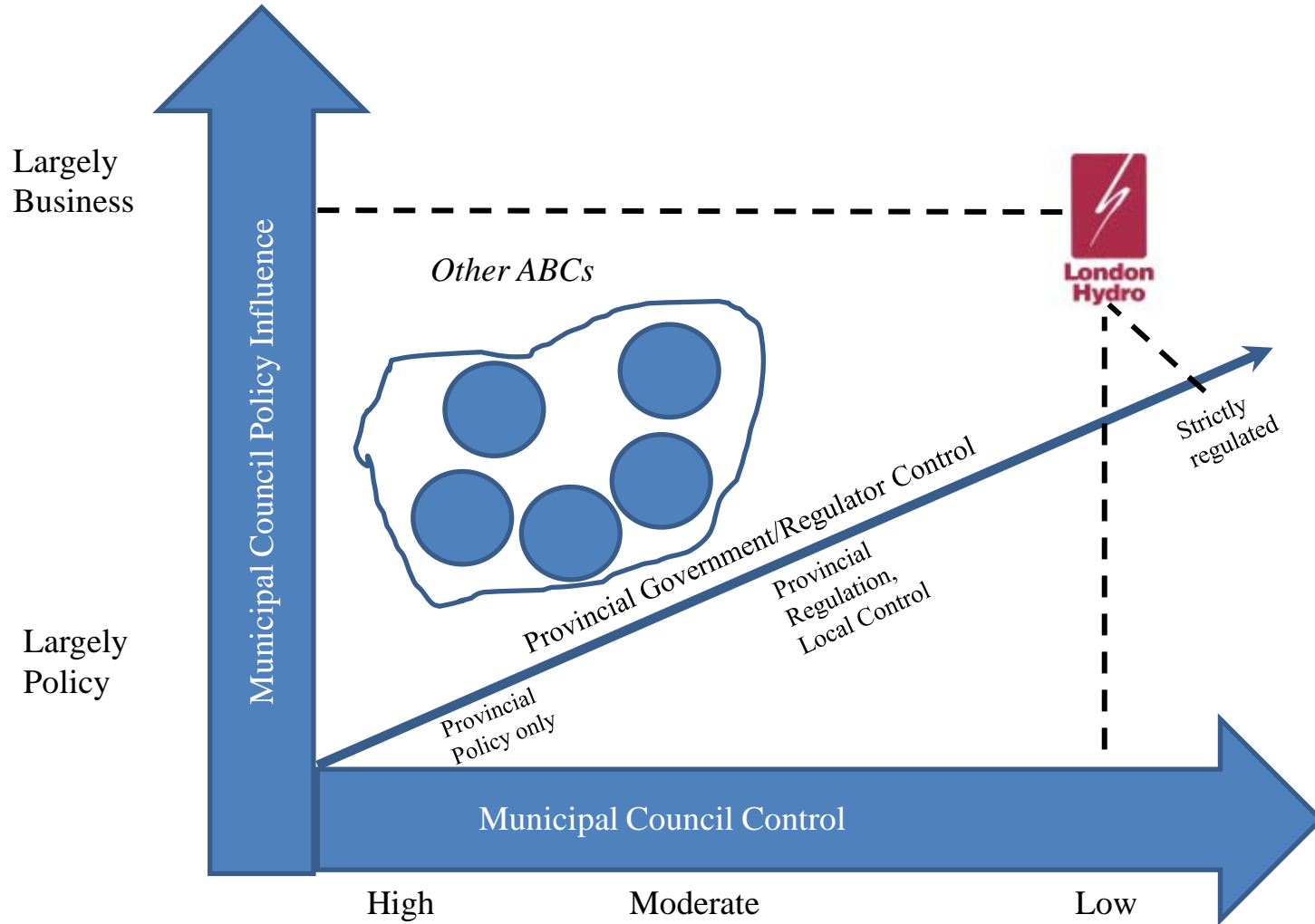
- A total demand reduction of ~8.8 MW – we have achieved 21% of our demand target
- A total energy reduction (cumulative to 2012) of ~130 GWh – 83% of our target - *equivalent of taking 15,000 homes off the grid*
- Customer incentives of ~ *\$2.2M* which generated economic investment of ~ *\$5.3M* in the community.
- Engaged community partners - Salvation Army, Fire Department, City of London Water.

Customers avoided energy costs of ~ \$1.9M annually

London Hydro's Business Model

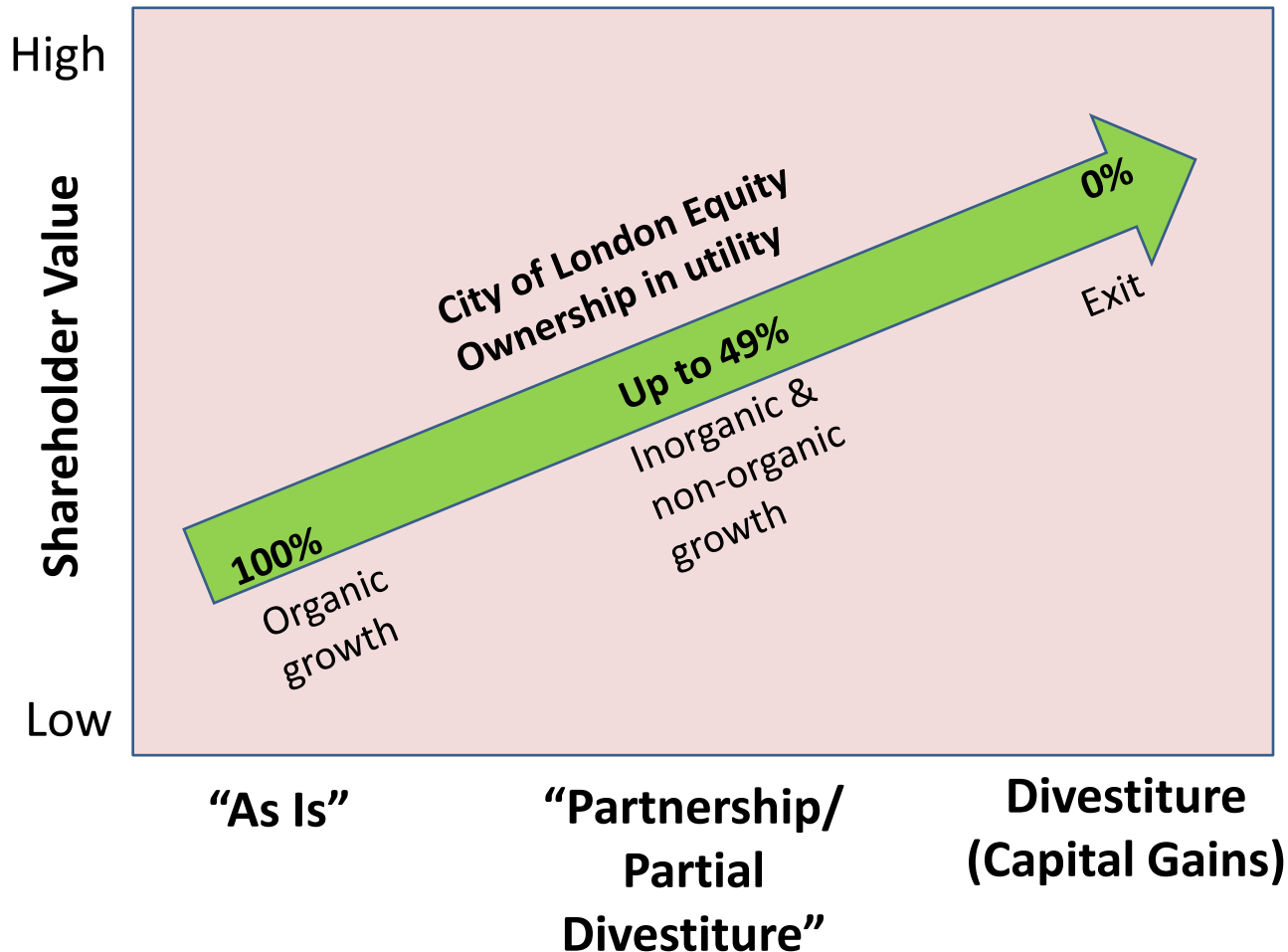
- Strictly Regulated by the Ontario Energy Board
- Constant intervention and new mandates from Government
- Moderate growth
 - 1% customer growth
 - Limited scope & scale to spread the fixed costs and technology investment
- \$9M to \$10M annual Net Income for next 4 to 5 years
- Cash flow constraint
 - Infrastructure investment to sustain reliable supply
 - Continued IT investment
 - Smart Grid requirements?
 - Maximum dividends limit of \$3M to \$4M

London Hydro Business Model - cont'd



London Hydro Business Model - cont'd

Shareholder Value



London Hydro is Your Valuable Corporation

1. Financial gain for the City of London – Interest, dividend and other payments: **\$77.4M** since the year 2000
2. Capital gains for Shareholder – Rate base: \$267M; market value: \$300M - \$350M
3. Increased dividend by 20% to \$3M per year
4. Competitive rates for customers – 2013 **reduced rates** for commercial and industrial customers
5. Excellent financial performance – above average return on equity of 6.6%. For 2011 and 2012 the distribution rates have reduced.
6. Significant investment in infrastructure to greatly **improve reliability** of supply
7. Innovative solution to **reducing momentary outages** for industrial clients
8. Customer convenient services for property owners and managers
9. Collaboration with the City of London and others to mutually share benefits and reduce costs
10. The impact of the Distribution Sector Review Panel's report is yet to be determined.