

**LONDON HYDRO INC.**  
**ANNUAL GENERAL MEETING**  
*FOR THE FINANCIAL YEAR*  
*ENDING*  
*DECEMBER 31, 2011*

*May 22, 2012*



*Powering London*  
*Empowering You*

*Outline*



- **Chair's Report**
  - 2011 Performance
  - Value to Shareholder
  - Board of Directors
  - Looking Forward
- **CEO's Report**
  - 2011 Financial Performance & Stewardship
  - Value to Shareholder
  - Value to our Customers
  - Value to our Employees
  - Value to our Community
  - Innovation
  - Summary



# CHAIR'S REPORT

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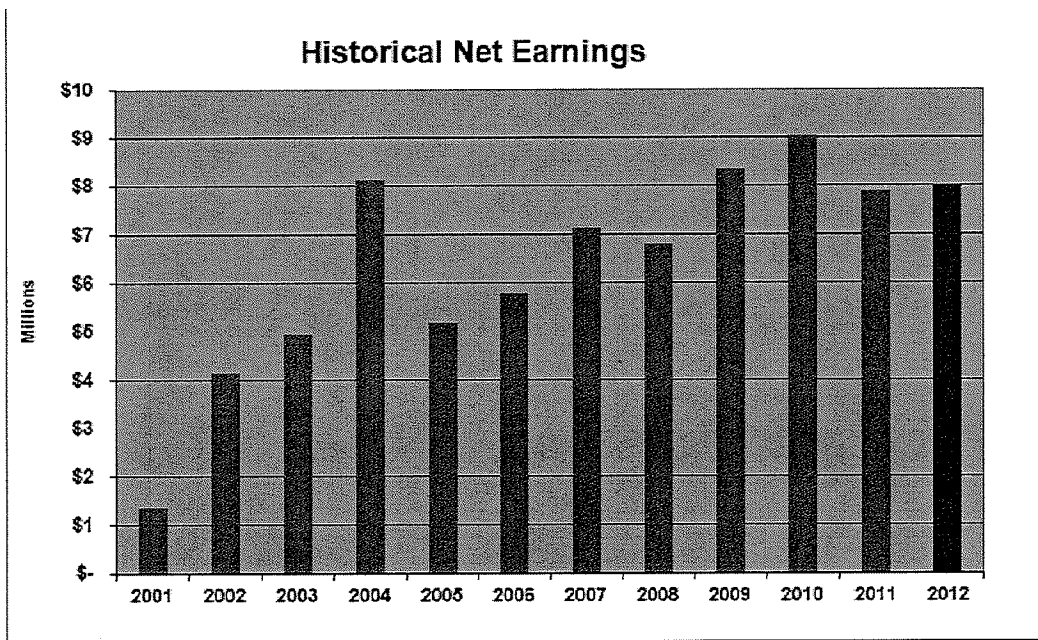
## Fiscal 2011 Performance



<i>Financial Highlights</i>	(\$ millions)			
	2010	Planned 2011	Actual 2011	Planned 2012
Energy Quantities Distributed - Gigawatt Hrs	3,428.2	3,420.9	3,408.4	3,488.3
<b>Revenue:</b>				
Energy and distribution	\$ 337.3	\$ 356.1	\$ 356.7	\$ 381.6
Cost of power	\$ (278.6)	\$ (297.6)	\$ (297.9)	\$ (321.5)
Distribution revenue	\$ 58.7	\$ 58.5	\$ 58.8	\$ 60.1
Net earnings	\$ 9.0	\$ 6.2	\$ 7.9	\$ 8.0
Average return on shareholder equity	7.8%	5.1%	6.5%	6.3%
<b>Annual investments:</b>				
Capital assets	\$ 26.5	\$ 31.6	\$ 28.7	\$ 30.6
Smart Meter Initiative	\$ 16.3	\$ 2.6	\$ 3.2	\$ 0.7
<b>Financial Position:</b>				
Total Assets	\$ 297.0	\$ 298.3	\$ 300.6	\$ 308.8
Shareholder's equity	\$ 118.7	\$ 122.4	\$ 124.1	\$ 129.1
<b>Distributions to the City of London:</b>				
Interest paid	\$ 4.2	\$ 4.2	\$ 4.2	\$ 4.2
Dividends declared or paid	\$ 2.5	\$ 2.5	\$ 2.5	\$ 3.0
<b>S&amp;P Credit Rating</b>	<b>A/Stable</b>	<b>A/Stable</b>	<b>A/Stable</b>	<b>A/Stable</b>
Note: Above financial results and projections are presented using Canadian Generally Accepted Accounting Standards				

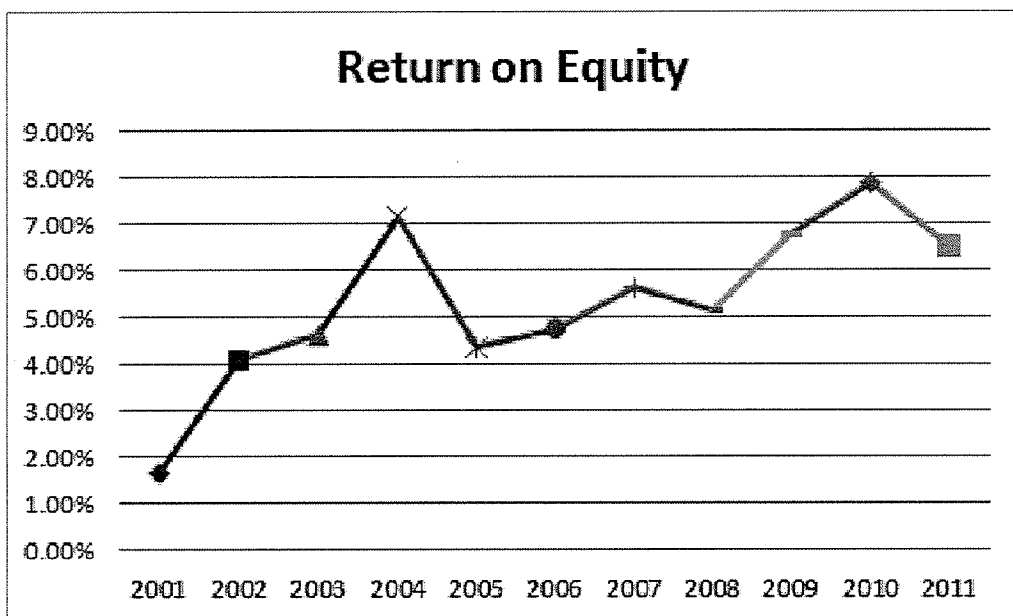
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# Value to Shareholder



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# Value to Shareholder



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## *2011 London Hydro's Board of Directors*



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

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## *Looking Forward*



- **Energy Conservation: Extensive focus on energy conservation for 2012-2014; three-fold increase in conservation target: 41 MW to 156 GWh**
- **Green Energy: invested \$3.6M in 10 solar projects – 435kW- in London; also facilitated interconnection of 300 customer owned solar projects – 1MW**
- **Smart Meter/Time-of-Use: Successfully launched the Time of Use billing**
- **Smart Grid: to facilitate dynamic system control, dynamic energy conservation and future electric vehicle charging**
- **Drummond Report on industry consolidation and the Government's announcement of industry panel on LDC sector review**

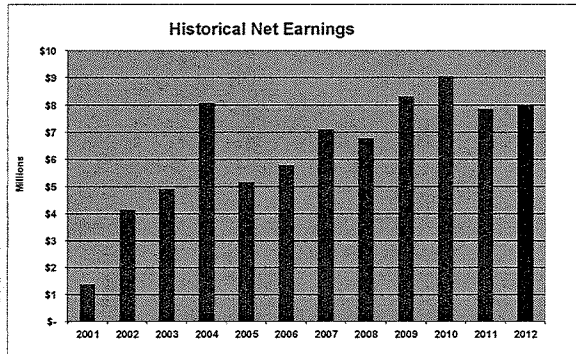
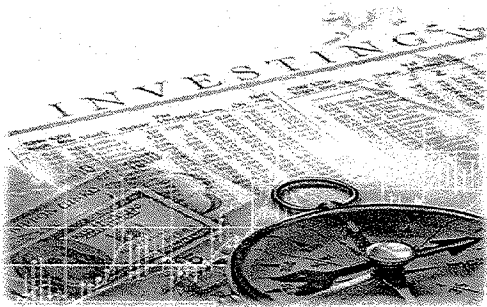
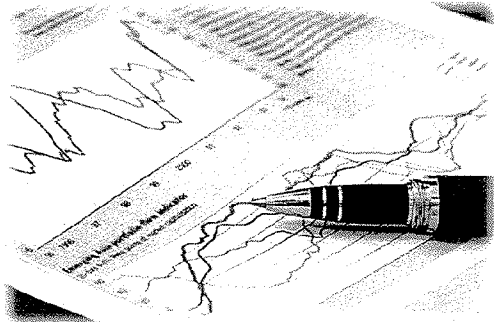
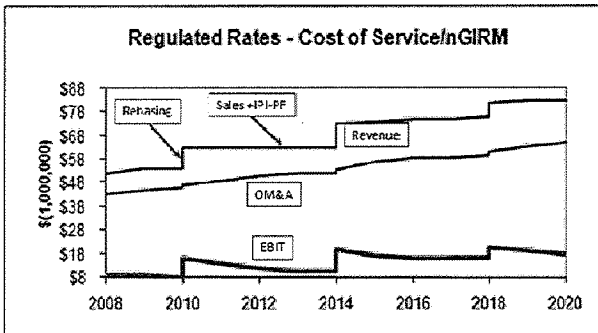
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# CEO'S REPORT

Powering London  
Empowering You 9

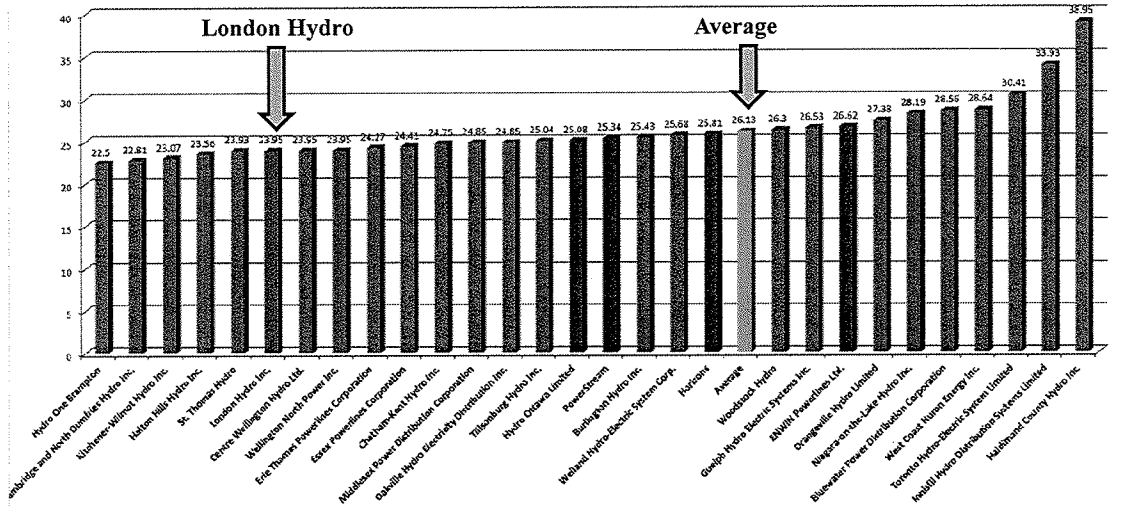
## Financial Stewardship





# Value to Customers

(Residential @ 800 kWhs, based on OEB approved distribution rates May 1, 2011)



Included in Chart are selected neighboring LDCs and those LDCs who are benchmarked by the OEB for comparison with London Hydro



# Value to Customers

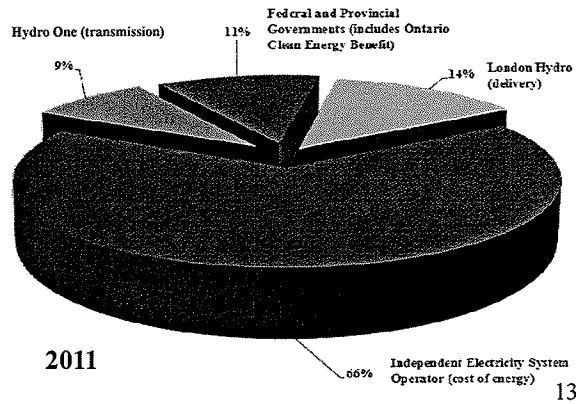
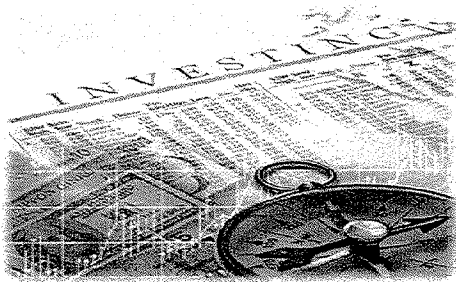
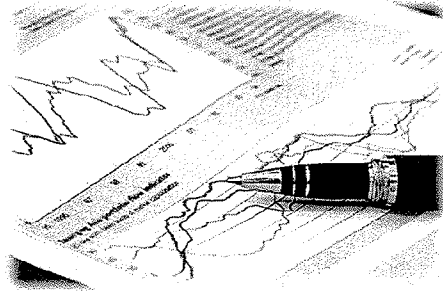
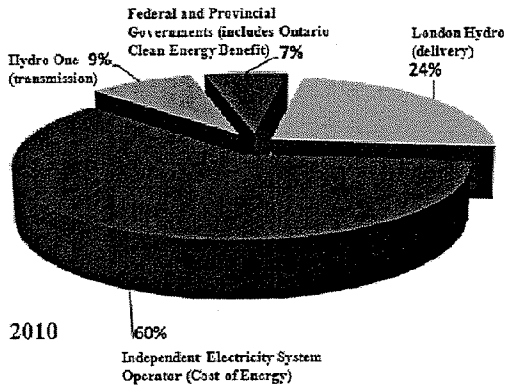
Effective May 2012, distribution rates will decrease by\*:

**\$2.29 FOR RESIDENTIAL CUSTOMERS AND  
\$3.70 FOR SMALL COMMERCIAL**

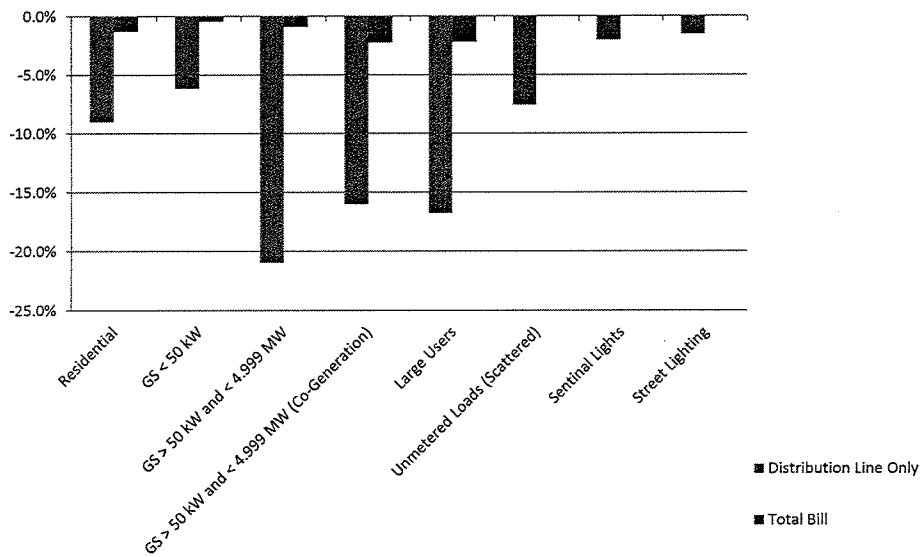
\* Although distribution rates will decrease the customer's monthly bill, the changes in energy prices established by the Ontario Energy Board is much larger, therefore leaving customers still with a slight increase in their monthly bill.



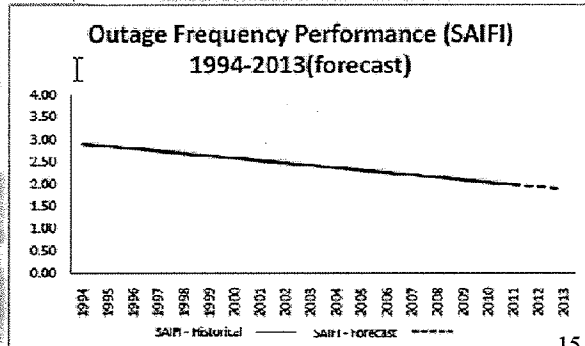
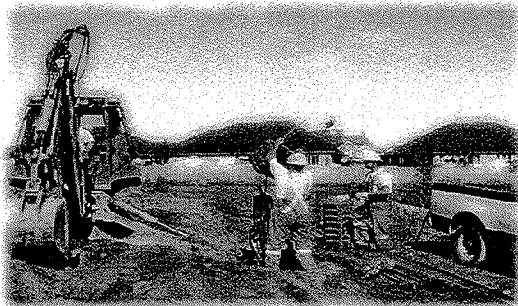
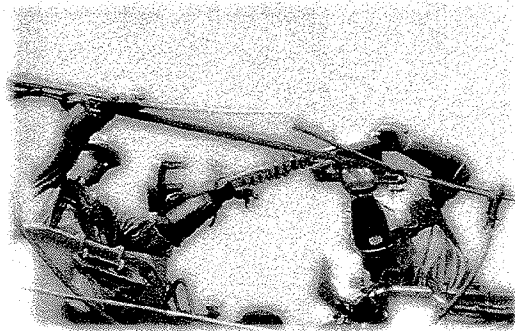
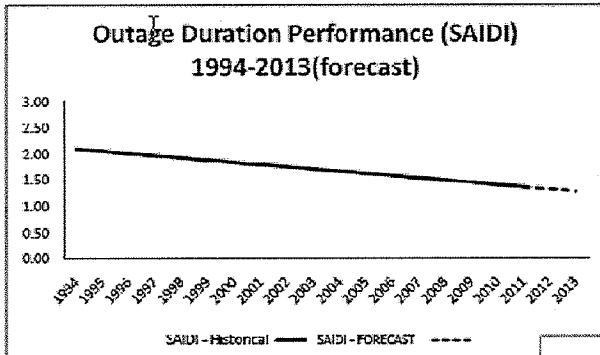
# Value to Customers



## Changes in Distribution Rates Has Insignificant Impact on the Overall Customer's Electricity Bill



# Value to Customers Reliability Performance



# 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 Customers*

London Hydro has conducted an independent survey of our customers over the past 13 years:

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

London Hydro' UtilityPULSE Report Card®			
Part 2: Performance			
	CATEGORY	London Hydro	Ontario
1	Customer Care	B+	B
	Price and Value	C+	D+
	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+

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## *Value to Employees*



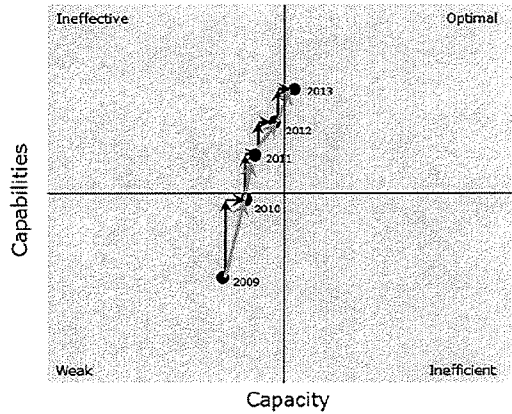
# *Investments in Capacity & Capabilities*

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## *Investment to Develop and Enhance Capabilities*

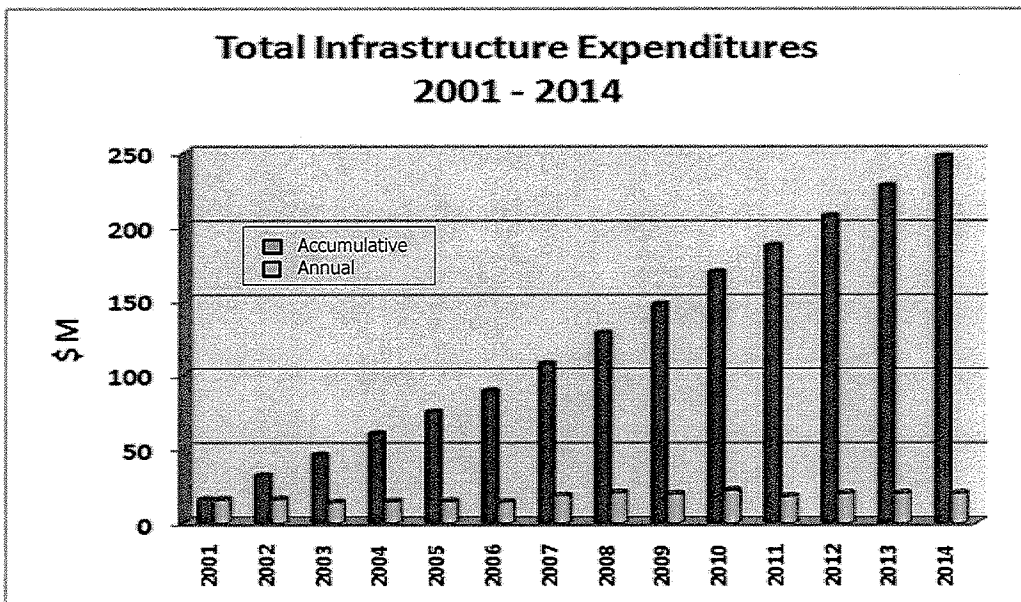


- Since 2009, London Hydro began to make significant technological investments in our capacity. However, as we increase our core capacity we also need to invest in our core capabilities to meet our performance optimum over time.
- Capacity and capability work in tandem for optimum performance



Long Term Strategic Capacity/Capabilities Continuum

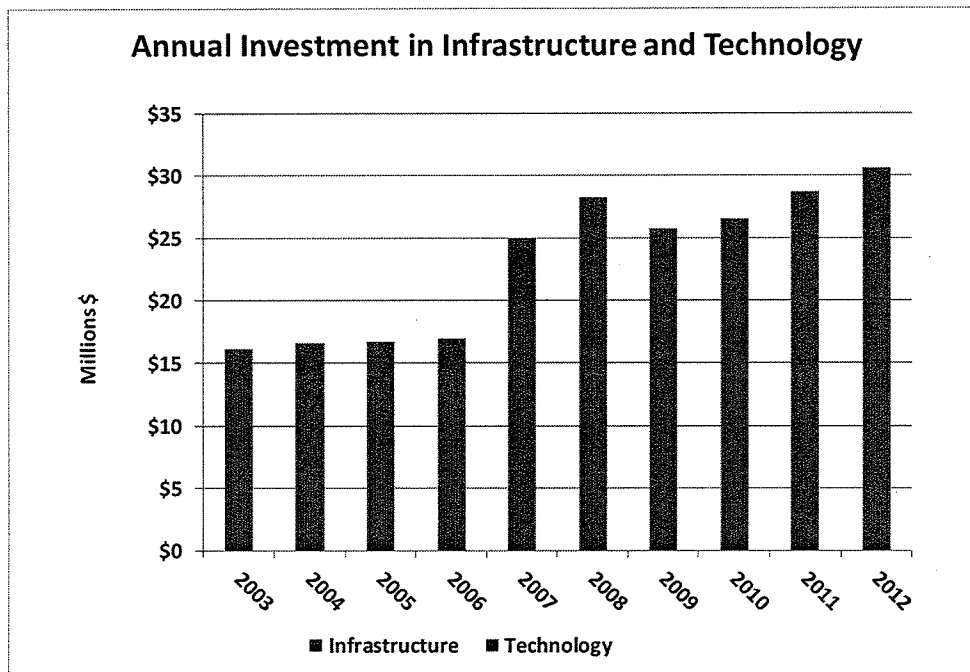
## *Infrastructure Investment*



Since incorporation \$200M has been invested in upgrades to aging infrastructure.

Over the next 10 years we anticipate spending an additional \$200M

# Infrastructure & Technology

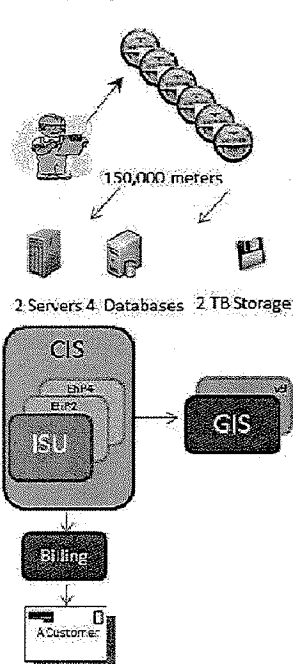


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# Advanced Technology Deployment

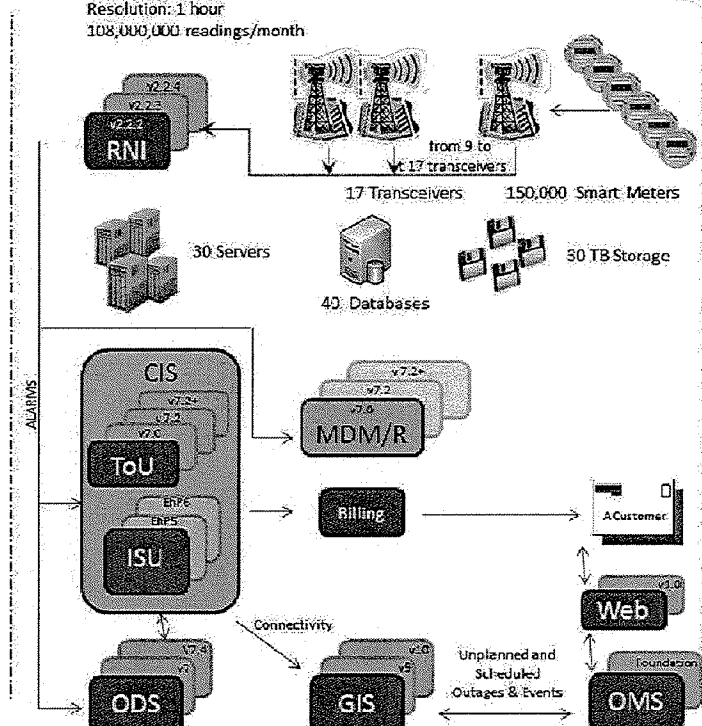
## Underlying AMI Complexity (since 2009)

Data currency: 1 month ago  
Resolution: 1 monthly  
150,000 readings/month



2009

Data currency: Yesterday  
Resolution: 1 hour  
108,000,000 readings/month



2012



## *Value to our Community*

\$22M annual payroll contributes to municipal tax base

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

London Hydro has maintained its industry leadership – international award for smart meter and significant investment in green energy projects

UWO & London Hydro Partnership – our sponsorship attracted an additional ~\$4.2M from senior agencies and resulted in the application for world-wide patents

Financial contribution and sponsored research for Fanshawe College

Youth Education: Internship program for UWO and Fanshawe students

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

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## *Value to our Community*

Food Bank – Our employees donated over 1,600 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

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# Smart Meters and Time of Use



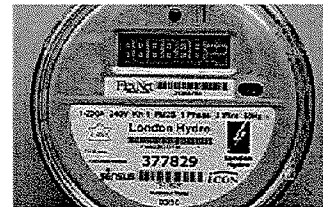
## The Benefits of Smart Meters

### Customer

- Improved Service - metering and billing, real time pricing, remote premise monitoring, usage alerts, energy management, power outage notification, etc.
- Faster transactions – no need for a service visit to perform final reads etc.
- Privacy – no meter readers coming on to customer property
- Energy Management – the availability of interval data allows customers to better manage their usage and enables the CSRs to deal efficiently with customer calls.

### London Hydro

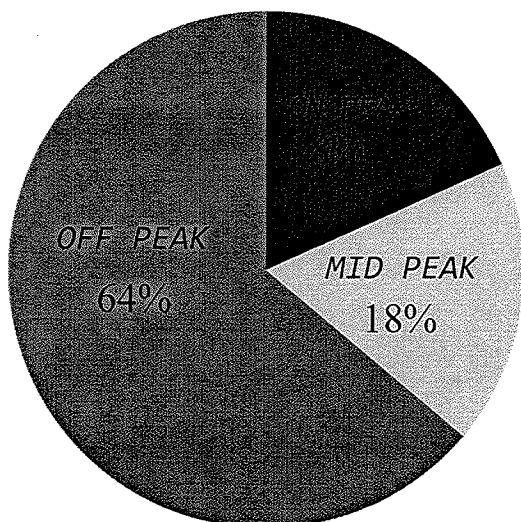
- Meter reading savings
- Reduced customer contact center costs
- Load monitoring and forecasting
- Distribution System Planning
- Outage detection, mapping and restoration
- Tamper and theft detection
- Reduced field service calls



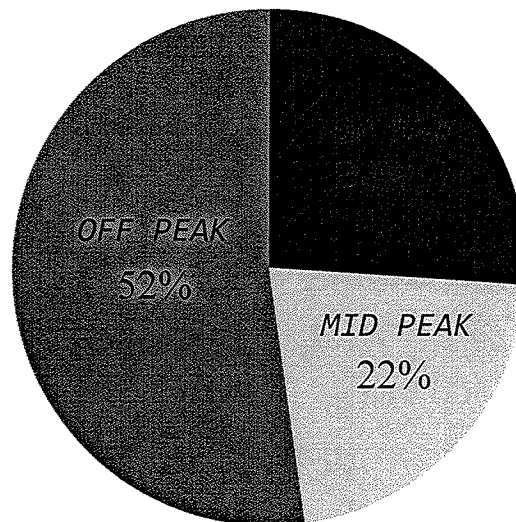
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# TOU Profile of Spring 2012 Bills

### Electricity Consumption

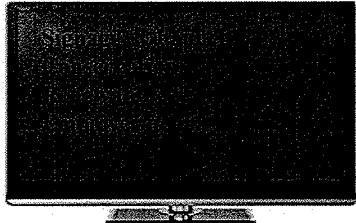


### Electricity Spending



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# Value to Our Community: Wi-Fi Pilot Program in Victoria Park



## Step 3

Users can be directed to links to Local Businesses, - Tourism or Events

## Step 2

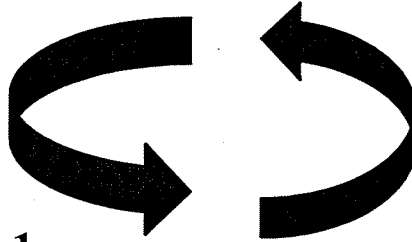


London Hydro

- London Hydro Branded Site
- CDM Initiatives
  - Smart Metering Updates
  - eCar News
  - Links to My Account
    - Meter reads
    - Account Inquiries

## Step 4

User engagement is increased and of more value to both the user and the community



## Step 1

User connects to Wi-Fi



Wi-Fi

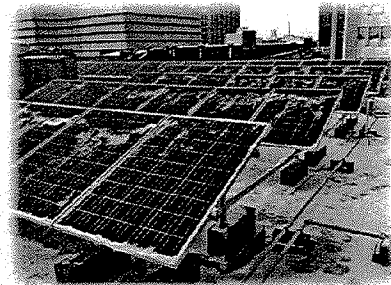


Mobile Devices

# Virtuous Cycles

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# Smart Grid and Green Energy Initiatives



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## Renewable Generation in London

FIT & MicroFIT				
Status	Number of Installations		kW	
	MicroFIT	FIT	MicroFIT	FIT
	T		T	
Connected	95	5	760	606
To be Connected	54	6	480	1300
Total	149	11	1240	1906
Preliminary Applications with OPA	162	284	1,385	45,431

- London Hydro's investment to the end of 2012 will be \$3.5M in conjunction with several partners for a total of 13 projects equaling 460 kW
- There are several other non-FIT generation projects in the City (CASCO, LHSC, London District Energy, Labatt's, Fanshawe Dam) with a generating capacity of 52MW
- For reference, London's peak demand is about 719MW
- Interconnection challenges limit the amount of generation that can be embedded in our system

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## Energy Conservation Programs

### Overall CDM Goals – Condition of License

- Between 2011-2014 London Hydro to reduce:
  - 41 MW of power demand - represents 6% of our Peak Demand – equal to demand of approximately 20,000 homes
  - 156 GWh of energy – represents 4.6% of our annual consumption – equal to the annual energy consumption of approximately 16,000 homes

### 2011 Highlights

- A total demand reduction of ~7.5 MW
- A total energy reduction of ~11 GWh
- As a result, customers saved approx. \$1,000,000 annually
- Investment of ~ \$19M
- Incentives of ~ \$4.3M

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## *Smart Grid: Research & Development*

- 2<sup>nd</sup> Five Year Partnership with UWO for ~\$600,000
- Our sponsorship helped leverage an additional ~\$4.2M from other agencies

*The University of Western Ontario - London Hydro*

### **WATTS Laboratory**

for  
Smart Grid and Innovative DG Control Studies

*Sincere gratitude is expressed to  
Vinay Sharma and Carole Champion  
for creating this Lab*

*Thanks to  
London Hydro, Ontario Centres of Excellence  
Hydro One, Bluewater Power Generation  
Canada Foundation of Innovation, NSERC  
for providing funding for the equipment*

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## *Summary*

- **London Hydro is your valuable corporation and has met all Shareholder objectives**
- **London Hydro has met and will continue to meet regulatory compliance**
- **London Hydro's overall performance in 2011 was exceptionally good**

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*Thank you*

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Bill No. 245  
2012

By-law No. A.-6827-178

A by-law to ratify and confirm the Annual Resolutions of the Shareholder of London Hydro Inc.

WHEREAS London Hydro Inc. is a corporation incorporated under the *Business Corporations Act* R.S.O. 1990, c.B.16;

AND WHEREAS subsection 104(1)(b) of the *Business Corporations Act* provides that a resolution in writing dealing with all matters required by this Act to be dealt with at a meeting of shareholders, and signed by all the shareholders or their attorney authorized in writing entitled to vote at the meeting, satisfies all the requirements of this Act relating to that meeting of shareholders;

AND WHEREAS the Corporation of the City of London is the sole shareholder of London Hydro Inc.;

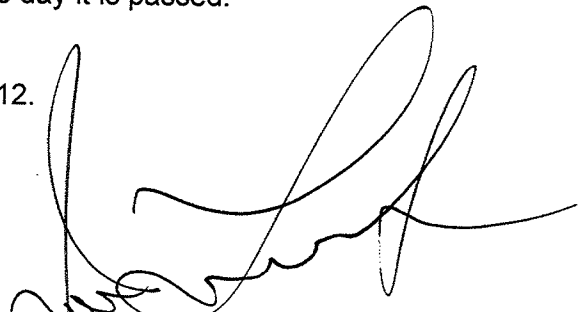
AND WHEREAS Subsection 5(3) of the *Municipal Act, 2001* provides that a municipal power shall be exercised by by-law;


AND WHEREAS Subsection 9 of the *Municipal Act, 2001* provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

The Municipal Council of The Corporation of the City of London enacts as follows:

1. The Annual Resolutions of the Shareholder of London Hydro Inc. for the fiscal year ended December 31, 2011, attached as Schedule "1" are ratified and confirmed.
2. The Mayor and City Clerk are authorized to execute the Annual Resolutions of the Shareholder ratified and confirmed under section 1 of this by-law.
3. This by-law comes into force on the day it is passed.

PASSED in Open Council on May 22, 2012.

  
Joe Fontana  
Mayor

  
Catharine Saunders  
City Clerk

First Reading - May 22, 2012  
Second Reading - May 22, 2012  
Third Reading - May 22, 2012

**LONDON HYDRO INC.**  
**(the "Corporation")**

**WHEREAS** subsection 104(1)(b) of the *Business Corporations Act* (Ontario) (the "Act") provides that a resolution in writing dealing with all matters required by the Act to be dealt with at a meeting of shareholders, and signed by all the shareholders or their attorney authorized in writing entitled to vote at the meeting, satisfies all the requirements of the Act relating to that meeting of shareholders;

The following resolutions, signed by the sole shareholder of the Corporation entitled to vote thereon, are hereby passed pursuant to the provisions of the Act:

**FINANCIAL STATEMENTS**

It is hereby acknowledged that the balance sheet of the Corporation as at December 31, 2011, and the other audited financial statements, together with Auditors' Report, of the Corporation for the financial year ended on such date have been received by the undersigned shareholder of the Corporation.

**ELECTION OF DIRECTORS**

**WHEREAS** pursuant to an Amended and Restated Shareholder Declaration the board of directors of the Corporation shall consist of seven directors, which shall be composed of various classes of directors, each serving for a three-year term;

**AND WHEREAS** the terms of the directors that are members of the third class expire at the annual meeting of shareholders held in 2012 pursuant to paragraph 4.4 of the Amended and Restated Shareholder Declaration;

**NOW THEREFORE BE IT RESOLVED THAT:**

1. Each of the following persons, being directors that are members of the third class pursuant to paragraph 4.4 of the Amended and Restated Shareholder Declaration, is hereby **elected** as a director of the Corporation to hold office for a term with the expiry as set out below, provided that when a successor is not duly elected at the close of the annual meeting described below, such director shall hold office until his or her successor is elected:

<b><u>Class</u></b>	<b><u>Name of Director</u></b>	<b><u>Term</u></b>
Third	Radhey Mohan Mathur	the close of the annual meeting of shareholders to be held in 2015 for the financial year ending December 31, 2014
Third	Marilyn Sinclair	the close of the annual meeting of shareholders to be held in 2015 for the financial year ending December 31, 2014

**CONFIRMATION OF CONTINUING TERMS**

2. Each of the following persons, being directors that are members of the first, second and fourth class, as provided for below, pursuant to paragraph 4.4 of the Amended and Restated Shareholder Declaration, are hereby confirmed as having a term continuing until the expiry as set out below, provided that when a successor is not duly elected at the close of the annual meeting described below, such director shall hold office until his or her successor is elected:

<u>Class</u>	<u>Name of Director</u>	<u>Term</u>
First	Bernard G. Borschke	the close of the annual meeting of shareholders to be held in 2013 for the financial year ending December 31, 2012
First	Gabriel Valente	the close of the annual meeting of shareholders to be held in 2013 for the financial year ending December 31, 2012
Second	Connie Graham	the close of the annual meeting of shareholders to be held in 2014 for the financial year ending December 31, 2013
Second	Peter Johnson	the close of the annual meeting of shareholders to be held in 2014 for the financial year ending December 31, 2013
Fourth	Joe Fontana	the close of the annual meeting of shareholders to be held in 2014 for the financial year ending December 31, 2013

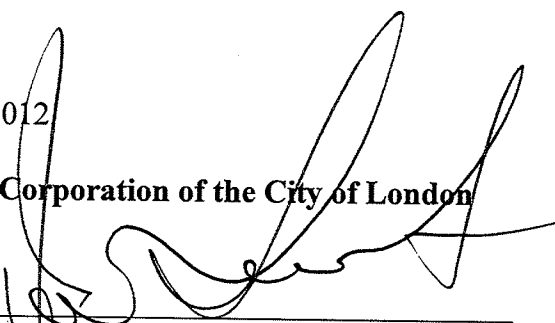
**APPOINTMENT OF AUDITORS**

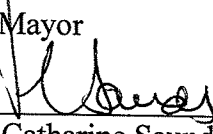
**RESOLVED THAT:**

KPMG LLP are hereby appointed auditors of the Corporation to hold office until the close of the next annual meeting of the shareholders or until a successor is appointed at such remuneration as may be fixed by the directors and the directors are hereby authorized to fix such remuneration.

DATED this 23<sup>rd</sup> day of May, 2012

**The Corporation of the City of London**

By:   
 Name: Joe Fontana  
 Title: Mayor

By:   
 Name: Catharine Saunders  
 Title: City Clerk