



London Hydro Incorporated 2022 Cost of Service Application

EB-2021-0041

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EXHIBIT 1 – ADMINISTRATION



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1.0 ADMINISTRATION

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1.2 INTRODUCTION

London Hydro Inc.'s (London Hydro's) 2022 Cost of Service Application (EB-2021-0041) (the Application) describes how London Hydro will develop, manage, operate and maintain its distribution system to provide safe, secure, reliable, efficient, and cost-effective service to its customers. The period for this Application generally covers six years with a five-year historical period beginning with 2017 and ending with the 2021 Bridge Year; and a one-year forecast period - the 2022 Test Year. The Distribution System Plan (DSP) covers ten years, including a five-year forecast period beginning with the 2022 Test Year and ending in 2026. London Hydro's last Cost of Service application and DSP was filed August 26, 2016 for rates effective May 1, 2017.

This Application contains nine exhibits, including this Exhibit 1, as follows:

- Exhibit 1 - Administrative Documents
- Exhibit 2 - Rate Base, including the DSP
- Exhibit 3 - Operating Revenue
- Exhibit 4 - Operating Expenses
- Exhibit 5 - Cost of Capital and Capital Structure
- Exhibit 6 – Calculation of Revenue Deficiency or Sufficiency
- Exhibit 7 – Cost Allocation
- Exhibit 8 – Rate Design
- Exhibit 9 – Deferral and Variance Accounts

London Hydro has prepared this Application in accordance with the following:

- the Ontario Energy Board's (OEB's) Chapter 2 Cost of Service Filing Requirements for Electricity Distribution Rate Applications – 2021 Edition for 2022 Rate Applications issued June 24, 2021 (the "Chapter 2 Filing Requirements");
- the OEB's Chapter 5 Consolidated Distribution System Plan Filing Requirements for Electricity Distribution Rate Applications – 2021 Edition for 2022 Rate Applications issued June 24, 2021 (the "Chapter 5 Filing Requirements"); and
- the OEB's Handbook for Utility Rate Applications issued October 13, 2016.



1 London Hydro has not deviated from these filing requirements and provides a checklist of the
2 filing requirements as Appendix F which identifies the specific reference in the Application where
3 relevant information is provided.

4

5

6

1.3 EXECUTIVE SUMMARY AND BUSINESS PLAN

1.3.1 Executive Summary

The context for this Cost of Service Rate Application (the “Application”) is London Hydro’s Business Plan for the next five years, which has been developed in accordance with the OEB’s Renewed Regulatory Framework for Electricity Distributors (RRFE). In particular, it adheres to the Board’s belief that “emphasizing results rather than activities will better respond to customer preferences, enhance ...productivity and promote innovation that drives efficiency.”

London Hydro has a long history of responding to customer preferences. The two foremost preferences expressed by London Hydro customers are to keep the lights on and keep costs as low as possible. Over the past 15 years, investments in London Hydro’s infrastructure have resulted in a significant improvement in reliability: in the last 25 years, the number of interruptions per year per customer has been reduced by two thirds (from an average of approximately 3 to approximately 1). London Hydro seeks feedback from its customers in a number of ways including community outreach through organized events at local home shows, in libraries, and malls; London Hydro also holds focus groups and conducts annual third-party surveys. Through these avenues and others, customers have expressed satisfaction with this level of reliability, and they support London Hydro’s efforts to continue to maintain the system.

During this same time period, London Hydro’s costs have remained competitive and are within the bottom quartile of all Ontario Local Distribution Companies (LDCs). This result has been achieved by investing in people and fostering a culture of continuous improvement and innovation. The distribution assets are monitored and optimized to minimize total lifecycle cost while still maintaining acceptable reliability levels. New technology is evaluated, tested and adopted only after it has been proven to provide a net benefit to customers. Projects are managed and executed by skilled professionals who receive ongoing training and development, including sharing best practices with other utilities in Ontario and across North America.

1 While reliability and low cost are important attributes of customer expectations, London Hydro
2 also understands the need to incorporate advancements in technology into both the distribution
3 network and customer interfaces. In the distribution area, for example, London Outage
4 Management System (OMS) provides enhanced safety and improved operability (reliability) as
5 well as improved outage notification options, all aimed at enhancing the customer experience.
6 With respect to customer services, London Hydro has strengthened its online service offering by
7 increasing self-service options in response to customer requests.

8
9 London Hydro has also been a leader in innovation with the development of online tools aimed
10 at providing more comprehensive and more current information to customers, including the
11 Green Button initiative. London Hydro capitalizes on existing industry relationships and seeks to
12 build new ones in order to facilitate the adoption of the Green Button Standard at other utilities.
13 London Hydro also seeks opportunities to share its expertise with other utilities and encourages
14 cooperative ventures such as providing Control Room monitoring services for some smaller
15 LDCs, which gives their customers superior service at a lower cost while offsetting the cost to
16 our own customers.

17
18 In summary, London Hydro has prepared a Cost of Service Rate Application that aligns with the
19 four Performance Outcomes identified by the OEB: (i) Customer Focus, (ii) Operational
20 Effectiveness, (iii) Public Policy Responsiveness and (iv) Financial Performance. London
21 Hydro's team of over 300 high-performing employees will successfully execute this plan in the
22 coming years with a focus on achieving those Performance Outcomes while exceeding its
23 customers' expectations.

24 **1.3.2 Introduction**

25 London Hydro is proud of the significant achievements it has made over the past five years in
26 the areas of customer focus, operational effectiveness, public policy responsiveness and
27 financial performance. These achievements have helped London Hydro enhance the customer
28 experience in the following ways:

29 **Safety**

- 30 • Received IHSA President's Award for no lost time injuries (LTI).

- 1 • Became certified under the IHSA's Certificate of Recognition (COR) program.
- 2 • Launched the 'Work Safe Live Safe' program.
- 3 • Implemented a safety software system (Intelex) to provide a digital solution to track
- 4 all incidents and inspections.
- 5 • Implemented electronic logging devices that monitors some driving activities, such as
- 6 seatbelts and speed, in vehicles to improve road safety.
- 7 • After reaching a cumulative 1.5M hours without an LTI in 2016, London Hydro has
- 8 reached at least 250,000 hours without an LTI in each year since 2017.
- 9

10 **Operational Effectiveness**

- 11 • Cost effective rebuilding of end of life assets in residential areas.
- 12 • Ensuring adequate infrastructure and capacity to meet growth in the City of London.
- 13 • Leveraging advanced technology to efficiently upgrade the downtown core.
- 14 • Enhanced customer communication during planned and emergency system events.
- 15 • Automating system operations and outage response to ensure a continued high level
- 16 of reliability.
- 17 • Continuing our trend of improvement for SAIFI and SAIDI reliability metrics.
- 18 • Building a strong internal team as a cost-effective resourcing model.
- 19 • Maintaining one of the lowest OM&A per customer in the province among large
- 20 utilities (greater than 50,000 customers).
- 21 • Enhancing cyber security tools and compliance to the OEB framework.
- 22 • Increased automation through deployment of automated distribution switches.
- 23 • Increased protection and control through radio, fibre optics and powerline carrier
- 24 (PLC) networks.
- 25

26 **Customer Engagement**

- 27 • Maintaining an "A" rating in our customer satisfaction surveys.
- 28 • Refreshing London Hydro's website in response to customer input and AODA
- 29 Compliance.
- 30 • Launching a new award-winning customer engagement platform with growing self-
- 31 service options.

- 1 • Leading the industry by being the first utility to accept credit cards with no service
- 2 fees to promote paperless billing.
- 3 • Maintaining a Builder's Portal tool to conveniently and efficiently manage residential
- 4 service connection requests from beginning to end.
- 5 • Further enhancing the Property Management Portal for tenancy management.
- 6 • Award winning online calculator that uses the customer's historical usage data to
- 7 accurately compare their bill amounts under RPP Tier and Time of Use (TOU)
- 8 scenarios.

9 10 **Innovation**

- 11 • Implemented leading edge wireless fault detection technology to reduce outage
- 12 restoration time.
- 13 • Using smart meter data with GIS technology for outage location prediction and
- 14 system voltage profiling.
- 15 • Leveraging fibre optic communications, vacuum interrupters and high-speed relays to
- 16 operate a highly reliable closed loop system to supply the secondary network.
- 17 • Implemented Tan/Delta cable testing to ensure cost effective cable replacement.
- 18 • Leading Ontario's Green Button adoption to empower customers to manage their
- 19 energy costs proactively including providing customers with the Trickl app.
- 20 • Very successful OEB RPP pilot with 1,600 customers using in-home technology to
- 21 reduce consumption during critical peak.
- 22 • One of 7 Canadian/UK finalists in NRCAN's Power Forward Challenge to increase
- 23 the Distribution Energy Resources for environmental benefits.
- 24 • Field crews are digitally connected allowing for a paperless system.
- 25 • Implemented power line carrier (PLC) communication technology to allow for more
- 26 efficient SCADA communication within the underground downtown core.
- 27 • Leading the way as an early adopter of emerging technologies to deliver "mobile
- 28 first," open standards-based cloud solutions to customers.

29 30 **Since our last rebasing, London Hydro has won these additional awards:**

- 31 • EDA Customer Service Award for the Builder's Portal (2017)

- 1 • Innovation in Digital Engagement Award from CS Week for the Builder's Portal
2 (2017)
- 3 • IHSA President's Award for no lost time injuries (2017, 2018)
- 4 • Ranked 3rd in Responsible Corporate Leaders among medium-sized businesses in
5 Canada according to Corporate Knights (2017)
- 6 • CS Week Award for Innovation in Digital Customer Engagement (2018)
- 7 • EDA Award for Innovation Excellence (2019)
- 8 • EDA Award for Performance Excellence (2019)
- 9 • Chartwell Self-Service Award (2019)
- 10 • CEA Centre of Excellence Youth Project Designation Award (2019)
- 11 • International Smart Grid Action Network Excellence in Smart Grids for Digitization
12 Enabling Consumer Empowerment Award (2019)
- 13 • EDA Customer Service Excellence Award for undertaking an extensive website
14 refresh to improve customer self-service options, including a Price Plan Calculator for
15 residential and small business customers (2020).
- 16 • CS Week Digital Customer Engagement Award for the Price Plan Calculator (2021)

17 **1.3.3 About London Hydro**

18 London Hydro is a Local Distribution Company (LDC) that services the City of London, Ontario,
19 Canada. With a peak load of 712 megawatts, London Hydro delivers a safe and reliable supply
20 of electricity to over 165,000 customers from the residential, institutional, commercial and
21 industrial sectors, through 3,070 kilometres of circuit length, spanning 423 square kilometres of
22 service territory. As a municipally-owned subsidiary company, London Hydro operates much like
23 a private entity under the Ontario Business Corporations Act (incorporated on April 26, 2000
24 under the laws of the Province of Ontario), paying an annual dividend to its sole shareholder,
25 the City of London. In essence, all Londoners own London Hydro.

26

27 **LONDON HYDRO'S BUSINESS PLAN**

28

29 **CORPORATE VISION AND STRATEGIC OBJECTIVES**

30

1.3.4 Safety

Safety Training

London Hydro believes that safety is enhanced by sharing best practices and training. London Hydro presented an educational seminar for local contractors working in proximity to electrical power lines. The objective of this half-day seminar was to facilitate safety awareness and education to help contractors identify and control electrical hazards before they cause injuries.

Certificate of Recognition (COR) Certification

In September of 2016, London Hydro began a journey toward achieving the Certificate of Recognition (COR) from the Infrastructure Health & Safety Association (IHSA).

The designation not only recognizes London Hydro as an organization that lives and breathes safety, it helps us keep our safety culture top of mind in the workplace and beyond. In

December of 2018, London Hydro received word that it had successfully passed the internal audit and would be moving to the final external audit in 2019.

In May 2019, a 3rd party consultant from the IHSA came and conducted a week-long audit of health and safety programs that involved crew visits, observations, 30 staff interviews, inspections and document review.

On December 13th 2019, London Hydro was officially awarded the COR designation from the IHSA.

Work Safe, Live Safe

London Hydro's new initiative is designed to promote our safety culture beyond the boundaries of the workplace so it becomes part of our everyday lives. By building on our investment in safety through education, presentations from London Fire and Police Services, training and increased engagement, London Hydro has created a culture in which safety becomes a habit. As part of that culture, employees take the skills and behaviours learned at work with them and incorporate them into their home and life. The culture of safety is then maintained and continues as a way of life as they bring it back to work.

1
2 This initiative has proven to be very applicable to the changing work environment that has been
3 experienced due to the pandemic.

4 **1.3.5 Operational Effectiveness**

5 **Downtown Core Revitalization**

6
7
8 A healthy and dynamic downtown core is vital to the economic and social well-being of the City
9 of London. Downtown businesses depend on a secure and reliable electrical network.
10 Residents who live downtown or go there to enjoy dining and entertainment experiences can
11 depend on a reliable power supply so they feel safe and secure. London Hydro knows the
12 important role that the electrical system plays and takes that responsibility very seriously.

13
14 The revitalization plan started with a comprehensive outreach program in the community.
15 London Hydro hosted town hall meetings, distributed Q&A flyers and made site visits to collect
16 detailed contact information, preferable outage requirements and technical details about each
17 location. To ensure business continuity with minimal disruption, comprehensive planning and
18 engineering was required. In a complex operation, temporary power cables were installed for
19 every business, allowing supply to be continued and the old underground system to be removed
20 while the modern automated system was installed.

21
22 The new downtown system is the culmination of years of planning and award-winning
23 engineering. It is a state-of-the-art smart grid design that incorporates automated switchgear
24 equipment and a network of transformers supplied from multiple feeders and high voltage
25 transformer stations. The new underground interconnected distribution system provides multiple
26 avenues of supply to the downtown core. Advanced electronic protection devices can
27 automatically isolate faults and allow rapid rerouting of power so the risk of prolonged outages is
28 alleviated.

29
30 The new 27.6kV system is connected to London Hydro's modern 24/7 Control Room, which
31 allows for continuous remote monitoring and control of this advanced infrastructure.

1 As a result, the system is much more reliable today and it has the capacity to accommodate
2 growth in the future.

3
4 A top priority of the downtown upgrade project was to also make the system safer for the
5 general public and for London Hydro workers. Over the course of the upgrade, London Hydro:

- 6 • Replaced 36 km of lead cable;
- 7 • Replaced all the oil in 70 underground transformers with environmentally-friendly,
8 flame-retardant fluid;
- 9 • Designed a 27.6kV underground network transformer that can be operated from the
10 surface ensuring improved reliability and a safer work environment;
- 11 • Rebuilt over 60 manholes in 2 years that include many new safety features; and
- 12 • Installed 9,000kVA of transformer capacity.

13 14 [Downtown Dundas Street Rebuild](#)

15 Originally conceived by the City of London in 2015, the goal was to create a flexible, thoroughly
16 revitalized, pedestrian-friendly area in the downtown core where Londoners and visitors could
17 gather to enjoy large-scale special events as well as multiple dining and entertainment options
18 in a safe, vibrant and welcoming environment.

19
20 Without close collaboration and teamwork, this achievement would not have been possible. This
21 massive and complex undertaking required close collaboration and teamwork with a diverse set
22 of stakeholders. Several departments within London Hydro came together and worked closely
23 with the City of London, Union Gas, Bell, Rogers, business owners, and residents.

24
25 Phase I was completed in 2018 and Phase II began early in 2019 and was completed in
26 November.

27
28 Phase II involved more complex work with more co-ordination in a shorter period of time than
29 Phase I, encompassing the area between Talbot and Richmond Streets. Phase II involved the
30 complete removal and replacement of infrastructure that was installed over 70 years ago. It was
31 done in conjunction with the City of London as they simultaneously worked to replace all large
32 water mains and water services.

1
2 Working closely with the City of London provided significant cost benefits to London Hydro, our
3 customers and the community. It was an opportunity to redesign the downtown network and
4 reap the benefits of using advanced technology years ahead of schedule.

5
6 The downtown supply was separated into sections supplied by SCADA controlled automated
7 switchgear, which improves both efficiency and reliability. These advanced systems enable
8 London Hydro to better manage and optimize load flows and fault levels. Enhanced smart grid
9 technologies make the entire system more responsive, reliable and flexible. Multiple safety
10 improvements including explosion limiting manhole lids and switchable transformers that can be
11 operated from above ground, make it much safer for employees and for the general public.

12 13 **1.3.6 Customer Engagement**

14 15 **Customer Care**

16
17 London Hydro has been delivering exceptional customer services over the past few years with
18 the following significant themes of focus and changes including:

- 19
- 20 • Customer transition to online self-service engagement and interaction. Through
21 mobile accessible account services, customers can make payments, perform Move-
22 ins and Move-outs of their service. This has reduced overall agent call and
23 interaction volumes.
 - 24 • Customers are preferring to interact through a variety of channels including more
25 email interaction. London Hydro is offering chat, text-SMS and CoBrowse interaction
26 services so customers can access support and service where they are and when
27 they want it. These channels coupled with additional outbound proactive notifications
28 for outages and high energy usage are satisfying customers' needs before they have
29 to call in.
 - 30 • Changing regulations have impacted Collections and Revenue Protection operations
31 with a winter disconnection moratorium. This has caused an increase in leveraging
32 Contact Centre overflow to meet seasonal demand for customer service while

1 reducing the need for baseline capacity year-round. These changes are also
2 highlighting the service delivery aspects to further demonstrate kindness and foster
3 human connection with customers.

- 4 • Increased adoption of paperless e-billing helps online digital engagement with
5 customers while helping to achieve sustainability goals of reduced paper as well as
6 financial goals of reduced mailing and postage costs.
- 7 • Offering additional payment options for customers such as no-fee credit card
8 payments. Building trust with customers to embrace pre-authorized payments and
9 budget billing. These options have required promotional programs and outreach to
10 make customers aware of alternative options.
- 11 • Embedding energy management support to help customers understand their energy
12 needs and options through conservation and demand management efforts as
13 separately funded programs are centralized provincially.
- 14 • Helping to promote environmental sustainability issues through energy efficiency and
15 waste identification through consumption data and onboarding of renewable energy
16 programs.
- 17 • Upgrades to internal workflows and systems to enable effective and productive
18 remote work for staff. These measures have been especially valuable during the
19 COVID-19 pandemic. Automated workflow management also allows for faster issues
20 resolution and turnaround.
- 21 • Promotion and customer support for additional programs such as OESP, LEAP,
22 CEAP and CEAP-SB. These programs require additional staff to be trained and
23 dedicated to support the customer, but overall, the programs are very well received
24 by customers and promote real value in terms of supporting our customers' needs.

25 26 **Delighting the Customer**

27
28 It has been said that customers will measure our performance. While anecdotal, the following
29 are real, selected, and anonymized quotes from customers that espouse the service we strive to
30 provide. As London Hydro is the face of the industry for the end customer, all industry
31 participants should share and revel in the feedback provided:



1 "My family would like to thank the staff at London Hydro for being so patient with my
2 overdue history. Every staff member that I have ever spoken with always treats me
3 with respect. I appreciate it. Thank you!"

4
5 "I had a question about our usage. Moments ago, I spoke with one of your
6 representatives in billing. She was incredibly helpful, patient, clear, and personable.
7 She answered all my questions and was able to resolve our issue. You have a stellar
8 representative."

9
10 "I called today to inquire about my billing account, and I just want to give a shout out
11 to the agent who answered my call and also gave me some advice on how to save
12 money on Hydro, she was so amazing and polite, it really made my day."

13
14 "I had to call Hydro yesterday to sort out some billing information for my insurance
15 company. The person who helped me was fabulous. Her help far exceeded my
16 expectations, and I wanted the opportunities to express my gratitude."

17 18 **Customer Applications**

19 London Hydro has a proven track record in the use and development of technology that
20 supports efficient business operation and delivers value-added services to our customers,
21 focusing on:

- 22
23 • **Multichannel Engagement:** Providing customer experiences and support across a
24 variety of channels.
- 25 • **Self-Service Opportunities:** Enhancing customer self-service and overall digital
26 experience by expanding opportunities for energy management and conservation
27 with our customers.
- 28 • **Digital Transformation:** Continue the journey to transform London Hydro into a
29 digital enterprise, including smart grid and DER segments.

30
31 Our application portfolio focuses on delivering self-service modules and apps that share
32 common data models and Green Button Platform Data Repository. This common layer(s)

1 approach makes additional product development and/or integration more cost and time effective
2 and brings additional efficiencies and functionality for all utility customer segments.

3

4

TABLE 1-1 – Application portfolio self-service modules and apps

Customer Application	Benefit
<p>Corporate Public Website https://www.londonhydro.com/</p> <p>In 2019 a project was initiated to update the corporate website. The goals of the new website renewal project were to advance the ability to use the new solution as a communications hub and create a new platform to help educate customers. The ideal solution would improve access to information, resources and services by:</p> <ul style="list-style-type: none"> • creating enhanced user experiences; • developing a fully responsive, engaging digital channel; • creating an online tool that helps increase awareness for the brand and products; • helping to increase communications across various stakeholder groups; and • creating a customer experience that is easy to use and is more visually appealing. 	<p>London Hydro's new website went live in September 2020 and, as a result, customer engagement has increased substantially across many areas:</p> <ul style="list-style-type: none"> • Visitor traffic to the website increased by 52% over the previous year; • MyLondonHydro registrations increased by 45% over the previous year; • New customer self-service website-based move-ins increased by 38%; • Outage notification subscriptions increased by 30%; and • Aeroplan registrations related to e-billing subscriptions increased by 8%.
<p>MyLondonHydro</p> <p>Is a responsive design web-based application, service and customer engagement tool specifically designed to deliver a high level of automation and self-service for utility end customers.</p> <p>London Hydro introduced the new Weekly High Usage Alert option on its MyLondonHydro self-service platform. If activated by the customer, Weekly High Usage Alerts are sent, via e-mail or text, to notify the customer if their weekly electricity usage goes above a limit pre-set by the customer.</p> <p>In 2018 an enhancement program was initiated with a view to making the MyLondonHydro portal easier to use. Based on industry recognition that the regulated utility bill is complicated, a project to</p>	<p>Key enhancements:</p> <ul style="list-style-type: none"> • Proactive and personalized notifications. • High consumption alerts that are based on actual customer data. • Dynamic messaging throughout the app such as banners and payment reminders. • Proactive outage and restoration messaging leveraging different digital channels (apps and social media). • Rate comparison and one-click switch (no papers or forms). • No fee credit card payments. • Simple bill presentment and breakdowns. • Move in and Move out automation. • Payment arrangements and more. <p>For example, high bill warnings give customers the opportunity to adjust their usage and balance out their consumption prior to receiving a high bill. It is</p>

<p>create a “Simple Bill” was initiated. The simple bill project introduces a banner, simple bill dashboard and a tile-based framework to deliver a personalized online experience that is the preferred way customers interact with London Hydro. The goal of this project was to increase customer satisfaction, reduce paper bills, provide increased notifications and self-service availability (24/7/365), provide month-to-date views, and enable high-quality staff-customer conversations with required AODA compliance.</p>	<p>an extremely useful tool that helps customers understand their usage more clearly and, over time, can help them reduce consumption and lower their bills.</p>
<p>Trickl Mobile Application</p> <p>The Trickl mobile app provides additional support and a customer engagement channel for MyLondonHydro functions as well as it delivers support for ‘behind the meter’ engagement, offering integration with home hubs, smart plugs, appliances, load controllers, thermostats, DERs and more.</p> <p>London Hydro’s energy management app provides users with the energy usage for their household to allow them to make informed decisions in real time about their energy cost and consumption. London Hydro customers can now act on real-time energy tips and tools to reduce or shift their home’s energy usage.</p>	<p>Key Features:</p> <ul style="list-style-type: none"> • Subscribe for notifications such as outage and bill due reminders. • View their energy consumption in real time and make informed conservation decisions. • Participate in Demand Response events. • Control smart home devices. • Switch to paperless billing with one-click. • Collect loyalty program rewards. • Review rate plans and initiate switch.
<p>Property Management Portal</p> <p>Designed and built to assist a large customer segment of property owners, the property management portal is a user-friendly web-based solution that combines utility data reports and analytics with day-to-day property management needs. With the property management tool users can view all of their properties, occupancy status, connections, continuous service agreement and pending moves. The Property Management Portal tool allows users to list all pending moves and disconnects with just one click.</p>	<p>With the Property Management Portal, customers can have one consolidated view of all of their properties including features such as:</p> <ul style="list-style-type: none"> • Pending moves report • Disconnect management • Delegations • Maps and outage notifications • Consumption reports • Cost Reports • Customizable dashboard • The EWRB Reporting
<p>Interval Data Centre (IDC) – Commercial & Industrial (C&I) Portal</p>	<p>Key enhancements since 2017:</p> <ul style="list-style-type: none"> • Tool tips

<p>London Hydro’s solution for commercial and industrial customers was developed to enable these customers to better track their energy consumption and costs. The IDC provides customers the ability to add annotations when making operational changes, such as changing light bulbs or turning on/off the HVAC system in order to see the effect that these changes have on their consumption patterns. Since 2017, London Hydro has continued to enhance its commercial customers portal in order to enable industrial customers to better analyze energy usage and generate savings by avoiding extra charges.</p>	<ul style="list-style-type: none"> • Data quality • Utility data portal • Last hour data • Ontario demand threshold notification • Monthly peak and monthly totals • User statistics • Email and SMS notifications • Canadian energy strategies • Global adjustment reports • Weather enhancements • Customer analytic reports <p>Now, customers can generate their own current and historical reports so that they can understand and evaluate how they are performing relative to Global Adjustment. They are now more informed and can take steps to mitigate Global Adjustment charges.</p>
<p>CIS / Billing System</p> <p>London Hydro leverages a suite of SAP tools to enable customer service and revenue management business functions, which was implemented in 2009. Over the years, London Hydro has taken initiatives to improve its customer service and revenue management capabilities in order to achieve an overall customer satisfaction rating of ‘A’, along with enhancing customer engagement through the development of MyLondonHydro portal for self-service and multiple customer engagement applications (Trickl, Builder’s Portal, Property Management Portal). For its metering and billing services, London Hydro produces a single invoice for customers with electric and water services on a single, easily accessible bill.</p>	<p>Throughout the years London Hydro refreshed its billing systems to improve accuracy, while responding to Ontario’s changing regulatory requirements:</p> <ul style="list-style-type: none"> • In 2017, London Hydro responded to the Ontario Fair Hydro Plan requirement of calculating and displaying total savings from rebates and discounts, by making government rebates and savings accessible and visible on the customer’s bill. • Between 2018 and 2019 London Hydro implemented multiple rate change features for electricity billing to ensure compliance with regulatory changes and high system reliability. The subsequent year, London Hydro also implemented collection rules to comply with OEB regulations.
<p>Builder’s Portal</p> <p>The Builder’s Portal empowers builders in the London area to conveniently and efficiently manage their residential service connection requests from beginning to end, through an online web-based portal. This service is available for all London Hydro customers who are building new or</p>	<p>Through focus group sessions with local builders, London Hydro developed a system that met the needs of everyone involved and substantially reduced the service delivery time by 74% (from an average of 23 days down to 6) while accommodating a 50% increase in service connections.</p>

<p>renovating existing properties and require the coordination of services.</p>	
<p>New Generation Contact Center Solution</p> <p>In 2020, London Hydro successfully launched the new Genesys PureCloud contact centre solution.</p> <p>All customers calling our Customer Service number are now routed through a new IVR with enhanced self-serve options or enable the customer to be authenticated before routing to one of the agents to help accelerate the interaction.</p> <p>The new system is integrated with the SAP CRM system. Not only are call controls (answer, hold, forward, disconnect) now available to the agent within the CRM screen, the system automatically presents customer-specific information to the agent as soon as they accept the call. Information about how the customer chose to speak to an agent is also available giving the agent important insight into the customer’s experience and enabling excellent customer service. Portions of the interaction log are auto-populated allowing the agent to stay focussed on the customer. The system also handles and queues all emails sent to billingsupport@londonhydro.com.</p>	<p>This new technology allows London Hydro to offer its customers a call-back feature so that they do not have to wait on hold and will be called as soon as staff are available. Also, advanced call routing software reduces overflow calls. Since the launch, the new system has processed over 6,200 calls, routed 1,800 emails, enabled 9,500 call backs while some customers have elected to use the IVR for self-service.</p> <p>As customers use more online web-based portals and paperless e-billing, the challenge moving forward is to support this “omnichannel” experience across all customer interactions. This initial phase of the system implementation improved the level of customer visibility to our Customer Service Representatives and moved our customer service interaction closer to the full, omnichannel experience expected today.</p>

1 **1.3.7 Innovation**

2 Innovation is a cornerstone of London Hydro’s vision and values, and it is instrumental in
3 continuous improvement efforts. However, innovation is not sought for its own sake; London
4 Hydro pursues new initiatives if they serve at least one of the following four purposes:

- 5 • To improve the safety of customers and/or employees,
- 6 • To reduce customer costs or enable customers to reduce costs,
- 7 • To increase service offerings to our customers while maintaining costs, or
- 8 • To increase the responsiveness and reliability of the system for our customers.

9



1 Environmental Leadership

2
3 Fundamental to London Hydro and all of its activities is a commitment to design, construct,
4 operate and maintain equipment to ensure environmental sustainability.

5
6 Over the last 10 years London Hydro has invested in 11 renewable photovoltaic solar
7 generation systems with a total installed capacity of 460 kW. These systems have resulted in a
8 reduction of 239 tonnes of CO² to date. These installations produce enough electricity to offset
9 approximately 27% of London Hydro's own business annual consumption. In addition to the
10 above, London Hydro has enabled the connection of 409 customer-owned renewable
11 generation projects with a combined output capacity of 22.7 MW.

12
13 In an effort to lower its carbon footprint, London Hydro has a total of 17 hybrid vehicles and 10
14 Plug-in Hybrid electric vehicles (PHEVs) in its fleet. This provides London Hydro with hands on
15 experience with electric vehicles (EVs) while reducing fuel consumption. London Hydro also has
16 electric vehicle chargers on site for fleet charging.

17
18 London Hydro also provides strategic input on the electrification of transportation in London.
19 This includes discussions on available capacity and reliability of supply for residential use, fleet
20 use and public transit. London Hydro has participated in and produced several EV adoption
21 reports and studies. These reports assess the impact of EVs on the power grid.

22
23 London Hydro is fully committed to reducing its solid waste. London Hydro diverts approximately
24 97% of its non-hazardous solid waste from landfills through recycling. As an example,
25 approximately 440 to 720 tonnes of metal is recycled annually. Over the last 10 years, 22
26 kilometers of paper insulated lead covered cable has been removed from service and replaced
27 with cable manufactured with non-hazardous materials.

28
29 London Hydro has saved approximately 1,300 trees over the last 5 years by converting 68,000
30 customers to paperless billing. This program both reduces London Hydro's carbon footprint and
31 operating costs. Oil containment systems are a critical component of London Hydro's
32 environmental protection strategy. Installed at environmentally sensitive locations, they help
33 prevent transformer oil from negatively impacting the environment should a breach occur.

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In 2020, London Hydro introduced an innovative secondary oil containment solution known as “Smart Barrier”. Essentially, it forms a membrane to prevent anything other than water from seeping into the ground. When transformer oil comes in contact with the Smart Barrier, it immediately congeals to form a leak-proof membrane that seals in the oil and prevents it from escaping.

London Hydro completed two large transformer installation projects in 2020 at the City Centre, a dense urban area near storm sewers, and SUB-39 near an ecologically sensitive area. In both cases, the new Smart Barrier adds an extra layer of protection to keep the surrounding environment safe.

Smarter Grid

Historically, determining the status of relays in the downtown network meant relying on employees physically going into underground vaults to check on them and communicate with the surface by radio, which is neither a safe nor efficient solution.

For this reason, London Hydro Engineering and Operations began exploring innovative technology, which uses existing primary and secondary cables in combination with Power Line Carrier (PLC) communication technology as a way to significantly improve upon the limited communication with the current radio-based system.

By using existing cables to transmit and receive Supervisory Control and Data Acquisition (SCADA) / Outage Management System (OMS) information using PLC technology, London Hydro avoids the need to install additional communication infrastructure, saving time and money. A section of the northern edge of the downtown network was selected to be Phase I, and was installed in early 2020.

This new transformational communication technology will automate and update the oldest part of the downtown network and enable London Hydro to better serve downtown customers. Once operational, London Hydro will be able to receive real-time insight, data and situational awareness, will minimize supply disruptions and result in faster response.



1
2 The new system also enhances employee safety by eliminating the need to go into underground
3 vaults in many situations.

4
5 London Hydro has adopted the use of reclosers on feeders as part of the design standard.
6 Segmenting feeders into sections of approximately 1,000 customers allows for the Control
7 Room operators to remotely reconfigure the grid to reduce the duration and impact of outages,
8 and provide field crews with a specific location to initiate their restoration work. Adding in
9 information from smart meters and the GIS, an outage map is available for customers to confirm
10 the area affected and expected restoration time. The phone system is also linked to this
11 information so that customers phoning in to our office can receive confirmation that their outage
12 has been noted, freeing up the operators to address the restoration procedure.

13
14 New line status sensors are being installed to increase visibility into the grid, providing the
15 Control Room with information regarding fault location, load current, and system voltage. The
16 previous generation of fault indicators required a field visit to determine if they had sensed a
17 downstream fault. These new sensors communicate back to the Control Room and provide
18 additional information regarding the status of the system (current, voltage) before and after the
19 event, allowing the Operators to make better decisions regarding the possible outage cause and
20 location.

21
22 Power quality meters are being installed at key locations in the grid to provide additional data
23 points for reviewing events such as outages or voltage variations. These meters allow London
24 Hydro's Engineering team to review protection settings and voltage profiles to provide a better
25 service to our customers.

26
27 Enabling this smarter grid has required upgrades to London Hydro's communication system,
28 including new radios for field devices, taller radio towers, additional cyber security
29 enhancements, and a fibre optic backhaul network. The communication system is not reliant on
30 third-party providers, so it is less vulnerable to cyber attacks and system outages.

31

1 **Community Net Metering**

2
3 For the last several years London Hydro has been partnering with two local companies, Sifton
4 Properties Inc. (a London-based diversified land development and property management
5 company) and s2e Technologies Inc. (a firm that specializes in the creation and delivery of
6 large-scale environmentally sustainable solutions and SMART communities) on a local net-zero
7 community, “West5”. Sifton Properties Ltd. of London, Ont. has embarked on an ambitious 10-
8 year project to build what is believed to be the province’s first sustainable, net-zero community.

9
10 Three years in the making, the 70-acre West 5 development will encompass 2,000 apartments,
11 condominiums and townhouses along with 400,000 square feet of commercial space and a 1.6-
12 acre park. Located in west London, the community is being designed and built using SMART
13 and net-zero technologies. The development will ultimately generate all of the electricity that it
14 uses.

15
16 The inaugural building is the Sifton Centre, home of Sifton Properties’ corporate office. The
17 building houses both office and retail space. It incorporates a number of technologies including
18 a solar rooftop and facade; automated lighting, heating and cooling based on occupancy
19 sensors, level of sunlight and solar gain; dynamic glass windows that automatically tint and
20 adjust to sunlight; low-flow plumbing fixtures; and a green roof.

21
22 The community will also house 87 townhouse units, a 10-storey apartment, a 41,000-square-
23 foot office building, a senior’s apartment building, and a 4,000-square-foot pet services building.
24 Down the road, a solar parkade will be constructed to service the Sifton Centre, the adjacent
25 office building and the pet services facility.

26
27 For London Hydro this partnership has two parts: the development of a microgrid and the
28 establishment of a community net metering billing system.

29
30 The first part incorporates an innovative pilot project microgrid funded in part by NRCAN. This
31 project will enable the development of the West 5 Net-Zero Energy (NZE) community and
32 microgrid in London, Ontario, creating a showcase for sustainable communities which incur
33 minimal negative impacts on the environment, and provide an example of Canadian leadership

1 in the field of integrated smart energy system technologies. This project will involve the following
2 innovations:

- 3
- 4 • microgeneration;
 - 5 • renewable sources of energy;
 - 6 • tighter building envelopes;
 - 7 • smarter heating and cooling systems;
 - 8 • direct current (DC) generation, distribution, and energy storage;
 - 9 • system monitoring;
 - 10 • vehicle-to-grid storage; and,
 - 11 • improved Electric Vehicle (EV) charging infrastructure.
- 12

13 The overarching objective of the project is to successfully construct Canada's first large-scale,
14 fully integrated, net-zero energy community, to demonstrate net-zero energy's feasibility, deploy
15 it at the community level, and to inspire and inform widespread change across Canada's
16 construction industry towards net-zero energy.

17

18 It is expected that this smart grid community project will lead to reduced energy use and lower
19 emissions, as well as promote net-zero energy development in Canada by increasing
20 partnerships and aid the industry in adapting towards net-zero energy as a standard for all new
21 construction. Furthermore, this project will allow a municipal utility to build their capacity for
22 innovative projects and experiment with new business and technical models that can be scaled
23 up in London, while setting an example for other Canadian communities.

24

25 The second part is to establish a complex community net metering billing system to support the
26 recent Ministry of Energy regulation allowing community net metering on a demonstration
27 project basis. Originally introduced in 2005 under O. Reg 541/05 Net Metering, the Ministry of
28 Energy allowed for stand alone net metering opportunities wherein electricity consumers can
29 offset electricity consumption by providing their own renewable self generation. Renewable
30 generation is sporadic in nature, wherein generation does not coincide with consumption. The
31 net metering regulation allows for the consumer to over generate onto the electricity grid and
32 then offset consumption over a twelve-month period. The objective is to match generation to

1 personal consumption. Any generation not consumed beyond the twelve-month period is
2 considered to be spilled and not claimable.

3
4 O. Reg 541/05 Net Metering did not, however, allow net metering to be applied on a community
5 level. London Hydro and Sifton Properties Inc. have been working with the Ministry of Energy,
6 and to a lesser extent with the OEB, to enact a regulation that will allow West5 to transact net
7 metering on a community basis.

8 9 **Metering Services**

10
11 In transitioning to Smart Meter operations, London Hydro chose an innovative “in-sourcing”
12 strategy. One aspect of this strategy was the decision that London Hydro would own and operate
13 its own Regional Network Interface (RNI) and Smart Meter head-end system. This approach
14 contrasts sharply with the strategy of most LDCs that purchase the full-service from a vendor.
15 London Hydro has avoided an estimated \$610,000 per year as a result of this “in-sourcing”
16 strategy.

17
18 Also, through the experience and knowledge gained by the in-house operation, London Hydro is
19 able to provide customers with additional benefits. For example, by allowing the customers to
20 convert their phone lines to Transmission Control Protocol (TCP)/ Internet Protocol (IP)
21 connections over the internet, London Hydro has facilitated customer savings of approximately
22 \$50 per month as a result of a dedicated meter telephone line connection. Overall savings
23 available to the commercial customer community are estimated to be \$415,000 annually, if one
24 assumes no incremental cost for internet service (very few companies do not have an internet
25 presence) and if all meters were to be converted to the internet connection.

26
27 Another facet of this innovation is the development of London Hydro’s meter shop capability to
28 test, certify and reseal electrical meters to Measurement Canada standards for Smart Meters.
29 With regulatory certification, London Hydro not only performs this service for its own meters but
30 also offers this service for other LDCs. Currently, London Hydro saves approximately \$30,000
31 annually by avoiding external service provider’s fees. In addition, by offering this service to
32 external clients, London Hydro raises another \$40,000 per year in cost recoveries.

1 Technology Leadership

2
3 Examples of innovative programs created by London Hydro during the past four years are
4 outlined briefly below and in more detail throughout the application.

5
6 **TABLE 1-2: Innovative Programs**

Security 1st	Mobile 1st	Cloud 1st	Open 1st
7/24 monitoring tools	Customer Self-Service	Customer Contact Center	Green Button Standard Data
3rd party Vulnerability Assessment	Field work automation	Data Backup & Disaster Recovery	End-to-End Interoperability
Security & Privacy by Design	Paperless Processes	Business Analytics	Global Identity Management

7 8 9 Cyber Security (Security 1st)

10
11 London Hydro's "secure 1st" strategy is based upon:

- 12
13 • **Corporate Network Security:** Prevent unauthorized network access by maintaining and
14 enhancing physical and software access controls used within the corporate network
15 (Virtual Private Network, Single Sign-On, multi-factor authentication, password policy,
16 SDWAN).
- 17
18 • **Cloud Security:** Secure cloud resources by clearly understanding responsibilities of cloud
19 vendors and implementing needed controls to secure London Hydro data and systems
20 implemented in the cloud. Perform vulnerability assessments, identify and mitigate risks.
- 21
22 • **Security and Privacy by Design:** Following mature industry processes for code
23 management and testing. Maintain a Vulnerability Management Program which
24 includes third-party security and vulnerability assessment for each new system or major
25 functionality release. Incorporate Privacy by Design principles into the design and
26 operation of IT apps and systems.

- 1 • **Harden Applications:** Implementing strong passwords to reduce the “attack surface “,
2 ensuring that the full stack is updated to supported software and hardware versions,
3 encrypt data at rest and in transit as well as perform frequent vulnerability assessments.
4
- 5 • **Monitoring:** Perform security incident, event monitoring and event correlation to
6 pinpoint security incidents. Develop an operational incident management process
7 and test the execution.
8
- 9 • **OEB Cyber Security Framework Compliance:** In 2018, the Ontario Energy Board
10 (OEB) introduced a new cyber security framework for the industry in the province of
11 Ontario. This framework was largely based on the U.S. National Institute of
12 Standards and Technology (NIST) Cyber Security Framework and a separate data
13 privacy protection standard known as Privacy by Design.
14

15 **Digital Workforce (Mobile 1st)**

16

17 London Hydro has moved to a paperless system including service orders, updates, field audits,
18 permits, and reports are now accessible in real-time across a streamlined, seamless,
19 transparent and mobile platform for all field departments including Overhead Line, Forestry,
20 Electrical Underground Services (EUS), Construction, Substation Maintenance, Electric Meter,
21 Dispatch and Collections.
22

23 Previously, London Hydro was heavily reliant on a paper trail of service orders to assign,
24 perform and record daily activities. Backlogs of data entry, service and work orders existed in
25 multiple locations across several departments. Monitoring and reporting was a time-consuming
26 and resource-draining task. London Hydro knew there was a need to modernize and centralize
27 these processes to improve efficiency and effectiveness and better serve London Hydro
28 customers.
29

30 With the success of the initial pilot program, other field departments were systematically brought
31 online over the next four years. Highlights include the transition of EUS, which enabled crews to

1 receive and complete service orders digitally for connections and disconnections, reconnect,
2 cable faults and underground inspections.

3
4 In 2017, Control Room Operators could assign work directly to off-hours/on-call Line and EUS
5 crews and receive progress updates from the field in real-time. And in 2018, London Hydro's
6 award-winning Builder's Portal meant that Construction crews could receive service orders
7 digitally, perform trenching and meter installation work in real-time, and update instantly to
8 facilitate faster inspections and shorter turnaround times.

9
10 In June 2019, Substation Maintenance crews were brought online which enabled them to
11 inspect local substations utilizing iMobileLink and, by the end of 2019, all Electrical Safety
12 Authority inspections and documentation became available on field devices to help field crews
13 coordinate services with customers and third-party contractors.

14 15 **Moving to the Cloud (Cloud 1st)**

16
17 London Hydro has implemented and migrated many IT solutions to 'Cloud'-based computing
18 opportunities for new systems and when traditional in-house systems need refreshing. In
19 2021, 60% of London Hydro systems are running in the cloud with scalability, higher
20 reliability/availability and enhanced security. Some of the key drivers include:

- 21
22 • Scalability allows London Hydro to upscale and downscale based on customer and
23 internal demand. Services are purchased on an incremental basis to match demand.
24 This approach is not possible with "owned" capital assets that must be purchased for
25 peak demand and typically results in underutilization of these assets. Conversely,
26 cloud-based resources (e.g. computing power and storage) can be reduced or even
27 'turned off' when not in use in order to reduce cost.
- 28 • Reduced in-house support efforts for maintaining currency and patches for both
29 hardware and software as these become the service provider's responsibility.
- 30 • Cyber security for cloud infrastructure provided by the service providers reduces the
31 risk to London Hydro as their efforts (again, through economies of scale) have more
32 extensive capabilities.

- 24/7 support and almost instantaneous resumption of services are delivered as part of their extensive inventory and economy of scale in service delivery.
- Most importantly, customers have responsive access to London Hydro systems anywhere, anytime and on any device.
- Cloud billing allows London Hydro to process twice as many documents in a reduced time and allows redesign of billing based on customer feedback.
- Flexibility and mobility as employees can access files using web-enabled devices such as smartphones, laptops and notebooks.

Green Button (Open 1st)

Green Button is a well-recognized utility industry data management standard that empowers customers, households and businesses with access to their utility data and allows them to authorize the automatic, secure transfer of their data from their utility to apps of their choice. Green Button allows utility customers to gain better control over energy usage, reduce consumption, and reduce their costs.

In summary, Green Button:

- Enables customer choice of energy management software solutions, services and apps.
- Enables customers with an easy and secure access to energy usage information in a consumer/computer friendly format.
- Supports all utility data segments: Electricity, Natural Gas, and Water Usage.
- Ensures customer data privacy and secure transmission of data by design.
- Enables utility customers better control over energy usage, reduction of consumption, and lowering their costs (self-service functions).

Green Button provides customers (residential and commercial) with the ability to use various applications to access their electricity data using the Green Button Standard (regardless of the utility that maintains the data) so that the customers can use the data in a meaningful way. Access to this information allows customers to make better decisions about their energy management in a proactive way.

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Other Innovations:

RPP Price Calculator

In April 2020, the OEB mandated that, by November 1st 2020, LDCs, like London Hydro, provide residential and small business customers with the choice between remaining with the long-established Time-of-Use (TOU) pricing or switching to a Tiered Pricing option.

The team at London Hydro realized that, in order to make an informed decision on which pricing option to choose, customers would need to be able to quickly and easily compare them using real data. London Hydro created a Price Plan Calculator.

The Price Plan Calculator enables each customer to decide which plan best suits their household or small business based on their own historical data.

With one click of a button, the calculator provides an accurate overview of past, present and future bills for both plans so the customer can clearly see which one delivers the best value. It is simple, fast and accurate and, once the customer makes his or her choice, the price change appears automatically on the next bill.

In addition to residing on all MyLondonHydro accounts, it was also added to new move-in accounts and a dedicated website information page was created with links to either MyLondonHydro accounts or the option of a manual process through an election form.

Launched in October 2020, the Price Plan Calculator has been a success in every sense. It is currently the 4th most viewed page in MyLondonHydro and 77% of customers who requested to switch plans did so using the Price Plan Calculator.

A TOU vs Tier customer survey conducted after the launch showed that:

- 92% of customers found the calculator easy to use,
- 92% of customers will use the calculator again, and
- 93% of customers will recommend the calculator to friends and family.



1 The Price Plan Calculator is just one more example of how the employees at London Hydro are
2 working hard every day to ensure that customers continue receiving the high level of service
3 they deserve.

4 5 **Aeroplan**

6 London Hydro's award-winning Aeroplan program provides an incentive for customers to sign
7 up for paperless billing. In addition to rewarding customers and enhancing London Hydro's level
8 of engagement, it also enables London Hydro to achieve environmental sustainability goals and
9 reduce operating costs.

10 11 **Automation**

12 London Hydro continues to look for innovative ways to increase efficiency through the
13 automation of many of the back-office support roles, such as error checking. As systems
14 become automated, more employees are available to spend time on other projects and
15 challenges.

16
17 The customer of today has evolved expectations of service and convenience beyond that of the
18 conventional telephone service experience. Customers want the ability to contact London
19 Hydro at their convenience using their choice of communication channel such as the online
20 portal, mobile apps, IVR, emails or live agents (business hours). These evolved expectations
21 have driven London Hydro to offer increased self-service options to customers, including:

- 22
- 23 • MyLondonHydro with self-service rich features including energy usage details, rate
24 calculator, and water usage data,
- 25 • Automated move in / outs via the MyLondonHydro portal,
- 26 • Paperless billing,
- 27 • Increased options for self-serve payments (credit card),
- 28 • Dedicated web portal for Property Managers (owners of multiple rental properties),
- 29 • Dedicated web portal for Builders to streamline the permit process with the City of
30 London,
- 31 • Self-Service, ebills and paperless modes of doing business are essential options to
32 today's customer.



1 London Hydro Customer Service Representatives confidently make decisions and deliver
2 solutions to their customers in a timely fashion based on analytics and data driven insight that is
3 enabled through a 360-degree view of their customers' information (profile, premise history,
4 payment information, usage date, etc.)

5
6 The field worker requires digital tools to safely work remotely and efficiently with all the necessary
7 information for their assigned task. London Hydro's electronic work orders provide details to the
8 field worker including the authority to proceed, latest equipment details and service plan
9 information for safe work practices and protocols.

10
11 The digitally enabled infrastructure includes all the assets from operation control systems
12 (SCADA), smart metering (AMI), enterprise systems and customer facing systems to be operated
13 and performed together to deliver high-quality internal and external services. The need for "real"
14 time data and high availability/reliability is driving the adoption of the cloud for customer facing
15 applications and management of "Big Data" for machine learning, automated workflows and
16 decision support. Digitally enabled infrastructure will result in:

- 17
18
- 19 • Efficiency and line loss reduction,
 - 20 • Vegetation Management,
 - 21 • Predictive Maintenance, and
 - 22 • Outage Prevention.

23 Notifications giving advanced knowledge of outages, system status and account impacts
24 such as 'high consumption' alerts are valued by customers and London Hydro will
25 continue to expand upon these and other features as appropriate and when customer
26 input warrants it.

27
28 **Green Button Service under s. 71(4) of the OEB Act s**

29
30 In 2018 London Hydro sought and obtained approval under s. 71(4) of the OEB Act to
31 carry on business activities other than the distribution of electricity. The business
32 activities related to an expanded scope of London Hydro's Green Button related services,



1 both in terms of the nature of the services and the customers to whom London Hydro was
2 permitted to provide those services. The decision of the OEB granting London Hydro
3 approval to provide expanded Green Button related services, dated September 6, 2018
4 (the “Decision”) is attachment A to this Exhibit.

5
6 As set out in the Decision the approval under s. 71(4) of the OEB Act is time limited;
7 without an extension the approval expires on May 1, 2022. As set out in the Decision
8 London Hydro proposed to operate expanded Green Button services during an
9 “incubation period” from the date of approval until its next contemplated Cost of Service
10 Application scheduled for new rates effective May 1, 2022. At the time London Hydro
11 hoped to be in a position to propose a more permanent framework for Green Button
12 Services, either outside the regulated utility (which would obviate the need for continued
13 relief under s. 71(4) of the OEB Act) or within the utility, which would require further relief
14 under s. 71(4) of the OEB Act. The OEB noted both London Hydro’s intention to possibly
15 move Green Button Services outside of the regulated entity and a possible request for
16 further relief under s. 71(4) of the OEB Act in the Decision:

17
18 In a response to a question from OEB staff, London Hydro indicates that at the end of the
19 incubation period, it might determine that there is a business case for providing GB
20 services (other than to its own distribution customers) through an affiliate.

21
22 In light of London Hydro’s commitment to re-evaluate its GB strategy at the end of the
23 current IRM term, the OEB is of the view that the section 71(4) relief it requests now
24 should expire at that time. London Hydro may include in its cost of service application, if
25 it so wishes, a request for a section 71(4) authorization beyond the incubation period.¹

26
27 As set out in London Hydro’s application for relief under s. 71(4) of the OEB Act and as
28 noted in the Decision, one of the primary drivers for London Hydro’s request for relief and

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¹ EB-2018-0118, Decision dated September 6, 2018, page 4.

1 the suggested re-evaluation of the framework for its provision of Green Button Services
2 at the time of its next cost of service application was the then recent announced intent by
3 the Government of Ontario to, by July 2018, proclaim into force a Green Button platform
4 related regulation requiring all Ontario distribution utilities (both natural gas and electricity)
5 to have Green Button compliant platforms in production by July 2020.² At the time
6 London Hydro anticipated that the new regulatory requirements relating to Green Button
7 services would have factored into the growth of London Hydro's Green Button Services
8 customer base over the 2018 to 2022 period sufficiently to warrant revisiting the
9 framework for the continued provision of those services by either London Hydro itself or
10 through an affiliate.

11
12 However, Green Button related regulation did not progress as anticipated. By way of
13 update, the most recent activity on the "Regulatory proposal for province-wide
14 implementation of Green Button" was a comment period that ran from October 8, 2020 to
15 November 22, 2020³, followed by a letter from the OEB to interested stakeholders stating
16 that it was commencing a consultative process in response to the Ministry of Energy's
17 stated intent through meetings in June 2021 to implement Green Button using a phased-
18 in approach over a 2-year period from Fall 2021 to Fall 2023. London Hydro was invited
19 to participate in the consultative. The letter from the OEB announcing the Green Button
20 consultative dated July 5, 2021 is attachment "B" to this exhibit.

21
22 In view of the delay in province wide implementation of Green Button to 2023 and the
23 effect of that delay in the uptake of London Hydro's Green Button related services, London
24 Hydro is seeking an extension of its approval under s. 71(4) of the OEB Act with respect
25 to its Green Button services to May 1, 2027, the expected date of its next cost of service
26 application. At that time London Hydro anticipates that the uptake on its Green Button
27 services, in connection with the implementation of Green Button related regulation by the

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² EB-2018-0118, Application, Exhibit 1, Tab 1, Schedule 5, page 5, EB-2018-0118, Decision dated September 6, 2018, page 1, footnote 3.

³ <https://ero.ontario.ca/notice/019-2564>



1 Government of Ontario, will warrant re-evaluation. During the course of the extended
2 approval under s. 71(4) of the OEB Act London Hydro would propose to continue “ring
3 fencing” the costs and revenues from Green Button services in order to continue to shield
4 ratepayers from any risks associated with providing those services to customers other
5 than London Hydro’s distribution customers. London Hydro would also propose to
6 continue reporting annually on its return on equity on both a ring-fenced and non-ring-
7 fenced basis as required under the current s. 71(4) approval.

8

1

2

2.0 DISTRIBUTION SYSTEM PLAN

3

This Distribution System Plan (DSP) covers the Historical Period and Bridge Year: 2017 – 2021 and the Test Year and Forecast Period: 2022 – 2026. London Hydro expects that the projects and programs that have been selected for the Bridge Year and Test Year (and are expected to continue through to 2026) will provide the most value to our customers and respond to their stated preferences.

8

9 This DSP follows the outline provided in the OEB Chapter 5 Consolidated Distribution System
10 Plan Filing Requirements (latest edition).

11

12

2.1 SYSTEM ACCESS

13

2.1.1 System Access

14 The historical period was impacted by a higher than expected volume of customer driven work –
15 new and upgraded services for customers and asset relocation to facilitate municipal projects.

16 The 2016 DSP forecast of customer driven work was prepared in consultation with local
17 planners (City of London), developers, large customers, Hydro One and the IESO. Historical
18 spending (2012 to 2016) was used as a starting point, with an average actual annual spend of
19 \$7.5M per year for System Access work. Based on these consultations and historical trends, a
20 forecast average annual budget of \$8M was calculated for System Access. The actual historical
21 spending on System Access will be close to an average of \$12.5M per year, resulting in an
22 additional \$22.5M in spending over the five-year period. This variance represents over half
23 (53%) of the total historical variance.

24

25 Preparing the estimate for the volume of System Access work for the upcoming forecast period
26 was a challenge. It is uncertain if the trend from 2017 to 2021 will continue, especially
27 considering potential economic pandemic impacts, and the potential for government funding for
28 municipal infrastructure projects, transit, and broadband initiatives. Consultations with local
29 planners suggests the volume of work related to asset relocations for municipal projects could

1 peak in 2023 and return to typical volumes by the end of the forecast period. Customer driven
2 work is expected to remain higher than historical values as the City of London continues to be a
3 desirable community for residential, commercial and industrial customers. Using the most recent
4 information, a forecast of \$14M was determined as the average annual amount for System
5 Access.

6 **2.1.2 System Renewal**

7 Historical spending on System Renewal was 12% (\$9.9M) higher than forecasted in the 2016
8 DSP. Much of this variance was due to a City-initiated rebuild of “Dundas Place”. The Dundas
9 Place project transpired in 2018 and 2019, and provided London Hydro with an opportunity to
10 replace sub-surface aging infrastructure in the downtown area—rebuilding it to meet current
11 standards and accommodate future growth. London Hydro’s Asset Sustainment Plan noted that
12 many of these assets needed to be addressed within the next 10 years and the Dundas Project
13 provided a unique opportunity to complete this work as ‘one large project’, resulting in less
14 overall cost and fewer disruptions within the downtown core. This unforeseen project added
15 \$14M to System Renewal spending, bringing the historical average to \$18.1M per year. The
16 forecast for System Renewal is expected to decrease to an average of \$16.1M per year.

17 **2.1.3 System Service**

18 The planned spending for System Service for the historical period was an average of \$0.65M
19 per year. Actual spending was around \$0.95M, with much of this variance related to adding
20 more reclosers, upgrading device radios, upgrading a radio tower and cyber security
21 enhancements.

22
23 The forecast spending for System Service is expected to be an average of \$0.92M per year
24 after the radio tower upgrades are completed in 2022. This amount is higher than the historical
25 average as additional investments are needed to maintain reliability and cyber security.

26 **2.1.4 General Plant**

27 The plan for General Plant spending prepared in 2016 estimated an average of \$9M per year.
28 Actual historical spending averaged \$10.6M per year. One significant, unexpected variance

1 occurred in 2018 with an IFRS accounting recognition of a land lease as capital. Most of the
2 other variances were related to Facilities, such as re-locating parking lots (due to land lease
3 changes), increased scope and cost of building renovations and furniture replacements
4 (upgrades to meet building code and AODA compliance, upgrading to more ergonomic
5 furniture), and unexpected equipment failures (HVAC units, fleet re-fueling system).

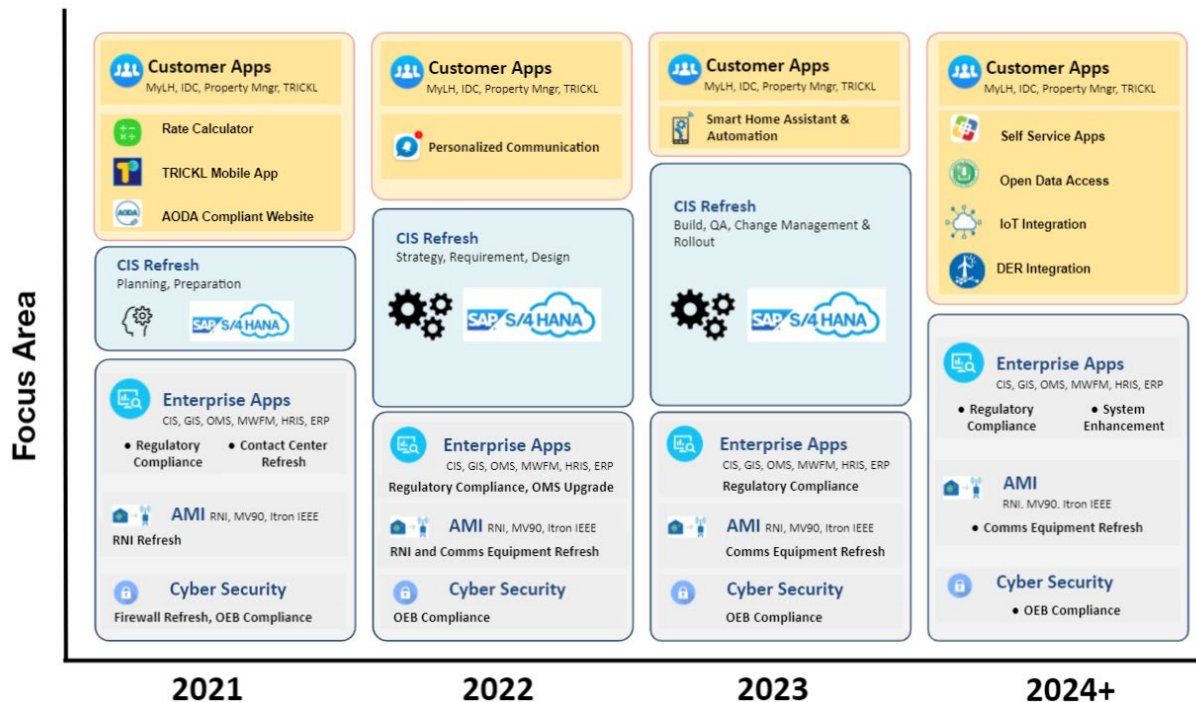
6
7 The forecast for General Plant spending is expected to be an average of \$9.3M per year (this
8 excludes \$18.5M for CIS refresh to be recovered through an ACM application). There will be
9 ongoing building renovations to address aging infrastructure and AODA compliance, which will
10 be comparable to recent years. Continued investments in application development are
11 expected to be similar to recent years as systems evolve to meet customer expectations, while
12 maintaining data privacy and cyber security.

13
14 London Hydro plans to continue on the IT roadmap over the next five years to automate processes
15 and promote customer self-service along with the major SAP CIS refresh (see Figure 1-1
16 below). This would include:

- 17
- 18 • New CIS system leveraging latest SAP offering and features (e.g. 360° of customer,
19 enhanced cyber security, next gen database (Hana) and less customization).
 - 20 • Customer “one-click” experience via web and mobile apps to promote self-service.
 - 21 • High performing and responsive systems for customers and to support internal
22 business processes.
 - 23 • Integration to home assistants and other smart home technologies.
 - 24 • Move from reporting on consumption to helping customers control their consumption.
 - 25 • Integration of Distributed Energy Resources (solar, batteries, EVs) to manage assets
26 and reduce carbon emissions.
- 27

1

FIGURE 1-1: SAP REFRESH



2

2.1.5 Total Capital

3

4

The planned spending on Capital for the Historical Period was a total of \$169M. Actual historical spending was \$211M or \$42M (25%) more than planned. As noted above, more than half of this additional spending was due to customer driven (System Access) work, and the remainder a combination of System Renewal work and General Plant.

9

The forecast spending on Capital for the next five years is a total of \$201M (excluding the CIS Refresh). While this is higher than the budgeted spending for the Historical Period, approximately \$22.5M is driven by City of London projects, most of which are expected to be completed by the end of 2023.

14

2.1.6 (O&M) Operating and Maintenance (O&M)

16

The planned spending on O&M for the historical period was a total of \$94.9M. Actual spending is expected to be around \$96.5M, which is within 2% of forecast.

18

1
2 The forecast spending for O&M for the next five years is \$108.4M. The increase is in response
3 to inflationary increases for wages and benefits, increased volume of cable locates and make-
4 ready work for telecom attachments, and additional resources to manage cyber security. A
5 more fulsome analysis on O&M is included in Exhibit 4.
6

7 **2.1.7 Past Performance on Plans**

8
9 London Hydro's Strategic Plans outline the direction and programs that will help to meet the four
10 outcomes of the RRFE (Customer Focus, Operational Effectiveness, Public Policy
11 Responsiveness and Financial Performance). The capital programs for the next five years are
12 detailed in Exhibit 2 of the Cost of Service Application ("Rate Base") and programs related to
13 Operating and Maintenance Administration are detailed in Exhibit 4 (Operating Costs).
14 London Hydro believes that performance on past targets is a strong indicator of the likelihood of
15 performance on future objectives. Therefore, the following information summarizes London
16 Hydro's performance on key targets for 2018 – 2020 and how each aligns with the objectives of
17 the RRFE. The information is organized into the following broad categories under which
18 corporate targets were set:
19

- 20 • Customer Service
- 21 • Operational Effectiveness
- 22 • Public Policy
- 23 • Financial Performance

24 25 *Customer Service*

- 26 • Customer Satisfaction Survey Score level 'A'
- 27 • Recognition of one industry award and/or creative/innovation in achieving greater
28 corporate performance.
- 29 • SAIDI / SAIFI to be better than average among Ontario utilities.
- 30 • On par or better than 20 or more of the benchmarks on the OEB scorecard.
- 31 • Successful launch of an AODA compliant website.
- 32 • Acceptance of credit card payments with no additional fees.

- 1 • Simplified online bill (E-Bill) for customers.
- 2 • Trickl application enhancements.
- 3 • Corporate website refresh.
- 4 • Recognition of one industry award.

5

6 London Hydro is committed to maintaining exceptional customer care and continuing to find
7 more ways to improve the customer experience. London Hydro's approach is to balance
8 customer preferences with regulatory requirements, when necessary. For example, as a best
9 practice, London Hydro maintains the OEB prescribed 65% metric for "Calls Answered on
10 Time." While London Hydro could try to surpass that metric by hiring more Customer Service
11 Representatives, customers have told London Hydro that it is more important to keep costs low;
12 therefore, London Hydro focuses on meeting this objective rather than surpassing it. In doing
13 so, London Hydro has engaged a call overflow company to ensure that if call volumes are
14 exceeded, then calls are still answered in a timely manner and appropriately by trained
15 individuals while also keeping staffing at reasonable levels to make sure costs remain low.

16

17 So that London Hydro understands what customers need and expect, London Hydro solicits
18 feedback from them in many ways. Management staff, including senior management, regularly
19 goes out into the community by setting up booths at local home shows, the Western Fair,
20 charitable events as well as in libraries and malls as an opportunity to educate the public about
21 the services London Hydro offers and to listen to their concerns and requests. London Hydro
22 holds focus groups as part of both the development stage of online services and during the
23 testing and pilot phases. Moreover, London Hydro conducts annual third-party surveys to
24 gauge our customers' level of satisfaction with the LDC.

25

26 In its third-party administered Customer Satisfaction Survey, London Hydro has maintained an
27 overall 'A' rating for the last 10 years, outperforming both national and provincial averages in a
28 number of areas.

29

30 London Hydro continues to be recognized with Customer Service Excellence Awards for its
31 innovative products such as the Builders' Portal as well as the Price Plan Calculator as
32 described in section 3.1.4 'Other Innovations'.

1
2 London Hydro has received numerous awards since the last rate application, many of which
3 were focused on customer service. London Hydro's success in achieving the recognition
4 represented by these awards aligns with the RRFE's Performance Outcomes of Customer
5 Focus and Operational Effectiveness.

6
7 *Operational Effectiveness*

- 8
- 9 • Incremental 3,000 customer sign-ups for paperless billing.
 - 10 • Contact centre refresh.
 - 11 • Increase field automation.
 - 12 • Option analysis for Underground 4kV Rebuild / Conversion.
 - 13 • Disaster recovery testing.
 - 14 • Mobile workforce implementation within additional departments.
 - 15 • Capacity studies for Northwest London.

16 *Public Policy*

- 17
- 18 • COR internal audit completion.
 - 19 • Cyber security GAP analysis.
 - 20 • Research and development with Western University.
 - 21 • Hosted a Contractor Safety Awareness event.

22 *Financial Performance*

- 23
- 24 • Return on "deemed" equity of 8.5%.
 - 25 • Maintain S&P credit rating score of "A".
 - 26 • Total cost per customer to be in the premier quartile among all utilities in Ontario.

27 **Outreach Activities**

28
29 London Hydro's Communications Plan includes the use of many tactics to ensure that
30 customers are receiving and understanding the information that is disseminated through billing
31 inserts, radio advertisements, bus shelter signage, digital ads, website, newspaper, media

1 interviews etc. In addition, London Hydro has found that its presence within the community also
2 gives customers an opportunity to seek answers to questions and concerns.

3
4 London Hydro regularly participates in various Home Shows and community events, and has
5 set up kiosks in local malls and libraries when permissible. During these types of events,
6 London Hydro provides a myriad of information to its customers on everything from capital
7 investment spending to answering questions regarding costs, impacts and benefits of the work
8 performed in the customers' specific neighbourhoods. At these events, London Hydro also
9 encourages customers to determine if they qualify and to consider applying for various support
10 programs, if needed. London Hydro also takes the opportunity to demonstrate the advantages
11 of its online services, encourages customers to register for secure access to their account
12 information as well as register for paperless billing and the Aeroplan Miles Incentive Program.

13
14 Through these initiatives, London Hydro has found that customers leave with a more positive
15 perception of London Hydro and the services and programs provided by the LDC.

17 **Volunteering, Donation, Community Support**

18
19 London Hydro employees have built a strong tradition of generosity, giving both their time and
20 money to support a number of local charities and charitable events. Employees at all levels, in
21 all departments, enthusiastically participate in events throughout the year, every year.

22 Employees annually raise over \$55,000, and donate over \$30,000 through the Employee
23 Community Charity Organization program to over 50 charities, many of which are local. This
24 program makes it easy for employees to donate through payroll deductions to the charity of their
25 choice.

26
27 "London Hydro is a long-time supporter of Habitat for Humanity Heartland Ontario,
28 and partnering with organizations like yours is what makes our work possible. In 2017
29 we completed four homes for families in London – including the Coopers – and your
30 donation of light fixtures and LED lightbulbs for these homes is greatly appreciated.
31 Thank you for being an amazing community partner, and helping us build toward our
32 vision of a world where everyone has a safe and decent place to live."

33 Brian Elliot, CEO – Habitat for Humanity Heartland Ontario.



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Santa Claus Parade

An annual tradition in London, 17 employees volunteered their time and talent in 2018 to design, build and decorate London Hydro’s float. Over 45 proud employees and their families walked alongside the float during the parade. The crowning achievement to a wonderful day was that London Hydro’s float was awarded the Committee’s Choice Award.

In 2019, volunteering over 420 hours of personal time, a 21-member Parade Float team created an award-winning masterpiece yet again. Building on the Disney classic “Frozen”, the team created a float complete with a glittering castle, live characters Anna, Elsa, Olaf and Sven in full hand-made costumes, music and thousands of lights. It was recognized with the Committee’s Choice Award at the November 9th London Santa Claus Parade and as the Best Commercial Float at the annual Hyde Park Santa Claus Parade on November 30th.

London Hydro has continued to lend its support to the Housing Stability Bank by funding \$200,000 per year to provide the necessary resources to those in need to help pay for their electricity costs.

COVID-19

While it is still far from over, the COVID-19 pandemic greatly impacted the London community. And when the community in which we live and work and the customers we serve were under such duress, we are proud that London Hydro stepped up and became a source of comfort and reassurance during a time of great stress and anxiety.

WE VOWED TO KEEP THE LIGHTS ON AND MAINTAIN OUR LEVEL OF SERVICE

Following all the necessary safety measures, protocols, procedures, plans, safe work practices, public health guidelines, and protected with the appropriate personal protective equipment, our field staff continued to respond to calls and maintain the safety and integrity of our grid. And, in the midst of the lockdown, a storm response crew went to Chatham to help restore power after high winds knocked out power to most of the area.

London Hydro office staff immediately adjusted to working remotely and continued to provide the high level of service our customers have come to expect.



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WHEN OUR COMMUNITY WAS IN NEED, WITHOUT HESITATION, WE GAVE BACK

To demonstrate our gratitude to health care workers in London, London Hydro donated 5,000 N95 masks at a time when they were in short supply everywhere.

As an organization, London Hydro donated \$400,000 to the Low-Income Energy Assistance Program (LEAP), administered by the Salvation Army, to help the most vulnerable members of our community pay their energy bills. Also, London Hydro worked with all customers who were having difficulty paying their accounts to make extended payment arrangements.

Moreover, during this challenging time, London Hydro employees generously raised and donated \$25,000 to local charities including \$4,400 to the Salvation Army Christmas Hamper Program, so that they could continue their important work in our community.

Through it all over the course of the pandemic, our CEO was at the forefront reassuring the community and leading our organization with a message of hope, understanding and compassion for all.

In addition to following new safety protocols while maintaining a high level of customer service, employees also contributed over \$46,800 to local charities.

School Programs

For over 35 years, London Hydro has worked with the Thames Valley District School Board and the London District Catholic School Board to develop education programs and learning guides to teach children in grades three through eight about energy, electricity safety and conservation. London Hydro recognizes the need to inform children at a young age about electricity so that they can stay safe and help keep good conservation habits into adulthood.

There are three facets to the youth programming that is run by London Hydro: (i) The Power of Electricity program, (ii) the You'll Make a World of Difference program and (iii) the Electrical Safety Program.

1 *The Power of Electricity*

2 The Power of Electricity program was developed to help students understand the value of
3 electrical energy in our lives and the role it plays in our lifestyle and economy. Serving as a
4 guide for teachers, the program covers understanding energy including important terms and
5 definitions, discovering the power of electricity, reading smart meters and the concept of time-of-
6 use metering and home energy audits to lower unnecessary energy use. The teaching materials
7 include educational videos, sample in-class experiments, student handouts and extra resources
8 and websites to find more information. This material covers 20 out of 24 grade six electricity
9 curriculum expectations and it is meant to provide teachers with as much information as
10 possible when making lesson plans for teaching electricity.

11
12 *You'll Make the World of Difference*

13 The You'll Make a World of Difference program teaches energy conservation to grade five
14 students in accordance with their science and technology curriculum for the year. The program
15 focuses on three areas: (1) renewable and non-renewable sources of energy in our lives, (2)
16 that devices can store, transfer and transform energy to perform a specific function, and (3) the
17 need to use energy wisely to lessen the huge demands that our modern society places on
18 available sources of energy. The program contains background information, lesson plans,
19 activity sheets, hands-on experiments and learning outcomes so that teachers can explore
20 energy conservation with their students in an effective way. One activity is the Ice Cube
21 Olympics, which is a challenge to create the most insulated container for an ice cube out of
22 common household building materials such as styrofoam and cardboard.

23
24 *The Electrical School Safety Program*

25 The Electrical School Safety Program aims to teach children from grades three through eight
26 about the dangers of electricity and what to do if an electrical accident occurs. For over 30
27 years, this program has been taught in schools across the city by representatives from London
28 Hydro. In a typical year, London Hydro will present the School Electrical Safety Awareness
29 Program to over 8,000 students in 46 schools.

30 The safety program covers what electricity is, where electrical hazards exist around the home,
31 how to prevent accidents around electrical equipment and what to do in an emergency. The
32 presentation also addresses lightning and how to stay safe during thunderstorms. Examples of

1 people who have been injured or killed because of accidents with electricity or lightning drive
2 home the point that everyone needs to be careful when interacting with electricity.

3
4 All three of these programs have had great success with educating school children on
5 electricity, energy conservation and electrical safety and will continue to play a part in educating
6 students so that they know how to stay safe and make changes to their lifestyle to conserve
7 energy. These educational programs align with the RRFE outcomes of Customer Focus and
8 Public Policy Responsiveness.

9 10 **Financial and Regulatory**

- 11
- 12 • Targeted Net Income of \$15M.
- 13 • Maintain S&P 'A' credit rating score.
- 14 • Enterprise Risk Management improvements.
- 15 • London Hydro's cost per customer among the lowest quartile of our neighbouring
16 utilities and OEB-deemed peer group.
- 17 • London Hydro's base distribution rates for residential and general service <50kW
18 customer classes to be better than industry average.
- 19

20 London Hydro continues its strong corporate governance with the Board of Directors actively
21 participating in fostering the success of the corporation. As a result, London Hydro continues to
22 achieve strong financial performance, excluding the effect of the mark-to-market adjustment on
23 the interest rate swap. In all years between 2017 and 2020, London Hydro has exceeded net
24 income levels of \$10M (excluding the mark-to-market adjustment) with an average net income
25 during that period of \$11.5M.

26
27 London Hydro's strong financial results support the RRFE performance objectives for both
28 Operational Effectiveness and Financial Performance.

29
30 London Hydro has a strong credit rating history, and has achieved an 'A / Stable' or better rating
31 for the past 14 years, supporting the RRFE performance objectives for Financial Performance,
32 but also Public Policy Responsiveness.

1 For the past several years, London Hydro has been ranked in the bottom quartile of all LDCs for
2 OM&A cost per customer and Annual Distribution Revenue (residential customers).

3
4 **TABLE 1-3: London Hydro's Cost Achievement Rankings 2016 – 2019**

5

Cost Metric ⁴	2016	2017	2018	2019
OM&A Cost per Customer	\$233.81	\$240.22	\$248.01	\$250.00
PEG Efficiency Assessment	2	3	3	3
Annual Distribution Revenue	\$418.48	\$423.17	\$434.39	\$420.77

6
7 London Hydro's achievement as one of the lowest ranked LDC's in the province in
8 terms of both Controllable Cost per Customer and Annual Distribution Revenue
9 supports both the RRFE performance objectives for Customer Focus and Financial
10 Performance.

11
12 London Hydro has been successful in meeting its target to keep base distribution rates for
13 residential and general service <50kW customer classes better than the industry average. In
14 2019, London Hydro's distribution rate for the residential rate class was \$293, while the industry
15 average was \$495. This amount represents the yearly distribution revenue per residential
16 customer.

17
18 For the general service <50kW rate class, London Hydro was also successful with a rate of
19 \$725, compared to an industry average of \$1,210.

20
21 **Capital Programs**

22
23 The DSP has been shaped by the following prospective business conditions, including:

- 24
25
- the preferences expressed by customers,
 - public and worker safety,
 - challenges associated with aging infrastructure,
 - a long-term approach to ensuring a reliable supply of electricity is available for
28 present and future customers, and
29

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⁴ OM&A per customer and Revenue per customer taken from the OEB Yearbook.

- the use of technology and innovation to provide new and better service to customers and equip workers with the tools they need to effectively manage assets for optimal performance and cost.

2.2 PERFORMANCE MANAGEMENT AND MEASUREMENT (SCORECARD)

Please refer to section 10 and Appendix A below for London Hydro's Performance Management and 2019 Scorecard.

2.3 CONTINUOUS IMPROVEMENT

London Hydro strives for continuous improvement and the provision of service excellence that customers expect, while maintaining costs at a reasonable level. Based on the published yearbook information, London Hydro continues to be one of the lowest cost utilities in the province (consistently in the lowest quartile for both cost per customer for OM&A as well as distribution rates) while maintaining excellent reliability.

London Hydro continues to interact with its customers, both residential and commercial, to obtain information about their preferences and priorities. As a result, London Hydro has designed a number of applications to respond to their requests. For example, London Hydro has harnessed the Green Button Standard to provide a tool for commercial customers (IDC) that allows them to better monitor and manage their electricity usage. Further, the corporate website has been redesigned based on customer feedback on the things that would make the website easier to navigate and provide tools to provide better information including the RPP/TOU calculator.

London Hydro has also revamped the MyLondonHydro website, adding many additional self-service options to provide its customers with the information they need to make informed decisions about their electricity usage while ensuring the website is completely AODA compliant.

3.0 FINANCIALS

In addition to the initiatives described above, London Hydro has undertaken a number of other new initiatives over the past five years centred on keeping costs as low as possible for its customers.

One of the most consistent comments received from customers relates to the challenge of dealing with increased electricity costs. London Hydro utilizes both a top-down and bottom-up approach to budgeting in an attempt to ensure that the costs associated with running the utility are kept at a prudent level. New services for customers are analyzed to ensure that the benefits exceed the costs of providing the service. For regulated requirements, the analysis attempts to ensure the best service for the cost is provided.

The top-down approach ensures that, excluding the new services and regulated changes, OM&A costs remain at approximately the level of inflation. London Hydro utilizes the cost savings from efficiencies to reduce its costs while enhancing the services offered without incurring additional costs. The bottom-up approach ensures that detailed budgets are prepared (down to accounting for each employee of the organization) to ensure that all costs and savings from innovative projects are captured.

The total OM&A amount requested for 2022 represents a 17.5% increase over the 2017 amount, which equates to an annual increase of approximately 3.5%. This amount includes London Hydro's move to the cloud for many of its previously premised based systems, the annual costs for which are accounted for as OM&A rather than amortization expenses for traditional based premised based systems. When OM&A expenses exclude any cloud service costs, the annual increase is reduced to 2.8%.

TABLE 1-4: Change in OM&A excluding Cloud

2017 OEB Approved OM&A Budget (excluding Cloud)	\$36,965,900
Inflation and customer growth	4,914,185
OEB mandated elimination of disconnection charges	633,793
Other	<u>(98,278)</u>
2022 OM&A Request (excluding Cloud)	\$42,415,600

As can be seen from Table 1-4 above, after considering inflationary adjustments, customer growth, and removing the impact of the mandated elimination of disconnection charges, all of the other costs have decreased by \$98,278 compared to the 2017 OEB approved budget.

This **decrease** in costs of \$98,278 has been achieved through continued automation and best practice efforts of looking for more efficient and innovative approaches to operating including things such as increasing tree trimming budgets to be consistent with best practices; undertaking a more robust health and safety program through COR certification; increasing cyber security protection among others.

Shift to Cloud Platform

London Hydro has been moving many of its systems from an 'on-premise' model to a Cloud-based platform because of the significant savings to be realized related to having a lower total cost of ownership. Moving to the Cloud platform increases the cost of OM&A; however, it reduces the overall revenue requirement because the Cloud-based expenditure will be primarily OM&A while the premise-based system will include OM&A, amortization and a return on rate base component since this system is capital in nature.

Website Refresh

London Hydro hosted focus groups with its customers who use the corporate website and MyLondonHydro to seek their input on how London Hydro could enhance the platform. A reconfigured dashboard, credit card payment option and customizable high usage alert feature are just a few of the improvements London Hydro implemented to provide users with more convenience and control.



1
2 The redesigned dashboard features a simplified, clean look and feel with a tiled interface and
3 customized banner. MyLondonHydro users can now toggle seamlessly and quickly between
4 their usage and cost for water and electricity. A detailed billing breakdown of water and
5 electricity charges is easily accessible and includes a summary section. A three-year history of
6 billing, payments and account transactions is readily available for viewing and download.
7 Important notifications are included such as due dates, notices and alerts. And now the
8 MyLondonHydro account is mobile accessible via a customer's smartphone or tablet.

9
10 A 2017 study conducted by the Ontario Energy Board showed that 57% of ratepayers would
11 appreciate the option of paying their energy bills by credit card but that they would not do so if
12 there was a service fee associated with it. To this end, in July of 2019, as part of the newly
13 redesigned MyLondonHydro dashboard launch, London Hydro introduced the Mastercard no-
14 fee credit card payment option to all MyLondonHydro account holders with paperless billing.

15
16 *AODA Compliance*

17
18 Ensuring the new website remained fully compliant with the Accessibility for Ontarians with
19 Disabilities Act (AODA) and WCAG 2.0 guidelines was a top priority. It was essential that the
20 information, resources, tools and services on the site remain quickly and easily accessible for all
21 customers.

22
23 London Hydro recognizes that ensuring all properties and services remain fully accessible to all
24 customers is an ongoing commitment to identifying barriers and removing them. In keeping with
25 that commitment, all digital properties will be monitored and reviewed regularly to meet current
26 standards, guidelines and regulations.

27

4.0 LONDON HYDRO'S BUSINESS PLAN AND OBJECTIVES

London Hydro has fully incorporated the OEB's four performance outcomes identified in the RRFE into its business plan. These outcomes have shaped London Hydro's Strategic Plan and Mission, Vision and Values statements as well as the Asset Management Objectives and Guiding Principles used to evaluate its business plan objectives and goals. As a result, the Capital and Maintenance Plans that form the basis for this rate application can be directly linked to one or more of the outcomes and London Hydro's Strategic Plan.

London Hydro developed a five-year Strategic Plan with the following Purpose, Vision and Values statements:

Purpose: To provide safe, reliable electricity and energy related value-added services

Vision: London Hydro is your trusted energy services provider and we do so through innovation, customer focus and operational excellence.

Values:

Safety – Safety is our first priority

Employees – Our employees are our greatest strength

Customers – Our customers are our primary focus

Integrity – We are stewards of the public trust and we demonstrate the highest standards of professional ethics and accountability in all our activities. We treat others with respect and trust.

Agility– We will be open, innovative, and adaptable as we help to shape the industry's future.

Corporate & Social Responsibility – We are committed to being a financially, socially, and environmentally sustainable company.

These corporate statements express the commitments that London Hydro has made to its customers, employees, shareholder and other stakeholders, and they inform the following Asset

1 Management Objectives that London Hydro uses to make decisions for managing its assets
2 while balancing the competing needs of its stakeholders.
3

4 4.1 ASSET MANAGEMENT OBJECTIVES

- 5 • **Safety** – Ensuring that London Hydro’s assets are maintained in a safe condition so
6 they never cause injury to employees or the public.
- 7 • **Regulatory** – Ensuring that London Hydro complies with all legislative requirements.
- 8 • **Environmental** – Ensuring that the assets are managed in an environmentally
9 responsible manner by meeting and, where practical, exceeding all environmental
10 regulatory requirements.
- 11 • **Capacity** – Ensuring that the distribution system has sufficient capacity to supply
12 both new and existing customer loads and, where appropriate, connect new
13 generation facilities.
- 14 • **Reliability** – Ensuring that London Hydro’s reliability performance meets or exceeds
15 OEB requirements and equals or is above the average of its LDC peer group.
- 16 • **Customer Focus** – Ensuring that services are provided in a manner that responds to
17 customer preferences when they are identified and practical.
- 18 • **Losses** – Ensuring that the distribution system’s technical losses are effectively
19 minimized through the introduction of changes in system design or operating
20 practices.
- 21 • **Costs** – Ensuring that the lifecycle costs of London Hydro’s assets are optimized
22 while meeting the above objectives and ensuring that capital expenditures are paced
23 to levelize the impact on customer bills.

24
25 London Hydro seeks to foster a culture of innovation and continuous improvement in its
26 approach to achieving the objectives above and is committed to developing performance
27 measures to monitor its improvement. Currently, London Hydro measures, for any given year,
28 the extent to which planned projects are completed and whether they are completed on budget.
29 The percentage of projects completed is the metric selected for the OEB’s Scorecard for
30 measuring the progress of Distribution System Plan Implementation.
31

4.2 ASSET MANAGEMENT GUIDING PRINCIPLES

Finally, the aforementioned Asset Management Objectives are shaped by three Guiding Principles identified in the Asset Management Plan (AMP Section 2). The Guiding Principles also reflect London Hydro's Mission, Vision and Values statements.

- **Safety** – ensure our system is safe – for the public as well as workers.
- **Reliability** – ensure our system can provide the level of reliability expected by our customers.
- **Capacity** – ensure our system can accommodate the growing needs for load and generation.

Table 1-5 below illustrates the alignment between London Hydro's strategic drivers and the OEB's Performance Outcomes.

TABLE 1-5: The Alignment of the OEB Performance Outcomes and London Hydro's Key Corporate Statements

	OEB PERFORMANCE OUTCOMES			
	Customer Focus	Operational Effectiveness	Public Policy Responsiveness	Financial Performance
Objectives	Customer Focus, Capacity, Reliability, Costs	Safety, Capacity, Reliability, Losses	Safety, Regulatory, Environmental	Capacity, Losses, Costs
Principles	Quality Services, Growth, Revitalize Core	Quality Services, Growth, Revitalize Core	Quality Services	Growth
Mission	Customer Service, Competitive Rates, Reliability, Safety	Safety, Reliability	Safety	Competitive Rates, Safety
Vision	Customer Service, Community Value, Growth	Innovation	Community Value	Corporate Value
Values	Accountability, Integrity	Innovation	Social & Environmental Responsibility	Innovation, Accountability



1 The DSP provides a detailed explanation of how this alignment has been achieved and the
2 plans in place to meet these objectives. As a result of these corporate influences, the Cost of
3 Service Rate Application prepared by London Hydro seeks to demonstrate the ways in which it
4 achieves the four Performance Outcomes identified by the OEB.

5

4.3 REVENUE REQUIREMENT

TABLE 1-6: Revenue Requirement

Description	2022	2017	Change	% Change	Annual %
OM&A	44,778,000	37,097,000	6,681,000	17.5%	3.5%
Amortization	22,148,800	17,272,758	4,876,042	28.2%	5.10%
Grossed up PILs	403,436	982,050	(578,614)	-58.9%	-11.8%
Return Deemed Interest	5,207,440	4,690,049	517,391	11%	2.11%
Return Deemed Equity	12,792,357	10,520,856	2,271,501	21.6%	4.3%
Revenue Offset	(5,999,088)	(5,007,326)	(991,762)	19.8%	4.0%
Transformer Allowance	717,510	801,759	(84,249)	-10.5%	-2.10%
Total	80,048,455	66,357,146	12,691,309	18.8%	3.8%

The major factors of the revenue requirement, which has increased by 18.8% (CAGR of 3.82%) since the last rebasing, are as follows:

OM&A

As detailed above, between 2017 and 2022 the OM&A increased by \$6.68M. Of this amount, \$5.10M represents inflationary adjustments and wage escalations. The remaining \$1.5M is the result of costs for cloud-based services and the elimination of customer collection charges.

Amortization Expense

Amortization expense has increased by \$4.87 M (28.2% or 5.1% annually). London Hydro continues to reinvest in capital assets to replace the current infrastructure as it reaches the end of its useful life. The cost of the new infrastructure is higher as a result of inflationary increases from the time the initial construction occurred. In addition, London Hydro invests in new infrastructure as the City of London continues to grow.

Grossed Up PILs

Taxes have decreased by \$0.6M between 2017 and 2022, representing a 59% decrease. The major factor causing the reduction in taxes is the new CCA rules that accelerates the deduction



1 for tax purposes on new capital additions. This is a temporary reduction given to all businesses
2 until 2024.

3 4 **Return on Deemed Equity**

5
6 Total rate base has increased by \$83.9M during the rebasing period. Capital investments are
7 outpacing the cash received from amortization, which, in turn, increases the rate base over time.
8

9 **Return on Deemed Interest**

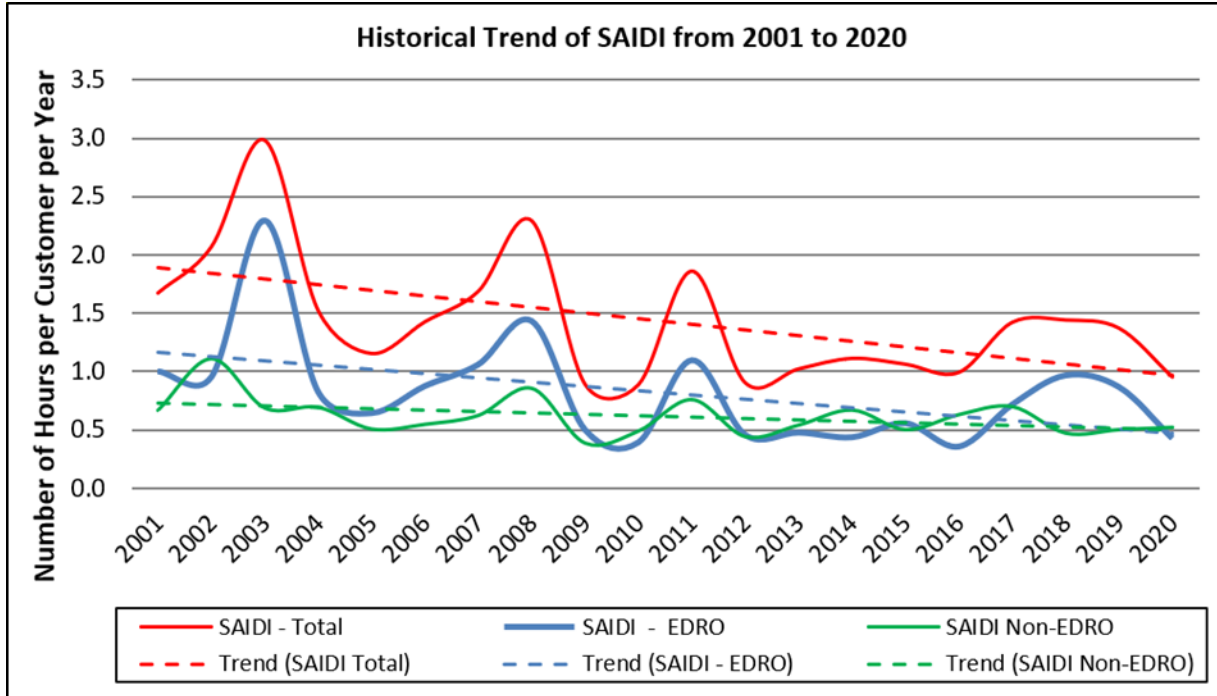
10
11 London Hydro has taken advantage of the low interest rates during the pandemic and
12 restructured its long-term debt, which has reduced the long-term deemed interest calculation
13 from 2.71% to 2.30%. Although the interest rate has decreased as a result of the restructured
14 debt, the total revenue requirement has increased as a result of the increase in rate base.
15

16 **4.4 RELIABILITY**

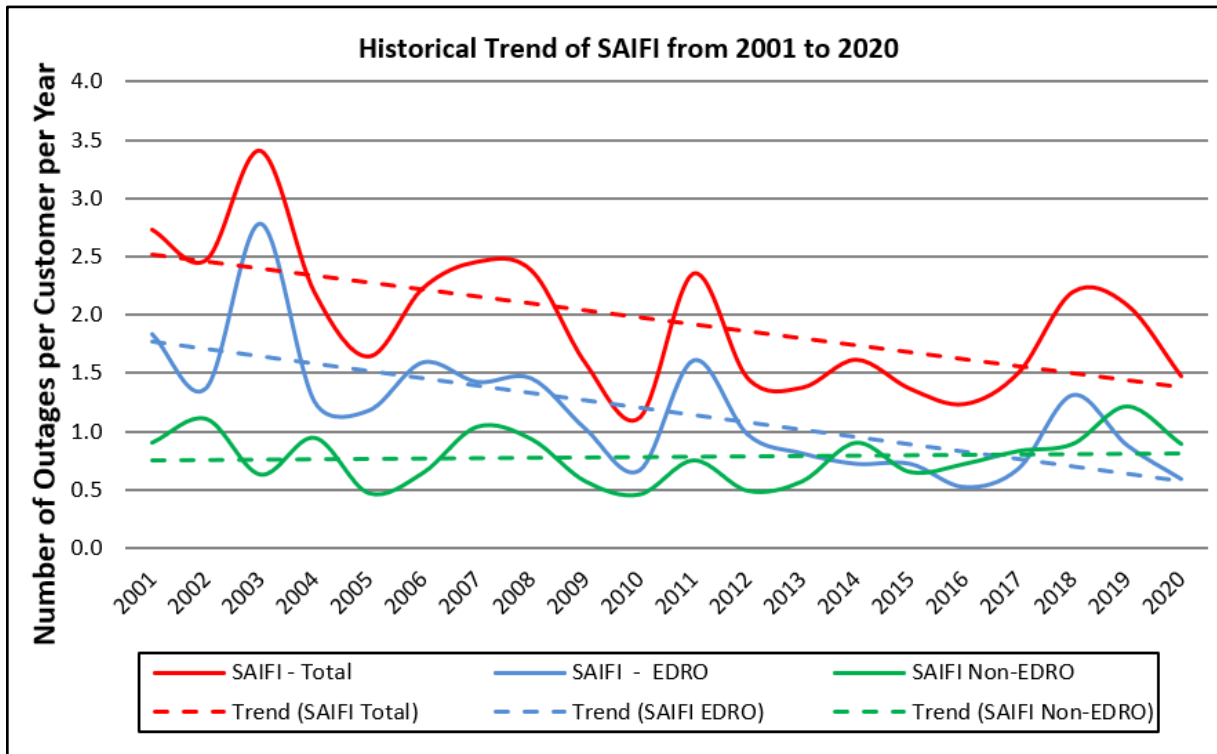
17 London Hydro's SAIDI and SAIFI results continued to improve in 2020 with values of 0.86 and
18 1.05, respectively. This trend of improvement can be directly attributed to investments made in
19 distribution infrastructure and Reliability-Centred Maintenance (RCM) Programs over the past
20 15 years (see Figure 1-2 for the 20 Year Trend). Not only are London Hydro's reliability indices
21 strong, but the customer perception of reliability far exceeds both the provincial and national
22 averages.
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 2
 3

FIGURE 1-2: London Hydro's 20 Year Trend of SAIDI and SAIFI



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 5



6
 7

1 **Line Losses**

2
3 London Hydro has had great success in the past number of years reducing line losses. In fact,
4 as Table 1-7 illustrates, the amount for line losses has been decreasing significantly over the
5 last four applications as the five-year rolling average continues to drop.

6
7 **TABLE 1-7: Line Loss Reductions**

8

Year	Loss Factor
Pre 2009	4.6%
2009	4.09%
2013	3.5%
2017	3.15%
2022	3.15%

9
10 In fewer than 15 years, the line losses have decreased by 31.5%. This decreasing trend
11 demonstrates the success London Hydro is having by making prudent investments in its
12 infrastructure. Not only is London Hydro replacing its equipment, but it is ensuring it is upgraded
13 in such a way as to improve the quality of the electricity that moves across the system. The
14 investment, therefore, leads to a reduction in the total cost that customers pay for their
15 electricity.

5.0 CUSTOMER SUMMARY



LONDON HYDRO INCORPORATED

London Hydro is a Local Distribution Company that services the City of London, Ontario, Canada. With a peak load of 712 megawatts, we deliver a safe and reliable supply of electricity to over 162,140 customers from the residential, institutional, commercial and industrial sectors, through over 3,070 kilometres of overhead and underground cables, spanning 420 square kilometres of service territory. As a wholly-owned subsidiary company, we operate much like a private entity under the Ontario Business Corporations Act, paying an annual dividend to our sole shareholder, the City of London. In essence, all Londoners own London Hydro.

5.1 HOW CUSTOMERS INFORMED LONDON HYDRO'S PLAN

London Hydro engages the services of Simul Corporation to conduct the customer satisfaction survey that helps London Hydro to benchmark against other utilities, identify issues, provide an opportunity for customers to tell about their level of satisfaction with London Hydro and measure the interest in specific projects or services and their costs (see DSP Appendix A3). Once a draft version of the DSP was prepared, customers were engaged through an on-line survey and virtual townhall meeting. The main programs within our five-year plan were outlined, including the approximate rate impact of each program along with the impacts of increasing or decreasing each program. The results of these engagements (see DSP Appendix A1 and A2) showed support for the proposed level of each program as well as the overall forecasted impact to rates. Therefore, it was not necessary to make changes to the DSP as a result of feedback from customers.

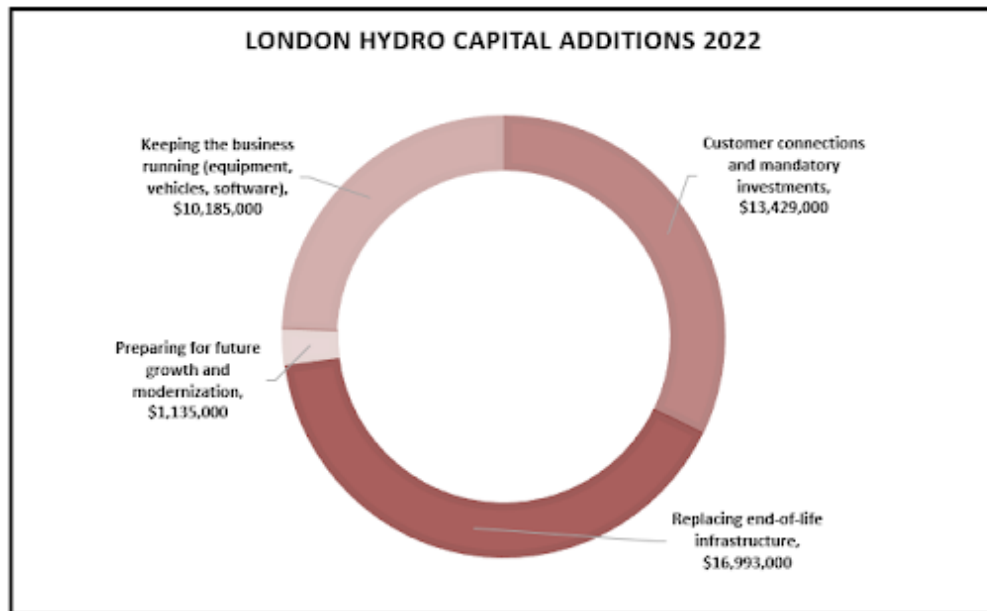
5.2 LONDON HYDRO WILL DELIVER THESE OUTCOMES TO CUSTOMERS

London Hydro is focused on delivering these outcomes to our customers by:

- Continuing to provide London Hydro customers with a safe and reliable source of electricity by proactively maintaining and upgrading infrastructure;
- Continuing to invest in infrastructure and technology that improves the resiliency of the grid and London Hydro's ability to respond to the increased occurrences of adverse weather events;
- Meeting customer demands for future load and DER connections by ensuring sufficient system capacity is available;
- Accommodating customer connections (e.g. new residential, commercial and industrial developments) and other mandated service requirements such as relocating poles and accommodating joint-use partners;
- Enhancing service offerings, cyber security, efficiency and support resource planning by continuing to invest in non-distribution system assets such as equipment, vehicles and software;
- Continuing to focus on maintaining efficiency, productivity, and continuous improvement to provide customers with value-added services.

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2
3

FIGURE 1-3: London Hydro Capital Additions 2022



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6

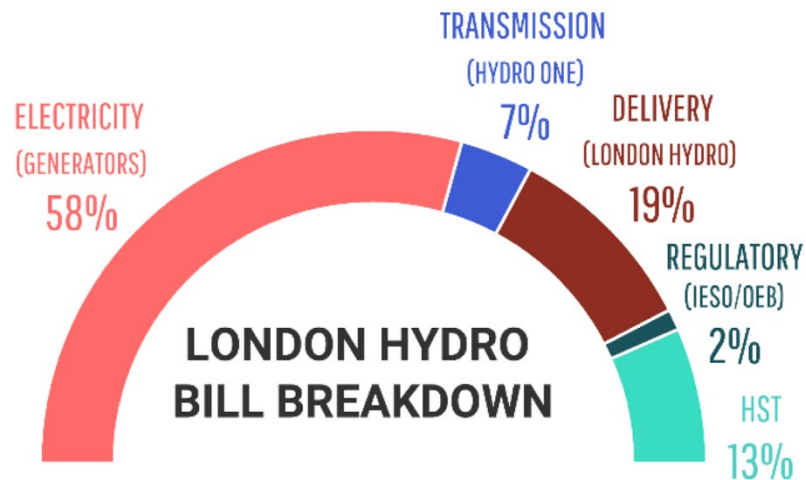
QUICK FACTS & FIGURES

- Large transformer stations - 6
- Local substations - 34
- Smart-Grid Interfaces - 869 (breakers, relays, auto-switches, battery chargers)
- Automated switches - 64
- Overhead lines - 1,390 km
- Underground lines – 1,680 km
- We bill over 113,337 water customers
- Employs over 303 full-time permanent staff

5.3 LONDON HYDRO BILL BREAKDOWN

London Hydro is compensated by regulated distribution rates as approved by the OEB. The annual revenue requirement of London Hydro is established as per the regulated rate making mechanism. Thus, the distribution rates for various classes of customers are determined by considering factors such as the number of customers, their energy (kWh) consumption and power demand (KW).

FIGURE 1-4: London Hydro Bill Breakdown



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12
13

6.0 APPLICATION SUMMARY

6.1 LEGAL APPLICATION

IN THE MATTER OF the Ontario Energy Board Act, 1998, 5.0. 1998, c.15, 3 Schedule B, as amended ("the OEB Act");

AND IN THE MATTER OF an Application by London Hydro Inc. under Section 78 of the OEB Act to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2022.

Applicant's Name: London Hydro Inc. (the "Applicant" or "London Hydro")

Background

The Applicant is a corporation incorporated pursuant to the Business Corporations Act (Ontario) with its head office at 111 Horton Street, London, Ontario. The Applicant carries on the business of distributing electricity within the City of London.

The Application has been prepared pursuant to the OEB's Renewed Regulatory Framework for Electricity Distributors as detailed in the Report of the Board dated October 18, 2013 ("the RRFE").

The Applicant followed Chapter 2 of the OEB's Filing Requirements for Electricity Distribution Rate Applications last revised on June 24, 2021 (the "Filing Requirements") in preparing the Application. There are no deviations from the Filing Requirements in this Application.

The Applicant has prepared a Consolidated Distribution System Plan ("DSP") in accordance with Chapter 5 of the OEB's Filing Requirements for Electricity Transmission and Distribution Applications.



1 The Applicant acknowledges that the OEB will publish an update to the cost of capital
2 parameters and that these matters will affect the Revenue Requirement that the Applicant
3 has requested in this Application.

4

5 Dated August 27, 2021 at London, Ontario

6

A handwritten signature in blue ink that reads "Sharma".

7

8 Vinay Sharma

9 CEO

10

A handwritten signature in black ink that reads "David Arnold".

11

12 David Arnold

13 Chief Financial Officer; Vice-President of Finance; Corporate Secretary

6.2 CERTIFICATION OF EVIDENCE

As part of the Minimum Filing Requirements July 14, 2016, an application filed with the OEB must include a certification by a senior officer of the applicant that the evidence filed is accurate, consistent and complete to the best of his or her knowledge.

I, Vinay Sharma, CEO of London Hydro Inc. certify that the evidence filed is accurate, consistent and complete to the best of my knowledge.

In addition, I further certify that the application and any evidence filed in support of the application does not include any personal information unless it is filed in accordance with Rule 9A of the OEB's Rules (and the Practice Direction, as applicable).

August 27, 2021



Vinay Sharma

CEO

6.3 APPLICATION CONTACT INFORMATION

6.3.1 The Applicant's Address for Service:

London Hydro Inc.
111 Horton Street
London, Ontario
N6A 4H6
Email: regulatoryaffairs@londonhydro.com

6.3.2 Contacts:

President and CEO

Dr. Vinay Sharma
Telephone: 519-661-5800 x 5404
Email: sharmav@londonhydro.com

Chief Financial Officer; Vice-President of Finance; Corporate Secretary

Mr. David Arnold
Telephone: 519-661-5800 x 5624
Email: arnoldd@londonhydro.com

6.3.3 Primary Application Contact:

Director of Regulatory Affairs

Mr. Martin Benum
Telephone: 519-661-5800 x 5750
Email: benumm@londonhydro.com

1 **6.3.4 Legal or Other Representation for the Application:**

2
3 Michael R. Buonaguro Barrister and Solicitor
4 24 Humber Trail
5 Toronto, Ontario M6S 4C1
6 Telephone:(416) 767-1666
7 Email: mikebuonaguro@me.com
8

9 **6.3.5 Applicant's internet address for viewing:**

10
11 The Application and related materials will be posted on the London Hydro website, and will be
12 available for viewing at the following internet address:

13 **<https://www.londonhydro.com/about-us/regulatory-documents>**

14
15 The Application will further be communicated to customers and media via Facebook and
16 Twitter.

17
18 London Hydro social media channel addresses are as follows:

19 **www.facebook.com/londonhydro**

20 **www.twitter.com/londonhydro**

21 **www.youtube.com/londonhydro**

22
23 The Application will also be available on the Board's website at **www.ontarioenergyboard.ca**,
24 under Board File Number EB-2021-0041.

6.4 STATEMENTS AS TO WHO IS AFFECTED BY APPLICATION AND PUBLICATION

Ratepayers within the City of London, to whom London Hydro distributes electricity, are primarily affected by this Application

If directed by the OEB, London Hydro is proposing that the notices related to the Application in English appear in the London Free Press newspaper. The newspaper is published daily with a daily circulation on average of 115,000, the highest paid circulation in our territory.

Additionally, if directed by the OEB, London Hydro is proposing that the notices related to the Application in French be published, in one issue of the French language newspaper L'Action, the highest paid circulation, according to the best information available, in London Hydro Inc.'s service area.

The proposals set forth in this Application will change the rates for all customer classes; however, there is one class where the proposed changes will result in bill impacts which exceed the 10% total bill impact threshold and which would consequently have a material impact on customers. This is the grandfathered Sentinel Lighting class. This is discussed in Exhibit 8.

6.5 BILL IMPACTS FOR PUBLIC NOTICE OF APPLICATION

London Hydro herein proposes the bill impacts that result only from distribution cost changes as per sub-total A of Tariff Schedule and Bill Impacts spreadsheet model to be used for the notice of application for a typical residential customer using 750 kWh per month and for a General Service < 50kW customer using 2000 kWh per month.

TABLE 1-8: Bill Impacts for Public Notice

Rate Class	kWh usage per month	Total Bill Impact	
		\$	%
Residential	750	3.30	2.9%
General Service Less Than 50 kW	2,000	7.80	2.7%

6.6 STATEMENT OF REQUESTED HEARING FORM

The majority of bill impacts resulting from this Application are less than 10%, as shown in the notice bill impacts in Exhibit 1 above. Accordingly, London Hydro requests that this Application be disposed of by way of a written hearing in order to expedite the proceeding.



6.7 RATE ORDER REQUIREMENT FOR IMPLEMENTATION

London Hydro requests that the Board make its Rate Order effective May 1, 2022 in accordance with the Filing Requirements.

In the event that the Board is unable to provide a Decision and Order in this application for implementation by the Applicant as of May 1, 2022, the Applicant requests that the Board declare its current rates interim, effective May 1, 2022, pending the implementation of the Board's Rate Order for the 2022 rate year.

6.8 STATEMENT IDENTIFYING AND DESCRIBING ANY CHANGES TO METHODOLOGIES

London Hydro has not, to the best of its knowledge, deviated from the final Board's Filing Requirements for Electricity Distribution Rate Applications.

The pro-forma projections for the 2022 Test Year have been prepared in accordance with London Hydro's usual process (including the use of MIFRS accounting), with the following exceptions:

- Exclusion of non-regulated activities.
- Rates for distribution and sales of electricity are assumed to be constant for the entire 2022 Test Year; and,
- Regulatory costs and DSP costs have been normalized over the five-year application period.



6.9 IDENTIFICATION OF OEB DIRECTIONS FROM ANY PREVIOUS OEB DECISIONS

London Hydro has not received any other utility-specific directions from the Board since submitting its last Cost of Service application (EB-2016-0091) for May 1, 2017, distribution rates and no such directions are outstanding presently.

6.10 CONDITIONS OF SERVICE

The current version of London Hydro's Conditions of Service is available on London Hydro's website at <https://www.londonhydro.com/projects-operations/conditions-service> Rates and charges which are the subject of this rate Application are not contained in the Conditions of Service.

The changes that have taken place since the last COS are outlined below.

Changes made in 2017

- 1) Appendix A – EI-7-R21 “Commercial Charges for Electric Servicing”,
- 2) Appendix D - EI-4- R7 "Design and Interconnection Requirements for Customer-Owned Electric Power Substations",
- 3) Appendix E – EI-22-R7 “Guidelines for Supplying Interval-Style Revenue Metering Systems”,
- 4) Appendix F – “Approved Retail Rates”

The changes in Appendix A reflect changes in current labour and material rates. The changes in Appendices D and E are outlined in the Revision Indices for those Appendices. The changes in Appendix F reflect the Approved Retail Rates. Also, general changes were made to Section 3.4 "Embedded Generation" to further clarify items relating to the generation interface and required information.

Changes made in 2018

- 1) Appendix A – EI-7-R23 “Commercial Charges for Electric Servicing”,
- 2) Appendix B EI-28-R6_Disconnection & Reconnection of Residential Meters & Service Cables
- 3) Appendix F – “Approved Retail Rates”

The changes in Appendix A and B reflect changes in current labour and material rates. The changes in Appendix F reflect the Approved Retail Rates.

1

2

Changes made in 2019

3

4

1) Updates to reflect the Residential Security Deposits

5

2) Clarification of our Continuous Service Agreements

6

3) Changes to collections process and customer service rule review changes

7

4) Added a section on Removal of Transformers for Abandon or inactive

8

services

9

5) Modified wording to convey conversion/elimination of 13.8KV

10

6) Added "Joint Services Letter" to residential subdivision approval

11

7) Modified section on 3000A tap box for General Service (GS) customers

12

8) Appendix A – EI-7-R24 “Commercial Charges for Electric Servicing”,

13

9) Updates to Section 2.1.2 Expansions /Offer to Connect

14

10) Appendix F – “Approved Retail Rates”

15

16

The changes in Appendix A reflect changes in current labour and material

17

rates. The changes in Appendix F reflect the Approved Retail Rates.

18

19

Changes made in 2020

20

21

1) Late Payment charges are now 20 days for all accounts (2.4.5.1)

22

2) GS<50 Good payment history changed from 5 yrs to 3 yrs (Section 2.4.5.3)

23

3) Removed phrase ‘Disconnection Charges’ from 2.4.3.8 (to reflect July 2019 rule

24

changes)

25

4) Clarified Warranty period on Expansions constructed through an Alternative Bid

26

(Section 2.1.2.1)

27

5) Updated Appendix A – EI-7-R24 “Commercial Charges for Electric Servicing” -

28

Updated labour, trucking and material rates

29

6) Updated Appendix F – “Approved Retail Rates”

30

31

The changes in Appendix A reflect changes in current labour and material rates.

32

The changes in Appendix F reflect the Approved Retail Rates.

33



1

2

Changes made in 2021

3

4

1) Updated Appendix A – EI-7-R24 “Commercial Charges for Electric Servicing” - Updated labour, trucking and material rates

5

6

7

2) Updated Appendix F – “Approved Retail Rates”

8

9

The changes in Appendix A reflect changes in current labour and material rates. The changes in Appendix F reflect the Approved Retail Rates

10

11

12

Proposed changes to be made in 2022 (Subject to OEB acceptance)

13

14

The following sections of London Hydro’s Conditions of Service are expected to be changed as a result of this application.

15

16

17

1) Updated Appendix F – “Approved Retail Rates”

18

19

The changes in Appendix F will reflect the Approved Retail Rates.



6.11 CONFIRMATION OF RATES AND CHARGES

As part of the Minimum Filing Requirements June 24, 2021 London Hydro herein confirms that there are no rates or charges listed in the Conditions of Service that are not on the distributor's Tariff of Rates and Charges.

August 27, 2021

A handwritten signature in black ink, appearing to read "David Arnold".

David Arnold
Chief Financial Officer; Vice-President of Finance; Corporate Secretary

A handwritten signature in blue ink, appearing to read "William Milroy".

William Milroy
Vice President Engineering and Operations

6.12 CORPORATE AND UTILITY ORGANIZATIONAL STRUCTURE

London Hydro was incorporated on April 26, 2000 under OBCA, established pursuant to Section 141 (1) of the Electricity Act, 1998. London Hydro has been issued the operating license ED-2002-0557 by the Ontario Energy Board to distribute electricity within the service territory of the City of London. London Hydro is a wholly-owned subsidiary of the Corporation of the City of London. The Municipal Council acting through a by-law is London Hydro's sole shareholder holding all 1,001 shares of the corporation.

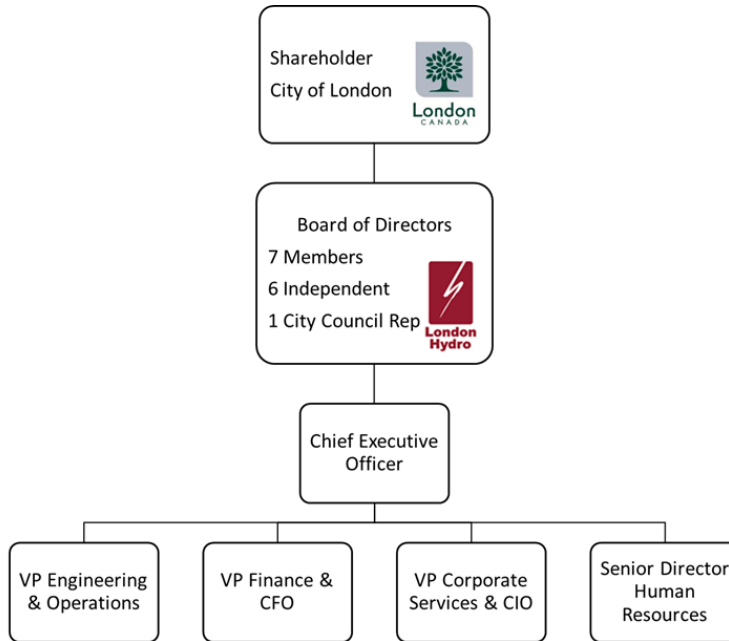
London Hydro's Board of Directors consists of seven members appointed by Municipal Council; six of which are independent and one being a duly elected City Council representative. The Shareholder Declaration (June 2016) establishes the principles of governance and delegates full authority to the Board of Directors. By virtue of this authority, the Board of Directors is responsible for the overall operation and affairs of the corporation.

London Hydro's executive leadership is responsible for the daily management and operations of the corporation. The leadership structure consists of five members: Chief Executive Officer, Vice President Engineering and Operations, Vice President Corporate Services and Chief Information Officer, Vice President Finance and Chief Financial Officer, and Senior Director Human Resources.

Figure 1-5 identifies the corporate governance and leadership structure of London Hydro.

1

FIGURE 1-5: Corporate Governance and Leadership Structure



2

6.13 LIST OF SPECIFIC APPROVALS REQUESTED

In this proceeding, London Hydro is requesting the following approvals:

1 Approval of the 2022 Test Year revenue requirement as proposed in Exhibit 6 –
2 Calculation of
3 Revenue Deficiency or Sufficiency as follows.

4
5 1A Approval of the 2022 Test Year Service revenue requirement of \$85,330,034

6 1B Approval of the 2022 Test Year Base revenue requirement of \$79,330,946

7 1C Approval of the 2022 Revenue offsets of \$5,999,088

8 2 Approval of 2022 distribution rates and charges, effective May 1, 2022, as proposed in
9 Appendix C -Proposed Tariff of Rates and Charges of Exhibit 8

10 3 Approval of LHI's Distribution System Plan filed as Appendix 2-7 in Exhibit 2

11 4 Approval for an Advanced Capital Module ("ACM") to upgrade the current CIS system as
12 set out in Exhibit 2, Section 2.6

13 5 Approval of the inclusion into the 2022 opening rate base of LH's Nelson TS Capital
14 Contribution, (approved ICM project from prior Cost of Service Application) as documented in
15 Exhibit 2, Section 2.7

16 6 Approval of the inclusion into the 2022 opening rate base of LH's JD Edwards financial
17 system, (approved ICM project from prior Cost of Service Application) as documented in Exhibit
18 2, Section 2.7

19 7 Approval of the 2022 load forecast as documented in Exhibit 3

20 8 Approval to continue to use the OEB established deferral Accounts (USoA 1509) to
21 record impacts arising from the COVID-19 Emergency not incorporated into this Application,
22 from May 1, 2022 onwards, including the Sub-Account Lost Revenues Arising from the COVID-
23 19 Emergency for Electricity Distributors and Natural Gas Distributors to record lost revenues as
24 compared to the load forecast approved in this Application

25 9 Approval to modify the Specific Service Charges Cellular Meter Read monthly charge as
26 set out in Section 8.6 of Exhibit 8

27 10 Approval of a continue current loss factor as identified in Section 8.9 of Exhibit 8

28 11 Approval of updated Retail Transmission Service Rates ("RTSRs"), as identified in
29 Section 8.3 of Exhibit 8 as follows.
30
31
32

1 11A Approval of updated Retail Transmission Service Rates (“RTSRs”), as identified in
2 Section 8.3 of Exhibit 8

3 11B Approval to allow GS>50 kW, Co-Gen and Large Use Retail Transmission Service Rates
4 (“RTSRs”) to be based on kWh, as identified in Section 8.3 of Exhibit 8 for net metering and
5 community net metering customers.

6 12 Approvals related to deferral and variance accounts, as set out in Exhibit 9: Deferral and
7 Variance Accounts as follows.

8 12A Approval for the clearance of the balances recorded in certain Group 1 deferral and
9 variance accounts of \$2,021,883.23 by means of class-specific rate riders and manual
10 adjustments, effective May 1, 2022 to April 30, 2023, as identified in Section 9.6 of Exhibit 9

11 12B Approval for the clearance of the credit balances recorded in certain Group 2 deferral
12 and variance accounts of (\$1,495,317.85) by means of class-specific rate riders effective May 1,
13 2022 to April 30, 2023, as identified in Section 9.6 of Exhibit 9

14 12C Approval for the clearance of the balances recorded in its 1568 Lost Revenue
15 Adjustment Mechanism Variance Account of \$1,537,235.72, resulting from its Conservation and
16 Demand Management activities up to December 31, 2019 explained in Section 4.8 of Exhibit 4,
17 via class-specific rate riders effective May 1, 2022 to April 30, 2023 as set out in Section 9.8 of
18 Exhibit 9

19 12D Approval of the continuation of certain deferral and variance accounts, as set out in
20 Section 9.3 and 9.4 of Exhibit 9

21 12E Approval of the discontinuation of certain deferral and variance accounts, as set out in
22 Section 9.3 and 9.4 of Exhibit 9

23 13 Approval to make its current (i.e., 2021) rates provided in Appendix B of Exhibit 8 interim
24 effective May 1, 2022, if the preceding approvals cannot be issued by the OEB in time to
25 implement final rates effective May 1, 2022

26 14 Approval to establish an account to recover any differences between the interim rates
27 and the actual rates effective May 1, 2022 if the preceding approvals cannot be issued by the
28 OEB in time to implement final rates effective May 1, 2022

29 15 Approval of other items or amounts that may be requested by London Hydro in the
30 course of the proceeding, and such other relief or entitlements that the OEB may grant

31 16 Approval to establish a new deferral account for impacts resulting from Ontario's
32 Broadband and Cellular Action Plan, including uncompensated lost revenues and new
33 incremental expenditures



1 17 London Hydro would also propose to continue reporting annually on its return on equity
2 on both a ring-fenced and non-ring-fenced basis as required under the current s. 71(4) approval
3 18 London Hydro herein requests that it be allowed to keep SR&ED for future innovation
4
5 London Hydro may request such other approvals London Hydro may submit and the Board may
6 allow.



6.14 OEB Checklist Completion OEB CHECKLIST COMPLETION

London Hydro has prepared this application paying strict attention to the Minimum Filing Requirements June 24, 2021 and the OEB 2022 Checklist. London Hydro is of the opinion that this application is presented in full and complete compliance to all requirements. A completed checklist is attached Appendix E

7.0 DISTRIBUTION SYSTEM OVERVIEW

7.1 DESCRIPTION OF APPLICANTS SERVICE AREA

COMMUNITY SERVED:	City of London
TOTAL SERVICE AREA:	423 sq. km
URBAN SERVICE AREA:	162.8 sq. km
RURAL SERVICE AREA:	260.3 sq. km
DISTRIBUTION TYPE:	Electricity distribution
SERVICE AREA POPULATION:	390,000
MUNICIPAL POPULATION:	390,000

A map of the London Hydro Distribution Service Territory and System is provided in attachment 1 below.

The following map is provided to show where the London Hydro operates within the Province of Ontario.

FIGURE 1-6: London Hydro Operations



London Hydro services all customers within the City of London’s boundary. It also services the City’s water pumping plant located immediately north of the municipal boundary. Electricity is supplied by seven high voltage transformer stations located throughout the City. These stations



1 are owned and operated by Hydro One. The distribution circuits emanating from these stations
2 operate at 27.6kV. The system also has 35 distribution stations of which 32 step down voltage
3 from 27,600 to 4,160 volts, and 3 step down voltage from 27,600 to 13,800 volts.

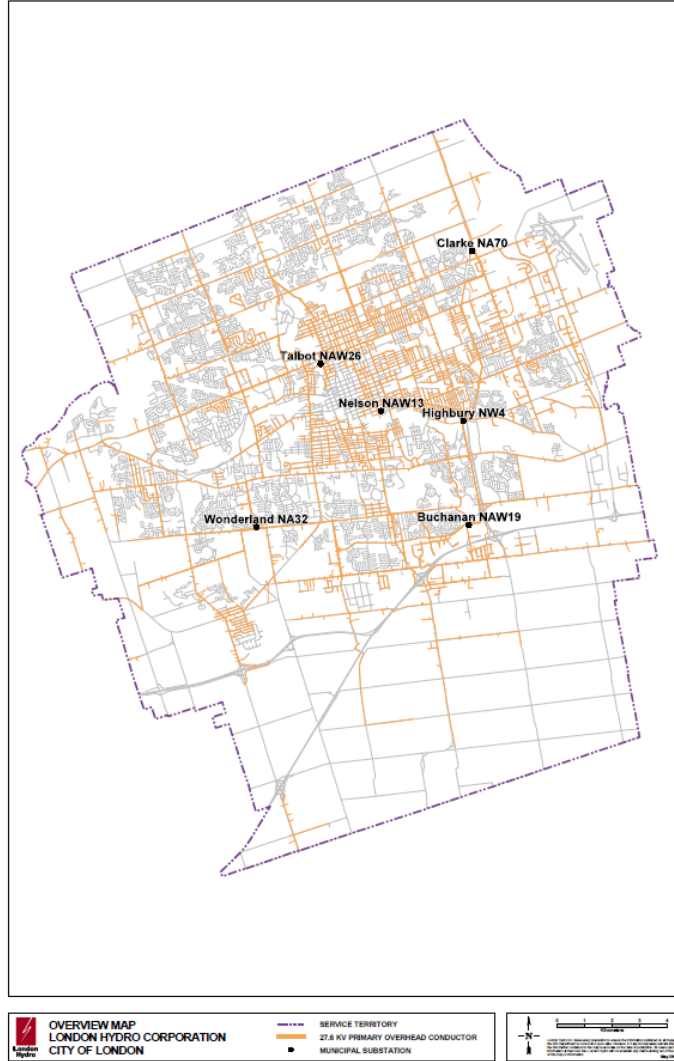
4
5 The distribution network includes 57 Feeders at 27,600 volts, plus an additional 9 feeders at
6 13.8 kV, and 53 feeders at 4.16kV. There are approximately 15,600 pole and pad mounted
7 transformers. London Hydro owns approximately 27,000 poles and shares space on another
8 3,300 poles owned by Bell Canada and Hydro One Networks. In total, London Hydro has
9 approximately 3,000 circuit km of primary line.

10
11 Most of the core area of the city is fed by an extensive underground system consisting of
12 approximately 350 manholes (out of a total of 1,100 manholes in London Hydro's service
13 territory), concrete encased duct structure and 27 kV XLPE or EPR insulated power cable.
14 Within the core area, there is also a separate low voltage network grid distribution system
15 consisting of 66 transformers housed in 50 vaults under the sidewalks of city streets. The high
16 voltage sides of the transformers are fed at either 13.8kV or 27.6 kV, and the low voltage sides
17 are interconnected through more than twenty kilometres of 120/208 volt or 347/600 volt cables
18 in a grid pattern providing a reliable network supply to the core area commercial customers.

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FIGURE 1-7: London Hydro Service Territory



2

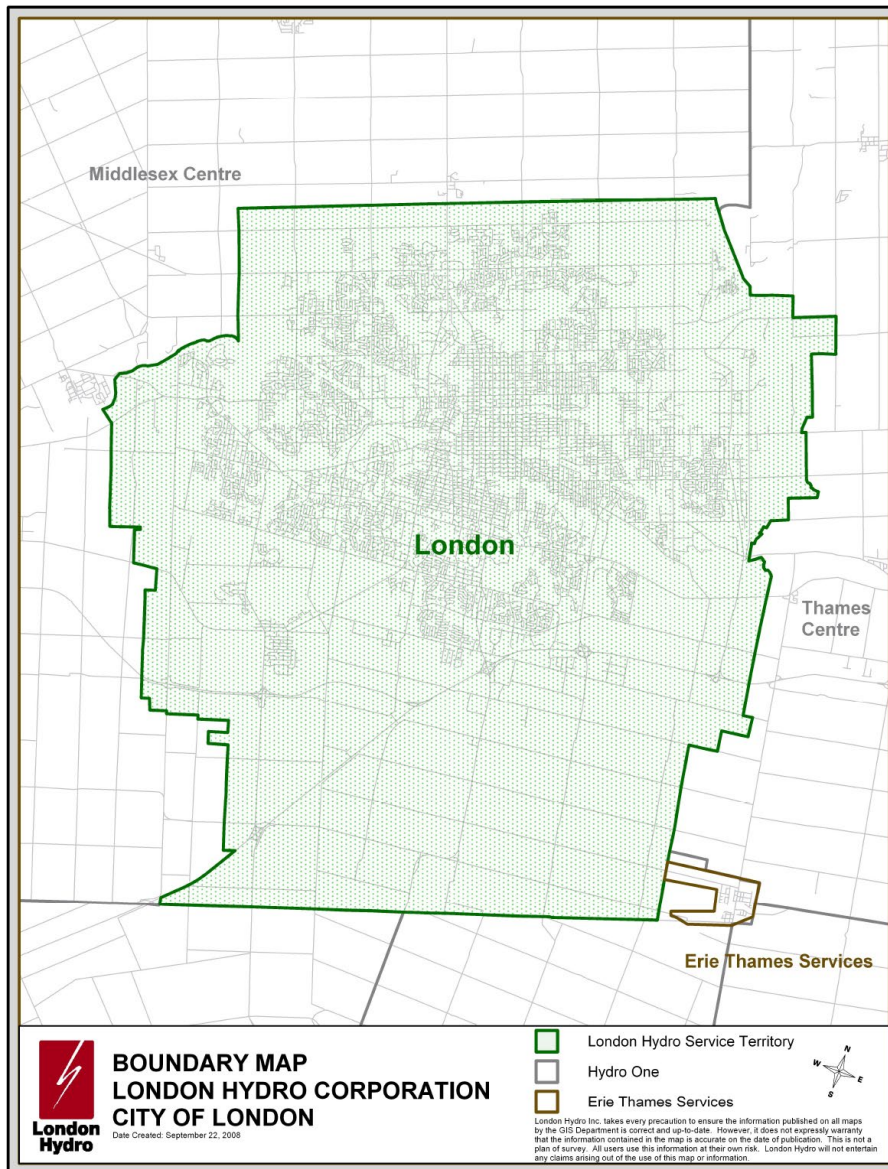
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7.2 NEIGHBOURING DISTRIBUTORS

The following distributors are located adjacent to London Hydro service areas:

- Hydro One Networks Inc.
- Erie Thames Powerlines Corp.

FIGURE 1-8: London Hydro Boundary



7

8

1

2

7.3 HOST/ EMBEDDED DISTRIBUTOR

3

4 London Hydro has no retail metered embedded utilities connected to its distribution system.
5 London Hydro is connected to a single host distribution system – Hydro One Networks Inc.
6 (“HONI”). There are 6 retail metered locations at which London Hydro is connected to HONI as
7 a host utility. The following is a description of each host location and the approximate load. The
8 total load through these retail points is approximately 0.1% of London Hydro’s total load and is
9 considered negligible for planning purposes.

10 Highway 4

11 This is an approximate 500 kW supply to London Hydro from Hydro One.

12 Westdel Bourne

13 This is an approximate 50 kW single phase supply to London Hydro from Hydro One.

14 Sharon Road

15 This is an approximate 35 kW single phase supply London Hydro from Hydro One.

16 Nissouri Road

17 This is an approximate 35 kW single phase supply London Hydro from Hydro One.

18 Westminster Drive

19 This is an approximate 50 kW single phase supply London Hydro from Hydro One.

20 Wilton Grove Road

21 This is an approximate 35 kW single phase supply London Hydro from Hydro One.



7.4 STATEMENT OF DEEMED TRANSMISSION ASSETS

London Hydro does not have any transmission or high voltage asset (>50kV) deemed previously by the Board as distribution assets and does not have any such assets for which London Hydro is seeking Board approval to be deemed as distribution assets in this Application.

8.0 APPLICATION SUMMARY

8.1 KEY ELEMENTS OF THE APPLICATION

London Hydro provides a summary of the key elements of its Application in Table 1-9 below. The proposed changes in the Application which will have an impact on all customers are Operating, Maintenance and Administration (OM&A) Expenses; depreciation expense driven by an increase in capital expenditures; and the disposition of London Hydro's Group 1 and Group 2 deferral and variance accounts. London Hydro's net fixed assets have increased since its last rebasing application (EB-2016-0081) These changes are discussed in further detail below.

TABLE 1-9: Key Elements of the Application

Description	Proposed 2022 Test Year
Capital Expenditures	\$ 47,492,000
Rate Base	
Net Fixed Assets	\$ 356,610,437
Working Capital Allowance (7.5%)	\$ 26,853,504
Rate Base	\$ 383,463,940
Revenue Requirement	
OM&A Expenses	\$ 44,778,000
Amortization/Depreciation	\$ 22,148,800
Income Taxes (Grossed up)	\$ 403,436
Deemed Interest Expense	\$ 5,207,440
Return on Deemed Equity	\$ 12,792,357
Service Revenue Requirement	\$ 85,330,034
Revenue Offsets	\$ 5,999,088
Base Revenue Requirement	\$ 79,330,946
Transformer Ownership Allowance	\$ 717,511
Base Revenue Requirement after inclusions	\$ 80,048,457
Revenue (Deficiency)/Sufficiency	
Revenue from Current Rates	\$ 72,247,728
Base Revenue Requirement	\$ 79,330,946
Revenue (Deficiency)/Sufficiency	\$ (7,083,218)



8.2 REVENUE REQUIREMENT

1
2
3 London Hydro is herein requesting to recover \$85,330,034 in overall revenue requirement for
4 our Test Year 2022. This includes \$80,048,456 to be recovered from rate payers against our
5 revenue offset estimated amount of \$5,999,088 and includes \$717,510 in transformer
6 ownership allowance. At the current 2021 rates (effective May 1, 2021), London Hydro has
7 determined that for the year 2022 it would recover \$72,247,728 from consumers. This results in
8 our request to increase our rates by the deficiency amount of \$7,800,729 or an overall rate
9 increase of 10.80%.

10 London Hydro is requesting the approval of its proposed service revenue requirement of
11 \$80,048,456, an increase of \$7,800,729 or 10.80% in comparison to the 2017 OEB-Approved, as
12 shown below in Table 1-10 below.

13

1

Table 1-10: Comparison of Revenue Requirement

Revenue Requirement Comparison					
			Total Change		
	2017 OEB Approved	2022 Proposed Test Year	2017 Budget to 2022 Test	Change	CAGR
	\$	\$	\$	%	%
Rate Base					
Average fixed assets	265,772,982	356,610,437	90,837,455	34.2%	6.1%
Cost of power	413,130,174	313,751,116	(99,379,058)	-24.1%	-5.4%
Working capital allowance	33,795,804	26,853,504	(6,942,300)	-20.5%	-4.5%
Cost of Capital					
Return on equity	10,520,856	12,792,357	2,271,501	21.6%	4.0%
Interest (deemed)	4,690,049	5,207,440	517,391	11.0%	2.1%
	15,210,905	17,999,797	2,788,892	18.3%	3.4%
Operating expenses					
Amortization/depreciation	17,272,758	22,148,800	4,876,042	28.2%	5.1%
OM&A expenses	37,592,000	44,168,800	6,576,800	17.5%	3.3%
PILs (grossed up)	982,051	403,436	(578,615)	-58.9%	-16.3%
Property taxes	505,000	609,200	104,200	20.6%	3.8%
	56,351,809	67,330,236	10,978,427	19.5%	3.6%
Revenue Requirement					
Service revenue requirement	71,562,714	85,330,034	13,767,320	19.2%	3.6%
Transformer allowance	801,759	717,510	(84,249)	-10.5%	-2.2%
Other revenues	(5,007,326)	(5,999,088)	(991,762)	19.8%	3.7%
Base Revenue Requirement	67,357,147	80,048,456	12,691,309	18.8%	3.5%

2

3

4

The main drivers of this increase are shown in Table 1-11 below:

5

1 **Table 1-11: London Hydro 2017 OEB Approved to 2022 Test Year Cost Drivers**

Revenue Requirement Cost Drivers 2017 OEB Approved to 2022 Test Year		
Rate Base		
Increase in average gross fixed assets	129,348,092	
Change in average accumulated depreciation	(41,453,254)	
Increase in average net fixed assets	87,894,838	
Decrease in working capital	(6,942,300)	
Change in rate base	80,952,538	
Increase in deemed interest	517,391	
Increase in return on equity	2,271,501	2,788,892
Operating expenses and other revenues		
Increase in amortization/depreciation	4,876,042	
Increase in OM&A expenses	6,576,800	
Decrease in PILs (grossed up)	(578,615)	
Increase in property taxes	104,200	
Transformer allowance	(84,249)	
Increase in other revenues	(991,762)	9,902,417
		12,691,309

2
3
4 **Return on Rate Base Increase**

5 London Hydro is applying to increase its Return on Rate Base component by \$2.8M. This is largely
6 due to the increase in the Average Net Book Value of London Hydro's assets which is projected
7 to increase by approximately \$90.8M between the 2017 OEB Approved Budget and the proposed
8 2022 Test Year, as shown in Exhibit 2.

9
10 London Hydro is projecting that its Working Capital Allowance will decrease by \$6.9M primarily
11 due to the reduction in the Cost of Power as a result of government subsidies introduced by the
12 provincial government commencing in 2017.

13
14 This Return on Rate Base is proposing a Weighted Average Cost of Capital of 4.7%, down from
15 the 2017 approved value of 5.1%. The Return on Equity is forecasted to increase by \$2.3M as a
16 result of the higher overall Rate Base offset by the slightly lower Return on Equity percentage



1 (8.34% versus 8.78% 2017 approved). London Hydro notes that this amount will likely change
2 when the OEB reviews the 2022 Return on Equity percentage expected to be published before
3 the end of 2021. London Hydro will recalculate this value when directed.

4
5 London Hydro has successfully renegotiated its Long Term Debt and is herein reducing its Long-
6 Term Debt rate to 2.3% from the OEB approved 2017 amount of 2.67%. In conjunction, London
7 Hydro is proposing a reduced Short-term Debt amount of 1.75% down from the 2017 percentage
8 of 1.76%. Again, London Hydro notes that this amount will likely change when the OEB reviews
9 the 2022 deemed Short-Term Debt Rate percentage expected to be published before the end of
10 2021. London Hydro will recalculate this value when directed.

12 **Operating Maintenance & Administration (“OM&A”) Expense Increase**

13
14 London Hydro’s OM&A component has increased by approximately \$6.6M, as explained in Exhibit
15 4. This includes an increase of \$5.1M (78%) related inflation, increases in labour prices as well
16 as the increase in customer growth. The remaining \$1.5M increase is driven primarily by the
17 impact of moving to cloud computing as well as forces outside of London Hydro management
18 control. This is discussed in detail in Exhibit 4. London Hydro is proud of the fact that it has been
19 able to contain quantitative costs through efficiencies while enhancing qualitative consumer
20 related services.

21
22 Please be advised that 2017 OEB Approved OM&A expenses illustrated above have been
23 restated to include OPEB’s on an accrual basis (\$216,300) to provide a better comparative to
24 amounts presented for the 2022 Proposed Test Year. On September 14, 2017, the OEB finalized
25 its decision regarding the treatment of OPEB costs (EB-2015-0040). The Report established the
26 use of the accrual accounting method as the default method on which to set rates in cost-based
27 rate applications.

28

1 **Depreciation Increase**

2
3 The growth in the value of gross fixed assets between 2017 OEB Approved and the proposed
4 2022 Test Year, together with inflationary impacts, have resulted in an increase to London Hydro's
5 depreciation expense component of \$4.9M. See Exhibit 4 for the depreciation calculation.
6

7 **Payments in-Lieu of Taxes ("PILs") Increase**

8
9 The decrease in the PILs component of \$0.6M is primarily as result of increased capital cost
10 allowance deductions due to the Accelerated Investment Incentive introduced by the Government
11 of Canada in 2018, as well as increases in additions to rate base. See Exhibit 4 for the PILs
12 calculation.
13

14 **Other Revenues Increase**

15
16 The increase in Other Revenues of \$1.0M is primarily driven by increases in joint-use-of-pole
17 rental rates, new specific cellular charges and increased amortization of contributed capital, offset
18 by decreases in late payment charges. See Exhibit 3 for further details for this item.
19

20 **Overall Increase**

21
22 In this application London Hydro is seeking to recover an additional \$12.7M in revenue
23 requirement over 2017. London Hydro would note that when compared to its 2017 OEB approved
24 deficiency adjustment, this application is requesting \$7.8M more in the way of revenue deficiency
25 adjustment. For a more detailed discussion on the please see Exhibit 6.
26

8.3 Budgeting and Accounting Assumptions

Revenue

The Total Customer/Connections are forecasted to increase slightly based on the forecast by rate class which is reflective of current conditions in London Hydro's service area; and, other revenues were viewed on an item-by-item basis and were either based on a historical indicators and business plans moving forward.

COVID-19 Impact

OM&A expenditures and capital projects budgeted for the 2021 Bridge Year and the 2022 proposed Test Year include no additional expenditures associated with COVID-19. Amounts projected assume the pandemic to be unique and have a one-time impact in 2020. Specifically, activities presented in this exhibit from 2021 onward are based on the premise that London Hydro's business environment will revert to normal.

Inflation and customer growth

London Hydro did not utilize an inflation factor in any significant way when developing both capital and operating budgets for the 2021 Bridge or proposed 2022 Test Year. When developing budget amounts at the individual account level, price increases having an impact on non-labour expenditures are implicit and considered but not calculated into forecasts.

Where inflation is cited in this Application, statistical information references the Ontario Consumer Price Index and is provided for illustration purposes only as a gauge to help segregate true cost drivers from those resulting in increased pricing. This approach is taken to help the reader identify business environment changes affecting London Hydro and all distribution companies in the province.

Customer growth is considered during budget development but not mathematically included in budgeted amounts in any significant way when developing both capital and operating budgets for

1 the 2021 Bridge or proposed 2022 Test Year. The customer growth rate in London has been
2 relatively stable at the rate of approximately 1% per year.

4 **Labour prices**

5
6 Salaries and wages have increased between 2.0% and 2.5% per year or a CAGR of 2.2%. The
7 shortage of skilled resources, high demand for the same resources, along with union settlements
8 result in higher costs. The cumulative increase in 2022 for salaries and wages is forecasted to be
9 11.6% over the 2017 Actuals.

11 **Table 1-12: Wage escalations 2017 to 2022**

Summary of Wage Increases by Year		
<u>Year</u>	<u>Amount</u>	<u>%</u>
2017	\$ 100.00	
2018	\$ 102.00	2.00%
2019	\$ 104.45	2.40%
2020	\$ 106.64	2.10%
2021	\$ 108.88	2.10%
2022	\$ 111.60	2.50%
CAGR		2.2%
Overall change 2017-2022		11.6%

12
13
14 Labour and benefits account for the most significant component of London Hydro's OM&A
15 expenditures, accounting for roughly 60% of overall costs. The majority of London Hydro
16 employees are unionized with the Power Workers' Union, CUPE Local 1000 and hold positions
17 related to trades, technical, operations support, clerical and administration.

18
19 The Collective Agreement, effective January 1, 2016 to December 31, 2019, included a provision
20 for wage escalations of 2.0% for each of the years from 2016 to 2018 and 2.4% for 2019. The
21 new collective agreement effective January 1, 2020 is for a 4-year term to December 31, 2023

1 and includes negotiated incremental annual increases of 2.1% for both 2020 and 2021 and 2.5%
2 for 2022 and 2023.

3 4 **One-Time Costs**

5
6 One-time costs associated with the preparation of the Cost of Service Rate Application including
7 the Distribution System Plan, have been normalized over the five-year life of the application.
8

9 **Accounting Standards**

10
11 London Hydro implemented International Financial Reporting Standards (IFRS) effective January
12 1, 2015. All schedules in this Application have been filed in accordance with Modified International
13 Financial Reporting Standards (MIFRS). New standards implemented by the International
14 Accounting Standards Board since January 1, 2015 with respect to measurement and disclosure
15 of financial assets and liabilities have not had a material impact on revenue requirement.
16

17 **Amortization**

18
19 Amortization has been calculated based on useful lives in accordance with MIFRS requirements.
20

21 **Payments in Lieu of Taxes (“PILs”)**

22
23 Regulatory PILs have been calculated using the OEB Approved Model. PILs are forecasted to
24 decrease mainly as a result of increased capital cost allowance deductions due to the Accelerated
25 Investment Incentive introduced by the Government of Canada in 2018, as although the reduction
26 has been offset slightly due to additions to rate base.
27

28 **Capital**

29
30 The capital budget was formulated on a project by project basis. Distribution asset related projects
31 were prioritized based on multiple factors as explained in the Distribution System Plan. General



- 1 plant asset related projects were submitted by managers and supervisors on a project by project
- 2 basis. Major general plant asset projects were based on fleet replacement scheduling, work
- 3 equipment requirements and Information Technology assessments.

8.4 LOAD FORECAST SUMMARY

London Hydro's forecasted energy consumption and demand are expected to decrease as compared to the 2017 OEB-approved load forecast as follows:

- Forecasted energy sales for the 2022 Test Year are 3,063,348,161 kWh which represents a decrease of 63,591,662 kWh or (2.03%) as compared to the 2017 OEB approved kWh forecast; and
- Forecasted energy demand for the 2022 Test Year is 3,824,191 kW which represents a decrease of 464,797 kW or (10.84%) as compared to the 2017 OEB-approved kW forecast.

London Hydro's forecasted customer/connection count for the 2022 Test Year is 205,748 which represents an increase of 11,313 customers/connections or 5.82% as compared to the 2017 OEB-approved kWh forecast. Customer/connection counts are based on the average for the year.

Table 1-13 to Table 1-15 below provide a high-level summary of London Hydro's load forecast for the 2022 Test Year as compared to the 2017 OEB-approved forecast.

The delivery of conservation and demand management programs and COVID-19 have had a significant impact on London Hydro's load from 2017 to 2021 and continue to impact its 2022 load forecast

1.6 C.1 Impact of Conservation and Demand Management

The implementation of the 2015-2020 Conservation First Framework (CFF), with the objective of promoting a culture of conservation in Ontario, and as directed by the provincial government has had a material impact on London Hydro's actual and forecasted load from 2017 to 2021. The CFF required the Independent Electricity System Operator (IESO) to coordinate, support and fund the delivery of Conservation and Demand Management (CDM) programs through LDCs to achieve a total of 7 TWh of reductions in electricity consumption between January 1,

1 2015 and December 31, 2020. LDCs could deliver their CDM obligations through use of IESO
2 province wide programs and/or their own, or regional, programs (both of which were IESO
3 funded); and were permitted to do so individually or in a joint plan with one or more LDCs.

4
5 As a means of improving the overall effectiveness of both organizations, London Hydro entered
6 into a partnership arrangement with Tillsonburg Hydro for the delivery of CDM programs
7 throughout the 2015-2020 CDM delivery framework, and submitted a Joint CDM Plan to IESO
8 consisting of the following public-domain documents:

- 9
- 10 • London Hydro Report EM-14-03, Integrated Resource Planning: Forecasts of Energy
11 Efficiency Program Outcomes as a DemandSide Resource (Volume 1 – Articulation
12 of the Vision); April 2015
 - 13 • London Hydro Report EM-14-03B, Integrated Resource Planning: Forecasts of
14 Energy Efficiency Program Outcomes as a DemandSide Resource (Volume 2 –
15 Budget & Resource Plan); April 2015
 - 16 • London Hydro Report EM-14-03C, Integrated Resource Planning: Forecasts of
17 Energy Efficiency Program Outcomes as a Demand-Side Resource (Volume 3 –
18 Tillsonburg Hydro Element); April 2015
- 19

20 London Hydro's assigned net energy savings target for the current framework was 196.66 GWh.
21 As a result of the government cancellation of the Conservation First Framework (CFF) in early
22 2019, the IESO did not carry out the usual program Evaluation, Measurement and Validation
23 (EM&V) activity with an independent party to publish Final Verified Annual LDC CDM Program
24 Results for 2019. Using available gross energy savings data and 2017 Net-to-Gross (NTG)
25 ratios for London Hydro as a proxy, it is estimated that throughout 2019 London Hydro achieved
26 another 22 GWh of net energy savings (persisting to 2020). Given the projected energy savings
27 associated with the three (3) embedded load displacement generation projects that are
28 expected to be in-service in 2020 and the number of retrofit projects in the queue, London
29 Hydro can confidently state that it is on-track to meet its assigned CDM target.

30
31 Note: This is consistent with the Environmental Commissioner of Ontario's Annual Energy
32 Conservation Progress Report entitled: Making Connections - Straight Talk About Electricity in

1 Ontario - 2019 Energy Conservation Progress Report, Volume One, wherein it was reported (on
2 page 316) that "LDCs as a whole are on track to achieve the 7 TWh target".

3
4 In a complete change in direction, on March 20, 2019 the provincial government issued two
5 directives that essentially terminated the Conservation First Framework (wherein LDC's
6 delivered CDM programs within their respective service territories), preferring to centralize the
7 delivery of CDM programs via IESO and an interim framework that would end on December 31,
8 2020. By the established deadline for LDC's to accept new incentive applications, London Hydro
9 had amassed 726 incentive applications under the RETROFIT PROGRAM, representing 1,140
10 energy-efficiency projects, 87,452 MWh in gross energy savings, and about \$9.9M in incentives.

11
12 Although there are no plans by IESO to engage an EM&V program evaluator to ascertain the
13 net energy savings, nor to assign these savings to individual LDC's, London Hydro recognizes
14 these programs are beneficial to its customers.

15
16 The so-called Interim Framework provided limited funding for LDC's to submit funding
17 applications for custom CDM programs (i.e. those not deemed duplicative of any in the suite of
18 provincial CDM programs). London Hydro was:

- 19
20
- the lead LDC on a custom program known as Strategic Energy Management
 - a participating LDC on a custom program, submitted by Peterborough, known as Refrigeration Efficiency Program - a direct install program intended for small business customers with refrigerated display cases and coolers.
- 21
22
23
24

25 Both custom programs were impacted by the COVID-19 pandemic and have been extended
26 accordingly. Program achievements (in terms of persisting energy savings) won't be available
27 until late 2021.

28
29 On September 30, 2020, the MENDM directed the IESO to implement a 2021-2024 CDM
30 Framework launching January 1, 2021. The new framework will be centrally delivered by the
31 IESO under the Save on Energy brand and will include incentive programs targeted to those
32 who need them most, including opportunities for commercial, industrial, institutional, on-reserve

1 First Nations, and income-eligible electricity consumers. The implications of this new framework
2 have not been contemplated in this Application or the load forecast.

3
4 Although the CFF was terminated by the IESO and replaced with an interim framework, the
5 IESO continues to offer programs to customers, specifically Retrofit, Small Business Lighting,
6 Process and Systems Upgrade Program, Home Assistance Program, Local Indigenous
7 Programs; and the Energy Performance Program. These programs continue to generate energy
8 savings in addition to the persistence of energy and demand savings from previously
9 implemented CDM programs.

10
11 The success of these programs has resulted in a material decrease in load since 2017 for all
12 rate classes including street lighting. Street light consumption and demand has decreased
13 significantly since 2017 because of a series of projects in 2017 and 2018 implemented by the
14 City of London under the CFF. These projects involved converting street light bulbs to a more
15 energy efficient Light Emitting Diode (LED) technology. This program is discussed in more detail
16 in Exhibit 4.

17 18 **1.6 C.2 Impact of COVID-19**

19
20 COVID-19 has had a material impact on the metered customer classes consumption and
21 demand in the 2020 Actual, impacting the 2021 Bridge and 2022 Test Years projections.

22
23 Residential consumption has increased in 2020, due to a significant shift in the number of
24 employees working from home as compared to 2019. Small commercial consumption and large
25 commercial demand has decreased over the same time period; both due to government
26 mandated shutdowns and the negative economic impact of COVID-19. The ongoing impacts of
27 COVID-19 are expected to continue into the 2022 Test Year. London Hydro expects employees
28 to continue to work from home late into the 2021 Bridge Year, but less so in 2022 Test Year.

29
30 Commercial consumption and demand are not expected to return to pre COVID-19 levels due to
31 shutdowns and reduced operating hours, and this continues to be precarious to predict with the
32 impending 4th wave. Commercial consumption and demand continue to decline from the 2017
33 Test Year to 2020, prior to the impacts of COVID-19, on an actual and weather-normalized

1 basis. London Hydro intends to update its load forecast - before a decision is rendered on this
2 Application - once full 2021 data is available and may consider adjustments at that time if they
3 are material.

4
5 **1.6 C.3 Net Impact to Load Forecast**

6
7 Residential consumption is projected to increase compared to the 2017 OEB-approved Cost of
8 Service due to the following: (i) continuing housing demand and (ii) an increase in the number of
9 customers working from home as compared to pre-COVID periods. However, distribution
10 revenue for the residential rate class is unaffected by consumption because of the transition to
11 fully fixed distribution rates effective May 1, 2019. As such, the lost revenue associated with a
12 reduction in load for small and large commercial customers is not offset by the increase in
13 residential consumption and will be recovered in this Application from those rate classes paying
14 a combination of fixed and variable rates.

15
16 Small commercial consumption and large commercial demand has declined as compared the
17 2017 OEB-approved amounts, as identified in Table 1-13 and Table 1-14 respectively. This is a
18 result of (i) the negative impact of COVID-19; and (ii) the success of CDM programs.

19
20 The street lighting class is unaffected by weather or COVID-19. The driver of the decrease in
21 consumption and demand is as a result of the LED conversion program conducted by the City of
22 London in 2017 and 2018.

23
24 **Table 1-13: Consumption kWh**

Rate Class	Consumption kWh							2022 Test vs 2017 OEB App	2022 Test vs 2017 OEB App
	2017 OEB Approved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Bridge	2022 Test		
Residential	1,080,124,093	1,041,232,119	1,134,273,427	1,099,830,560	1,174,570,751	1,190,625,328	1,219,995,338	139,871,245	12.95%
General Service Less Than 50 kW	388,005,727	384,261,420	396,936,108	395,444,422	374,492,024	367,958,827	365,492,042	-22,513,685	-5.80%
General Service 50 to 4,999 kW	1,500,902,793	1,456,743,101	1,497,045,852	1,456,298,256	1,371,744,687	1,355,514,264	1,336,134,398	-164,768,395	-10.98%
General Service 1,000 To 4,999 kW (co-generation)	34,352,837	44,968,462	48,833,253	35,020,139	36,277,791	33,474,101	30,252,424	-4,100,413	-11.94%
Standby Power	-	-	-	-	-	-	-	0	0.00%
Large Use	95,045,673	117,005,431	116,791,074	110,801,181	103,009,408	96,452,693	90,751,530	-4,294,143	-4.52%
Street Lighting	22,397,552	20,022,458	15,903,208	16,623,912	16,908,317	15,876,132	14,936,832	-7,460,720	-33.31%
Sentinel Lighting	696,900	592,608	550,596	541,973	534,360	497,133	462,196	-234,704	-33.68%
Unmetered Scattered Load	5,414,248	5,549,550	5,496,547	5,501,898	5,417,919	5,369,918	5,323,401	-90,847	-1.68%
Total Consumption (kWh)	3,126,939,823	3,070,375,149	3,215,830,065	3,120,062,340	3,082,955,257	3,065,768,396	3,063,348,161	-63,591,662	-2.03%

Table 1-14: Demand kW

Demand kW									
Rate Class	2017 OEB	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Bridge	2022 Test	2022 Test vs	
	Approved							2017 OEB App	2017 OEB App
Residential	-	-	-	-	-	-	-	0	0.00%
General Service Less Than 50 kW	-	-	-	-	-	-	-	0	0.00%
General Service 50 to 4,999 kW	3,814,310	3,725,836	3,758,358	3,668,057	3,432,957	3,412,391	3,363,562	-450,748	-11.82%
General Service 1,000 To 4,999 kW (co-generation)	70,720	72,028	92,245	55,791	69,257	72,330	72,330	1,610	2.28%
Standby Power	156,400	156,400	172,800	172,800	172,800	172,800	172,800	16,400	0.00%
Large Use	182,963	227,574	221,495	216,189	189,814	183,260	172,428	-10,535	-5.76%
Street Lighting	62,713	56,255	44,446	46,619	47,272	44,453	41,823	-20,890	-33.31%
Sentinel Lighting	1,882	1,611	1,497	1,472	1,452	1,342	1,248	-634	-33.69%
Unmetered Scattered Load	-	-	-	-	-	-	-	0	0.00%
Total Demand kW	4,288,988	4,239,704	4,290,842	4,160,927	3,913,552	3,886,576	3,824,191	-464,797	-10.84%

Table 1-15: Customers/Connections

Customers/Connections									
Rate Class	2017 OEB	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Bridge	2022 Test	2022 Test vs	
	Approved							2017 OEB App	2017 OEB App
Residential	141,991	142,206	143,918	145,514	146,977	148,601	150,243	8,252	5.81%
General Service Less Than 50 kW	12,703	12,575	12,634	12,771	12,891	12,981	13,071	368	2.90%
General Service 50 to 4,999 kW	1,556	1,598	1,615	1,572	1,534	1,524	1,511	-45	-2.89%
General Service 1,000 To 4,999 kW (co-generation)	4	6	7	7	8	9	9	5	125.00%
Standby Power	-	-	-	-	-	-	-	0	0.00%
Large Use	1	1	1	1	1	1	1	0	0.00%
Street Lighting	36,048	36,184	36,831	37,110	37,806	38,348	38,898	2,850	7.91%
Sentinel Lighting	606	584	540	525	520	498	476	-130	-21.45%
Unmetered Scattered Load	1,526	1,515	1,522	1,543	1,533	1,536	1,539	13	0.85%
Total Customers/Connections	194,435	194,669	197,068	199,043	201,270	203,498	205,748	11,313	5.82%

1.6 C.4 Load Forecast Methodology

London Hydro used a multivariate regression model, consistent with its last rebasing application, to determine a class specific, weather-normalized load forecast and customer/connection forecast for the 2022 Test Year.

8.5 CAPITAL PLAN (DSP) AND RATE BASE

8.5.1 DISTRIBUTION SYSTEM PLAN

In creating the DSP (refer to Exhibit 2, DSP 3.3.1c Investment Drivers by Category (5.4.3.1c)), London Hydro believes the objective and scope of this 2022 – 2026 investment plan speaks directly to the RRFE and London Hydro’s core values and also to the Board’s DSP evaluation criteria of efficiency, customer value and reliability.

Key Elements of the DSP

This DSP has been shaped by the following prospective business conditions, including:

- the preferences expressed by customers (reliability, cyber security, conservation and safety, environmental impact, increased use of e-billing and paper-free communication),
- public and worker safety,
- challenges associated with maintaining and upgrading aging infrastructure,
- a long-term approach to ensuring a reliable supply of electricity is available for present and future customers, and
- the use of technology and innovation to provide new and better service to customers and equip workers with the tools they need to effectively manage assets for optimal performance and cost.

Major Drivers of DSP

The major drivers of the DSP are explained for each Investment Category below:

System Access: The two main drivers of System Access projects are new and upgraded services for residential and commercial customers, and infrastructure relocations to accommodate City of London and London Transit projects. Approximately 68% of projects in this category are the result of requests from customers for new or upgraded services, including

1 developers of residential and commercial subdivisions. The remaining 32% of projects
2 accommodate relocation requests from the City of London.

3
4 **System Renewal:** Addressing aging infrastructure is the main driver of spending in this
5 category. Replacement of end-of-life primary underground cables accounts for approximately
6 43%. Upgrades to the infrastructure (civil and electrical) supplying the downtown core account
7 for 11%. The remaining work addresses components such as wood poles, insulators and
8 switching enclosures that are at end-of-life and pose safety and reliability risks.

9
10 **System Service:** The main driver of System Service work is to improve overall system
11 reliability and decrease Operating and Maintenance costs. By investing in technology that
12 improves the visibility of the system components, London Hydro is able to isolate faulted
13 segments faster and perform restoration work remotely when practical. London Hydro's
14 reliability metrics show a trend of gradual improvement over the historic period, which suggests
15 the pace of investment in distribution automation has been appropriate to maintain the level of
16 reliability expected by our customers.

17
18 **General Plant:** The main driver of General Plant investments is improvements in IT, which
19 represents 69% of the spending in this category (this includes the CIS Refresh which will be the
20 subject of an ACM application). Investments in Fleet and Facilities represent 31% of the
21 spending in this category, which is needed to replace or upgrade equipment that is at end-of-
22 life, unsafe, costly to maintain or obsolete. Once the CIS Refresh project is complete in 2023,
23 the pace of investments in General Plant is expected to return to a more stable level, keeping
24 pace with the expectations of our customers for continued enhancements to our systems.

25 26 **8.5.2 Rate Base**

27
28 London Hydro's rate base for the 2022 Test Year is calculated at \$383,463,940. Total rate base
29 has increased by \$83,895,155 between the 2017 OEB Approved amounts and the 2022 Test
30 Year, representing a total increase of 28.0% or a 6.4% compound annual growth rate (CAGR).
31 Table 1-16 below presents a summary of London Hydro's rate base for the 2017 OEB Approved
32 Year, 2017-2020 Historical Years, 2021 Bridge Year, and 2022 Test Year.

Table 1-16: Summary of Rate Base

SUMMARY OF RATE BASE									
	2017 Actual	2017 OEB Approved	2018 Actual	2019 Actual	2020 Actual	2021 Bridge	2022 Test	2017 OEB Approved to 2022 Test	CAGR
	\$	\$	\$	\$	\$	\$	\$	\$	%
Opening Balance, January 1	261,508,390	261,263,531	270,741,617	287,927,800	306,639,277	325,182,703	346,929,337	85,665,806	7.3%
Closing Balance, December 31	270,741,617	270,282,432	287,927,800	306,639,277	325,182,703	341,044,103	366,291,537	96,009,105	7.9%
Net Fixed Assets (Average)	266,125,004	265,772,981	279,334,709	297,283,539	315,910,990	333,113,403	356,610,437	90,837,455	7.6%
Allowance for Working Capital	30,837,420	33,795,804	29,685,018	30,613,940	35,559,851	38,054,264	26,853,504	(6,942,300)	-5.6%
Rate Base	296,962,424	299,568,785	309,019,727	327,897,479	351,470,841	371,167,667	383,463,940	83,895,155	6.4%
Annual Change		(2,606,361)	12,057,303	18,877,752	23,573,363	19,696,826	12,296,273		
Annual Change %		-0.9%	4.0%	6.1%	7.2%	5.6%	3.5%	28.0%	

Please refer to Exhibit 2 for detailed discussion on changes to rate base.

8.5.3 Capital Expenditures

Total capital expenditures planned for the 2022 Test Year amount to \$47,492,000. This represents an increase of \$18,110,700, or 10.1% CAGR, compared to the 2017 OEB Approved amount.

Table 1-17 below outlines capital spending for the 2017 OEB Approved Year and the 2022 Test Year.

Table 1-17: Capital Spending Summary 2017 vs. 2022

CAPITAL SPENDING 2017 vs. 2022 SUMMARY BY OEB CHAPTER 5 INVESTMENT CATEGORY				
Annual Spending Summary by Investment Category	2017 OEB Approved	2022 Test	2017 OEB Approved to 2022 Test	
	\$	\$	\$	%
System Access	8,412,400	17,987,000	9,574,600	16.4%
System Renewal	14,277,500	17,493,000	3,215,500	4.1%
System Service	892,500	1,135,000	242,500	4.9%
General Plant	8,899,900	15,935,000	7,035,100	12.4%
Other	-	(500,000)	(500,000)	
	32,482,300	52,050,000	19,567,700	9.9%
Capital Contributions	(3,101,000)	(4,558,000)	(1,457,000)	8.0%
Total	29,381,300	47,492,000	18,110,700	10.1%

This increase can be broken down into 3 primary cost drivers: (1) increase in System Access spending, (2) CIS Refresh, and (3) Other factors. These drivers are identified in Table 1-18:

Table 1-18: Analysis of Capital Spending Variance (2017 OEB Approved vs. 2022 Test Year)

ANALYSIS OF CAPITAL SPENDING 2017 OEB APPROVED vs. 2022 TEST YEAR	
Drivers	Amount (\$)
2017 OEB Approved Capital Spending	29,381,300
Drivers of Increase:	
Increase in (Non-Discretionary) System Access Spending	8,117,600
CIS Refresh	6,500,000
Other	3,493,100
Total Increase	18,110,700
2022 Test Year Capital Spending	47,492,000

These drivers are explained further below:

- **Increase in System Access spending:** spending in this area is highly non-discretionary, due to its nature (customer and developer-driven, City of London related projects).
 - \$7,315,000 of this pertains to **Transit Relocates**

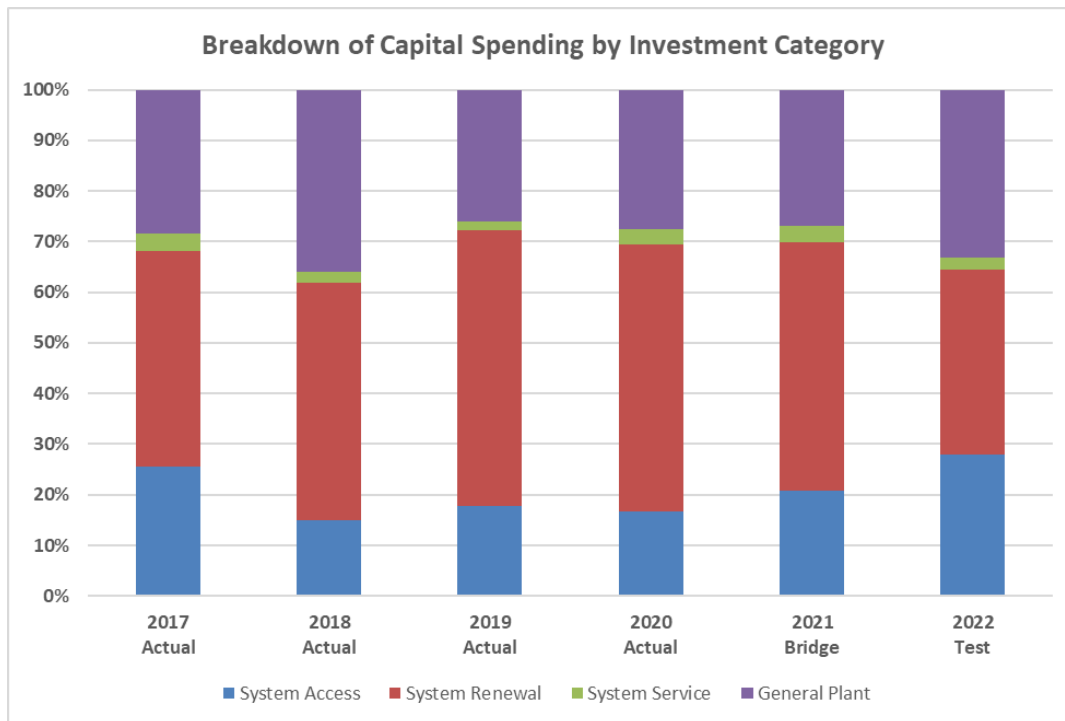
- 1 ○ **City Road Authority Relocates** have decreased by \$1,901,200, as an offset
2 to the Transit Relocates mentioned above.
- 3 ○ \$4,128,000 of this pertains to **Developer-driven projects**.
- 4
- 5 ● **CIS Refresh:** London Hydro is planning to undergo a CIS/CRM (Customer Information
6 System / Customer Relationship Management) transformation program to address
7 SAP system obsolescence and to improve the customer experience, operational
8 efficiencies and employee engagement.
- 9 ○ The current SAP system was implemented in 2009.
- 10 ○ This large, multi-year project is expected take place between 2021 – 2023, with
11 a go-live date in 2023. The project is separately identified due to its scale and
12 infrequency. Spending on this project is projected to be \$6,500,000 in 2022,
13 and is discussed in more detail further within this Exhibit, in Section 2.6, “Policy
14 Options for the Funding of Capital”. This spending has no impact on 2022 rate
15 base, as it will remain in work-in-progress until its go-live date in 2023.
- 16
- 17 ● **Other Factors:** these are specific to the System Renewal, System Service, General
18 Plant, and “Other” categories, and include factors such as inflation, and spending on
19 planned asset replacements. These are offset by any reductions in capital spending
20 categories from the 2017 OEB Approved amounts.
- 21

22 Table 1-19 below shows the percentage breakdown of London Hydro’s capital spending for the
23 2017-2020 Historical Years, 2021 Bridge Year and the 2022 Test Year. The overwhelming
24 majority of London Hydro’s capital spending is consistently within the System Access and System
25 Renewal categories, both of which London Hydro has little to no discretion regarding spending.

26

1

Table 1-19: Capital Spending Summary 2017 – 2022



2
3

8.5.4 Renewable Energy Connections/ Expansions, Smart Grid, and Regional Planning Initiatives

6
7
8
9
10
11

London Hydro's distribution system has been planned and proactively built and equipped to handle forecasted renewable generation. Therefore, London Hydro is not proposing any capital investments for capacity upgrades on its distribution system to accommodate the connection of any Renewable Energy Generation (REG) plant over the forecast period of the DSP.

12
13
14

London Hydro does not have any specific "smart grid" initiatives within the DSP forecast period. Devices such as automated switches, communicating fault indicators, and communication enhancements are considered regular components of the grid.

15
16
17
18

London Hydro has been actively involved in Regional Planning and confirms there are no initiatives arising from this planning exercise within the DSP forecast period.



- 1 London Hydro herein confirms that there are no specific requests to recover costs from
- 2 ratepayers per O.Reg 330/09.

8.5.5 Operations, Maintenance and Administration Expense

OM&A expenditures in the amount of \$44,168,800 are proposed for the 2022 Test Year. These costs are required to deliver safe and reliable energy to the customers of London Hydro. The forecast for 2022 provides an increase over 2017 OEB Approved amounts of \$6,576,800, resulting in a Cumulative Annual Growth Rate (“CAGR”) of 3.3%.

Table 1-20: OM&A Expenditures

OM&A Expenses				
Expenditures	2017 OEB Approved	2022 Proposed Test Year	Total Change	
			2017 Budget to 2022 Test	CAGR
	\$	\$	\$	%
OM&A	36,965,900	42,415,600	5,449,700	2.8%
Cloud services	626,100	1,753,200	1,127,100	22.9%
Total \$	37,592,000	44,168,800	6,576,800	3.3%

Cost drivers are defined as specific events or circumstances that have an impact on operating costs. They are the reasons “why” costs have changed and are critical in the understanding of London Hydro’s future operating requirements. The major cost drivers affecting London Hydro’s operating expense include:

- Regulatory and standards compliance
- Aging infrastructure
- Climate change / infrastructure resilience
- Infrastructure upgrades to accommodate growth
- Rapid change in technologies
- Customers’ increased use of technology
- Transition from on-premise to cloud solutions
- Cyber security
- Heightened customer expectations
- Increased need for communications

- 1 ▪ Smart Meter data reporting and enhancements
- 2 ▪ Succession planning
- 3 ▪ Skilled resources demand and supply
- 4 ▪ Environmental commitments
- 5 ▪ Health and safety commitments
- 6 ▪ Economic impacts
- 7 ▪ Service contract negotiations
- 8 ▪ Commodity price increases

9

10 Committing to these objectives coupled with other pressures, such as increased labour costs and
 11 inflation, results in increased costs. However, London Hydro continues to focus on increasing
 12 operational effectiveness and leveraging of innovation to help offset rising costs. Cost controls
 13 are achieved by counteracting new requirements with technologies, process improvements and
 14 fiscal restraint. Maintaining an appropriate level of reliability and customer service is paramount
 15 for London Hydro’s ability to provide customer value. Pacing expenditures, economic efficiency
 16 and cost effectiveness are integral parts of London Hydro’s planning, processes and operations.

17

18 **Table 1-21: Summary of Cost Drivers**

Summary of Cost Drivers	
	<u>Amount</u>
2017 Budget	37,592,000
Inflation, wage escalations and customer growth	5,117,307
	<u>42,709,307</u>
<u>Cost Drivers</u>	
Cloud services	923,978
Customer collection charges (EB-2017-0318/0183)	633,793
Other	(98,278)
	<u>1,459,493</u>
	<u><u>44,168,800</u></u>

1 Total OM&A per customer is trending with a CAGR of 2.2% per year resulting from current trends
2 as addressed above as well as cloud services, regulatory changes and price increases discussed
3 below. Before the impact of cloud services, total OM&A per customer is trending with a CAGR of
4 1.7%.

6 **Cloud Services**

8 Cloud services have increased due to the migration of on-premise solutions to cloud solutions
9 and the implementation of new systems and features that enhance both customer service and
10 operational effectiveness.

12 Technologies are advancing rapidly and with the utilization of cloud-based solutions, LH is more
13 able to confidently keep up with the pace of change. Complexities in technology are also
14 escalating, further driving the need to leverage cloud services. These internet-based subscriptions
15 help enhance cyber security, keep London Hydro agile and provide customers with the
16 functionality they have requested. Third-party service providers are able to achieve economies of
17 scale that are passed to their customers and ensure that systems are up to date and flexible,
18 without investing in, and maintaining, physical assets owned by London Hydro.

20 Enhanced cyber security protocols provided through cloud services are crucial to ensure that
21 systems and customer and business data are protected, especially with the increase in Smart
22 Grids, Smart Meters and the Internet of Things (IoT). Mobile devices and applications are also on
23 the rise as London Hydro offers additional services to customers through the digital means that
24 they are requesting.

26 Although cloud computing is the best option for customers in most cases, choosing cloud-based
27 solutions has the outcome of driving up OM&A costs since this is where cloud costs are captured
28 for ratemaking. This can unfortunately distort London Hydro's performance when comparing
29 current to historical costs during periods where London Hydro has transitioned from on premise
30 to cloud solutions.

32 On-premise solutions require an investment in physical assets that are owned by London Hydro.
33 While the current ratemaking model does allow for a return on these investments for stakeholders,



1 on premise solutions can provide disadvantages associated with keeping pace with technology,
2 cyber security, implementation timeframes as well as quality and value for customers. Further,
3 the requirement for ongoing maintenance, upgrades and infrastructure refresh programs can
4 translate into increased costs.

5
6 London Hydro has chosen to take the path that benefits the customer and hopes that one day the
7 ratemaking model will find a way to equalize performance indicators when comparing activities of
8 those choosing traditional capital solutions and cloud service solutions that reduce capital
9 investment needs.

10
11 Please note that cloud costs have been segregated in Exhibit 4 of this Application for presentation
12 purposes only, to help provide the reader of Exhibit 4 with a clear distinction between changes in
13 costs associated with the transition to cloud services from regular ongoing OM&A expenditures.

14 15 **Customer Collection Charges**

16
17 Collection and reconnection charges recovered directly from London Hydro's customers (i.e. OEB
18 5330, Collection Charges) are netted against collection costs under the Customer Service and
19 Collections Program for the Rate Application presentation as required to be consistent with the
20 OEB Uniform System of Accounts (USoA).

21
22 Collection and reconnection charges recovered have decreased as a result of OEB EB-2017-
23 0183 and EB-2017-0318.

24
25 Pursuant to EB-2017-0183 issued March 2019, London Hydro no longer applies specific service
26 charges for the collection of account charges or the installation/removal of load control devices.
27 These charges have now been eliminated as the OEB considers these charges to be normal
28 business activities. The remaining charges in this account relate to reconnection fees only.

29
30 During the Winter Disconnection Ban (EB-2017-0318) which was first implemented in 2017,
31 distributors are prohibited from disconnecting residential customers for non-payment. During the
32 moratorium, recoveries are reduced because activities are halted with respect to collection on



1 residential customers resulting in no levies for disconnection notices (\$10.00 fee) and no
2 reconnection of services (\$35.00).

3
4 For example, Collection of Account Charges in the last year of normal activity, being 2016, was
5 \$485,890 (48,589 units) where amounts for 2020 were \$12,180 (1,218 units). Similarly,
6 Disconnection Connection charges in 2016 were \$144,515 (4,129 units) where reconnection
7 amounts for 2020 are \$17,570 (502 units).

8 9 **Inflation Rate Used**

10
11 London Hydro did not utilize an inflation factor in any significant way when developing both capital
12 and operating budgets for the 2021 Bridge or proposed 2022 Test Year. When developing budget
13 amounts at the individual account level, price increases having an impact on non-labour
14 expenditures are implicit and considered but not calculated into forecasts.

15
16 Where inflation is cited in this Exhibit, statistical information references the Ontario Consumer
17 Price Index (CPI) and is provided for information purposes only. Schedules in this Exhibit illustrate
18 a Compound Annual Growth Rate (CAGR) so that readers can compare to CPI increases. This
19 information is included solely to provide a gauge to help readers segregate true cost drivers from
20 those resulting in increased pricing. This approach is taken to help identify business environment
21 changes affecting London Hydro and all distribution companies in the province.

22

Table 1-22: Consumer Price Index for Ontario

Consumer Price Index for Ontario		
<u>Year</u>	<u>Amount</u>	<u>%</u>
2017	\$ 100.00	
2018	\$ 102.40	2.40%
2019	\$ 104.35	1.90%
2020 (COVID 19)	\$ 104.97	0.60%
2021 (estimate)	\$ 107.60	2.50%
2022 (estimate)	\$ 109.86	2.10%
CAGR		1.9%
Overall change 2017-2022		9.9%

Total Compensation

Many cost drivers underpin the budget developed for the 2022 Test Year, the most significant of which relate to increased labour costs and the impact of inflation. Salaries and wages have increased between 2.0% and 2.5% or a CAGR of 2.2%. The shortage of skilled resources, high demand for the same resources throughout the industry, along with union settlements, which are within the industry norm, have resulted in higher costs. The cumulative increase for salaries and wages is forecasted to be 11.6% over 2017 Actuals.

1

Table 1-23: Summary of Wage Increases by Year

Summary of Wage Increases by Year		
<u>Year</u>	<u>Amount</u>	<u>%</u>
2017	\$ 100.00	
2018	\$ 102.00	2.00%
2019	\$ 104.45	2.40%
2020	\$ 106.64	2.10%
2021	\$ 108.88	2.10%
2022	\$ 111.60	2.50%
CAGR		2.2%
Overall change 2017-2022		11.6%

2

3

4 Total compensation in the amount of \$29,400,600 is proposed for the 2022 Test Year. The
5 forecast for 2022 provides an increase over 2017 OEB Approved amounts of \$3,969,700,
6 resulting in a CAGR of 2.9%.

7

8 **Table 1-24: Net OM&A Labour Comparison – 2017 OEB Approved to 2022 Test Year**

Net OM&A Labour Comparison				
	2017 OEB Approved	2022 Test Year	\$ Change	CAGR
Labour and benefits	25,430,900	29,400,600	3,969,700	2.9%

9

10

11 The number of FTEs to OM&A activities is anticipated to increase by 5 between 2017 OEB
12 Approved amounts and the proposed 2022 Test Year, due to new resource requirements in the
13 Metering and Meter Data Management Program and the addition of 3 new staff in the Customer
14 Services department. Resources in the Customer Service department have been increased due
15 to the repositioning of 3 former CDM employees from the CDM department, which has now been
16 closed as instructed by the Ontario government as discussed in Exhibit 4. This helps to maintain
17 consumer confidence as more customers are finding the need for expert advice on conservation



1 and other energy related matters; especially as they move towards new industry technologies
2 such as distributed generation, solar panels, storage devices and electric vehicles.

3
4 Additional resources have been added in the Metering and Meter Data Management Program
5 due to increasing complexities in this area. In addition, the resource mix in this Program has been
6 changed to bring in more technically skilled staff. For example, a Systems Analyst has been
7 brought into the metering area to provide support in the numerous ongoing system upgrades for
8 RNI, ODS, MV90 and TGB. System upgrades mitigate any risks that arise from versions that are
9 not supported (including security patches), offer upgraded analytics and reporting capabilities,
10 support newer versions of smart meters and resolve a number of bug fixes in older versions.

11
12 Overall London Hydro has been able to contain labour costs at a CAGR of 2.9% which is 0.7%
13 over union negotiated contract settlements. Even with the goal of being competitive with pay,
14 there are many times where positions are turned down by potential candidates because the pay
15 is lower than expected. This continues to provide challenges in ensuring that positions are filled
16 by appropriately qualified individuals when there is such a high demand for individuals with
17 specific skill sets. London Hydro has been able to keep labour cost increases to a minimum
18 through careful succession planning and pace as well as efficiencies gained through new
19 technologies such as London Hydro's self-service website and Mobile Workforce Management
20 System.

8.5.6 Cost of Capital

London Hydro summarizes its proposed capital structure and cost of capital parameters resulting in the Weighted Average Cost of Capital (WACC) in Table 1-25 below.

Table 1-25: Proposed Capital Structure and Cost of Capital Parameters

Description	Capital Structure	Rate of Return
Long-term Debt	56%	2.30%
Short-term Debt	4%	1.75%
Equity	40%	8.34%
Weighted Average Cost of Capital		4.69%

London Hydro is using the OEB's cost of capital methodology for its capital components.

London Hydro's proposed deemed capital structure for the 2022 Test Year is 60% debt (56% long-term debt and 4% short-term debt) and 40% equity. London Hydro is using the OEB's cost of capital parameters as published on November 9, 2020. The long-term debt rate of 2.30% for the 2022 Test Year used in this Application is the weighted average of the interest on London Hydro's outstanding long-term debt instruments and forecasted new debt in the 2022 Test Year. This approach follows the OEB Staff Report Review of the Cost of Capital for Ontario's Regulated Utilities issued January 14, 2016.

8.6 Cost Allocation and Rate Design

London Hydro is using the most recent OEB-approved cost allocation model. London Hydro has not deviated from the OEB's cost allocation and rate design methodologies. London Hydro has only made one change to its cost allocation since its last rebasing application (EB-2017-0081). Load Profiles: London Hydro used the load profiles provided by Hydro One Networks Inc. (HONI) in its cost allocation model in its last rebasing application. The HONI profiles were based on 2004 data, and consumption patterns have changed since then due to factors such as technology, macroeconomic changes, conservation programs and time of use pricing. In a letter dated June 12, 2018 ("New Cost Allocation Policy Letter"), the OEB stated that it expected distributors to be mindful of material changes to load profiles and to propose updates in their respective cost of service applications when warranted. London Hydro's Cost Allocation model in this Application incorporates updated load profiles for all rate classes. This has had an impact on proposed Revenue to Cost (R-C) ratios.

London Hydro provides a comparison of its proposed R-C ratios in this Application to the 2017 Board approved R-C ratios in Table 1-26 below.

Table 1-26: Revenue to Cost Ratios Comparison

Rate Class	Previously Approved Ratios			Policy Range
	2017	Status Quo Ratios	Proposed Ratios	
Residential	99.25%	96.54%	97.38%	85 - 115
General Service Less Than 50 kW	107.59%	119.32%	118.60%	80 - 120
General Service 50 to 4,999 kW	95.54%	98.24%	97.64%	80 - 120
General Service 1,000 To 4,999 kW (co-generation)	120.20%	196.34%	107.74%	80 - 120
Standby Power	99.25%	96.44%	97.56%	80 - 120
Large Use	110.15%	100.97%	91.62%	85 - 115
Street Lighting	119.98%	120.19%	116.53%	80 - 120
Sentinel Lighting	79.98%	76.72%	98.03%	80 - 120
Unmetered Scattered Load	79.98%	84.04%	91.29%	80 - 120

The rate class materially impacted by the load profile changes is the cogeneration classes. In accordance with the OEB's approved cost allocation and rate design methodology, London Hydro reduced the revenue allocated to the cogeneration class such that proposed revenues are closer to 100% of allocated costs, within the OEB-approved range.

1 The change in the R-C ratio for unmetered customers is a result of updating the load profiles to
2 represent London Hydro specific data. The 2004 demand data from HONI used in London
3 Hydro's previous cost of service applications had significant variations in peak demand during
4 daylight and night hours, similar to the load profile of the Street Lighting class. London Hydro's
5 experience is that demand is constant for this rate class, which resulted in a reduction in
6 demand and therefore allocation of demand-related costs as compared to the 2014 Cost
7 Allocation model. In accordance with the OEB's approved cost allocation and rate design
8 methodology, London Hydro adjusted the revenue allocated to the unmetered classes such that
9 proposed revenues are closer to 100% of allocated costs, within the OEB-approved range.

10
11 London Hydro provides a comparison of its proposed fixed/variable splits in this Application to
12 the 2017 Board approved fixed/variable splits in Table 1-27 below.

13
14 **Table 1-27: Fixed/Variable Split Comparison**

Rate Class	Fixed Revenue Proportion			Variable Revenue Proportion		
	2017 OEB Approved	2022 @ Current Rates	2022 Proposed	2017 OEB Approved	2022 @ Current Rates	2022 Proposed
Residential	78.74%	100.00%	100.00%	21.26%	0.00%	0.00%
General Service Less Than 50 kW	53.88%	56.27%	56.27%	46.12%	43.73%	43.73%
General Service 50 to 4,999 kW	23.37%	23.79%	23.90%	76.63%	76.21%	76.10%
General Service 1,000 To 4,999 kW (co-generation)	31.14%	46.08%	46.08%	68.86%	53.92%	53.92%
Standby Power	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%
Large Use	37.02%	38.41%	38.41%	62.98%	61.59%	61.59%
Street Lighting	57.98%	69.07%	69.15%	42.02%	30.93%	30.85%
Sentinel Lighting	53.97%	58.17%	58.18%	46.03%	41.83%	41.82%
Unmetered Scattered Load	28.22%	28.80%	28.81%	71.78%	71.20%	71.19%

15
16
17 London Hydro is not proposing a rate mitigation plan in this Application as there only one rate
18 class, Sentinel Lighting, for which the total bill impact exceeds the 10% total bill impact
19 threshold. As this class is a grandfathered and is in essence declining in customer counts and
20 revenue recovery, London Hydro is of the opinion that rate mitigation not be initiated.

8.7 Deferral and Variance Accounts

As outlined in Exhibit 9, London Hydro is requesting approval of the disposition of Group 1, Group 2 and Other Deferral and Variance Accounts (DVAs) in the amount of \$2,063,801.10 recovery from customers. This includes a RSVA Global Adjustment amount of \$1,404,773.90 recovery from Non-RPP customers only. The remaining amount of \$659,027.20 is to be recovered from all customers.

London Hydro is proposing a one year disposition period for all DVAs commencing May 1, 2022.

London Hydro is requesting the following new Deferral and Variance Account:

- Impacts resulting from Ontario's Broadband and Cellular Action Plan, including uncompensated lost revenues and new incremental expenditures



8.8 Bill Impacts

London Hydro provides a summary of the bill impacts for typical customers in all customer classes in Table 1-28 below

Table 1-28: Average Customer Class Bill Impacts

Rate Class	Units	A Distribution Only		B Plus DVA		C Plus RTSR		Total Bill	
		\$	%	\$	%	\$	%	\$	%
Residential	kwh	\$ 2.14	8.0%	\$ 2.82	9.7%	\$ 3.51	8.6%	\$ 3.30	2.9%
General Service Less Than 50 kW	kwh	\$ 5.04	8.7%	\$ 6.64	10.4%	\$ 8.29	9.0%	\$ 7.80	2.7%
General Service 50 to 4,999 kW	kw	\$ 81.87	11.1%	\$ (64.20)	-6.3%	\$ 302.61	15.8%	\$ 341.95	2.9%
General Service 1,000 To 4,999 kW (co-generation)	kw	\$ (1,865.17)	-36.7%	\$ (2,577.83)	-41.0%	\$ (2,291.12)	-20.7%	\$ (2,588.97)	-5.2%
Standby Power	kw	\$ 578.50	6.7%	\$ 866.00	10.4%	\$ 866.00	10.4%	\$ 978.86	10.4%
Large Use	kw	\$ (8,751.39)	-17.7%	\$ 8,180.13	17.4%	\$ 8,180.13	17.4%	\$ 9,243.54	0.9%
Street Lighting	kw	\$ (0.20)	-37.5%	\$ (0.27)	-34.4%	\$ (0.24)	-21.1%	\$ (0.28)	-4.8%
Sentinel Lighting	kw	\$ 1.37	37.8%	\$ 1.20	28.5%	\$ 1.26	24.4%	\$ 1.18	8.6%
Unmetered Scattered Load	kwh	\$ 1.09	17.7%	\$ 1.32	19.0%	\$ 1.56	14.2%	\$ 1.47	3.7%

9.0 CUSTOMER ENGAGEMENT

The RRFE Report contemplates enhanced engagement between distributors and their customers to provide better alignment between distributor operational plans and customers' needs and expectations.

London Hydro continues to offer a number of ongoing customer engagement activities based on the comments, feedback and needs of our customers, including the following:

- Annual Customer Satisfaction Surveys
- Surveys and Townhall Meetings
- Updated Corporate Website
- Development of new technology and Apps (Commercial and Industrial Customers)
- Property Management Portal
- New MyLondonHydro Dashboard
- RPP Price Plan Calculator
- Online Payment Notifications
- Online Payment Arrangements
- No Service-Fee Mastercard Payments
- Outage Notification – message sent via text, phone or email
- Participation in Home Shows
- Exhibits and presentations at Community events
- Electricity School Education Program
- Energy Conservation School Education Program
- Electricity Safety School Program
- Energy Conservation & Electricity Teachers Workshops
- Santa Claus Parade
- Event Sponsorships supporting local economy
- Community support – LEAP financial support increase
- Exhibits at the London Regional Children's' Museum

- 1 • Environmental Awareness – Sustainability Program and Report on Progress
- 2 • Paperless Billing
- 3 • Loyalty Incentive Program for our customers
- 4 • Paper and Digital Billing inserts
- 5 • Radio and digital advertisements
- 6 • Media interviews
- 7 • Support of the Salvation Army Christmas Hamper Program
- 8 • Support of the London Food Bank's Christmas Food Drive
- 9 • LEAP Donations
- 10 • Employee volunteering for community events
- 11 • Employee fundraising for charities
- 12 • Commerce (previously known as Interval Data Centre) – focus groups and use
- 13 cases
- 14

15 **9.1 WE LISTEN TO OUR CUSTOMERS**

16 London Hydro uses multiple channels to allow for two-way communications between ourselves
17 and our customers. Tools like our annual customer satisfaction surveys, trending issues through
18 our call centre, website and other outreach activities, allows us to identify issues or services
19 where customers would like more information or additional support and services to help them
20 manage their electricity needs.
21

22 **9.1.1 Annual Customer Satisfaction Surveys**

23 London Hydro utilizes the results of annual customer satisfaction surveys to shape our future
24 plans. The annual surveys provide insight into our customers perception and expectations of
25 system reliability, safety, customer service, and new offerings. The surveys also let us know our
26 customers priorities (see DSP Section 1.1.2 Addressing Customer Preferences and
27 Expectations (5.2.1 b)) which shape how projects and programs are initiated and prioritized.
28

29
30
31 London Hydro engages the services of Simul Corporation to conduct the customer satisfaction
32 survey that helps us to benchmark against other utilities, identify issues, provide an opportunity

1 for customers to tell us about their level of satisfaction with London Hydro and measure the
2 interest in specific projects or services and their costs (see DSP Appendix A3).

3 4 5 **9.1.2 Surveys and Townhall Meetings**

6
7 Online surveys and townhall meetings, whether it be in-person or virtual, are used to connect
8 with customers and obtain valuable feedback on projects and planning. These tactics are
9 particularly used when compiling our Distribution Systems Plan (DSP).

10
11 Once a draft version of the DSP was prepared, customers were engaged through an on-line
12 survey and virtual townhall meeting. The main programs within our five-year plan were outlined,
13 including the approximate rate impact of each program along with the impacts of increasing or
14 decreasing each program. The results of these engagements (see DSP Appendix A1 and A2)
15 showed support for the proposed level of each program as well as the overall forecasted impact
16 to rates. Therefore, it was not necessary to make changes to the DSP as a result of feedback
17 from our customers.

18 19 **9.1.3 Introducing New Online Features**

20
21 London Hydro continues to enhance and create new tools to help customers better understand
22 and manage their energy usage. By investigating new technologies and opportunities, we are
23 able to enhance our customers' experiences in all areas of our operations. We continue to offer
24 many of the programs that have been developed to other utilities so they can implement the
25 same services for their customers.

26
27 In the 2017 Customers Satisfaction Survey, 32% of customers wanted more tools and
28 calculators to help them manage their electricity usage, and 73% wanted more information that
29 would help them reduce their costs. In response to this customer feedback, London Hydro
30 continues to develop new self-service features and update existing ones, so customers can
31 quickly access their data and make decisions about their account at any time that is convenient
32 for them.

9.1.4 No Service-Fee Mastercard Payments

A 2017 Ontario Energy Board study conducted across the province indicated that while ratepayers are interested in making their energy bill payments by credit card, the majority wouldn't do so if they had to pay the associated service fee. As a result of this, London Hydro launched the no-fee Mastercard™ payment option in 2019 to paperless billing customers through the MyLondonHydro customer portal.

The Corporate Communications Department implemented a successful communication plan to inform customers of the new feature and encourage them to switch to paperless billing to take advantage.

The addition of the no-fee Mastercard™ payment option has an average customer savings of \$3 for every payment. Within the first six months of launching the Mastercard™ payment feature, London Hydro saw an approximately 20% increase in the use of Mastercard™. 2019 saw a 32% in credit card payments over 2018, with the new no-fee payment option being 33% of total payments since its soft launch in June.

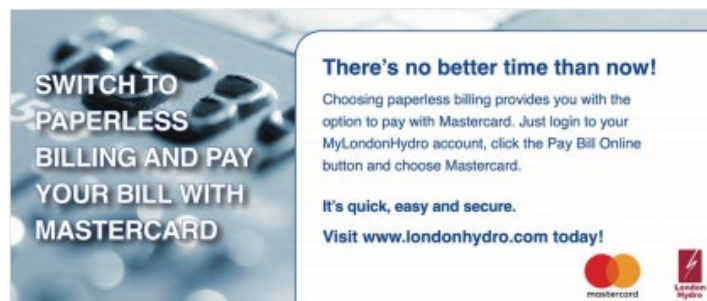
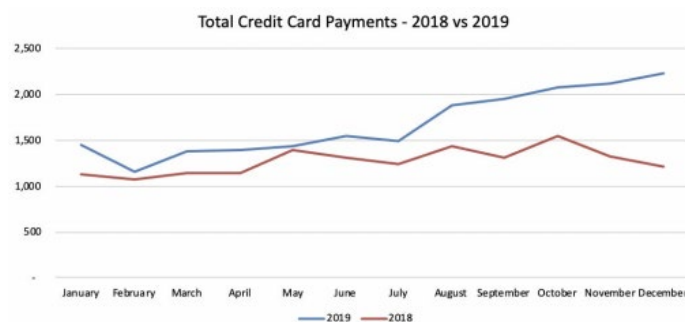


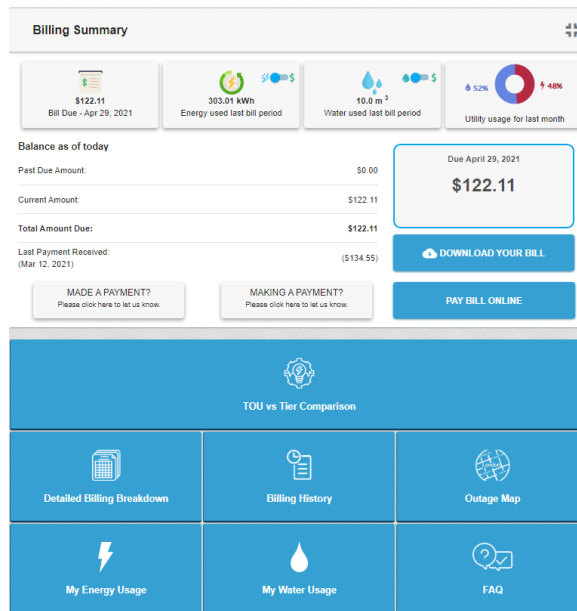
FIGURE 1-9: Credit Card Payments 2018 vs 2019



9.1.5 New MyLondonHydro Dashboard

In 2019, London Hydro updated their MyLondonHydro customer portal dashboard to provide an easy-to-read billing summary and a tile interface for easy-to-find detailed billing breakdown and billing history. The Corporate Communications Department conducted a survey after the updated dashboard went live to evaluate customer satisfaction with the new layout: Based on initial customer feedback, London Hydro added energy and water usage tiles and made the Download Your Bill button more visible.

FIGURE 1-10: MyLondonHydro Dashboard



9.1.6 Updated Corporate Website

London Hydro’s award-winning corporate website, launched in 2014, was due for an upgrade as its coding and design did not meet AODA “AA” WCAG 2.0 compliance mandated for 2021. The website’s Content Management System (CMS) did not provide the flexibility needed to create and manage engaging digital content and communications for our customers and key audiences.

1
2 London Hydro's refreshed website had to provide website administrators with a flexible, easy-to-
3 manage solution that has the ability to:

- 4
- 5 ● Drive users to self-service
- 6 ● Improve findability of content
- 7 ● Improve operations, content strategy, and support core business
- 8 ● Meet accessibility WCAG 2.0 Level AA compliance (AODA)
- 9

10 The Corporate Communications Department held surveys, focus groups and tree testing sessions
11 for customers to provide feedback on London Hydro's current site and the direction of the new
12 site. The Corporate Communications Department developed a communications plan to promote
13 the new site and gather feedback from customers. London Hydro's new website went live on
14 September 1, 2020, and as a result, customer engagement has increased across many areas:

- 15
- 16 ● Visitor traffic to the website increased by 52% over the previous year
- 17 ● Website traffic bounce rates decreased by 18% over the previous year
- 18 ● MyLondonHydro registrations increased by 45% over the previous year
- 19 ● New customer move-ins increased by 38.51%
- 20 ● Outage Notifications increased by 30%
- 21 ● Aeroplan registrations increased by 8%
- 22

23 Customers were surveyed on the new website throughout 2020 and gave it an average rating of
24 four out of five.

25

26 **9.1.7 Choice of Price Plan - Introduction of the Tiered Price Plan**

27
28 In April 2020, the Ontario Energy Board (OEB) announced that, as of November 1st, 2020, they
29 would require Local Distribution Companies (LDCs) to provide their residential and small
30 business customers with a choice between two regulated price plans, the long-established
31 Time-of-Use (TOU) and new Tiered option.

1 To help customers understand their options and reduce the back-end complexity of moving
2 customers between plans, London Hydro developed an automated and personalized calculator
3 and self-service rate switch using the information already housed in customer's MyLondonHydro
4 accounts. London Hydro created a thorough communications plan to drive customers to their
5 Price Plan Calculator and promote it as the best tool to use if customers wanted to decide
6 based on their historical energy usage data.

7
8 Overall, the campaign resulted in over 12 million impressions, with 77% of customers using this
9 self-service feature to switch plans. According to a customer survey:

- 10 • 92% of customers found the calculator easy to use
- 11 • 92% of customers will use the calculator again
- 12 • 93% of customers will recommend the calculator to friends and family

13
14 The Price Plan Calculator promotions raised awareness of the feature and educated customers
15 on its benefits, putting more control in customers' hands and relieving calls to the call centre.



26 9.1.8 Green Button Data

27
28 For the last seven years, London Hydro has been developing a suite of applications using the
29 Green Button Platform. These applications allow customers to manage how they use energy by
30 providing them with self-service access to their data usage and pricing information. With the
31 proposal to mandate Green Button by the Ontario government, the Corporate Communications
32 Department has developed a unifying brand and communication plan to promote their field-



- 1 tested energy management apps to utilities, municipalities, and businesses most likely to
- 2 understand the value of these turnkey solutions.

9.2 COMMUNITY ENGAGEMENT OUTREACH

Community relations plays an important role in the Corporate Communications Department communications strategy by providing a stage for increasing energy literacy and sharing new innovations while at the same time rebranding London Hydro and the electricity industry.

London Hydro is consistently recognized as a good corporate citizen through its involvement with many community organizations. London Hydro contributes to the community through various events and ongoing educational programs delivered to the public.

London Hydro employees have built a strong tradition of generosity, giving both their time and money to support several local charities and charitable events. Employees at all levels, in all departments, enthusiastically participate in events throughout the year, every year. In 2020, for example, employees contributed over \$31,000 to a wide array of charities, over \$4,400 to the Salvation Army's Christmas Toy Drive. London Hydro also sponsors many industry events (through IEEE, EDA, etc.) by providing speakers to share expertise with the delegates.

9.2.1 Santa Claus Parade

London Hydro is always looking for exciting and creative volunteer opportunities for its employees to participate in and allow them to give back to their community and our customers.

Participating in the Santa Claus Parade allows London Hydro to:

- participate in an annual city tradition
- positively engage with our customers outside of the normal scope of our work
- provide a volunteer opportunity for employees from all different departments where they would be able to collaborate on a large-scale project and utilize the diverse skillset of our workforce

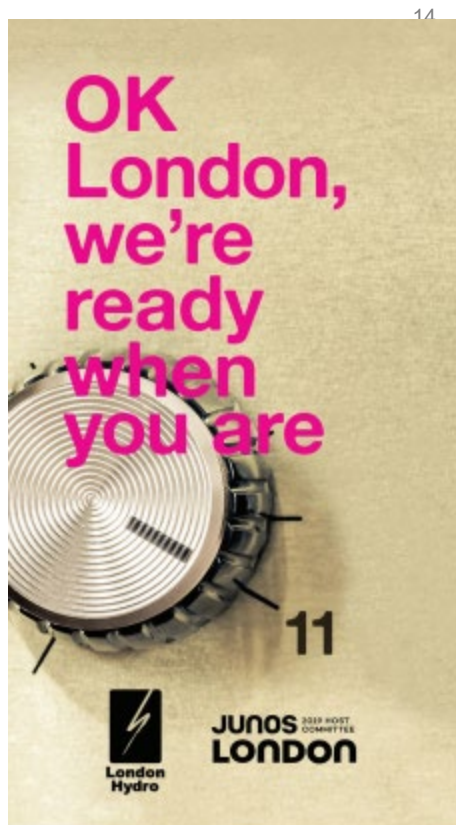
Since its first entry in 2018, London Hydro has won three awards; two Committee's Choice awards from the London Santa Claus Parade (2018 & 2019) and one Best Commercial Float award from the Hyde Park parade (2019).

9.2.2 Promoting the JUNOs

As soon as the JUNOs made the official announcement in December 2018 that it had chosen London, Ontario, as its 2019 host city, London Hydro seized the opportunity to be involved. While registered as a host committee sponsor, London Hydro went above and beyond its sponsorship duties. The Corporate Communications Department developed a communications plan to engage London Hydro customers and employees with the JUNOs.

Through internal and external promotions, London Hydro was able to:

- Allow customers and employees to attend a variety of JUNO events
- Raise money through an employee raffle that was donated to MusiCounts Canada to invest back into the London community
- Provide employees with volunteer opportunities throughout JUNO week



9.2.3 School Electricity Safety Education Program

Safety is a top priority at London Hydro for both employees and the public. For over 30 years, London Hydro has been delivering interactive electrical safety presentations to students in grades 3 to 8 at local schools. The presentations are tailored to different age groups to ensure the messages are engaging, relevant and understood.

This program provides over 8,000 children per year with the chance to understand the dangers associated with electricity. School boards, students and parents recognize London Hydro as a trusted resource of information, and the students are quick to educate the rest of their families on what they have learned.



The presentations take place three days per week during the school year and a vehicle branded with the graphics from our Electricity Safety Program helps to create awareness as it travels from school to school.

9.2.4 Teacher workshops

Every year, London Hydro provides local grades 5 and 6 teachers with fully developed programs to teach their students about electrical safety and energy conservation. These programs, entitled, "The Power of Electricity" and "You'll Make a World of Difference" consist of all materials, including experiments and online resources. As a part of this endeavour, London



1 Hydro hosts workshops for teachers to help them deliver the curriculum in an entertaining and
2 informative way.

3

4 **9.2.5 LEAP Donation**

5

6 London Hydro continues to donate \$200,000 on an annual basis to the THAW program through
7 the Salvation Army Centre of Hope. This program helps low-income energy consumers pay their
8 bill and avoid disruption in service. In 2020, London Hydro donated an additional \$200,000 to
9 THAW in order to support our customers through the COVID-19 emergency.

10.0 PERFORMANCE MEASUREMENT

10.1 OVERVIEW

The OEB's Renewed Regulatory Framework (RRF) details that a distributor is required to focus on continuous improvement through 4 outcomes: customer focus, operational effectiveness, public policy responsiveness, and financial performance. The board's means of tracking these outcomes is through a scorecard approach that standardizes and publicizes performance measures across the industry. By reviewing scorecards, the OEB, and an LDC's customers, can review the level at which a utility is able to meet customer expectations and deliver services.

As outlined in the "Report of the Board - Performance Measurement for Electricity Distributors: A Scorecard Approach", London Hydro is providing a discussion on the five most recent years of data found in its Electricity Utility Scorecard as published on the OEB website. This scorecard is included as APPENDIX A

10.2 DISCUSSION

10.2.1 Customer Focus

Customer focus is a performance outcome that measures the extent to which "services are provided in a manner that responds to customer preferences" and is divided into two categories:

Service Quality and Customer Satisfaction:

Service Quality is evaluated based on meeting OEB specified targets for three criteria:

- New Residential/Small Business Services Connected on Time (90% of the time)
- Scheduled Appointments Met on Time (90% of the time)
- Telephone Calls Answered on time (65% of the time)

1 As the table below illustrates, London Hydro surpassed these targets for each of the last five
2 years (2015-2019).

3

4

Table 1-29: Service Quality Performance Results

Service Quality Measures	OEB Target	2015	2016	2017	2018	2019
New residential/Small business services connected on time	90%	97.60%	96.60%	97.56%	99.48%	99.32%
Scheduled appointments met on time	90%	100.00%	99.90%	99.87%	100.00%	100.00%
Telephone Calls answered on time	65%	68.00%	67.00%	68.57%	70.33%	76.79%

5

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

7

8 In 2019, London Hydro connected 99.32% of its 2323 eligible low-voltage residential and small
9 business customers (those utilizing connections under 750 volts) to its system within the five-
10 day timeline prescribed by the Ontario Energy Board (OEB). This score exceeds the OEB-
11 mandated threshold of 90%. London Hydro is consistently able to achieve high levels of
12 compliance in this area due to the existing workflow processes and computer systems that are
13 used to monitor the status of each job. London Hydro also previously implemented an evening
14 shift service truck, which has resulted in improved flexibility for connecting new customers

15

16 **Scheduled Appointments Met On Time**

17

18 London Hydro scheduled 270 appointments with its customers in 2019 to complete work
19 requested by customers or by customers' representatives. The utility met 100% of these
20 appointments on time, which significantly exceeds the industry target of 90%. The duties
21 and obligations of this requirement are well communicated to and known by London Hydro's
22 staff, which has contributed to London Hydro's success in this area.



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Telephone Calls Answered On Time

In 2019, 126,567 calls were made to London Hydro of which 97,195 were answered in 30 seconds or less by our Customer Service Representatives, representing an average of 510 calls a day. We continue to meet the required 65% metric for “Calls Answered on Time.” While we could try to surpass that metric by hiring more Customer Service representatives, we balance service response time with keeping costs low.

London Hydro uses a dual service model of internal staff and a call overflow company to support call-handling. This creates flexibility in managing daily and monthly peak call volumes. Over the past few years, there has been an increase in e-mail correspondence with customers. London Hydro has also implemented online, self-service tools such as MyLondonHydro, Property Manager's Portal and an Interval Data Portal called "Commerce" to offer and manage interactions 24 hours a day, seven days a week. London Hydro is committed to maintaining exceptional customer care and continuing to find ways to improve the customer experience.

Customer satisfaction is evaluated based on three performance measures:

- First Contact Resolution
- Billing Accuracy (98%)
- Customer Satisfaction Survey Results

London Hydro's performance for those years is as follows.

Table 1-30: Customer Satisfaction Measures

Customer Satisfaction Measures	OEB Target	2015	2016	2017	2018	2019
First Contact Resolution	N/A	99.2%	99.5%	99.6%	99.7%	99.9%
Billing Accuracy	98%%	98.34%	99.71%	99.83%	99.76%	99.74%
Customer satisfaction Survey Results	N/A	A	A	A	A	A

First Contact Resolution

London Hydro strives to serve customers in a friendly and professional manner and to answer their questions and resolve their issues within the first call. In 2019, London Hydro had great success on the First Contact Resolution measure, scoring 99.9%. Our success can be attributed to a number of factors including our intensive training program for new hires and our dedicated resource for gap training and process management.

We also use call monitoring tools to record and archive every call to allow us to evaluate our staff's call handling, and each month we review one randomly selected call with each CSR.

Any anomalies or customer escalations are reviewed when warranted. All customer interactions are logged in our CIS System, including any escalations. We use the results of our annual Customer Satisfaction Survey to learn what is working and what areas require improvement.

Billing Accuracy

In 2019, London Hydro distributed an average of 157,959 invoices per month and achieved an overall billing accuracy rate of 99.74%. To supplement our validating, estimating and editing process, our CIS system uses audits and controls to ensure the accuracy of bill calculations.

Any billing irregularities are investigated, analyzed and evaluated for impacts. All changes are verified and tested by our Subject Matter Experts. This dedicated team also monitors and

1 manages bill print exceptions. As an additional check, we audit the value of the bill, and by
2 setting a “threshold” amount for each billing class of customers, we ensure no
3 excessive/irregular invoice is distributed without validation.
4

5 **Customer Satisfaction Survey Results**

6

7 For the past 22 years, London Hydro Inc. has engaged a third party to conduct a Customer
8 Satisfaction Survey. The purpose of London Hydro’s involvement in these surveys is to
9 determine a benchmark for measuring the level of satisfaction our customers experience with all
10 areas of service and, equally important, to identify any areas for improvement. The survey asks
11 a core set of questions that provides benchmarks year-to-year, such as overall satisfaction with
12 London Hydro, reliability of service, outages, billing issues and corporate image. Additionally,
13 London Hydro provides a second set of questions regarding specific current issues to identify
14 and respond to new needs or expectations of customers. The information gathered from the
15 survey is then carefully considered and included in the development or enhancement of both
16 London Hydro’s Strategic Plan and Corporate Communications Plan.
17

18 In 2019 London Hydro’s Customer Satisfaction results were equal to or better than Provincial
19 and National counterparts and, on most measures, London Hydro demonstrated improvement
20 over the previous year’s score. Customers’ overall satisfaction rating for London Hydro was
21 91%. On reliability, London Hydro scored 94%.
22

23 This survey is a valuable tool for gauging customers’ awareness of changes in the industry, their
24 level of satisfaction with the services London Hydro provides, their insights into capital programs
25 and for identifying any areas of improvement to services. London Hydro’s goal is to provide
26 service excellence in all we do, and we plan to continue surveying our customers to benchmark
27 our service levels and help us continue to develop service enhancements.
28

29 **10.2.2 Operational Effectiveness**

30

31 Operational Effectiveness is a performance outcome that measures the extent to which
32 “Continuous improvement in productivity and cost performance is achieved; and distributors
33 deliver on system reliability and quality objectives.” (EB-2010-0379 Report of the Board -



1 Performance Measurement for Electricity Distributors: A Scorecard Approach (Page ii, Table 1;
2 March 5, 2014)). This outcome is further divided into four categories: Safety, System Reliability,
3 Asset Management and Cost Control.

4

5 **Safety**

6

7 Safety is evaluated based on a distributor's performance on four measures:

8

- 9 • Level of Public Awareness
- 10 • Level of Compliance with Ontario Regulation 22/04
- 11 • Serious Electrical Incident Index: Number of General Public Incidents
- 12 • Serious Electrical Incident Index: Rate per 10, 100, 1000 km of line

13

14 Over the past five years, London Hydro achievement on safety outcomes is as follows:

1

Table 1-31: Public Safety Measures Performance

Safety Measures	OEB Target	LH Target	2015	2016	2017	2018	2019
Level of Public Awareness	N/A	N/A	84.00%	84.00%	82.00%	83.00%	84.00%
Level of Compliance with Ontario Regulation 22/04	N/A	C	C	C	C	C	C
Serious Electrical Incident Index: Number of General Public Incidents	N/A	1	3	2	1	3	3
Serious Electrical Incident Index: Rate per 10, 100, 1000 km of line	N/A	0.436	1.029	0.698	0.349	1.04	0.989

2

3 **Level of Public Awareness of Electrical Safety**

4

5 In 2019, London Hydro undertook major safety awareness efforts, including:

6

- 7 • The School Electricity Safety Program, which is presented to over 10,000 students
- 8 annually
- 9 • The Power of Electricity, a curriculum-based program that involves training teachers to
- 10 present the program to grades 5/6 each year
- 11 • Media coverage for electrical safety-related issues and incidents in the community
- 12 • Pole top rescue training
- 13 • Support and presentations at the Safety Village and numerous summer camps
- 14 • Other community event presentations

15

1 **Level of Compliance with Ontario Regulation 22/04**

2
3 Over the past five years, London Hydro has been found to be compliant with Ontario Regulation
4 22/04 (Electrical Distribution Safety). This success was achieved by London Hydro's strong
5 commitment to safety and adherence to company policies, procedures and Safe Work
6 Practices. The Electrical Distribution Safety Regulation (Ontario Regulation 22/04) establishes
7 objectives-based electrical safety requirements for the design, construction, and maintenance of
8 electrical distribution systems owned by licensed distributors. Specifically, the regulation
9 requires the approval of equipment, plans, specifications, and inspection of construction before
10 they are put into service. The Electrical Safety Authority (ESA) performs Due Diligence
11 Inspections (DDI) throughout the year to ensure utilities remain compliant with the objectives set
12 out in Ontario Regulation 22/04. London Hydro has a process in place for responding to DDI's
13 and for reporting back to the ESA on the action plans taken within the specified time period. In
14 2019, London Hydro was found to be in compliance on all DDIs conducted by ESA.

15 16 **Serious Electrical Incident Index**

17
18 London Hydro experienced three reportable incidents for the 2019 reporting year. These
19 electrical incidents did not result in injury, either to a worker or to a member of the public. In
20 order to maintain the safety and reliability of the distribution grid, London Hydro conducts an
21 investigation of all incidents of this nature. Two of the incidents were caused by severe weather
22 events. The third incident was caused by the failure of a London Hydro owned piece of
23 equipment which was replaced as part of London Hydro's existing capital replacement
24 program. Through analysis and review of these incidents, London Hydro has implemented
25 modifications to engineering designs and/or targeted replacement programs where appropriate
26 to ensure continued safe and reliable distribution of electricity to our customers.

27 28 **System Reliability**

29
30 For the OEB Scorecard, System Reliability is measured in two ways:

- 31 • The Average Number of Hours that Power to a Customer is Interrupted (SAIDI)
- 32 • The Average Number of Times that Power to a Customer is Interrupted (SAIFI)

1 London Hydro's results over the last five years are presented in the table below:

2
3 **Table 1-32: System Reliability Measures Performance**

4

System Reliability Measures	OEB Target	LH Target	2015	2016	2017	2018	2019
Average Number of Hours that Power to a Customer is Interrupted (SAIDI)	N/A	0.92	0.93	0.97	0.93	0.82	0.80
Average Number of Times that Power to a Customer is Interrupted (SAIFI)	N/A	1.14	1.08	1.03	1.00	1.40	1.14

5
6 **Average Number of Hours that Power to a Customer is Interrupted (SAIDI)**

7
8 In 2019, London Hydro had an annual performance of 0.80 for the average number of hours that
9 power to a customer was interrupted. London Hydro's System Average Interruption Duration
10 Index (SAIDI) 5-year rolling average performance, without contribution from Loss of Supply and
11 Major Event Days, was 0.89, which is better than the target of 0.92.

12
13 A large percentage of the hours that power to customers was interrupted is related to scheduled
14 outages, which are necessary to complete infrastructure improvement projects and to maintain
15 the system. This work ensures that the system will continue to be reliable in the future. London
16 Hydro continuously strives to make reliability improvements by addressing aging infrastructure
17 and deploying technology that will aid in restoring power to affected customers quickly.

18
19 **Average Number of Times that Power to a Customer is Interrupted (SAIFI)**

20
21 In 2019, London Hydro had an annual performance of 1.14 for the average number of times that
22 power to a customer was interrupted. London Hydro's System Average Interruption Frequency
23 Index (SAIFI) 5-year rolling average performance, without Loss of Supply and Major Event
24 Days, was 1.13, which was a slight improvement to the target of 1.14.



1 London Hydro's reliability performance is a clear indicator of our commitment to reliably deliver
2 electricity to our customers. In order to achieve this performance, London Hydro's engineers are
3 actively analyzing system events and trends to identify solutions and infrastructure upgrades
4 that will help to reduce interruptions to customers.

6 **Asset Management**

7
8 The Asset Management category measures the progress of London Hydro's Distribution System
9 Plan (DSP) implementation.

11 **Distribution System Plan Implementation Progress**

12
13 London Hydro's overall DSP implementation is "On Budget".

14
15 For Infrastructure projects, metrics are in place to ensure that ongoing and new initiatives
16 related to the distribution system are effective. The main performance indicator is the reliability
17 of the system. While the overall system reliability (expressed as SAIDI and SAIFI) is important,
18 London Hydro has refined the outage-reporting and analysis to the point where specific outage
19 causes (such as underground primary cable faults) can be tracked before and after
20 implementing a change in remediation (such as primary cable silicone injection or replacement
21 program).

22
23 For London Hydro's DSP, the following reliability metrics are monitored and used to make
24 annual adjustments to the projects and programs that are in place to make improvements.

25
26
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28
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30
31

1
2

Table 1-33: Reliability Metrics used and Effect on Projects and Programs

Reliability Metric	Purpose & Form	Desired Outcome	Motivation	Related Projects / Programs
System Average Interruption Duration Index (SAIDI) – Equipment Design-Related Outages⁵	SAIDI – EDRO (Equipment Design Related Outages) provides a measure of the reliability of the distribution system as affected by controllable causes. It is calculated using only outages related to controllable causes such as defective equipment.	Stable year-over-year; slight decrease over time in customer minutes of outage	Consumer: Consistent level of reliability for customers; reducing response times to outages Corporate: Cost effectiveness – prevent costs associated with unplanned outages System Performance: Evidence that assets are performing as expected	Most System Renewal Projects; 21/22C1 Main Feeder Supply; 21/22B7 Installation of Backup Supply; 21/22B8 Installation of Fault Indicators; 21/22H1 Recloser Installation; 21/22H5 Line Status Sensors
System Average Interruption Frequency Index (SAIFI) – Equipment Design Related Outages	SAIFI – EDRO provides a measure of the reliability of the distribution system as affected by controllable causes. It is calculated using only outages related to controllable causes such as defective equipment.	Stable year-over-year; slight decrease over time in number of customers affected by an outage	Consumer: Consistent level of reliability for customers. Investing to reduce outages Corporate: Cost effectiveness – prevent costs associated with unplanned outages System Performance: Evidence that assets are performing as expected	Most System Renewal Projects
Worst Performing Feeder	This metric tracks the ten worst performing feeders each year, and how often they appear in top ten list.	Addressing the root causes of poor performance should improve reliability in problem areas	Consumer: Consistent level of reliability for all customers. Investing to reduce number of outages and outage duration. Corporate: Cost effectiveness – prevent costs associated with unplanned outages System Performance: Evidence that assets are performing as expected	Most System Renewal Projects. Some O&M programs (such as tree trimming)
Underground Primary Conductor Failures	This metric tracks the quantity of faults on underground primary conductor per year to determine if the level of investment in cable rebuilds is effective.	Year-over-year decrease	Consumer: Consistent level of reliability for customers Corporate: Cost effectiveness – prevent costs associated with unplanned outages System Performance: Evidence that assets are performing as expected	21/22B2 Subdivision Conversions / Rebuilds
Number of Outages due to Switching Enclosure (SE) and Load Centre (LC) Failures	This metric tracks the quantity of outages caused by SE and LC failures each year to determine if the SE and LC inspection and replacement program is effective.	Year-over-year decrease	Consumer: Consistent level of reliability for customers Corporate: Cost effectiveness – prevent costs associated with unplanned outages System Performance: Evidence that assets are performing as expected	21/22B3 Replacement of Air-Insulated Sectionalizing Enclosures
Monthly SAIDI / SAIFI – Actual vs Historical (excluding Loss of Supply and Major Event Days)	This monthly metric tracks actual performance compared to historical patterns for past 5 years	Trend should be within or slightly better than 5-year average	Consumer: Consistent level of reliability for all customers. Investing to reduce number of outages and outage duration. Corporate: Cost effectiveness – prevent costs associated with unplanned outages System Performance: Evidence that assets are performing as expected	Most System Renewal Projects. Some O&M programs (such as tree trimming)

3

4

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⁵ Outages related to controllable causes such as defective equipment

1 Cost Control

2
3 Cost control is measured in three ways:

- 4 • Efficiency Assessment
- 5 • Total Cost per Customer
- 6 • Total Cost per Km of Line

7 Over the last five years, London Hydro has achieved the following results on these measures:

8
9 **Table 1-34: Cost Control Measures Performance (As reported in the OEB Scorecard)**

Cost Control Measures	OEB Target	2015	2016	2017	2018	2019
Efficiency Assessment	N/A	2	2	3	3	3
Total Cost per Customer	N/A	\$505	\$521	\$516	\$552	\$568
Total Cost per km of Line	N/A	\$27,149	\$28,281	\$28,106	\$28,955	\$29,822

10 Efficiency Assessment

11
12
13 The total costs for Ontario local electricity distribution companies are evaluated by the Pacific
14 Economics Group LLC (PEG) on behalf of the OEB to produce a single efficiency ranking. The
15 electricity distributors are divided into five groups based on the magnitude of the difference
16 between their respective individual actual and predicted costs. London Hydro's 2019 results
17 kept us in the Group 3. Group 3 distributors are defined as having actual costs are within +/-
18 10% of predicted costs. Group 3 is considered average performers – in other words, London
19 Hydro's costs are in the average cost range for distributors in the Province of Ontario. In
20 reviewing the provincial electricity distributors 2019 results, 29 distributors (2018 - 26
21 distributors) of the Ontario distributors were ranked as "average efficiency"; 17 distributors (2018
22 - 19 distributors) were ranked as "more efficient"; 6 distributors (2018 - 9 distributors) were
23 ranked as "least efficient."

24
25 As indicated in our DSP commentary, the most significant factor associated with the increased
26 costs within London Hydro is the incremental growth within the City of London. The three year
27 gross spending average of City and Developer works (2017-2019) have been \$13.3M while the



1 amounts in the three preceding years (2014-2016) were \$12.8M, an increase of 3.3%. It is
2 London Hydro's opinion that this incremental spending associated with the growth of the City of
3 London is the primary contributor for moving from tier 2 to tier 3 in 2017.

4
5 London Hydro notes that with the passage of time many distributors are challenged with respect
6 to the efficiency measures and are losing ground. London Hydro's goal is always to advance in
7 the ranking to the "more efficient" group; however, management's expectation is that London
8 Hydro's efficiency performance will decline over the next few years, keeping London Hydro in
9 the average efficiency category. While London Hydro works hard to implement efficiencies and
10 maintain costs at or less than inflation, continuing outside influences accelerate operational
11 spending, which is the prime driver in this assessment.

12 13 **Total Cost per Customer**

14
15 Total cost per customer is calculated as the sum of the OEB PEG report on London Hydro's
16 capital and operating costs divided by the total number of customers that London Hydro serves.
17 The cost performance result for 2019 is \$568/customer (2018 was \$552/customer) which is a
18 3.0% increase over 2018.

19
20 Similar to most distributors in the province, London Hydro has experienced increases in the total
21 costs required to deliver quality and reliable services to customers. London Hydro's Total Cost
22 per Customer has increased, on average, by 3.55% (2018 3.45%) per annum over the period
23 2014 through 2019. Province-wide programs, such as smart meters required for Time of Use
24 pricing, growth in wage and benefits costs for our employees, as well as investments in new
25 information systems technology and the renewal and growth of the distribution system, have all
26 contributed to increased operating and capital costs.

27
28 London Hydro will continue to replace distribution assets proactively along a carefully managed
29 timeframe in a manner that balances system risks and customer rate impacts. London Hydro
30 will also continue to implement productivity and improvement initiatives to help offset some of
31 the costs associated with future system improvement and enhancements. Customer
32 engagement initiatives will continue in order to ensure customers have an opportunity to share
33 their viewpoint on London Hydro's capital spending plans. However, as discussed in our

1 efficiency assessment, London Hydro is concerned that continuing public policy initiatives will
2 result in continued cost escalations beyond London Hydro management's control.

4 **Total Cost per Km of Line**

5
6 This measure uses the same total cost that is used in the Cost per Customer calculation above.
7 The total cost is divided by the kilometers of line that London Hydro operates to serve its
8 customers. London Hydro's 2019 rate is \$29,822 per km of line, an increase over 2018 due to
9 increased capital spending. London Hydro experienced a moderate level of growth in its total
10 kilometers of lines complemented by moderate annual customer growth rate. This continued
11 modest growth rate provides London Hydro with the ability to fund capital renewal projects and
12 buffers some of the increased operating costs realized through customer growth. As a result,
13 cost per km of line has increased year over year with the increase in capital and operating
14 costs. See the Cost per Customer section above for cost driver's commentary. London Hydro
15 continues to seek innovative solutions to help ensure cost per km of line remains competitive
16 and within acceptable limits to our customers.

18 **10.2.3 Public Policy Responsiveness**

19
20 Public Policy Responsiveness measures the extent to which "utilities deliver on obligations
21 mandated by government" and is divided into two categories: Conservation and Demand
22 Management and Connection of Renewable Energy.

24 **Conservation and Demand Management**

25
26 Conservation and Demand Management is measured by the Net cumulative Energy Savings
27 achieved by the utility.

28
29 As a means of improving the overall effectiveness of both organizations, London Hydro entered
30 into a partnership arrangement with Tillsonburg Hydro for the delivery of CDM programs
31 throughout the 2015-2020 CDM delivery framework, and submitted a Joint CDM Plan to IESO
32 consisting of the following public-domain documents:

- 1 • London Hydro Report EM-14-03, Integrated Resource Planning: Forecasts of Energy
2 Efficiency Program Outcomes as a Demand-Side Resource (Volume 1 – Articulation of
3 the Vision); April 2015
- 4 • London Hydro Report EM-14-03B, Integrated Resource Planning: Forecasts of Energy
5 Efficiency Program Outcomes as a Demand-Side Resource (Volume 2 – Budget &
6 Resource Plan); April 2015
- 7 • London Hydro Report EM-14-03C, Integrated Resource Planning: Forecasts of Energy
8 Efficiency Program Outcomes as a Demand-Side Resource (Volume 3 – Tillsonburg
9 Hydro Element); April 2015

10
11 London Hydro's assigned net energy savings target for the 2015 to 2021 framework was 196.66
12 GWh. As a result of the government cancellation of the Conservation First Framework (CFF) in
13 early 2019, the IESO did not carry out the usual program Evaluation, Measurement and
14 Validation (EM&V) activity with an independent party to publish Final Verified Annual LDC CDM
15 Program Results for 2019.

16
17 In a complete change in direction, on March 20, 2019 the provincial government issued two
18 directives that essentially terminated the Conservation First Framework (wherein LDC's
19 delivered CDM programs within their respective service territories), preferring to centralize the
20 delivery of CDM programs via IESO and an interim framework that would end on December 31,
21 2020.

22
23 By the established deadline for LDC's to accept new incentive applications, London Hydro had
24 amassed 726 incentive applications under the RETROFIT PROGRAM, representing 1,140
25 energy-efficiency projects, 87,452 MWh in gross energy savings, and about \$9.9M in incentives.
26 Although there are no plans by IESO to engage an EM&V program evaluator to ascertain the
27 net energy savings, nor to assign these savings to individual LDC's, London Hydro recognizes
28 these programs are beneficial to its customers.

29
30 The so-called Interim Framework provided limited funding for LDCs to submit funding
31 applications for custom CDM programs (i.e. those not deemed duplicative of any in the suite of
32 provincial CDM programs). London Hydro was:

- 1 • the lead LDC on a custom program known as Strategic Energy Management
- 2 • a participating LDC on a custom program, submitted by Peterborough, known as
- 3 Refrigeration Efficiency Program - a direct install program intended for small business
- 4 customers with refrigerated display cases and coolers.

5

6 Both custom programs were impacted by the COVID-19 pandemic and have been extended

7 accordingly. Program achievements (in terms of persisting energy savings) are expected to be

8 available in late 2021.

9

10 **Connection of Renewable Generation**

11

12 This performance category is measured based on two criteria:

- 13 ○ Renewable Generation Impact Assessments Completed on Time
- 14 ○ New Micro-embedded Generation Facilities Connected on Time

15

16

17 Over the last five years, London Hydro's results on these two measures are as follows:

18 **Table 1-35: Connection of Renewable Generation Measures Performance**

Connection of Renewable Generation	OEB Target	2015	2016	2017	2018	2019
Renewable Generation Connection Impact Assessments Completed on Time	N/A	90.91%	85.71%	100.00%	100.00%	100.00%
New Micro-embedded Generation Facilities Connected on Time	90.00%	90.74%	91.43%	100.00%	100.00%	100.00%

19

20

21 In 2019, London Hydro completed all Connection Impact Assessments within the prescribed

22 time limit of 60 days. All projects were prioritized with the proponents' input to ensure their

23 timelines were not negatively impacted.

1 **Renewable Generation CIAs Completed on Time**

2
3 In 2019, London Hydro completed all Connection Impact Assessments within the prescribed
4 time limit of 60 days.

5
6 **New Micro-embedded Generation Facilities Connected on Time**

7
8 In the same year, all new Micro-embedded Generation Facilities were connected within the five-
9 day window stipulated by the OEB.

10
11 **10.2.4 Financial Performance**

12
13 Financial Performance measures the extent to which “financial viability is maintained and
14 savings from operational effectiveness are sustainable” and is evaluated by financial ratios in
15 four areas:

- 16
17
- 18 • Liquidity: Current Ratio (Current Assets/Current Liabilities)
 - 19 • Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio
 - 20 • Profitability: Regulatory Return on Equity - Deemed (included in rates)
 - 21 • Profitability: Regulatory Return on Equity - Achieved
- 22
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33

1 London Hydro's achievement on these measures over the past five years are as follows:

2 **TABLE 1-36: Financial Performance Measures**

3

Financial Ratio Measures	OEB Target	2015	2016	2017	2018	2019
Liquidity: Current Ratio (Current Assets/Current Liabilities)	N/A	1.17	1.31	1.31	1.27	1.36
Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	N/A	0.66	0.74	0.74	0.84	0.88
Profitability: Regulatory Return on Equity - Deemed (included in rates)	N/A	8.98%	8.98%	8.78%	8.78%	8.78%
Profitability: Regulatory Return on Equity - Achieved	N/A	7.52%	5.99%	9.06%	10.08%	8.82%

4

5 **Financial Ratios**

6

7 **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

8

9 Current assets represent cash and other assets that are expected to become cash within the
10 next year. Conversely, current liabilities are financial obligations that are anticipated to be paid
11 within a year. A ratio that is greater than 1 may be an indicator that a company is able to meet
12 its financial obligations coming due within the next year. A higher ratio of current assets to
13 current liabilities provides a greater comfort zone since it indicates that current liabilities can be
14 paid, while leaving excess funds for future investments and long term debt servicing. A ratio of
15 less than 1 could be a signal that a company may not be able to keep up with its upcoming
16 payments, indicating insufficient cash flows from profits or the need for financing.

17 London Hydro's current ratio is affected by items such as accounts receivable and liabilities for
18 electricity, which can fluctuate significantly, depending on factors including changes in customer
19 consumption and the price of electricity acquired on behalf of customers. Additionally, the timing
20 and extent of capital investments in the London Hydro distribution system can have a significant
21 impact on cash balances. Accordingly, a fluctuation in London Hydro's ratio is not an indicator of
22 stability or financial performance but more a matter of timing and leveling with long-term debt.

1 London Hydro's ratio as of December 2019 was 1.36, which has increased in comparison to the
2 2018 amount (1.27) and ratios for the last five year average (1.26).

4 **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

6 London Hydro has a capital mix of 47% debt and 53% equity (debt to equity ratio of .88) for
7 2019. The OEB uses a deemed capital structure of 60% debt and 40% equity (debt to equity
8 ratio of 1.5) when establishing rates.

10 A debt to equity ratio higher than 1.5 may indicate that London Hydro will have difficulty
11 obtaining any required debt to finance capital investments and meet working capital
12 requirements. A debt to equity ratio less than 1.5 may be a signal that the Shareholder is not
13 achieving an optimum rate of return, as a portion of their investment is providing a lower yield.

15 London Hydro's capital mix equips London Hydro with unused debt capacity making funds
16 readily available. This, in turn, keeps London Hydro in a strong financial position as displayed by
17 the recent Standard & Poor's Rating Services rating of A/Stable.

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

21 London Hydro's current distribution rates were approved by the OEB and include an expected
22 (deemed) regulatory return on equity of 8.78%. The OEB allows a distributor to earn within +/-
23 3% of the expected return on equity. When a distributor performs outside of this range, the
24 actual performance may trigger a regulatory review of the distributor's revenues and costs
25 structure by the OEB.

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

29 London Hydro submitted an IRM application for new rates effective May 1, 2019. The approved
30 application resulted in a modest right sizing of our return on equity (ROE) achieved in 2019 of
31 8.82% down from the 2018 value of 10.08%. The achieved ROE is above the deemed ROE of
32 8.78%.



1 London Hydro experienced a higher regulatory net income of \$11.9M being \$1.0M or 9.6%
2 higher than approved for in our 2017 COS. However higher than planned capital costs realized
3 depreciates London Hydro's ROE such that the 2019 formulaic deemed equity is \$0.9M (9%)
4 higher than the 2017 COS forecast. The higher net income buoyed over the lower equity causes
5 the slight difference in calculated ROE.

11.0 FINANCIAL INFORMATION

11.1 Financial Statements

London Hydro has included its non-consolidated Audited Financial Statements (“AFS”) for the years 2019 and 2020 as Appendix E and Appendix F respectively.

11.2 Reconciliation of Financial Statements

A detailed reconciliation between the AFS and the regulatory financial results filed in the application are included as Appendix G.

11.3 Annual Report and Management’s Discussion and Analysis

London Hydro produces publicly available annual reports or MD&As. London Hydro has included its 2020 Community Report as Appendix H.

11.4 Rating Agency Reports

London Hydro 2020 rating agency report is included in Appendix E below.

11.5 Prospectuses and Information Circulars

London Hydro does not have any publicly traded debt or equity and there are no plans to issue public debt or equity.

11.6 Change in Tax Status

London Hydro is a corporation incorporated pursuant to the Ontario Business Corporations Act and has not had a change in tax status since its last Cost of Service Application in 2017.

London Hydro has not, nor is planning any future change in tax status.



1 **11.7 Existing Accounting Orders**

2
3 London Hydro has no existing accounting orders, specific to London
4 London Hydro confirms it has not departed from the Uniform System of Accounts.

5
6 **11.8 Accounting Standards**

7
8 For external financial statement purposes, London Hydro implemented International Financial
9 Reporting Standards (“IFRS”) effective January 1, 2015.

10 London Hydro’s 2022 Cost of Service Rate Application, like its 2017 Application, has been filed
11 in accordance with Modified International Financial Reporting Standards (“MIFRS”). All schedules
12 and number references in this Application are in accordance with MIFRS.

13
14 **11.9 Non-Distribution Business**

15
16 London Hydro does conduct non-distribution businesses, including generation, and green button
17 activity discussed in Executive Summary above.



12.0 DISTRIBUTOR CONSOLIDATION

The July 14, 2016 Minimum Filing Requirements reference that if a distributor has acquired or amalgamated with another distributor(s) since its last rebasing application, it must identify any incentives that formed part of the acquisition or amalgamation transaction if the incentive represents costs (e.g. programs, projects and/or assets) that are being proposed to remain or enter rate base and/or revenue requirement. A distributor must list the exhibits of its application in which any incentives are discussed.

London Hydro herein confirms it has not acquired, been acquired or amalgamated with another distributor(s) since our last 2017 rebasing application (EB-2016-0091).



13.0 MATERIALITY THRESHOLD

Chapter 2 of the Filing Requirements issued by the Board on July 14, 2016 sets out the materiality levels based on the magnitude of the revenue requirement. London Hydro's revenue requirement is greater than \$10 million and less than \$200 million, therefore its materiality level is 0.5% of distribution revenue requirement. London Hydro's materiality threshold for the 2022 Test Year is \$365,000 as shown in Table 1-36 below.

London Hydro has used a threshold of \$397,000 for assessing materiality for the purposes of this Application.

TABLE 1-37: London Hydro's Materiality Threshold for the 2022 Test Year

MATERIALITY THRESHOLD	2017 OEB Approved	2022 Test Year
	(\$)	(\$)
Distribution Base Revenue Requirement	66,555,388	79,330,946
Materiality Threshold @ .5%	333,000	397,000



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APPENDIX A 2019 OEB SCORECARD

Scorecard - London Hydro Inc.

10/21/2020

Performance Outcomes	Performance Categories	Measures	2015	2016	2017	2018	2019	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	97.60%	96.60%	97.56%	99.48%	99.32%	↑	90.00%		
		Scheduled Appointments Met On Time	100.00%	99.90%	99.87%	100.00%	100.00%	↑	90.00%		
		Telephone Calls Answered On Time	68.00%	67.00%	68.57%	70.33%	76.79%	↑	65.00%		
	Customer Satisfaction	First Contact Resolution	99.2%	99.5%	99.6%	99.7%	99.9%				
		Billing Accuracy	98.34%	99.71%	99.83%	99.76%	99.74%	↑	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%	84.00%	82.00%	83.00%	84.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	→		C	
		Serious Electrical Incident Index	Number of General Public Incidents	3	2	1	3	3	↔		1
			Rate per 10, 100, 1000 km of line	1.029	0.698	0.349	1.040	0.989	↔		0.436
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.93	0.97	0.93	0.82	0.80	↓		0.92	
		Average Number of Times that Power to a Customer is Interrupted ²	1.08	1.03	1.00	1.40	1.14	↓		1.14	
	Asset Management	Distribution System Plan Implementation Progress	In Progress	In Progress	Above Budget	Above Budget	Below Budget				
	Cost Control	Efficiency Assessment	2	2	3	3	3				
		Total Cost per Customer ³	\$505	\$521	\$516	\$552	\$568				
		Total Cost per Km of Line ³	\$27,149	\$28,281	\$28,106	\$28,955	\$29,822				
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).	Conservation & Demand Management	Net Cumulative Energy Savings ⁴	14.51%	32.45%	63.35%	87.00%	122.00%			196.66 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	90.91%	85.71%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time	90.74%	91.43%	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)	1.17	1.31	1.31	1.27	1.36				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.66	0.74	0.74	0.84	0.88				
		Profitability: Regulatory Deemed (included in rates)	8.98%	8.98%	8.78%	8.78%	8.78%				
		Return on Equity Achieved	7.52%	5.99%	9.06%	10.08%	8.82%				

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. 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.

4. The CDM measure is based on the now discontinued 2015-2020 Conservation First Framework. 2019 results include savings reported to the IESO up until the end of February 2020.

Legend:

5-year trend
 up down flat

Current year
 target met target not met

2019 Scorecard Management Discussion and Analysis (“2019 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 2019 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

At London Hydro, fostering innovation in our employees is a corporate priority. Employees in every area of the organization are encouraged to stretch their creative muscles and, by doing so, they have positioned London Hydro as a leader in safety, reliability, technology, cost management, community involvement and energy conservation programming.

The innovation and dedication of our employees led to another successful year in 2019, as London Hydro met or exceeded a majority of the OEB scorecard targets. London Hydro is extremely pleased with the continued improvement of reliability indicators while remaining one of lowest cost utilities in the Province of Ontario.

London Hydro surpassed most OEB targets and is proud of the significant advances in customer focus, operational effectiveness, public policy responsiveness and financial performance it has made in 2019. The following particular achievements helped us reduce or mitigate customer rates, improve safety or enhance the customer experience:

Customer Focus

Maintaining an “A” rating in our customer satisfaction surveys with an overall customer satisfaction of 91%.

London Hydro became the first utility in the province to offer payments from MasterCard without any incremental fees to customers.

London Hydro continued to promote and support increased self-service options with significant uptake in the areas of customers electing paperless billing; signing up for MyLondonHydro; and increased outage notifications

Operational Effectiveness

Remaining one of the lowest cost utilities in the Province.

London Hydro continued to improve on its system reliability surpassing the target amount with customers experiencing fewer outages than in 2018 both in terms of frequency and duration.

Public Policy Responsiveness

Partnership with a neighbouring utility to improve efficiencies in the delivery of CDM programs

London Hydro exceeded the target set as part of the Conservation first framework achieving 22% above the targeted energy saving amount.

Providing funding for the Low-Income Energy Assistance Program (LEAP) in the amount of \$200,000 in 2019

Giving \$5,000,000 in dividends to our shareholder in 2019

Service Quality

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

In 2019, London Hydro connected 99.32% of its 2323 eligible low-voltage 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). This score exceeds the OEB-mandated threshold of 90%. London Hydro is consistently able to achieve high levels of compliance in this area due to the

existing workflow processes and computer systems that are used to monitor the status of each job. London Hydro also previously implemented an evening shift service truck, which has resulted in improved flexibility for connecting new customers.

- **Scheduled Appointments Met On Time**

London Hydro scheduled 270 appointments with its customers in 2019 to complete work requested by customers or by customers' representatives. The utility met 100% of these appointments on time, which significantly exceeds the industry target of 90%. The duties and obligations of this requirement are well communicated to and known by London Hydro's staff, which has contributed to London Hydro's success in this area.

- **Telephone Calls Answered On Time**

In 2019, 126,567 calls were made to London Hydro of which 97,195 were answered in 30 seconds or less by our Customer Service Representatives, representing an average of 510 calls a day. We continue to meet the required 65% metric for "Calls Answered on Time." While we could try to surpass that metric by hiring more Customer Service representatives, however, we balance service response time with keeping costs low. London Hydro uses a dual service model of internal staff and a call overflow company to support call-handling. This creates flexibility in managing daily and monthly peak call volumes. Over the past few years, there has been an increase in e-mail correspondence with customers. London Hydro has also implemented online, self-service tools such as MyLondonHydro, Property Manager's Portal and an Interval Data Portal called "Commerce" to offer and manage interactions 24 hours a day, seven days a week. London Hydro is committed to maintaining exceptional customer care and continuing to find ways to improve the customer experience.

Customer Satisfaction

- **First Contact Resolution**

London Hydro strives to serve customers in a friendly and professional manner and to answer their questions and resolve their issues within the first call. In 2019, London Hydro had great success on the First Contact Resolution measure, scoring over 99%. Our success can be attributed to a number of factors including our intensive training program for new hires and our dedicated resource for gap training and process management. We also use call monitoring tools to record and archive every call to allow us to evaluate our staff's call handling, and each month we review one randomly selected call with each CSR. Any anomalies or customer escalations are reviewed when warranted. All customer interactions are logged in our CIS System, including any escalations. We use the results of our annual Customer Satisfaction Survey to learn what is working and what areas require improvement.

- **Billing Accuracy**

In 2019, London Hydro distributed an average of 157,959 invoices per month and achieved an overall billing accuracy rate of 99.74%. To supplement our validating, estimating and editing process, our CIS system uses audits and controls to ensure the accuracy of bill calculations. Any billing irregularities are investigated, analyzed and evaluated for impacts. All changes are verified and tested by our Subject Matter Experts. This dedicated team also monitors and manages bill print exceptions. As an additional check, we audit the value of the bill, and by setting a “threshold” amount for each billing class of customers, we ensure no excessive/irregular invoice is distributed without validation.

- **Customer Satisfaction Survey Results**

For the past 20 years, London Hydro Inc. has engaged a third party to conduct a Customer Satisfaction Survey. The purpose of London Hydro’s involvement in these surveys is to determine a benchmark for measuring the level of satisfaction our customers experience with all areas of service and, equally important, to identify any areas for improvement. The survey asks a core set of questions that provides benchmarks year-to-year, such as overall satisfaction with London Hydro, reliability of service, outages, billing issues and corporate image. Additionally, London Hydro provides a second set of questions regarding specific current issues to identify and respond to new needs or expectations of the customers. The information gathered from the survey is then carefully considered and included in the development or enhancement of both London Hydro’s Strategic Plan and Corporate Communications Plan.

In 2019 London Hydro’s Customer Satisfaction results were equal to or better than Provincial and National counterparts, and, on most measures, London Hydro demonstrated improvement over the previous year’s score. Customers’ overall satisfaction rating for London Hydro was 91%. On reliability, London Hydro scored 94%

Again, this survey is a valuable tool for gauging customers’ awareness of changes in the industry, their level of satisfaction with the services London Hydro provides, their insights into capital programs, and for identifying any areas of improvement to services. London Hydro’s goal is to provide service excellence in all we do, and we plan to continue surveying our customers to benchmark our service levels and help us continue to develop service enhancements.

Safety

- **Public Safety**

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

In 2019, London Hydro undertook major safety awareness efforts, including

- the School Electricity Safety Program, which is presented to over 10,000 students annually;
- the Power of Electricity, a curriculum-based program that involves training teachers to present the program to grades 5/6 each year,
- media coverage for electrical safety-related issues and incidents in the community;
- pole top rescue training; and
- support and presentations at the Safety Village, numerous summer camps and other community event presentations.

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

Over the past five years, London Hydro has been found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This success was achieved by London Hydro's strong commitment to safety and adherence to company policies, procedures and Safe Work Practices. The Electrical Distribution Safety Regulation (Ontario Regulation 22/04) establishes objectives-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.

The Electrical Safety Authority (ESA) performs Due Diligence Inspections (DDI) throughout the year to ensure utilities remain compliant with the objectives set out in Ontario Regulation 22/04. London Hydro has a process in place for responding to DDI's and for reporting back to the ESA on the action plans taken within the specified time period. In 2019, London Hydro was found to be in compliance on all DDIs conducted by ESA.

- **Component C – Serious Electrical Incident Index**

London Hydro experienced three reportable incidents for the 2019 reporting year. These electrical incidents did not result in injury, either to a worker or to a member of the public. In order to maintain the safety and reliability of the distribution grid, London Hydro conducts an investigation of all incidents of this nature. Two of the incidents were caused by severe weather events. The third incident was caused by the failure of a London Hydro owned piece of equipment which was replaced as part of London Hydro's existing capital replacement program.

Through analysis and review of these incidents, London Hydro has implemented modifications to engineering designs and/or targeted replacement programs where appropriate to ensure continued safe and reliable distribution of electricity to our customers.

System Reliability

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

In 2019, London Hydro had an annual performance of 0.80 for the average number of hours that power to a customer was interrupted. London Hydro's System Average Interruption Duration Index (SAIDI) 5-year rolling average performance, without contribution from Loss of Supply and Major Event Days, was 0.89, which is better than the target of 0.92. A large percentage of the hours that power to customers was interrupted is related to scheduled outages, which are necessary to complete infrastructure improvement projects and to maintain the system. This work ensures that the system will continue to be reliable in the future. London Hydro continuously strives to make reliability improvements by addressing aging infrastructure and deploying technology that will aid in restoring power to affected customers quickly.

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

In 2019, London Hydro had an annual performance of 1.14 for the average number of times that power to a customer was interrupted. London Hydro's System Average Interruption Frequency Index (SAIFI) 5-year rolling average performance, without Loss of Supply and Major Event Days, was 1.13, which was a slight improvement to the target of 1.14. London Hydro's reliability performance is a clear indicator of our commitment to reliably deliver electricity to our customers. In order to achieve this performance, London Hydro's engineers are actively analyzing system events and trends to identify solutions and infrastructure upgrades that will help to reduce interruptions to customers.

Asset Management

- **Distribution System Plan Implementation Progress**

London Hydro's overall DSP implementation is "Below Budget". For Infrastructure projects, metrics are in place to ensure that ongoing and new initiatives related to the distribution system are effective. The main performance indicator is the reliability of the system. While the overall system reliability (expressed as SAIDI and SAIFI) is important, London Hydro has refined the outage-reporting and analysis to the point where specific outage causes (such as underground primary cable faults) can be tracked before and after implementing a change in remediation (such as primary cable silicone injection or replacement program).

For London Hydro's DSP, the following reliability metrics are monitored and used to make annual adjustments to the projects and programs that are in place to make improvements.

Reliability Metric	Purpose & Form	Desired Outcome	Motivation	Related Projects / Programs
System Average Interruption Duration Index (SAIDI) – Equipment Design-Related Outages (outages related to controllable causes such as defective equipment)	SAIDI – EDRO (Equipment Design Related Outages) provides a measure of the reliability of the distribution system as affected by controllable causes. It is calculated using only outages related to controllable causes such as defective equipment.	Stable year-over-year; slight decrease over time in customer minutes of outage	<u>Consumer</u> : Consistent level of reliability for customers; <u>Corporate</u> : Cost effectiveness – prevent costs associated with unplanned outages; <u>System Performance</u> : Evidence that assets are performing as expected	Most System Renewal Projects relate to Feeder Ties, Rebuilding Supply to Core, Installation of Backup Supplies, Reclosers and fault indication and line sensing devices.
System Average Interruption Frequency Index (SAIFI) – Equipment Design Related Outages	SAIFI – EDRO provides a measure of the reliability of the distribution system as affected by controllable causes. It is calculated using only outages related to controllable causes such as defective equipment.	Stable year-over-year; slight decrease over time in number of customers affected by an outage	<u>Consumer</u> : Consistent level of reliability for customers; <u>Corporate</u> : Cost effectiveness – prevent costs associated with unplanned outages; <u>System Performance</u> : Evidence that assets are performing as expected	Most System Renewal Projects
Customer Acceptance of Existing Level of Reliability (via surveys)	This metric measures customer acceptance of reliability. Expressed as a percentage of respondents who agree “London Hydro provides consistent, reliable energy”	Consistent year-over-year of majority of responses find existing level of reliability acceptable (90%)	<u>Consumer</u> : Consistent level of reliability for customers	Overall spending on System Renewal and reliability focused projects are kept relatively consistent year-over-year
Number of Faults in Residential Underground Primary Conductor	This metric tracks the quantity of faults on residential underground primary conductor per year to determine if the level of investment in cable injection and rebuilds is effective.	Year-over-year decrease	<u>Consumer</u> : Consistent level of reliability for customers; <u>Corporate</u> : Cost effectiveness – prevent costs associated with unplanned outages; <u>System Performance</u> : Evidence that assets are performing as expected	Cable Silicone Injection and Replacement, Subdivision Conversions and Rebuilds
Number of Outages Caused by Lightning	This metric tracks the quantity of outages caused by lightning each year to determine if lightning mitigation measures are effective.	Year-over-year decrease (relative to the number of lightning flashes)	<u>Consumer</u> : Consistent level of reliability for customers; <u>Corporate</u> : Cost effectiveness – prevent costs associated with unplanned outages; <u>System Performance</u> : Evidence that assets are performing as expected	Pre-2016 projects (15G6) to install shield wire and arrestors on critical main feeders; now part of new construction standard for overhead main feeders
Number of Broken Poles (not due to motor vehicle accidents)	This metric tracks the quantity of outages caused by broken poles each year to determine if the pole testing and replacement program is effective.	Stable year-over-year quantity	<u>Consumer</u> : Consistent level of reliability for customers <u>Corporate</u> : Cost effectiveness – prevent costs associated with unplanned outages and optimize the lifecycle cost of wood poles <u>System Performance</u> : Evidence that assets are performing as expected	Replace Deteriorating Poles
Number of Pole Fires	This metric tracks the quantity of outages caused by pole fires each year to determine if the pole inspection and replacement program is effective.	Year-over-year decrease	<u>Consumer</u> : Consistent level of reliability for customers <u>Corporate</u> : Cost effectiveness – prevent costs associated with unplanned outages and optimize the lifecycle cost of wood poles <u>System Performance</u> : Evidence that assets are performing as expected	Replacement of Poles Susceptible to Pole Fires

Number of Outages due to Sectionalizing Enclosure (SE) Failures	This metric tracks the quantity of outages caused by SE failures each year to determine if the SE inspection and replacement program is effective.	Year-over-year decrease	<u>Consumer</u> : Consistent level of reliability for customers <u>Corporate</u> : Cost effectiveness – prevent costs associated with unplanned outages <u>System Performance</u> : Evidence that assets are performing as expected	Replacement / Removals of Pad-Mounted Air Insulated Switches with Di-Electric Switches
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London Hydro also monitors the overall cost to our customers to ensure competitiveness with our peers and affordable increases year-over-year. The following cost-based metrics provide feedback to our customers and stakeholders regarding our overall cost efficiency.

Cost Metric	Purpose & Form	Desired Outcome	Motivation	Related Projects / Programs
Controllable Cost per Customer	This metric tracks the controllable costs per customer each year to ensure costs are competitive with peers. Values are sourced from OEB Yearbook.	Bottom quartile of all LDCs	<u>Consumer</u> : Customers should see rates competitive with similar sized LDCs <u>Corporate</u> : Feedback to management on cost effectiveness of LDC	Top down budget constraints, System Renewal Projects[1]; 16B8, 17B8 Installation of Fault Indicators & 16H5, 17H5 Line Status Sensors (reduce time required to locate problems)
PEG Efficiency Assessment	This metric measures the LDC's overall efficiency as determined by PEG. Values are sourced from OEB/PEG.	Remain within Group 2 (2 nd most efficient)	<u>Consumer</u> : Customers should see rates competitive with similar sized LDCs <u>Corporate</u> : Feedback to management on cost effectiveness of LDC	Top down budget constraints
Annual Distribution Revenue (Residential)	This metric tracks the average annual distribution revenue per residential customer. Values are sourced from OEB yearbook; stats by class tab.	Bottom quartile of all LDCs	<u>Consumer</u> : Customers should see rates competitive with similar sized LDCs <u>Corporate</u> : Feedback to management on cost effectiveness of LDC	Top down budget constraints

Any project valued at \$25,000 or more that comes in over or under budget by 10% or more requires analysis to determine the source of the variance. These variance reports are reviewed by managers to determine if opportunities exist to improve the estimating process and/or project execution process.

Regular meetings with engineering and operations staff are used to provide status reports (red/green/amber) on capital projects and review significant variances. Bi-weekly meetings focus on the project level while monthly meetings focus on the program level. A year-end report is used to assess total variance to budget and actual completion of planned work to budget.

DSP Implementation Metric	Purpose & Form	Desired Outcome	Motivation	Related Projects / Programs
Utilization of the EASY application (number of crew leaders using application on a regular basis)	Crew leaders are encouraged to take ownership of projects and monitor their costs compared to budget. This metric will track the number of crew leaders using this application to ensure it is effective and user-friendly.	Higher utilization should result in lower variance to budget for capital projects	<u>Corporate</u> : Less variance to budget should assist with keeping costs within budget, resource allocation is optimized <u>Consumer</u> : Meeting budget targets should keep rates stable	All capital projects
Average % Variance to Budget for System Renewal and System Service Projects	This metric measures the variance percentage to budget to determine the accuracy of budgeting and effectiveness of project execution. Calculated as the percent difference in actual annual spending to budget on System Renewal and System Service projects.	Slight improvement each year with ultimate goal of 10% or less	<u>Corporate</u> : Less variance to budget should assist with keeping costs within budget <u>Consumer</u> : Meeting budget targets should keep rates stable	All System Renewal and System Service Projects
Percentage of Actual System Renewal and System Service Projects Completed per Half Year vs Planned	This measures the quantity of actual work vs planned work to determine the effectiveness of the planning and execution of capital projects. Calculated as the percent difference of actual vs planned System Renewal and System Service projects each quarter. Some subjectivity will be used as some projects will span set time periods.	Slight improvement each year with ultimate goal of 100%	<u>Corporate</u> : Less variance to budget should assist with keeping costs within budget <u>Consumer</u> : Meeting budget targets should keep rates stable	All System Renewal and System Service Projects

For customer-focused initiatives, London Hydro monitors the number of customers using each initiative and then adjusts either the promotion of the initiative (so more customers are aware of them) or the actual initiative (to make it more useful to customers).

Customer Participation Metric	Purpose & Form	Desired Outcome	Motivation	Related Projects / Programs
Number of Customers Subscribed to Paperless Billing	This measure will track usage of this website option to determine how many customers find this application useful. Software tracks the number of subscribers.	Gradual Increase in usage year-over-year	<u>Consumer</u> : Easier customer access to billing information <u>Corporate</u> : Effectiveness of website development, proper allocation of resources in Customer Service area.	CE (Customer Engagement) Website Enhancements
Number of Customers Subscribed to Customer Portals (UCES / MyLondonHydro)	This measure will track usage of this website option to determine how many customers find this application useful. Software tracks the number of subscribers.	Gradual Increase in usage year-over-year	<u>Consumer</u> : Easier customer access to billing information <u>Corporate</u> : Effectiveness of website development, proper allocation of resources in Customer Service area.	Builders Portal, New Property Management Portal
Number of Customers Subscribed to Outage Notification	This measure will track usage of this website option to determine how many customers find this application useful. Software tracks the number of subscribers.	Gradual Increase in usage year-over-year	<u>Consumer</u> : Better communication with customers on outage status	CE (Customer Engagement) Website Enhancements

Customer Participation Metric	Purpose & Form	Desired Outcome	Motivation	Related Projects / Programs
Number of Customers on Paperless Billing Enrolled in Aeroplan	This measure will track usage of this website option to determine how many customers find this application useful. Software tracks the number of subscribers.	Gradual Increase in usage year-over-year	<u>Consumer</u> : Travel Rewards for converting to paperless billing; reduced costs to customers over time due to lower OM&A <u>Corporate</u> : Effectiveness of website development, proper allocation of resources in Customer Service area.	CE (Customer Engagement) Website Enhancements
Number of online move-in / move-out / transfer of service requests placed via LH website	This measure will track usage of this website option to determine how many customers find this application useful. Software tracks the number of subscribers.	Gradual Increase in usage year-over-year	<u>Consumer</u> : Services available on-demand, anywhere <u>Corporate</u> : Effectiveness of website development, proper allocation of resources in Customer Service area.	CE (Customer Engagement) Website Enhancements
Number of Accounts Utilizing Delegate Functionality	This measure will track usage of this website option to determine how many customers find this application useful. Software tracks the number of subscribers.	Gradual Increase in usage year-over-year	<u>Consumer</u> : More flexibility for customers to assign others to be responsible for hydro account, fewer missed or late payments <u>Corporate</u> : Effectiveness of website development, proper allocation of resources in Customer Service area.	CE (Customer Engagement) Website Enhancements
Number of Budget Billing Sign Ups via MyLondonHydro	This measure will track usage of this website option to determine how many customers find this application useful. Software tracks the number of subscribers.	Gradual Increase in usage year-over-year, decline in quantity and value of late and delinquent accounts	<u>Consumer</u> : Option for customers to assist with budgeting hydro payments <u>Corporate</u> : Effectiveness of website development, proper allocation of resources in Customer Service area.	CE (Customer Engagement) Website Enhancements
Number Payment Notifications via MyLondonHydro	This measure will track usage of this website option to determine how many customers find this application useful. Software tracks the number of subscribers.	Gradual Increase in usage year-over-year, decline in quantity and value of late and delinquent accounts	<u>Consumer</u> : Reduces the likelihood of late or missing payments and subsequent repercussions <u>Corporate</u> : Effectiveness of website development, proper allocation of resources in Customer Service area.	CE (Customer Engagement) Website Enhancements
Number Payment Arrangements via MyLondonHydro	This measure will track usage of this website option to determine how many customers find this application useful. Software tracks the number of subscribers.	Gradual Increase in usage year-over-year, decline in quantity and value of late and delinquent accounts	<u>Consumer</u> : Simplifies payment process <u>Corporate</u> : Effectiveness of website development, proper allocation of resources in Customer Service area.	CE (Customer Engagement) Website Enhancements

In addition to these metrics, Google Analytics is used to monitor the number of website visits (total, unique, new, and returning), the percentage of mobile users, average bounce rate and most popular page.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC (PEG) on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. London Hydro's 2019 results kept us in the Group 3. Group 3 distributors are defined as having actual costs are within +/- 10% of predicted costs. Group 3 is considered average performers – in other

words, London Hydro’s costs are in the average cost range for distributors in the Province of Ontario. In reviewing the provincial electricity distributors 2019 results, 29 distributors (2018 - 26 distributors) of the Ontario distributors were ranked as “average efficiency”; 17 distributors (2018 - 19 distributors) were ranked as “more efficient”; 6 distributors (2018 - 9 distributors) were ranked as “least efficient.”

As previously indicated in our DSP commentary, the most significant factor associated with the increased costs within London Hydro is due to the incremental growth within the City of London. The three year gross spending average of City and Developer works have been \$13.3M while the amounts in the three preceding years were \$12.8M, an increase of 3.3%. It is London Hydro’s opinion that this incremental spending associated with the growth of the City of London is the primary contributor for moving from tier 2 to tier 3 in 2017.

London Hydro notes that with the passage of time many distributors are challenged with respect to the efficiency measures and are losing ground. London Hydro’s goal is always to advance in the ranking to the “more efficient” group; however, management’s expectation is that London Hydro’s efficiency performance will decline over the next few years, keeping the company in the average efficiency category. While London Hydro works hard to implement efficiencies and maintain costs at or less than inflation, continuing outside influences accelerate operational spending, which is the prime driver in this assessment.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of the OEB PEG report on London Hydro’s capital and operating costs divided by the total number of customers that London Hydro serves. The cost performance result for 2019 is \$568 /customer (2018 was \$552 /customer) which is a 3.0% increase over 2018.

Per PEG Report	2019	Cost Per Customer	2018	Cost Per Customer
Customers	160,598		159,039	
OM&A Costs	\$37,864,464	\$236	\$37,400,594	\$235
Capital Costs	\$ 53,390,903	\$332	\$50,450,167	\$317
Total Cost	\$91,255,367	\$568	\$87,850,761	\$552

Similar to most distributors in the province, London Hydro has experienced increases in the total costs required to deliver quality and reliable services to customers. London Hydro’s Total Cost per Customer has increased, on average, by 3.55% (2018 3.45%) per annum over the period 2014 through 2019. Province-wide programs, such as smart meters required for Time of Use pricing, growth in wage and

benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs.

London Hydro will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts. As was demonstrated in our future 2018 Cost of Service rate application, London Hydro will continue to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue in order to ensure customers have an opportunity to share their viewpoint on London Hydro’s capital spending plans. However, as discussed in our efficiency assessment, London Hydro is concerned that continuing public policy initiatives will result in continued cost escalations beyond London Hydro management’s control.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that London Hydro operates to serve its customers. London Hydro's 2019 rate is \$29,822 per km of line, an increase over 2018 due to increased capital spending. London Hydro experienced a moderate level of growth in its total kilometers of lines complemented by moderate annual customer growth rate. This continued modest growth rate provides London Hydro with the ability to fund capital renewal projects and buffers some of the increased operating costs realized through customer growth. As a result, cost per km of line has increased year over year with the increase in capital and operating costs. See the Cost per Customer section above for cost driver’s commentary. London Hydro continues to seek innovative solutions to help ensure cost per km of line remains competitive and within acceptable limits to our customers.

Per PEG Report	2019	Cost Per kM of Line	2018	Cost Per kM of Line
kM of Line	3060		3034	
OM&A Costs	\$37,864,464	\$12,374	\$37,400,594	\$12,327
Capital Costs	\$ 53,390,903	\$17,448	\$50,450,167	\$16,628
Total Cost	\$91,255,367	\$29,822	\$87,850,761	\$28,955

Conservation & Demand Management

- **Net Cumulative Energy Savings**

As a means of improving the overall effectiveness of both organizations, London Hydro entered into a partnership arrangement with Tillsonburg Hydro for the delivery of CDM programs throughout the 2015-2020 CDM delivery framework, and submitted a Joint CDM Plan to IESO consisting of the following public-domain documents:

- London Hydro Report EM-14-03, Integrated Resource Planning: Forecasts of Energy Efficiency Program Outcomes as a Demand-Side Resource (Volume 1 – Articulation of the Vision); April 2015
- London Hydro Report EM-14-03B, Integrated Resource Planning: Forecasts of Energy Efficiency Program Outcomes as a Demand-Side Resource (Volume 2 – Budget & Resource Plan); April 2015
- London Hydro Report EM-14-03C, Integrated Resource Planning: Forecasts of Energy Efficiency Program Outcomes as a Demand-Side Resource (Volume 3 – Tillsonburg Hydro Element); April 2015

London Hydro's assigned net energy savings target for the current framework was 196.66 GWh.

As a result of the government cancellation of the Conservation First Framework (CFF) in early 2019, the IESO did not carry out the usual program Evaluation, Measurement and Validation (EM&V) activity with an independent party to publish Final Verified Annual LDC CDM Program Results for 2019. Using available gross energy savings data and 2017 Net-to-Gross (NTG) ratios for London Hydro as a proxy, it is estimated that throughout 2019 London Hydro achieved another 22 GWh of net energy savings (persisting to 2020). Given the projected energy savings associated with the three (3) embedded load displacement generation projects that are expected to be in-service in 2020 and the number of retrofit projects in the queue, London Hydro can confidently state that it is on-track to meet its assigned CDM target.

Note: This is consistent with the Environmental Commissioner of Ontario's Annual Energy Conservation Progress Report entitled: Making Connections - Straight Talk About Electricity in Ontario - 2019 Energy Conservation Progress Report, Volume One, wherein it was reported (on page 316) that "LDCs as a whole are on track to achieve the 7 TWh target".

In a complete change in direction, on March 20, 2019 the provincial government issued two directives that essentially terminated the Conservation First Framework (wherein LDC's delivered CDM programs within their respective service territories), preferring to centralize the delivery of CDM programs via IESO and an interim framework that would end on December 31, 2020.

By the established deadline for LDC's to accept new incentive applications, London Hydro had amassed 726 incentive applications under the RETROFIT PROGRAM, representing 1,140 energy-efficiency projects, 87,452 MWh in gross energy savings, and about \$9.9M in incentives. Although there are no plans by IESO to engage an EM&V program evaluator to ascertain the net energy savings, nor to assign

these savings to individual LDC's, London Hydro recognizes these programs are beneficial to its customers.

The so-called Interim Framework provided limited funding for LDC's to submit funding applications for custom CDM programs (i.e. those not deemed duplicative of any in the suite of provincial CDM programs). London Hydro was:

- the lead LDC on a custom program known as Strategic Energy Management
- a participating LDC on a custom program, submitted by Peterborough, known as Refrigeration Efficiency Program - a direct install program intended for small business customers with refrigerated display cases and coolers.

Both custom programs were impacted by the COVID-19 pandemic and have been extended accordingly. Program achievements (in terms of persisting energy savings) won't be available until mid to late 2021.

Connection of Renewable Generation

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

In 2019, London Hydro completed all Connection Impact Assessments within the prescribed time limit of 60 days.

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

In the same year, all new Micro-embedded Generation Facilities were connected within the 5 day window stipulated by the OEB

Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

Current assets represent cash and other assets that are expected to become cash within the next year. Conversely, current liabilities are financial obligations that are anticipated to be paid within a year. A ratio that is greater than 1 may be an indicator that a company is able to meet its financial obligations coming due within the next year. A higher ratio of current assets to current liabilities provides a greater comfort zone since it indicates that current liabilities can be paid, while leaving excess funds for future investments and long-term debt servicing. A ratio of less than 1 could be a signal that a company may not be able to keep up with its upcoming payments, indicating insufficient cash flows from profits or the need for financing.

London Hydro's current ratio is affected by items such as accounts receivable and liabilities for electricity, which can fluctuate significantly, depending on factors including changes in customer consumption and the price of electricity acquired on behalf of customers. Additionally, the timing and extent of capital investments in the London Hydro distribution system can have a significant

impact on cash balances. Accordingly, a fluctuation in London Hydro's ratio is not an indicator of stability or financial performance but more a matter of timing and leveling with long-term debt.

The Company's ratio as of December 2019 was 1.36, which has increased in comparison to the 2018 amount (1.27) and ratios for the last five year average (1.26).

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

London Hydro has a capital mix of 47% debt and 53% equity (debt to equity ratio of .88) for 2019. The OEB uses a deemed capital structure of 60% debt and 40% equity (debt to equity ratio of 1.5) when establishing rates.

A debt to equity ratio higher than 1.5 may indicate that the Company will have difficulty obtaining any required debt to finance capital investments and meet working capital requirements. A debt to equity ratio less than 1.5 may be a signal that the Shareholder is not achieving an optimum rate of return, as a portion of their investment is providing a lower yield.

London Hydro's capital mix equips the Company with unused debt capacity making funds readily available. This, in turn, keeps London Hydro in a strong financial position as displayed by the recent Standard & Poor's Rating Services rating of A/Stable.

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

London Hydro's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.78%. 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**

London Hydro submitted an IRM application for new rates effective May 1, 2019. The approved application resulted in a modest right sizing of our return on equity (ROE) achieved in 2019 of 8.82% down from the 2018 value of 10.08%. The achieved ROE is above the deemed ROE of 8.78%.

London Hydro experienced a higher regulatory net income of \$11.9M being \$1.0M or 9.6% higher than approved for in our 2017 COS. However higher than planned capital costs realized depreciates London Hydro's ROE such that the 2019 formulaic deemed equity is \$0.9M (9%) higher than the 2017 COS forecast. The higher net income buoyed over the lower equity causes the slight difference in calculated ROE.

With the filing of the 2017 COS London Hydro anticipated that the declining ROE trend seen in 2016 and prior years would stabilize in 2018 and 2019. However London Hydro anticipates that future reported ROE balances will continue to decline annually as annual depreciation in future years is expected to be significantly higher than the 2017 COS forecast. London Hydro is facing higher than expected municipal infrastructure and developer driven capital spend demands, which impacts annual depreciation. The ROE decline may be buoyed in part moderately by the 2018 ACM adjustment included in our 2018 IRM application. It is London Hydro's wish not to artificially curtail planned DSP projects to accommodate this unanticipated external demand.

Note to Readers of 2019 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 a number of 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 legislative or regulatory developments, financial market conditions, general economic conditions 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.



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APPENDIX B 2020 REPORT ON PROGRESS



**London
Hydro**

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R E P O R T

O N

P R O G R E S S

CEO MESSAGE

Here at London Hydro, 2020 began on a very positive note filled with initiatives to make our system more robust and resilient and to serve our customers better. The COVID-19 pandemic put all that in doubt. Initially, we grappled with how to cope. Like everyone, we asked ourselves: What do we do now?

As I reflect on this past year, I am filled with sadness at all the loss and grief the pandemic caused in 2020. Yet, I have to say that I am also very proud of how our organization and our employees responded. Very quickly, we began planning our path forward. We knew we would face plenty of adversity. Our challenge would be to find ways to overcome every obstacle, safely and responsibly.

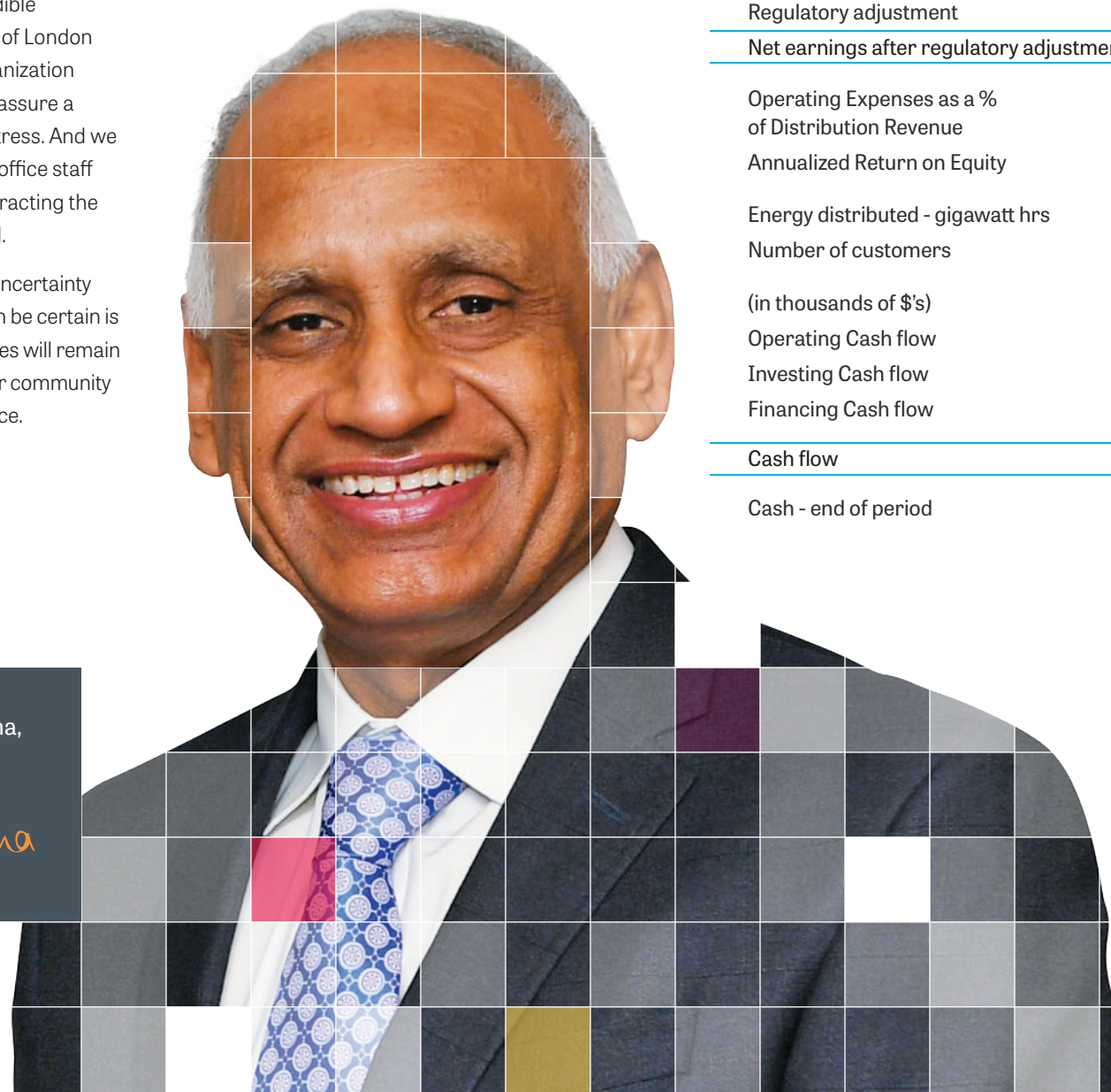
As an essential service, we have a duty to ensure the continued safety and reliability of the supply of electricity to our community. In keeping with that duty, we instituted strict safety protocols and provided PPE for all our field staff and essential inside workers. Office staff were immediately instructed to work remotely and London Hydro

provided all necessary support. We responded to the urgent need for financial relief in our community through every means available to us. We communicated openly and honestly with our customers and the community. And we moved forward with capital projects that improved our grid and service capacity. Every adversity was confronted and, through teamwork and collaboration, was overcome.

As you read through this report, you'll see example after example of the incredible determination and professionalism of London Hydro employees. You'll see an organization and its employees responding to reassure a community filled with anxiety and stress. And we accomplished all this with only two office staff who were working from home contracting the virus, both of whom have recovered.

Looking forward, while a degree of uncertainty still exists, one thing of which you can be certain is that London Hydro and our employees will remain committed to our customers and our community no matter what obstacles we may face.

Vinay Sharma,
CEO



YTD RESULTS FOR THE PERIOD ENDED

FINANCIAL HIGHLIGHTS

	ACTUAL 31-Dec-20	ACTUAL 31-Dec-19	CHANGE	PLAN 31-Dec-20	% OF PLAN
Energy Distributed - Gigawatt Hrs	3,162.2	3,208.5	(46.3)	3,263.0	(3.1)%
<i>(in thousands of \$'s)</i>					
Sale of Energy	\$436,237	\$366,746	\$69,491	\$472,365	(7.6)%
Distribution revenue	70,239	69,726	513	69,957	0.4 %
Other revenue	11,228	11,778	(550)	10,642	5.5 %
Cost of power	433,635	368,249	65,386	472,358	(8.2)%
Operating expenses	44,910	44,229	681	47,167	(4.8)%
Amortization expenses	21,432	20,180	1,252	21,242	0.9 %
Net finance costs	11,027	4,905	6,122	6,010	83.5 %
Income taxes	1,206	2,781	(1,575)	(579)	(308.3)%
Net earnings before regulatory adjustments	5,494	7,906	(2,412)	6,766	(18.8)%
Regulatory adjustment	196	4,064	(3,868)	1,398	(86.0)%
Net earnings after regulatory adjustments	5,690	11,970	(6,280)	8,164	(30.3)%
Operating Expenses as a % of Distribution Revenue	63.9%	63.4%			
Annualized Return on Equity	3.3%	7.0%			
Energy distributed - gigawatt hrs	3,162.2	3,208.5	(1.4)%		
Number of customers	162,140	160,599	1.0%		
<i>(in thousands of \$'s)</i>					
Operating Cash flow	19,140	31,808			
Investing Cash flow	(39,238)	(38,120)			
Financing Cash flow	44,968	8,446			
Cash flow	24,870	2,134			
Cash - end of period	28,298	3,428			

“COMMERCE” HELPS COMMERCIAL CUSTOMERS

BETTER MANAGE USAGE

In 2019, London Hydro introduced the Interval Data Centre (IDC) to provide commercial customers with a powerful energy monitoring application that helped them better manage their energy consumption and control their costs.

Fast forward to 2020 and thanks to many customer-driven updates, IDC was rebranded as “Commerce” and now provides users with many new features that make it better suited to their needs.

Customers were first introduced to the rebranded site through a marketing campaign that included an e-newsletter, an Industrial Conservation Initiative (ICI) customer webinar in May, followed by a broader virtual customer engagement session in November. London Hydro staff also conducted virtual one-on-one consultations with many customers to do walk-throughs of the site and its new features.

THE RESPONSE HAS BEEN VERY POSITIVE

The new site has proven to be very popular with users. The stats below indicate the number of times various features were accessed.

- The Dashboard - 3,586
- The Detail Profile - 2,143
- Google Maps Location Details - 1,915
- Global Adjustment - 371
- Daily Totals - 341
- The Cost Estimator tool - 233
- There were 4,436 logins

IT KEPT GETTING BETTER AND BETTER

Throughout the year, as we were introducing Commerce, we were also receiving feedback and input from customers that enabled us to make further upgrades to make the site even more useful and productive for customers. They include:

- Email and Secure File Transfer Protocol (SFTP) Integration which enables easier integration to Commerce for non-London Hydro meters.
- Improved the look and feel and user experience through redesigned Global Adjustment (GA) reports and enhanced stacked bar graphs.
- Enhanced the GA Tracker feature by displaying current and adjusted provincial peaks.
- Historical Meter Comparison allows users to view two periods of time on the same graph .
- User Preference gives users the ability to configure certain default settings and customize the application to suit their needs.
- Auto suggest - Delegate Notifications, which allows businesses to delegate their Commerce application to multiple employees or third-parties who track energy.



LONDON HYDRO STEPPED UP

WHEN OUR COMMUNITY WAS HURTING

While it is still far from over, the COVID-19 pandemic took its toll on our community in 2020. And when the community in which we live and work and the customers we serve were under such duress, we're proud that our organization stepped up and became a source of comfort and reassurance during a time of great stress and anxiety.

WE VOWED TO KEEP THE LIGHTS ON AND MAINTAIN OUR LEVEL OF SERVICE

Following all the necessary measures based on Health Canada guidelines and protected with the appropriate PPE, our field staff continued to respond to calls and maintain the safety and integrity of our grid. And, in the midst of the lockdown, a storm response crew went to Chatham to help restore power after high winds knocked out power to most of the area.

London Hydro office staff immediately adjusted to working remotely and continued to provide the high level of service our customers have come to expect.

WHEN OUR COMMUNITY WAS IN NEED, WITHOUT HESITATION, WE GAVE BACK

To demonstrate our gratitude to health care workers in London, London Hydro donated 3,000 N95 masks at a time when they were in short supply everywhere.

As an organization, London Hydro donated \$400,000 to the Low-income Energy Assistance Program (LEAP) administered by the Salvation Army to help the most vulnerable members of our community pay their energy bills. And we worked with all customers who were having difficulty paying their accounts to make extended payment arrangements.

London Hydro employees generously raised and donated \$25,000 to local charities – including \$4,400 to the Salvation Army Christmas Hamper Program -- so that they could continue their important work in our community.

Through it all over the course of the year, our CEO was front and centre reassuring the community and leading our organization with a message of hope, understanding and compassion.

As difficult as 2020 was, if we all continue to work towards a common goal to put it behind us, together we make 2021 a year filled with promise and progress.

Not only did our staff step up to the challenge of following new safety protocols while maintaining a high level of customer service, employees also contributed over \$46,800 to local charities.



ACCESSIBILITY

WAS A KEY COMPONENT OF OUR COMPREHENSIVE WEBSITE UPDATE

Right from the outset, ensuring our new website remained fully compliant with the Accessibility for Ontarians with Disabilities Act (AODA) and WCAG 2.0 guidelines was a top priority. It was essential that the information, resources, tools and services on the site remain quickly and easily accessible for all of our customers.

London Hydro retained the services of local experts to conduct an extensive accessibility review. From June 29 to July 7, 2020, their team used multiple automated and manual tools to evaluate the accessibility of our redesigned website and make recommendations for improvement. Every recommendation made was immediately incorporated into the redesign.

After running a secondary scan of the site to ensure all remediation actions were taken, the London Hydro website was officially recognized as being AODA "AA" and WCAG 2.0 compliant in August. This contributed to receiving the EDA Customer Service Excellence Award.

At London Hydro, we recognize that ensuring all our properties and services remain fully accessible to all our customers is an ongoing commitment to identifying barriers and removing them. In keeping with that commitment, all of our digital properties will be monitored and reviewed regularly to meet current standards, guidelines and regulations.



IN A TIME OF CRISIS

COLLABORATION IS CRITICAL



As we confronted the challenges presented by this pandemic, we closely monitored and reviewed all communications from the government and health agencies to ensure every available resource was incorporated into our response.

In addition to providing emergency relief in the form of a freeze on power disconnections, an extension of fixed TOU and Tier RPP rates, and the COVID-19 Energy Assistance Program (CEAP). London Hydro went above and beyond the requirements by extending the disconnection ban and providing resources and payment arrangements to help our customers.

London Hydro developed a comprehensive Safety Protocols for London Hydro Employees book that was distributed to all employees. Our Safety Protocols for London Hydro Employees book was distributed to all employees. It proved to be instrumental in our efforts to keep the lights on and continue with infrastructure projects while, at the same time, making the health and safety of our employees and customers our first priority.



FOR US, PROTECTING THE ENVIRONMENT

IS JUST THE SMART THING TO DO

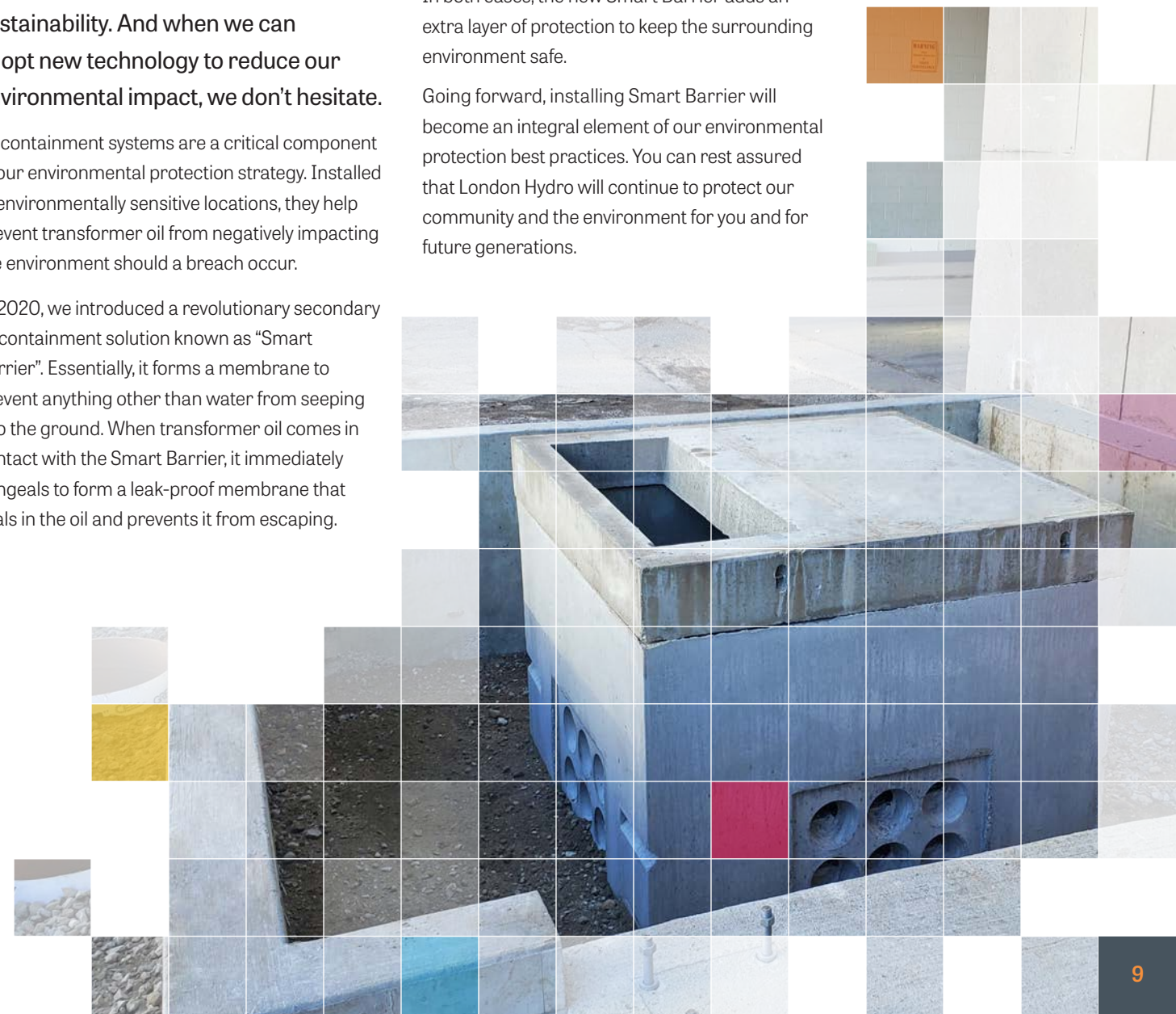
Fundamental to our organization and everything we do is a commitment to design, construct, operate and maintain our equipment to ensure environmental sustainability. And when we can adopt new technology to reduce our environmental impact, we don't hesitate.

Oil containment systems are a critical component of our environmental protection strategy. Installed at environmentally sensitive locations, they help prevent transformer oil from negatively impacting the environment should a breach occur.

In 2020, we introduced a revolutionary secondary oil containment solution known as "Smart Barrier". Essentially, it forms a membrane to prevent anything other than water from seeping into the ground. When transformer oil comes in contact with the Smart Barrier, it immediately congeals to form a leak-proof membrane that seals in the oil and prevents it from escaping.

London Hydro completed two large transformer installation projects in 2020 at City Centre, a dense urban area near storm sewers, and SUB-39 near an ecologically sensitive area. In both cases, the new Smart Barrier adds an extra layer of protection to keep the surrounding environment safe.

Going forward, installing Smart Barrier will become an integral element of our environmental protection best practices. You can rest assured that London Hydro will continue to protect our community and the environment for you and for future generations.



DIGITAL GRID TECHNOLOGY

MAKES COMMUNICATION FASTER,
EASIER AND SAFER

Historically, determining the status of relays in the downtown network meant relying on employees physically going into underground vaults to check on them and communicate with the surface by radio. Not exactly the safest or most efficient solution.

That's why London Hydro Engineering and Operations began exploring Digital Grid technology, which uses existing primary and secondary cables in combination with Power Line Carriers (PLC) communication technology, as a way to significantly improve upon the current outdated radio-based system.

USING EXISTING CABLES TO TRANSMIT DATA

By using existing cables to transmit and receive Supervisory control and data acquisition (SCADA)/Outage Management System (OMS) information using PLC technology, London Hydro avoids the need to install additional communication infrastructure, saving time and money. A section of the northern edge of the Downtown network was selected to be Phase One, and was installed in early 2020.

London Hydro engaged the services of Digital Grid, a US-based supplier of PLC technology and services, to supply the equipment which was installed by our internal staff. Digital Grid engineers were scheduled to complete the final commissioning and fine-tune the communication frequencies in late 2020.

THE COVID-19 BORDER CLOSURE PUT THE PROJECT ON HOLD

Unfortunately, the conversion is now on hold because the Digital Grid personnel can't travel to Canada. As soon as travel restrictions are lifted, we will proceed with a 5-year installation rollout to have the entire downtown core covered by 2025.

BETTER SERVICE AND SAFER WORK ENVIRONMENTS

This new transformational communication technology will automate and update the oldest part of the downtown network and enable us to better serve our downtown customers. Once operational, we will be able to receive real-time insight, data and situational awareness so that, in the event of a problem, we can respond faster and minimize supply disruptions.

The new system also enhances employee safety by eliminating the need to go into underground vaults in many situations.



OUR 2020 CUSTOMER SATISFACTION SURVEY

IS EXTRA RELEVANT DURING THIS
DIFFICULT YEAR

Each year, we retain the services of a 3rd party consultant to conduct a satisfaction survey of London Hydro customers on our behalf. While the feedback we receive every year gives us critical insights into how we can improve our service, this year's survey and feedback are even more critical.

The difficulties the COVID-19 pandemic has created for our customers were unprecedented, and we were resolved to ensure we did everything possible to meet your needs.

A FOCUS ON THE IMPACT OF COVID-19

This year's survey included a focus on the effects of the pandemic on customer beliefs and attitudes. Overall, London Hydro received a report card score of "A" and achieved a customer satisfaction rating of 91% among residential users and 93% among commercial users.

While we are extremely proud of the results achieved by the organization, we are especially proud of the fact that, in a year filled with anxiety about COVID-19, our customers believe London Hydro has handled the pandemic very well and that London Hydro was a source of comfort rather than a contributor to customers stress levels in 2020.

RISING TO THE CHALLENGE

These results are a testament to the hard work and dedication of all London Hydro employees. From our executive management team to our frontline field workers, the survey results demonstrate our commitment to serving our customers during these extremely challenging times.



DURING A YEAR THAT CHALLENGED US ALL, OUR CUSTOMERS GAVE LONDON HYDRO AN "A"

Our annual Customer Satisfaction Survey this year was conducted via telephone with a total of 403 randomly-selected respondents interviewed. The group consisted of a balanced cross-section of low, middle and top kWh user groups. Residential customers represented 85% of respondents interviewed while the remaining 15% were commercial customers.

A TOOL TO HELP US BETTER SERVE YOU

The performance of London Hydro is benchmarked and ranked against other provincial Local Distribution Companies (LDCs) as well as nationally against utilities in other provinces. It is a critically important tool that gives us insights into what our customers think of our performance, areas where our services can be improved, and how our customers' needs are evolving.

85%
BELIEVE LONDON HYDRO IS SOCIALLY RESPONSIBLE

90%
BELIEVE LONDON HYDRO IS TRUSTED AND TRUSTWORTHY

95%
BELIEVE LONDON HYDRO PROVIDES CONSISTENT, RELIABLE ELECTRICITY

89%
BELIEVE LONDON HYDRO PROVIDES ACCURATE BILLING

94%
BELIEVE LONDON HYDRO HAS A STANDARD OF RELIABILITY THAT MEETS EXPECTATIONS

89%
BELIEVE LONDON HYDRO DEALS PROFESSIONALLY WITH CUSTOMERS' PROBLEMS

86%
BELIEVE LONDON HYDRO IS A COMPANY THAT'S EASY TO DO BUSINESS WITH

91%
BELIEVE LONDON HYDRO QUICKLY HANDLES OUTAGES AND RESTORES POWER

87%
ARE CONFIDENT ABOUT THE ABILITY OF LONDON HYDRO TO MEET ITS OBLIGATION TO DELIVER ELECTRICITY EFFICIENTLY AND SAFELY



PLAN CALCULATOR HELPS CUSTOMERS

CHOOSE THEIR BEST PRICING OPTION

In April 2020, the Ontario Energy Board (OEB) mandated that, by November 1st 2020, Local Distribution Companies, like London Hydro, provide residential and small business customers with the choice between remaining with the long-established Time-of-Use (TOU) pricing or switching to a Tiered Pricing option.

PRICE PLAN CALCULATOR MAKES SURE THE CHOICE IS AN INFORMED ONE

The team at London Hydro realized that, in order to make an informed decision on which pricing option to choose, customers would need to be able to quickly and easily compare them using real data. That's where the Price Plan Calculator comes in.

A CONVENIENT, EASY-TO-USE TOOL

The Price Plan Calculator enables each customer to decide which plan best suits their household or small business based on their own historical data. With one click of a button, the calculator provides an accurate overview of past, present and future bills for both plans so the customer can clearly see which one delivers the best value. It's simple, fast and accurate and, once the customer makes a his or her choice, the price change appears automatically on the next bill.

In addition to residing on all MyLondonHydro accounts, it was also added to new move-in accounts and a dedicated website information page was created with links to either MyLondonHydro accounts or the option of a manual process through an Election form.

OVER 12 MILLION IMPRESSIONS AND OVER 27,000 VIEWS SINCE LAUNCH

Launched in October 2020, the Price Plan Calculator has been a success in every sense. It's currently the 4th most viewed page in MyLondonHydro and 77% of customers who requested to switch plans did so using the Price Plan Calculator.

A TOU vs Tier Customer Survey conducted after the launch shows:

- 92% of customers found the calculator easy to use,
- 92% of customers will use the calculator again, and
- 93% of customers will recommend the calculator to friends and family.

The Price Plan Calculator is just one more example of how the employees at London Hydro are working hard every day to ensure our customers continue receiving the high level of service they deserve.

HISTORICAL BILLING PERIOD

\$134.70
TOU

\$149.33
TOU

July 18, 2019 -
Aug 16, 2019

July 18, 2020 -
Aug 17, 2020

LAST BILLING PERIOD

\$125.41
TOU

\$119.07
TIER

Aug 18, 2020 - Sept 17, 2020

NEXT BILLING PERIOD (PROJECTED)

\$112.88
TOU

\$107.26
TIER

Sept 18, 2020 - Oct 16, 2020

Know when to use it

With Time-of-Use pricing, the rate you pay is based on the time of day



TOU or Tiered?
Visit londonhydro.com
to choose the rate that's
right for you.

MAPLE LEAF FOODS FACILITY

REQUIRED EXTENSIVE PLANNING AND TEAMWORK

Building a state-of-the-art 640,000 square-foot fresh poultry processing plant is no small feat. For London Hydro, beginning the construction phase just as the pandemic struck presented a whole new level of complexity as additional safety guidelines and protocols were introduced. As usual, the professionals at London Hydro rose to the challenge and overcame obstacles as they emerged.

AN EXERCISE IN COLLABORATION, COORDINATION AND COMMUNICATION

Working with Maple Leaf Foods (MLF), their consultants, the City of London and other stakeholders, hundreds of hours were spent in the design and planning stage to work out the best solution to connect the new facility to the grid. Two detailed Impact Assessments were done before arriving at the best solution, which was to connect MLF to two 27.6kV feeders, one underground and one overhead, from the Buchanan Transformer Station.

MODERN AUTOMATED SUPPLY FOR A MAJOR NEW CUSTOMER

Construction commenced in early 2020. It involved the installation of a completely new overhead pole line along Wilton Grove East and up Old Victoria Road to connect the two feeders. Additionally, working closely with multiple stakeholders, London Hydro bored a hole five metres beneath Highway 401 and laid the necessary cable to complete the connection. All without disturbing traffic above on the 401 or affecting the structural integrity of the highway.

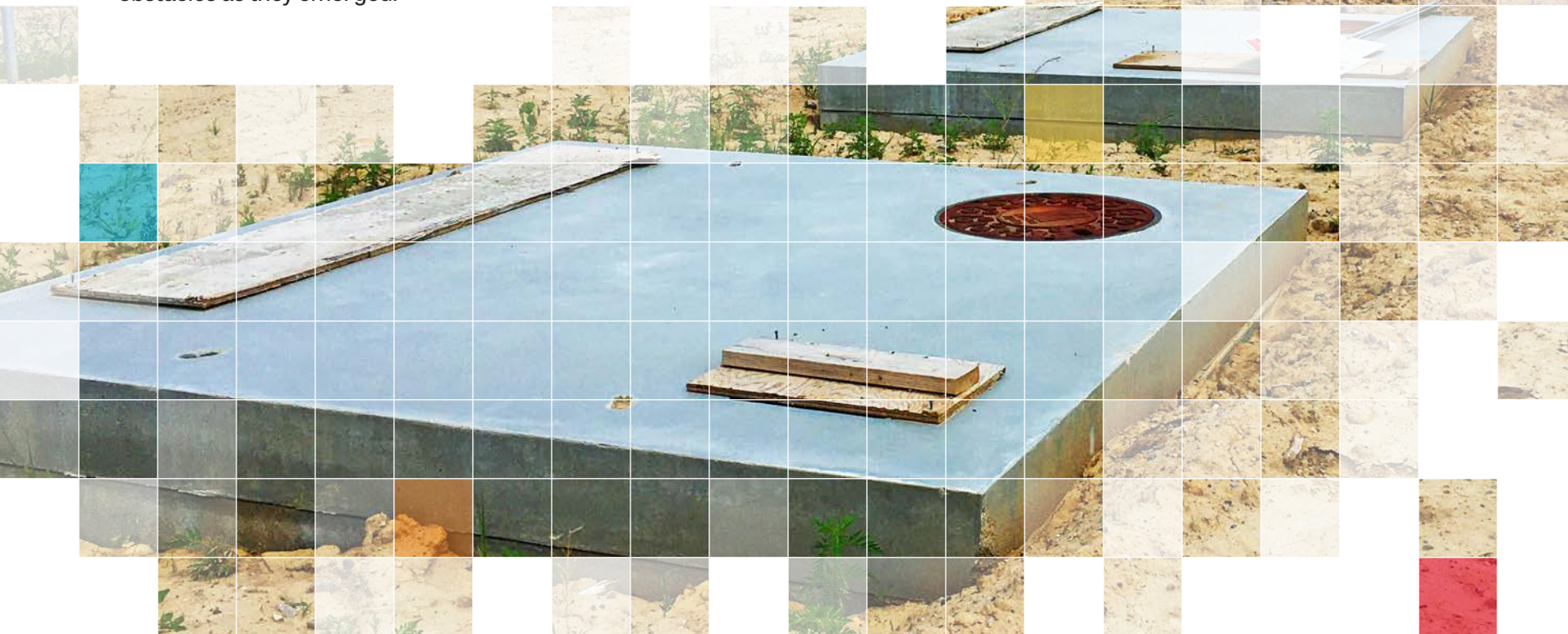
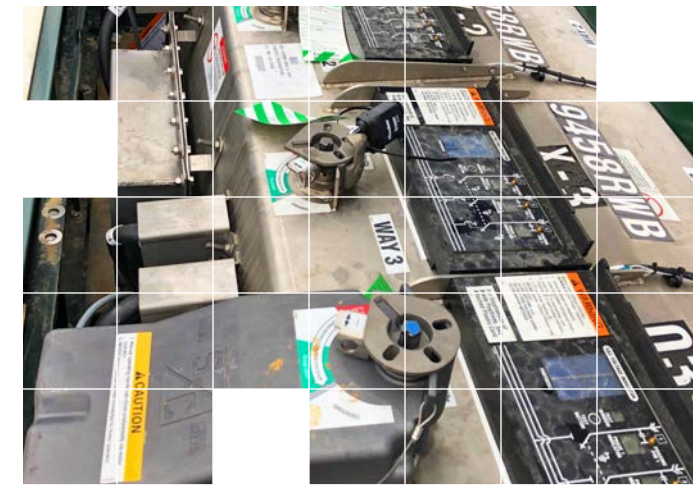
In the final connection phase, our Protection and Controls Department automated the switchgear so that the system could be monitored remotely and power could be quickly restored in the event of an outage.

In all, London Hydro installed:

- 2 km of concrete-encased duct structures,
- 11 manholes,
- 8 km of high voltage cable,
- 3 automated high voltage switchgears, and
- 5 pole-mounted reclosers.

SUPPLYING POWER FOR TODAY AND TOMORROW

London Hydro took the initiative to incorporate service upgrades to the area surrounding the new facility to proactively provide supply for future growth. The enhanced reliability and added capacity will help attract new businesses to the area down the road.



AN OVERHAUL OF OUR WEBSITE

LOOK AND FEEL WAS LONG OVERDUE

Originally launched in 2014, customers indicated to us through online surveys that they were quite happy with the London Hydro website. That said, we knew that, by incorporating new technologies and more advanced design, we could make a good thing even better. In addition, the site's coding and design needed to remain compliant with the Accessibility for Ontarians with Disabilities Act (AODA) and WCAG 2.0 mandated for 2021.

AN INDISPENSABLE TOOL CUSTOMERS REGULARLY USE

Data analytics reveal that the London Hydro website is highly valued by our customers and serves as a hub of information, services and tools. Data confirm that:

- Each week, the site gets over 35,000 visitors.
- Weekly visits can reach as high as 50,000 during major storms and outages.
- In addition, over 45% of visitors use mobile or tablet devices to access the site.
- Over 40% of website visitors regularly log into their MyLondonHydro accounts to perform self-service account activities.



NO SMALL UNDERTAKING

We retained the services of a local web development company specializing in Drupal open-source technology and, despite the challenges created by the pandemic, a team of 28 dedicated people worked diligently to complete the project. Throughout the process, we conducted several customer focus groups on the Quality Assurance site to ensure customer engagement and involvement.

The new site's innovative design and layout make it easier for customers to find the information and services they need in two clicks or less while maintaining AODA compliance. SEO functionality was added to help customers find the service or self-service feature they need more easily, and we successfully made londonhydro.com the easiest site to find for existing customers and especially for new customers moving into the area.

THE RESULTS WERE WELL WORTH THE EFFORT

Surveys conducted after the launch in August 2020, indicated that our efforts were paying dividends. Levels of customer satisfaction were even higher and analytics confirmed that engagement improved significantly across all areas of the site. Compared to the previous year, the redesigned site had:

- A 52% increase in visitor traffic.
- An 18% decrease in website traffic bounce rates.
- A 45% increase in MyLondonHydro registrations.
- A 39% increase in new customer move-ins.
- A 30% increase in outage notifications.
- An 8% increase in Aeroplan registrations.

Despite the challenges and obstacles brought on by the pandemic, the team prevailed and the London Hydro website better serves the needs of our customers. Thanks to their dedication and hard work, a good thing is now even better.

INFRASTRUCTURE IN OAKRIDGE

MOVES FROM THE 20TH TO THE 21ST CENTURY

In subdivisions built from 1930 to 1970, electricity was supplied from local substations into subdivisions like Oakridge via poles and a network of overhead wires and transformers.

The development of underground XLPE cable technology, connectors, pad mounted transformers, fault indication and automation has resulted in a newer, more advanced standard. That, coupled with new installation technology such as directional boring, has made underground construction more practical and safer with a more attractive end result.

GOING FROM BACKYARD OVERHEAD TO FRONT YARD UNDERGROUND

As the infrastructure in these older subdivisions reaches the end of its operational life, the options for rebuilding it, along with the associated cost and potential obstacles, have to be considered. Equally important, we have to consider the preferences of home owners currently living in the subdivision before proceeding.

Initially with the agreement of the homeowners that were being upgraded, a trial project was undertaken to fully convert a small section of the subdivision from overhead backyard to front yard underground distribution. Doing so enabled us to better understand the costs and potential obstacles.

FROM TRIAL PROJECT TO FULL CONVERSION

Based on the success of the initial trial project, London Hydro staff organized an open house event at a local high school in June of 2019 and invited Oakridge residents to attend.

At the well-attended event, four options for proceeding were presented:

- Rebuilding the existing overhead system,
- A hybrid system combining back and front yard installations,
- A full underground directional bore option that would expand the trial project to the whole neighbourhood, and
- An underground system involving open trench excavation.

Feedback and survey responses overwhelmingly supported the directional bore option with a new front yard underground distribution system.

A JOB WELL DONE UNDER TRYING CIRCUMSTANCES

Construction on the full conversion began soon after the results of the survey were in. In response to the pandemic, we quickly established safety protocols and practices so that our employees and the community could be comfortable that they were working and living in a safe environment. Despite the demands and difficulties of working through the pandemic, the project was completed at the end of October 2020.

By all accounts, residents are very pleased with the end result and many made a point of complimenting London Hydro staff on a job very well done.



WE'RE MOVING AHEAD VERY QUICKLY

WITH THE CITY'S BUS RAPID TRANSIT PLAN

In mid-2017, the City of London released its plan for a Bus Rapid Transit (BRT) system called SHIFT. It called for a 5-corridor system consisting of North, South, West and East lines as well as the Downtown Couplet. Excited by the project, London Hydro staff immediately began working with the City to determine the scope and estimates to relocate and upgrade our infrastructure.

However, in mid-2019, the opportunity arose for the City to access both federal and provincial infrastructure funding, so the scope of the project was revised to include 10 transit projects. Three were former SHIFT lines, while three others meant London Hydro would have to significantly relocate or replace existing infrastructure in the areas of Downtown, the intersection of Wharncliffe & Oxford and the Adelaide Street underpass.



In 2020, we began detailed design work for the Phase One Downtown Loop and, following months of close collaboration with the City, the team was able to significantly reduce the amount of relocation work required which resulted in considerable cost savings. After months of hard work together, the engineered design of the Phase One Downtown Loop along King Street between Ridout and Wellington Streets was completed. Construction will begin in 2021 and, by 2026, over 15 km of BRT work will be completed.

This BRT initiative is the The BRT initiative will require a complex redesign. It will require a complex redesign in three main areas of the city; balancing the needs of our distribution network; working within the constraints of limited rights of way, collaborating with other utilities; and the patience and understanding of customers who will be affected.

But in the end, it is projects exactly like this that will help our city grow and prosper, delivering incredible benefits to all of us when we're able to move about our city more quickly and easily.



CONVERSION OF THE DOWNTOWN CORE

ENTERED THE HOME STRETCH IN 2020

In 2015, we began work on the Nelson Project, a 5-year, phased conversion of the outdated 13.8 kV non-network system to an advanced and integrated 27.6 kV system spanning the whole city. Working closely with the City, other utilities and our customers, we methodically progressed through the conversion in different regions of the city, until finally moving to the last, and most difficult, phase which involved conversion of the downtown core.

Already challenging, our work was made even more complicated with the additional safety precautions mandated by the pandemic. It required an entirely new layout, involved a higher concentration of complex services requiring unique solutions, and demanded continuous customer engagement and outreach.

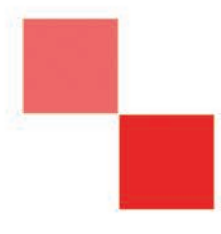
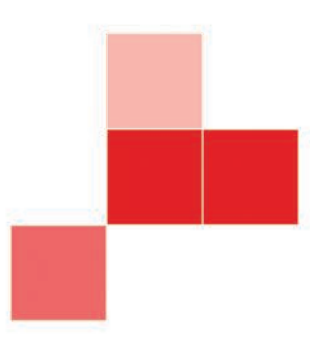
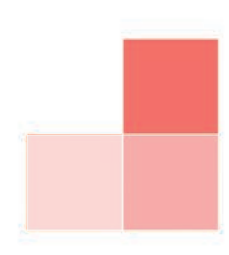
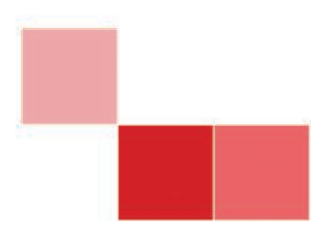
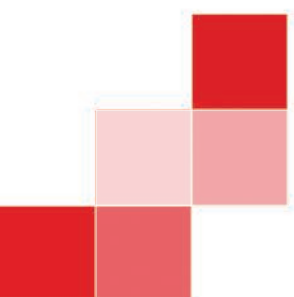
After finishing the work at the Bell Building in early 2021 and successfully removing all connections to the old 13.8kV transformer station, the conversion was complete. Hydro One was able to decommission the old TS 138 station and will begin dismantling it this year.



Transitioning to the new 27.6 kV system, while incredibly complex and massive, is hugely beneficial. It:

- Brings increased operating flexibility to our network,
- Creates multiple options to reroute power around the city and to the downtown core which will shorten the duration of any potential outage,
- Improves the resiliency of supply to many of our largest downtown customers including, Labatt Brewery, City Centre Towers and the Bell Building,
- Removes over 25 km of 50-year-old lead cables,
- Upgrades the level of safety to the public and our employees with new underground vaults and advanced modern equipment,
- Enables us to facilitate Distributed Generation connections to accommodate future growth in the downtown core.

The Nelson Project is London Hydro's largest single investment in the downtown core's energy supply and its surrounding area.



**London
Hydro**

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Powering London.
Empowering You.



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APPENDIX C 2020 ANNUAL REPORT (REPORT ON FINANCE)



**London
Hydro**

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R E P O R T

O N

F I N A N C E

DEAR STAKEHOLDERS,

The year 2020 will be remembered as the time of COVID. A time of loss. A time of grief. A time of sorrow. And yet, 2020 will also be remembered as a time of heroines and heroes, of frontline caregivers and essential workers. A time when we gained a new respect for science and for researchers and scientists world-wide with the discovery, delivery and application of vaccines.

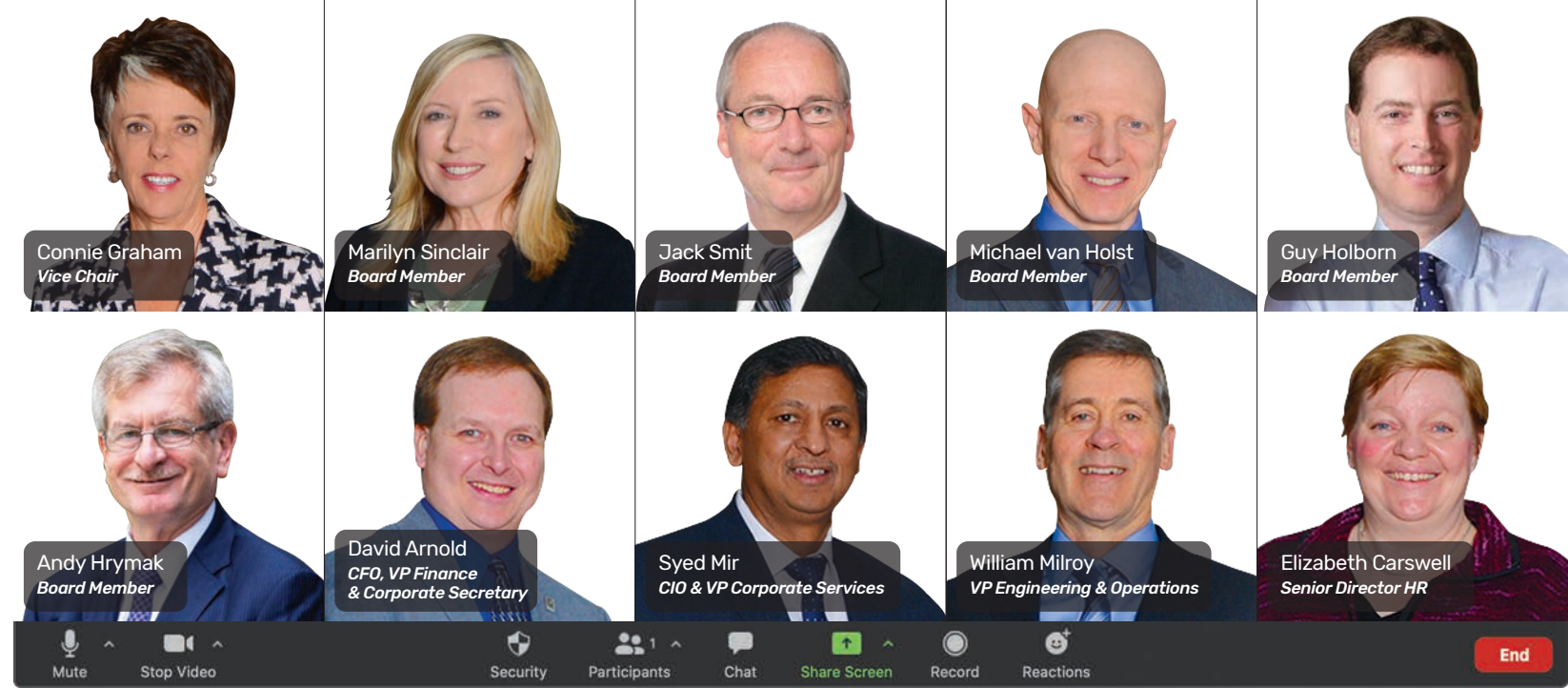
As an essential service provider in the time of COVID, London Hydro has not only kept the lights on but has embraced the opportunity to do business in a different way – lessons that will see us well into the future. Thanks to the resiliency, adaptability and hard work of our employees, London Hydro is building a newer and more robust distribution network, restoring outages promptly and providing full service to our customers. True to our Purpose, we have operated with the goal to distribute safe, reliable electricity and to be the trusted energy service provider for our community.

Our community, our customers, our employees and all of our stakeholders remain the focus of our plans and undertakings. During the pandemic, when businesses were shut down, London Hydro stood up to provide assistance; we were the first to offer a fund of \$400,000 to provide utility bill payment assistance to the most vulnerable members of our community. London Hydro was also the first utility in the province to provide our surplus N95 masks to frontline healthcare workers. We increased our efforts to provide a safe working environment for our employees whose commitment and integrity manifest every day in the security and high reliability of our electrical grid to light up the city.

Our continued success is a result of our strategic journey of pursuing innovation with a focus on our customers and operational excellence. In 2020 we embarked upon two innovative initiatives – the first, funded by Natural Resources Canada – to define a new marketplace to facilitate sharing of

locally generated renewable energy; and the second, “funded privately”, to provide automated energy management solutions for smart homes. These initiatives provide London Hydro with new tools and applications to offer advanced solutions for our customers to optimize their electricity needs, which makes our grid more robust and efficient.

A safe and reliable electricity distribution network is predicated on a well designed and engineered infrastructure. In 2020 we continued to build and refurbish our vast infrastructure by investing approximately \$44 million in the electrical distribution network and to enhance security, contingency and automation. These investments were mainly focused on replacing the aging network, building the underground systems to provide protection against storms and build a flexible electricity network with back-up redundancies. We continued to replace the old 4 kV network with a newer underground 27 kV network.



In 2020 the Oakridge neighbourhood was enhanced with a new 27 kV network, which provided significantly improved reliability of service. With the completion of the Oakridge area we have now successfully replaced 70% of the old 4 kV network in our community. We look forward to making the same improvements in the remaining neighbourhoods in London.

In our fiduciary and financial responsibilities to our Shareholder (the City of London, the People of London) London Hydro achieved its Purpose and realized its Vision in 2020 with a Net Income of \$10.3 million, excluding non-cash impact of the Mark-to-Market adjustment, on total revenue of about \$517 million resulting in a return on shareholder's equity of 6%. London Hydro's rate base, made up of net assets and working capital, increased to about \$370 million, an annualized increase of nearly 7%. London Hydro's customer base is about 162,000 and its distribution revenue is about \$70 million. London Hydro purchased approximately \$433 million worth of electricity and transmission services

from the wholesale market on behalf of our community. Additionally, nearly 104,000 customers used our online tools and smart applications and nearly 71,000 customers have subscribed to paperless billing. These are excellent performance benchmarks and together with a 95% customer satisfaction level, as measured by an independent polling company, is evidence that London Hydro is a strong, customer-focused “hometown” utility.

The pandemic and economic lockdown of 2020 was the largest disruption in the Company's history, yet London Hydro managed these challenges successfully, continued to provide full service to our customers, and achieved a healthy balance sheet and respectable financial performance in 2020. London Hydro also reaffirmed its A/Stable credit rating by Standard & Poor's while maintaining a debt-to-equity ratio of 53%. London Hydro is an asset of the City of London. Its fortunes are reflective of, and accrue to, our community.

As an essential service provider in the time of COVID, we knew we had to pivot flawlessly. Our employees rose to the challenge; our staff adapted readily to working from home and our outside workers quickly adapted to modified work processes without sacrificing quality and quantity of work. Our sincere gratitude goes to our employees and their supportive families and to all who met the challenges of London Hydro in the time of COVID.

Given such a commitment by the employees of London Hydro as well as the guidance and governance by our qualified and experienced Board of Directors, London Hydro is and will remain a strong, community-owned organization serving Londoners with all of their electricity service needs.



Gabe Valente,
Chair
Valente



Vinay Sharma,
CEO
Sharma

MANAGEMENT DISCUSSION

AND ANALYSIS

The following discussion and analysis are of London Hydro's (also referred to as the Company) financial position, results from operations and cashflow. It should be read in conjunction with the Statement of Financial Position for the period ended December 31, 2020.

The results reported herein have been prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed in Canadian dollars. As a rate-regulated entity, the Company has elected to adopt the IFRS14 standard that allows for reporting of certain transactions as regulatory assets and liabilities, which would otherwise not be allowed under IFRS. Such transactions, and the resulting impacts, are described in notes 2, 3 and 11 to the Statement of Financial Position for the period ended December 31, 2020.

The analysis contains some forward-looking observations and statements reflecting management's expectations concerning future performance. Such observations and expectations of future performance are subject to uncertainties arising from future general economic conditions, regulatory changes and government decisions. Thus, the forward-looking observations and statements shall not be considered as guarantees of future performance; and the future results may differ materially from the anticipated results expressed by these statements.

THE COMPANY OVERVIEW

London Hydro Inc. is a wholly-owned subsidiary of the Corporation of the City of London, established pursuant to Section 141 (1) of the Electricity Act, 1998 Ontario. The Company has been issued operating license ED-2002-0557 by the Ontario Energy Board (OEB) to distribute electricity within the service territory of the City of London. The Company owns and maintains a distribution grid to distribute electricity to about 162,000 residential and commercial customers in the City of London with a population base of approximately 430,000. As one of the larger electrical distribution companies, London Hydro Inc. employs 303 hardworking men and women who help to deliver a highly reliable and safe distribution of electricity to its customers.

London Hydro procures electricity (MW) from the Independent Electricity System Operator (IESO) operated market. In 2020, London Hydro drew a peak demand of 694MW during the summer season and about 458MW during the winter season. London Hydro also procures wholesale market services from the IESO and transmission services from Hydro One at regulated prices. The price for electricity (MW) comprises the Hourly Ontario Energy Price (HOEP) and Global Adjustment. Also, the number of customers serviced by London Hydro grew by 1.0% from December 31, 2019 to December 31, 2020.

STRATEGIC PRIORITIES

The Company continues to focus on six major priorities in order to fulfil its purpose and vision. These priorities include business opportunities, developing leading technologies, becoming a trusted energy consultant and partner of the customer, enhancing internal team capacity, protecting revenue and seeking strategic partnerships. The Company continues to develop and leverage technology for increasing distribution grid automation, interconnecting an increasing number of embedded renewable energy resources, energy management, and technology and apps for customer service and convenience.

The Company also continues to advance the application of Green Button standards and technologies for managing and analysing customers' energy consumption data, customer care and customer billing. The OEB has granted special approval to the Company, pursuant to Section 71(4) of the amended OEB Act, to market its Green Button related technology to other Ontario utilities and customers. As such, the Company has achieved initial success in marketing Green Button related technologies and services to three hydro utilities and one water utility.

OPERATIONS OVERVIEW

The financial performance of the Company for the twelve-month period ended December 31, 2020 is summarized in the following table. For the purpose of comparison to budgeted performance, and to provide a historical perspective, the Company's actual results are presented alongside the budgeted performance for December 31, 2020 and the performance for the period ending December 31, 2019.

YTD RESULTS FOR THE PERIOD ENDED

FINANCIAL HIGHLIGHTS	ACTUAL	ACTUAL	CHANGE	PLAN	% OF PLAN
	31-Dec-20	31-Dec-19		31-Dec-20	
Energy Distributed - Gigawatt Hrs	3,162.2	3,208.5	(46.3)	3,263.0	(3.1)%
(in thousands of \$'s)					
Sale of Energy	\$436,237	\$366,746	\$69,491	\$472,365	(7.6)%
Distribution revenue	70,239	69,726	513	69,957	0.4 %
Other revenue	11,228	11,778	(550)	10,642	5.5 %
Cost of power	433,635	368,249	65,386	472,358	(8.2)%
Operating expenses	44,910	44,229	681	47,167	(4.8)%
Amortization expenses	21,432	20,180	1,252	21,242	0.9 %
Net finance costs	11,027	4,905	6,122	6,010	83.5 %
Income taxes	1,206	2,781	(1,575)	(579)	(308.3)%
Net earnings before regulatory adjustments	5,494	7,906	(2,412)	6,766	(18.8)%
Regulatory adjustment	196	4,064	(3,868)	1,398	(86.0)%
Net earnings after regulatory adjustments	5,690	11,970	(6,280)	8,164	(30.3)%
Operating Expenses as a % of Distribution Revenue	63.9%	63.4%			
Annualized Return on Equity	3.3%	7.0%			
Energy distributed - gigawatt hrs	3,162.2	3,208.5	(1.4)%		
Number of customers	162,140	160,599	1.0%		
(in thousands of \$'s)					
Operating Cash flow	19,140	31,808			
Investing Cash flow	(39,238)	(38,120)			
Financing Cash flow	44,968	8,446			
Cash flow	24,870	2,134			
Cash - end of period	28,298	3,428			



THE COMPANY'S PURPOSE

To provide safe, reliable electricity & energy related value-added services to its customers.

THE COMPANY'S VISION

London Hydro's vision is to be the customers' trusted energy service provider through innovation, customer focus & operational excellence.

ENERGY QUANTITIES DISTRIBUTED

Total energy distributed to our customers decreased from 3,208.5 gigawatt hours (GWh) throughout the year in 2019 to 3,162.2 GWh for the same period in 2020, an overall reduction of 1.4%. This reduction in energy consumption is usually attributed to factors such as conservation and demand management programs as well as weather; however, the emergence of COVID-19 had a large impact on energy quantities distributed late in the first quarter of 2020 and has continued to have an impact to a lesser extent for the second and third quarters with an increased impact again in the fourth quarter.

DISTRIBUTION REVENUES

London Hydro is compensated by regulated distribution rates as approved by the OEB. The annual revenue requirement of London Hydro is established as per the regulated rate making mechanism. Thus, the distribution rates for various classes of customers are determined by considering factors such as the number of customers, their energy (KWh) consumption and power demand (KW). In both 2019 and 2020, London Hydro applied a mechanistic adjustment under the Incentive Rate Making (IRM) method to apply an inflationary increase to the Company's distribution rates, which are made up of a fixed monthly charge and a per kWh energy or per kW demand volumetric charge.

Approximately 77% of annual revenues for fiscal 2020 are derived from a monthly fixed charge, as compared to 74% for 2019, while the remaining is derived on the basis of a volumetric rate for energy consumption (KWh) and power demand (KW). Beginning in 2016, fixed revenues represent a greater percentage of the distribution revenues from residential and small commercial customers as the OEB began moving towards 100% fixed charges for these customers. The change in rate structure was completed on May 1, 2019 and represents the most significant factor contributing to the larger percentage of fixed revenues in 2020 as compared to 2019.

As of December 31, 2020, London Hydro served 162,140 customers compared to 160,599 as of December 31, 2019. While the number of customers increased by 1.0%, the composition of distribution revenue remained relatively unchanged from 2019 to 2020 at 64% from residential customers (2019 – 63%), 32% from general service customers (2019 – 33%) and 4% from large users and other customers (2019 – 4%).

Total distribution revenues for the period ending December 31, 2020 remained relatively consistent with the same period in 2019 at \$70.2 million (2019 - \$69.7 million).

OTHER REVENUE

Other revenue earned by the Company decreased from \$11.8 million in 2019 to \$11.2 million in 2020. There were four factors that primarily impacted the change in 2020 as compared to 2019. Both late payment charges and sundry revenues decreased by approximately \$0.2 million and IT service revenues decreased by approximately \$0.3 million, while the amortization of deferred revenue increased by approximately \$0.2 million. The decrease from late payment charges is due to the fact that the Company waived all late payment charges in the second quarter and part of the third quarter to provide relief as many customers were struggling financially from the impacts of COVID-19. The lost revenue associated with the late payment charges has been recorded in the COVID-19 deferral account for future recovery.

COST OF SERVICE RATE MAKING PROCESS

The Company goes through a thorough cost of service process, every five years, where both the detailed operating and capital expenditures are reviewed by the OEB. The end result of the process is the basis upon which upcoming distribution rates are determined. The costs of capital expenditures and associated capital assets plus the Company's operating expenditures are the prime consideration for determining the rates.

In the case where any capital expenditures are denied, the Company would have a corresponding amount of impaired assets, which could result in a write-off and, thus, negatively impact annual net income. In the case where an increase in operating expenses is denied, the Company might not earn the required revenue to achieve the regulated net income. The Company's last cost of service was in 2017. The Company's next cost of service application will be for the year 2022. In the intervening periods from 2018 through 2021, London Hydro implements a rate adjustment as per the IRM rules aforementioned, which are usually effective on May 1st; however, due to the extraordinary COVID-19 situation, the Company elected to defer the implementation of the rate increase until November 1, 2020. All of the forgone revenues as a result of this decision have been recorded in a deferral account for future recovery.



COVID-19 RELATED DEFERRAL ACCOUNT

On March 25, 2020, the OEB authorized the use of deferral accounts in order to track the additional costs associated with billing system changes as well as other incremental costs resulting from COVID-19. Moreover, the OEB also authorized the use of a variance account to track lost revenues. As of December 31, 2020, the total amounts incurred, for which recovery will be sought, is \$3.1 million, which is made up of incremental costs of approximately \$1.0 million and \$2.1 million of lost revenues. \$1.0 million of the lost revenues were unable to be included for financial statement purposes due to the rules surrounding revenue recognition. In addition, there is some uncertainty regarding the full recovery of these balances, so an additional allowance of \$0.6 million has also been recognized. This results in a net asset for financial statement purposes of \$1.5 million, while the recovery sought from the OEB will be \$3.1 million. Any differences between the amount recorded and the amounts ultimately awarded by the OEB will be recorded in the statement of comprehensive income in a future year.

Included in the \$1.5 million are lost revenues due to the deferred rate implementation. The OEB has given London Hydro approval to begin recovery of these lost revenues over a six-month period beginning November 1, 2020. The remaining amount to be collected is \$0.5 million. It is not yet known when or how the other amounts within the deferral account will be recovered.

OPERATING EXPENSES AND AMORTIZATION

Total operating expenses increased slightly to \$44.9 million by the end of the fourth quarter of 2020 from \$44.2 million for the same period in 2019, representing an increase of approximately \$0.7 million or 1.5%, which is mostly the result of increased payroll costs.

Amortization expenses increased by approximately \$1.2 million from \$20.2 million in 2019 to \$21.4 million in 2020. This increase is the result of the Company's ongoing commitment to invest in its aging infrastructure and leading information technology to enhance the distribution grid and deliver increasing convenience to our customers.

In October 2017, the provincial government announced that all local distribution companies are banned from disconnecting residential customers due to non-payment between October and April each year. As a result of COVID-19, the OEB extended the disconnection ban for 2020 until the end of July. London Hydro has not had a significant change in bad debt expense related to this directive, although the additional bad debts of \$0.4 million due to COVID-19 have been included for recovery in the regulatory asset deferral account. The Company has been proactively monitoring its overdue accounts and has programs in place to offer customers flexible payment options as needed.

NET FINANCE COSTS

The Company's interest expense in 2020 has increased significantly to \$11.0 million, compared to \$4.9 million in 2019.

This increase is the result of the unrealized loss associated with the Company's swap agreements¹ being \$0.4 million in 2019 as compared to an unrealized loss of \$6.6 million in 2020. It should be noted that these unrealized losses are adjustments reported for the purpose of the financial statements only and, so long as the debt agreements are not cancelled early, these losses are not realized. Thus, excluding these adjustments related to the swap agreements, the real interest expense should be adjusted to \$4.4 million for the period ending December 31, 2020 as compared to \$4.5 million for the same period in 2019.

The Company also pays interest on regulatory liabilities at an interest rate that is prescribed by the OEB. As interest rates have decreased in 2020 as compared to 2019, the Company paid \$0.0 million in 2020 compared to \$0.2 million in 2019.

Once the unrealized loss amounts are normalized, the difference in the net finance costs between 2019 and 2020 is reduced to \$0.1 million as a result of the reduction in interest paid on the variable debt instruments including regulatory balances, despite the Company having a slightly higher average debt balance.

INCOME TAX EXPENSE

London Hydro is a private, taxable corporation and as such, is required to make payments in lieu of tax (PILs) to the Ontario Electricity Financial Corporation. The PILs required to be paid are equivalent to the income taxes that would have been paid if London Hydro was taxable under the Income Tax Act of Canada.

The PILs expense for the period ended December 31, 2020 amounted to \$1.2 million, as compared to \$2.8 million due for the same 2019 period. The decrease is a result of lower net income in 2020 as compared to the previous year.

London Hydro also has Deferred Tax Liabilities of \$9.5 million. It represents the temporary net difference between financial reporting carrying amounts for Property, Plant, Equipment, and Intangibles, which are in excess of their tax values, and the Deferred Taxes Receivable for employee future benefits expenses that have not yet been deducted for income tax purposes.

As a rate-regulated corporation, Deferred Tax Liabilities, which will be paid on behalf of customers, will be recovered as they are paid. Therefore, increases or decreases in Future Income Tax Liabilities are offset by regulatory assets.

¹ A swap agreement allows London Hydro to "swap" interest rates, so that it can have a stable and fixed rate loan at a lower interest rate. London Hydro currently has four separate swap agreements.



REGULATORY ASSETS/LIABILITIES

The regulatory framework requires that all energy commodity and non-commodity costs be billed at the regulated rates to customers who are on the Regulated Price Plan (RPP).

As a regulated distributor of electricity, London Hydro is obligated to supply electricity (energy), also referred to as commodity, to small residential and small commercial customers at the RPP rate and to other customers at the HOEP rates plus an added charge for Global Adjustment. The only exception to this requirement is if customers elect to purchase their electricity from an energy retailer; even then, a Global Adjustment charge is added to such customers. All other non-commodity charges are billed at regulated rates established from time to time by the OEB.

Therefore, the Company distributes electricity at a fixed rate to a larger section of its customers, though a small number of customers pay a variable HOEP plus Global Adjustment rate for electricity based on their customer class. Differences between the cost paid for power purchased and the cost of power charged to customers are referred to as variances, which are recorded in Retail Settlement Variance Accounts (RSVA). The variances that accumulate in the RSVA are either returned to or recovered from customers, depending upon the nature of the difference in accordance with regulatory directives.

As of December 31, 2020, the Company had regulatory assets of \$23.0 million, compared to \$21.0 million at 2019 yearend. The increase of \$2.0 million is attributed to increased RSVA balances, deferred taxes and the accumulated costs associated with COVID-19. These increases were offset against the approved recovery of some previous balances.

The Company also had regulatory liabilities in the amount of \$4.2 million as of December 31, 2020, compared to \$2.3 million as of December 31, 2019. The \$1.9 million increase is the result of the OEB's decision that the tax savings from accelerated amortization are to be paid back to the customers at a future time, in accordance with new tax rules enacted in 2019.

CAPITAL RESOURCES

London Hydro has five debt agreements that total \$200.0 million as of December 31, 2020, compared to \$155.0 million as of December 31, 2019. Additionally, the Company has a letter of credit.

The unsecured, committed extendible revolving loan in the amount of \$30.0 million outstanding at December 31, 2019 was subsequently repaid with additional borrowing in the amount of \$75.0 million obtained December 4, 2020. The additional borrowing is with the Toronto Dominion Bank and is under an interest rate swap agreement for an unsecured loan. Interest only payments are due monthly and commenced December 2020, while the principal is due at maturity. The agreement is a fixed rate swap and matures June 2032, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 1.53%, plus a stamping fee of 0.44%, for an all in rate of 1.97%.

The Company entered into a futures contract with Toronto Dominion Bank on December 4, 2020 for \$125.0 million. The future contract will be converted into a swap agreement on June 30, 2022 to repay the \$40.0 million and \$85.0 million Royal Bank of Canada fixed rate swaps maturing June 2022. The swap agreement is a fixed rate swap and matures June 2032, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 1.69%, plus a stamping fee of 0.44%, for an all in rate of 2.13%.

Also, the Company has an uncommitted revolving bank credit facility of \$20.0 million and \$4.3 million (2019 – \$6.6 million) in Standby Letters of Credit issued to the IESO as security. In the event that the maturity date of the committed bank loan facility is not extended, payment of this loan must be made within one year from the date of maturity.

The amount drawn by the Company on the uncommitted facility as of December 31, 2020 was \$nil (December 31, 2019 – \$nil).

DIVIDEND POLICY

The Company's dividend policy provides for an annual dividend, subject to satisfactory cashflow. Due to the short-term financial implications of COVID-19, the Board of Directors declared a \$5.0 million special payment to its Shareholder on March 31, 2020, to be paid over two years or by the end of 2021.

As a wholly-owned subsidiary of the Corporation of the City of London, the City of London is London Hydro Inc.'s sole shareholder and, as such, the entire dividend amount is paid to the City of London.

CREDIT RATING

London Hydro maintains an "A/Stable" long-term corporate credit rating, which was reaffirmed by Standard & Poor's in May 2020. This rating reflects the Company's low risk as a distribution company with regulated cash flows.

LIQUIDITY AND CASHFLOW

Cash generated from operating activities decreased to \$19.1 million as of December 31, 2020, as compared to \$31.8 million as of December 31, 2019. Cashflows primarily relate to amounts of:

- \$5.7 million in net income
- \$21.4 million non-cash adjustment from amortization expenses,
- (\$15.9) million as a result of changes in non-cash working capital and
- \$6.6 million non-cash adjustment from the mark to market adjustment.

Cash used in investing activities increased to \$39.2 million as of December 31, 2020, as compared to the \$38.1 million for 2019, which primarily represents the net purchase of capital assets and intangible assets.

As of December 31, 2020, cash generated from financing activities increased to \$45.0 million, as compared to \$8.4 million in 2019, due to the proceeds of long-term debt in the amount of \$75.0 million and repayment of debt in the amount of \$30.0 million. The Company declared a dividend of \$5.0 million on March 31, 2020, but due to the uncertainty associated with COVID-19, deferred the payment of the dividend until 2021.

The year-to-date change in cash is an increase of \$24.9 million.



COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable.

The OEB has directed the Company to track any COVID-19 related expenses, including bad debt expenses, through a deferral account. A deferral account is also to be used to track lost revenues. The current challenging economic climate may lead to adverse changes in cashflows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and London Hydro's business are not known at this time.

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of London Hydro Inc.

Opinion

We have audited the financial statements of London Hydro Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We believe that the audit evidence we have obtained to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

London, Canada

March 30, 2021

	Note	2020	2019
ASSETS			
Current assets			
Cash	5	\$ 28,298	\$ 3,428
Accounts receivable	6	84,709	71,369
Income tax receivable		-	1,171
Materials and supplies	7	458	418
Prepaid expenses		1,752	2,338
Total current assets		115,217	78,724
Non-current assets			
Property, plant and equipment	8,16	352,992	330,641
Intangible assets	9	23,443	23,514
Total non-current assets		376,435	354,155
Total assets		491,652	432,879
Regulatory balances	11	22,993	21,019
Total assets and regulatory balances		\$ 514,645	\$ 453,898
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 46,004	\$ 48,440
Due to shareholder	22	5,749	6,952
Income tax payable		100	-
Dividends payable	17	5,000	-
Current portion of lease liability	16	34	33
Current portion of customer and other deposits		2,923	1,082
Current portion of deferred revenue	13	3,092	2,771
Total current liabilities		62,902	59,278
Non-current liabilities			
Long-term debt	14,25	200,000	155,000
Post-employment benefits	15	16,100	15,535
Customer and other deposits		2,025	3,324
Deferred revenue	13	34,327	30,880
Deferred tax liability	10	9,506	8,982
Lease liability	16	2,190	2,223
Unrealized loss on interest rate swap	14,25	8,277	1,647
Total non-current liabilities		272,425	217,591
Total liabilities		335,327	276,869
Equity			
Share capital	17	96,116	96,116
Retained earnings		80,466	79,776
Accumulated other comprehensive loss		(1,446)	(1,202)
Total equity		175,136	174,690
Total liabilities and equity		510,463	451,559
Regulatory balances	11	4,182	2,339
Total liabilities, equity and regulatory balances		\$ 514,645	\$ 453,898

Commitments and contingencies (Note 23), Impact of COVID-19 (Note 26), Subsequent events (Note 27)

On behalf of the Board:

J. Valente

Director

Jack S. I.

Director

	Note	2020	2019
Revenues			
Electricity sales	18	\$ 436,237	\$ 366,746
Distribution revenue	18	70,239	69,726
Other	19	11,228	11,778
		517,704	448,250
Operating expenses			
Electricity purchased		433,635	368,249
Operating expenses	20	44,910	44,229
Depreciation and amortization	8,9	21,432	20,180
		499,977	432,658
Income from operating activities		17,727	15,592
Net finance expense	14,21	11,027	4,905
Income before income taxes		6,700	10,687
Income tax expense	10	1,206	2,781
Income for the year		5,494	7,906
Movement of regulatory balances			
Net movement of regulatory balances		(2,150)	142
Income taxes	10	2,346	3,922
	11	196	4,064
Net income for year and net movement in regulatory balances		5,690	11,970
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefits	15	(244)	(1,582)
Tax on remeasurements	10	65	419
Net movement in regulatory balances, net of tax	11	(65)	(419)
Other comprehensive loss		(244)	(1,582)
Total comprehensive income for the year		\$ 5,446	\$ 10,388

	Note	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2019		\$ 96,116	\$ 72,806	\$ 380	\$ 169,302
Net income and net movement in regulatory balances		-	11,970	-	11,970
Other comprehensive loss		-	-	(1,582)	(1,582)
Dividends	17	-	(5,000)	-	(5,000)
Balance at December 31, 2019		\$ 96,116	\$ 79,776	\$ (1,202)	\$ 174,690
Balance at January 1, 2020		\$ 96,116	\$ 79,776	\$ (1,202)	\$ 174,690
Net income and net movement in regulatory balances		-	5,690	-	5,690
Other comprehensive loss		-	-	(244)	(244)
Dividends	17	-	(5,000)	-	(5,000)
Balance at December 31, 2020		\$ 96,116	\$ 80,466	\$ (1,446)	\$ 175,136

	Note	2020	2019
Operating activities			
Net income and net movement in regulatory balances		\$ 5,690	\$ 11,970
Adjustments for:			
Depreciation and amortization	8,9	21,432	20,180
Amortization of deferred revenue	19	(678)	(525)
Post-employment benefits	15	321	58
Gain on disposal of property, plant and equipment	19	(28)	(31)
Net finance expense	21	11,027	4,905
Income tax expense	10	1,206	2,781
		38,970	39,338
Change in non-cash working capital:			
Accounts receivable		(13,340)	3,616
Materials and supplies		(40)	199
Prepaid expenses		586	329
Accounts payable and accrued liabilities		(2,436)	231
Due to shareholder		(1,203)	501
Customer and other deposits		542	(1,518)
		(15,891)	3,358
Other:			
Regulatory balances	11	(196)	(4,064)
Income tax paid		(210)	(2,972)
Income tax received		864	634
Interest paid	21	(4,502)	(4,626)
Interest received	21	105	140
		(3,939)	(10,888)
Net cash from operating activities		19,140	31,808
Investing activities			
Purchase of property, plant and equipment	8	(38,061)	(37,000)
Purchase of intangible assets	9	(5,708)	(6,018)
Proceeds on disposal of property, plant and equipment		85	250
Contributions received from customers		4,446	4,648
Net cash used in investing activities		(39,238)	(38,120)
Financing activities			
Dividends paid	17	-	(5,000)
Proceeds from long-term debt	14	75,000	15,000
Lease liability	16	(32)	(32)
Repayment of long-term debt	14	(30,000)	(1,522)
Net cash from financing activities		44,968	8,446
Change in cash		24,870	2,134
Cash, beginning of year		3,428	1,294
Cash, end of year		\$ 28,298	\$ 3,428

1. Reporting entity

London Hydro Inc. ("the Company") is a rate regulated, municipally-owned hydro distribution company located in the City of London. The Company is a wholly-owned subsidiary company of the Corporation of the City of London and was incorporated on April 26, 2000 under the laws of the Province of Ontario, Canada.

The Company delivers electricity and related energy services to inhabitants of the City of London. The address of the Company's registered office is 111 Horton Street, London, Ontario, Canada.

2. Basis of presentation

a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

b) Approval of financial statements

These financial statements were approved by the Board of Directors on March 30, 2021.

c) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. Basis of presentation (continued)

e) Use of estimates and judgments (continued)

Information about judgements and estimation uncertainties made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- (i) 3(b) – measurement of unbilled revenue
- (ii) 3(b) – determination of the performance obligation for contributions from customers and the related amortization period
- (iii) 3(d), 3(e), 8, 9 – estimation of useful lives of its property, plant and equipment and intangible assets
- (iv) 6 – estimation for allowance for doubtful accounts
- (v) 8, 16 – leases: whether an arrangement contains a lease
- (vi) 11 – recognition and measurement of regulatory balances
- (vii) 15 – measurement of defined benefit obligations: key actuarial assumptions
- (viii) 23 – recognition and measurement of provisions and contingencies

Critical accounting estimates and judgments for leases:

Judgments made in relation to accounting policies applied - Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Changes in the economic environment or changes in the industry may impact management's assessment of the lease term. Any changes in management's estimate of lease terms may have a material impact on the Company's balance sheet and statement of earnings.

Key sources of estimation - In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

2. Basis of presentation (continued)

f) Rate regulation

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Company was required to bill customers for the debt retirement charge set by the province. The Company may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC"). The debt retirement charge ended effective April 1, 2018 as set out in section 85(4) of the Electricity Act, and the Company no longer bills it to its customers.

Rate setting

Distribution revenue

For the distribution revenue, the Company files a "Cost of Service" ("COS") rate application with the OEB where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Company's business. The COS is usually filed every five years. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon the review, including any resulting revisions.

In the intervening years an Incentive Regulation Mechanism ("IRM") rate application is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

2. Basis of presentation (continued)

f) Rate regulation (continued)

Rate setting – Distribution revenue (continued)

In August 2016, the Company filed a COS application which has been approved by the OEB for rates effective May 1, 2017. The GDP IPI-FDD for 2018 was 1.2%, the OEB applied productivity factor was 0.0% and the OEB determined stretch factor was (0.15)%, resulting in a net adjustment of 1.05% to the previous year's rates effective May 1, 2018. The GDP IPI-FDD for 2019 was 1.5%, the OEB applied productivity factor was 0.0% and the OEB determined stretch factor was (0.30)%, resulting in a net adjustment of 1.2% to the previous year's rates effective May 1, 2019.

The net adjustment for the 2020 rates was approved by the OEB at 1.7% to be effective as of May 1, 2020 although due to COVID-19, the company has elected to defer the implementation of the new rate until November 1, 2020. The OEB has approved a deferral account for the Company to record the lost revenue associated with this deferred implementation date.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

Electricity rates

The OEB sets electricity prices for residential and small commercial consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers, other than consumers with retail contracts who pay a contracted rate plus a global adjustment rate adder, pay the market price for electricity. The Company is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

a) Financial instruments

Non-derivative

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f).

Derivative

The Company holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the Statement of Comprehensive Income as incurred as a change in interest rate swap. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in the Statement of Comprehensive Income.

Hedge accounting has not been used in the preparation of these financial statements.

b) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Company has the right to bill. Revenue includes rates for electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges were recorded on a net basis as the Company is acting as an agent for this billing stream.

3. Significant accounting policies (continued)

b) Revenue recognition (continued)

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 Revenue from Contracts with Customers. Cash contributions received from developers are recorded as deferred revenue and amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 Revenue from Contracts with Customers. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Company has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

3. Significant accounting policies (continued)

c) Materials and supplies

Materials and supplies, the majority of which are consumed by the Company in the provision of its services, are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the lower of OEB prescribed rates and the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

3. Significant accounting policies (continued)

d) Property, plant and equipment (continued)

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in the Statement of Comprehensive Income. The costs of the day-to-day servicing of PP&E are recognized in the Statement of Comprehensive Income as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in the Statement of Comprehensive Income. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
Building structures and components	12 - 75
Distribution system and equipment	25 - 60
Substation equipment	15 - 45
Right-of-use land asset	40
System supervisory equipment	8 - 35
Metering devices	15 - 30
Renewable generation assets	20
Automotive equipment	8 - 12
Equipment, tools and furniture	5 - 8
Computer hardware	3 - 5

3. Significant accounting policies (continued)

e) Intangible assets

Intangible assets are measured at cost, less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of intangible assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the lower of OEB prescribed rates and the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to complete.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights are measured at cost less accumulated amortization.

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Capital contributions represent costs incurred and associated with assets that are not owned by the Company. These contributions are incurred where the Company is charged with the responsibility of upgrading assets that the Company does not hold title to. Capital contributions include costs towards the refurbishment and upgrade of a transformer station and wholesale meters. These assets are measured at cost less accumulated amortization.

Intangible assets in progress consist of application software under development at December 31, 2020.

Amortization is recognized in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Years
Capital contributions	30 - 45
Land rights	25
Computer software	3 - 5

3. Significant accounting policies (continued)

f) Impairment

Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows from that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in the Statement of Comprehensive Income. An impairment loss is reversed through the Statement of Comprehensive Income if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the Statement of Comprehensive Income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued)

g) Customer and other deposits

Customer and other deposits include cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits at the rate of prime less 2% per annum. Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB, or upon termination of their electricity distribution service.

h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in the Statement of Comprehensive Income or Other Comprehensive Income ("OCI"). When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in the Statement of Comprehensive Income or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in the Statement of Comprehensive Income in the year incurred. When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in the Statement of Comprehensive Income or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in the Statement of Comprehensive Income or OCI.

3. Significant accounting policies (continued)

j) Post-employment benefits

Pension plan

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the Statement of Comprehensive Income when they are due.

Post-employment benefits, other than pension

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in OCI. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in the Statement of Comprehensive Income.

k) Leases

The Company's accounting policy for leases is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3. Significant accounting policies (continued)

k) Leases (continued)

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

3. Significant accounting policies (continued)

l) Finance income and finance expenses

Finance income is recognized as it accrues in the Statement of Comprehensive Income. Finance income comprises interest earned on cash.

Finance expenses comprise interest expense on borrowings and customer deposits. Finance expenses are recognized in the Statement of Comprehensive Income unless they are capitalized as part of the cost of qualifying assets.

m) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in the Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes ("PILs") are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets and liabilities are recognized for unused tax losses, unused tax credits and temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

4. Standards issued not yet adopted

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. These standards or amendments relate to the measurement and disclosure of financial assets and liabilities. The extent of the impact on adoption of these standards and amendments has not yet been determined.

- i. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- ii. Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)
- iii. Annual Improvements to IFRS Standards 2018–2020

i. Classification of Liabilities as Current or Non-current (Amendments to IAS 1):

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On July 15, 2020 the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option.

The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty, and when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognised as equity.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2023. The extent of the impact of adoption of the standard has not yet been determined.

4. Standards issued not yet adopted (continued)

ii. Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16):

On May 14, 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16). The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

The amendments provide guidance on the accounting for sale proceeds and the related production costs for items a company produces and sells in the process of making an item of property, plant and equipment available for its intended use. Specifically, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognized in profit or loss, together with the costs of producing those items.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2022. The extent of the impact of adoption of the standard has not yet been determined.

iii. Annual Improvements to IFRS Standards 2018–2020:

On May 14, 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted. The amendments relate to the following:

- IFRS 9 Financial Instruments*: Clarifies which fees are included for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities.
- IFRS 16 Leases*: Removes the illustration of payments from the lessor relating to leasehold improvements in the Illustrative Example 13.
- IAS 41 Agriculture*: Removes the requirement to exclude cash flows for taxation when measuring fair value.

The Company intends to adopt these standards in its financial statements for the annual period beginning January 1, 2022. The Company does not expect these standards to have a material impact on the financial statements.

5. Cash

	2020	2019
Bank balances	\$ 28,298	\$ 3,428

6. Accounts receivable

	2020	2019
Trade receivables	\$ 41,125	\$ 32,083
Unbilled revenue	38,018	36,468
Other	9,296	5,451
Allowance for doubtful accounts	(3,730)	(2,633)
	\$ 84,709	\$ 71,369

Included in accounts receivable is approximately \$12.4 million (2019 - \$9.4 million) of customer receivables for water consumption that the Company bills and collects on behalf of the Corporation of the City of London. As the Company does not assume liability for collection of these amounts, any amount relating to water consumption that is determined to be uncollectible is charged to the Corporation of the City of London.

Also, included in the accounts receivable is \$1.4 million (2019 - \$0.4 million) of energy, water, and sundry receivables due from the Corporation of the City of London.

7. Materials and supplies

Amounts written down due to obsolescence during the year ended December 31, 2020 was \$0.1 million (2019 - \$0.1 million).

8. Property, plant and equipment

a) Cost or deemed cost:

	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
Balance at January 1, 2019	\$ 19,616	\$ 10,183	\$ 298,023	\$ 25,495	\$ 13,282	\$ 366,599
Additions	1,759	265	31,184	2,740	1,052	37,000
Disposals / retirements	-	(237)	(878)	(968)	-	(2,083)
Balance at December 31, 2019	\$ 21,375	\$ 10,211	\$ 328,329	\$ 27,267	\$ 14,334	\$ 401,516
Balance at January 1, 2020	\$ 21,375	\$ 10,211	\$ 328,329	\$ 27,267	\$ 14,334	\$ 401,516
Additions	1,056	225	34,399	4,179	(1,798)	38,061
Disposals / retirements	(1,145)	-	(883)	(639)	-	(2,667)
Balance at December 31, 2020	\$ 21,286	\$ 10,436	\$ 361,845	\$ 30,807	\$ 12,536	\$ 436,910

b) Accumulated depreciation:

	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
Balance at January 1, 2019	\$ 3,513	\$ 1,418	\$ 43,833	\$ 9,135	\$ -	\$ 57,899
Depreciation	875	301	10,917	2,747	-	14,840
Disposals / retirements	-	(47)	(856)	(961)	-	(1,864)
Balance at December 31, 2019	\$ 4,388	\$ 1,672	\$ 53,894	\$ 10,921	\$ -	\$ 70,875
Balance at January 1, 2020	\$ 4,388	\$ 1,672	\$ 53,894	\$ 10,921	\$ -	\$ 70,875
Depreciation	908	378	11,525	2,842	-	15,653
Disposals / retirements	(1,139)	-	(865)	(606)	-	(2,610)
Balance at December 31, 2020	\$ 4,157	\$ 2,050	\$ 64,554	\$ 13,157	\$ -	\$ 83,918

c) Carrying amounts:

Balance at	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
December 31, 2019	\$ 16,987	\$ 8,539	\$ 274,435	\$ 16,346	\$ 14,334	\$ 330,641
December 31, 2020	\$ 17,129	\$ 8,386	\$ 297,291	\$ 17,650	\$ 12,536	\$ 352,992

Property, plant and equipment includes a right-of-use asset with a carrying value of \$2.1 million (2019 - \$2.2 million) associated with property rented from the City of London with an initial measurement of \$2.3 million, amortized on a straight-line basis over 40 years commencing with the 2018 fiscal year (see Note 16).

9. Intangible assets

a) Cost or deemed cost:

	Land rights	Capital contributions	Computer software	Intangible work in progress	Total
Balance at January 1, 2019	\$ 358	\$ 8,343	\$ 23,568	\$ 918	\$ 33,187
Additions	32	-	6,155	(169)	6,018
Disposals / retirements	-	-	(3,890)	-	(3,890)
Balance at December 31, 2019	\$ 390	\$ 8,343	\$ 25,833	\$ 749	\$ 35,315
Balance at January 1, 2020	\$ 390	\$ 8,343	\$ 25,833	\$ 749	\$ 35,315
Additions	116	-	5,410	182	5,708
Disposals / retirements	-	-	(5,216)	-	(5,216)
Balance at December 31, 2020	\$ 506	\$ 8,343	\$ 26,027	\$ 931	\$ 35,807

b) Accumulated amortization:

	Land rights	Capital contributions	Computer software	Intangible work in progress	Total
Balance at January 1, 2019	\$ 96	\$ 221	\$ 10,034	\$ -	\$ 10,351
Amortization	24	204	5,112	-	5,340
Disposals / retirements	-	-	(3,890)	-	(3,890)
Balance at December 31, 2019	\$ 120	\$ 425	\$ 11,256	\$ -	\$ 11,801
Balance at January 1, 2020	\$ 120	\$ 425	\$ 11,256	\$ -	\$ 11,801
Amortization	26	204	5,549	-	5,779
Disposals / retirements	-	-	(5,216)	-	(5,216)
Balance at December 31, 2020	\$ 146	\$ 629	\$ 11,589	\$ -	\$ 12,364

c) Carrying amounts:

Balance at	Land rights	Capital contributions	Computer software	Intangible work in progress	Total
December 31, 2019	\$ 270	\$ 7,918	\$ 14,577	\$ 749	\$ 23,514
December 31, 2020	\$ 360	\$ 7,714	\$ 14,438	\$ 931	\$ 23,443

10. Income tax recovery

Income tax recovery is comprised of:

	2020	2019
Current income tax		
Current year income tax expense (recovery)	\$ 574	\$ (384)
Amendment for prior period income tax credits	(10)	(311)
Adjustment for prior period income tax expense (recovery)	53	(335)
	617	(1,030)
Deferred tax		
Change in recognized deductible temporary differences:		
Loss on interest rate swap	(1,757)	(111)
Property, plant, equipment and intangible assets	3,085	4,760
Post-employment benefits	(85)	(16)
Deferred revenue	(654)	(822)
	589	3,811
Total current and deferred income tax in profit and loss, before movement of regulatory balance	1,206	2,781
Other comprehensive loss		
Post-employment benefits	(65)	(419)
Total current and deferred income tax, before movement of regulatory balances	1,141	2,362
Net movement in regulatory balances	(2,281)	(3,503)
Income tax recovery recognized in Statement of Comprehensive Income	\$ (1,140)	\$ (1,141)

Reconciliation of effective tax rate:

	2020	2019
Income before taxes	\$ 4,306	\$ 9,247
Canada and Ontario statutory income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	1,141	2,450
Increase (decrease) in income taxes resulting from:		
Adjustment for prior years	43	-
Net movement in regulatory balances	(2,281)	(3,503)
Other items	(43)	(88)
	\$ (1,140)	\$ (1,141)

Significant components of the Company's deferred tax balances:

	2020	2019
Property, plant, equipment and intangible assets	\$ (17,873)	\$ (14,788)
Post-employment benefits	4,266	4,116
Deferred revenue	1,908	1,254
Future income taxes to be realized by customers	(11,699)	(9,418)
Loss on interest rate swap	2,193	436
	\$ (9,506)	\$ (8,982)

11. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory assets:

Regulatory deferral account debit balances	January 1, 2019	Changes	(Recovery)/ reversal	December 31, 2019	Remaining years
Group 1 deferred accounts	\$ 8,002	\$ (4,526)	\$ -	\$ 3,476	-
Regulatory settlement account	-	8,440	(3,443)	4,997	0.8
Other regulatory accounts	3,249	(121)	-	3,128	-
Income tax	5,915	3,503	-	9,418	-
	\$ 17,166	\$ 7,296	\$ (3,443)	\$ 21,019	

Regulatory deferral account debit balances	January 1, 2020	Changes	(Recovery)/ reversal	December 31, 2020	Remaining years
Group 1 deferred accounts	\$ 3,476	\$ 1,924	\$ -	\$ 5,400	-
Regulatory settlement account	4,997	(60)	(4,937)	-	-
Other regulatory accounts	3,128	2,858	(92)	5,894	0.7
Income tax	9,418	2,281	-	11,699	-
	\$ 21,019	\$ 7,003	\$ (5,029)	\$ 22,993	

Regulatory liabilities:

Regulatory deferral account credit balances	January 1, 2019	Changes	Recovery/ (reversal)	December 31, 2019	Remaining years
Regulatory settlement account	\$ 1,719	\$ (121)	\$ (1,598)	\$ -	-
Other regulatory accounts	412	1,080	847	2,339	2.3
	\$ 2,131	\$ 959	\$ (751)	\$ 2,339	

Regulatory deferral account credit balances	January 1, 2020	Changes	Recovery/ (reversal)	December 31, 2020	Remaining years
Other regulatory accounts	\$ 2,339	\$ 998	\$ 845	\$ 4,182	1.3
	\$ 2,339	\$ 998	\$ 845	\$ 4,182	

11. Regulatory balances (continued)

The regulatory balances are recovered or settled through fixed and/or volumetric rate riders approved by the OEB. The volumetric rate riders are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances. Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. The rate was set at 2.18% in the first and second quarters of 2020 (March 31, 2019 – 2.45%, June 30, 2019 – 2.18%), and 0.57% in the third and fourth quarters of 2020 (September 30, 2019 and December 31, 2019 – 2.18%).

a) Group 1 deferral accounts

The Group 1 deferral accounts consist of purchased power cost variances including the Smart Metering Entity Charge Variances. As a regulated distributor of electricity, the Company is obligated to provide energy supply to all consumers at regulated or spot rates unless they elect to purchase their energy from an energy retailer. The regulatory framework requires that all energy commodity and non-commodity costs be billed at regulated rates to consumers who are on the Regulated Price Plan.

Variances between purchase costs and amounts billed for electricity are required to be captured in the Retail Settlement Variance Accounts ("RSVA") for disposition through future rate riders. The variance accounts have been further defined by the regulator into commodity and non-commodity accounts. Those accounts defined as commodity accounts are eligible for regulatory review on a quarterly basis. All other accounts are defined as non-commodity and are currently eligible for review on an annual basis.

The RSVA variances were debit balances in 2018. On October 4, 2017, the Company filed its 2018 IRM rate application in which it proposed the disposition of the Group 1 account balances as at December 31, 2016 via rate riders. The OEB authorized the recovery of these balances over a one-year period commencing May 1, 2018.

11. Regulatory balances (continued)

b) Regulatory settlement account

During 2018, the Company filed its 2019 IRM rate application in which it proposed the recovery of the LRAMVA balance accumulated between January 1, 2016 and December 31, 2016, as well as the recovery of the 2018 Retail Transmission Service Rates Revenue Shortfall of the Group 1 accounts accumulated between May 1, 2018 and November 30, 2018 via rate riders. The OEB authorized the recovery of the LRAMVA balances over a one-year period commencing May 1, 2019 and the recovery of the 2018 Retail Transmission Service Rates Revenue Shortfall balance over an 18-month period commencing May 1, 2019.

c) Other regulatory accounts

Other regulatory account debit balances include various deferred costs in connection with LRAMVA, OEB Cost Assessment Variance, non-cash OPEB adjustment, Impacts Arising from the COVID-19 Emergency and Retail Cost Variances. During 2020, the Company deferred the implementation of its approved rates effective May 1, 2020 until November 1, 2020 due to the COVID-19 emergency. The Company has been approved to recover the forgone revenues via rate riders during a six-month period commencing on November 1, 2020.

Other regulatory account credit balances include pole attachment revenue variances and advanced funding for capital projects. The Company filed its 2017 COS rate application in 2016 which included a request for funding capital projects under the Advanced Capital Module and received an approval. During 2017, the Company filed its 2018 IRM rate application, which included a request for the recovery of such costs via rate riders. The OEB authorized the recovery of these costs via rate riders until the effective date of the next cost of service-based rate order. Distribution revenue repayable to customers representing tax savings as a result of increased capital cost allowance provided for through the Accelerated Investment Incentive introduced in Bill C-97 effective November 2018 is also included in other regulatory account credit balances.

d) Income tax

As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

12. Accounts payable and accrued liabilities

	2020	2019
Due to Independent Electricity System Operator	\$ 29,319	\$ 31,973
Harmonized sales tax	-	167
Payroll and benefits payable	4,016	3,382
Other	12,669	12,918
	\$ 46,004	\$ 48,440

13. Deferred revenue

	2020	2019
Capital contributions for completed projects	\$ 28,005	\$ 21,845
Deposits held	9,414	11,806
	37,419	33,651
Less: Current portion	3,092	2,771
	\$ 34,327	\$ 30,880

Capital contributions for completed projects are recognized as revenue on a straight-line basis over the life of the asset for which the contribution was received.

Included in deposits held is \$1.8 million (2019 - \$3.6 million) received from the Corporation of the City of London as contributions for the construction of capital assets.

14. Long-term debt

	2020	2019
Unsecured, committed extendible revolving loan bearing interest at prime, minus 0.5%, interest only payments	\$ -	\$ 30,000
Unsecured, non-revolving term instalment loan bearing interest at the 4.4 year Bankers' Acceptance rate of 2.7% plus a stamping fee of 0.28%, interest only payments due June 2022	40,000	40,000
Unsecured, non-revolving term instalment loan bearing interest at the 7.6 year Bankers' Acceptance rate of 2.46% plus a stamping fee of 0.30%, interest only payments due June 2022	85,000	85,000
Unsecured, non-revolving term instalment loan bearing interest at the 11.6 year Bankers' Acceptance rate of 1.53% plus a stamping fee of 0.44%, interest only payments due June 2032	75,000	-
	\$ 200,000	\$ 155,000

The unsecured, committed extendible revolving loan in the amount of \$30 million outstanding at December 31, 2019 was subsequently repaid with additional borrowing in the amount of \$75 million obtained December 4, 2020. The additional borrowing is with the Toronto Dominion Bank and is under an interest rate swap agreement for an unsecured loan. Interest only payments are due monthly and commenced December 2020. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2032, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 1.53%, plus a stamping fee of 0.44%, for an all-in rate of 1.97%.

The company entered into a futures contract with Toronto Dominion Bank on December 4, 2020 for \$125 million. The future contract will be converted into a swap agreement on June 30, 2022 to repay the \$40 million and \$85 million Royal Bank of Canada fixed rate swaps maturing June 2022. The swap agreement is a fixed rate swap and matures June 2032, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 1.69%, plus a stamping fee of 0.44%, for an all-in rate of 2.13%.

14. Long-term debt (continued)

The Company has an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the amount of \$40 million. Interest only payments are due quarterly and commenced March 2018. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2022, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.7%, plus a stamping fee of 0.28%, for an all-in rate of 2.98%.

The Company has an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the amount of \$85 million. Interest only payments are due quarterly and commenced December 2014. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2022, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.46%, plus a stamping fee of 0.30%, for an all-in rate of 2.76%.

The swap agreements entered into with Royal Bank of Canada and Toronto Dominion Bank do not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contracts are recorded at their fair value at the end of the period with the unrealized gain or loss recorded in the Statements of Comprehensive Income as finance expenses. The unrealized loss for the year ended December 31, 2020 was \$6.6 million (2019 - \$0.4 million).

At December 31, 2020, the Company would be required to pay \$8.3 million (2019 - \$1.6 million) if it wished to cancel the swap agreements.

During the year ended December 31, 2020, interest on long-term debt was incurred in the amount of \$4.3 million (2019 - \$4.2 million).

Reconciliation of opening and closing balances for liabilities from financing activities:

	2020	2019
Balance, beginning of year	\$ 155,000	\$ 141,522
Add: Advances	75,000	15,000
Less: Repayments	30,000	1,522
	\$ 200,000	\$ 155,000

15. Post-employment benefits

a) OMERS pension plan

The Company provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. During the year ended December 31, 2020, the Company made employer contributions of \$3.2 million to OMERS (2019 - \$3.1 million), of which \$0.8 million (2019 - \$0.8 million) has been capitalized as part of PP&E and the remaining amount of \$2.4 million (2019 - \$2.3 million) has been recognized in the Statement of Comprehensive Income. The Company estimates that a contribution of \$3.3 million to OMERS will be made during the next fiscal year.

As at December 31, 2020, OMERS had approximately 525,981 members, of whom 324 are employees of the Company. The most recently available OMERS annual report is for the year ended December 31, 2020, which reported that the plan was 97% funded, with an unfunded liability of \$3.2 billion. This unfunded liability is likely to result in future payments by participating employers and members.

b) Post-employment benefits other than pension

The Company pays certain medical and life insurance benefits on behalf of some of its retired employees. The Company recognizes these post-employment benefits in the year in which employees' services were rendered. The Company is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans. The information that follows was obtained from the most recent actuarial valuation as at December 31, 2020.

15. Post-employment benefits (continued)

b) Post-employment benefits other than pension (continued)

Reconciliation of the obligation:

	2020		2019	
Defined benefit obligation, beginning of year	\$	15,535	\$	13,895
Included in profit or loss:				
Current service costs		493		393
Past service costs		90		-
Interest cost		462		518
Other benefits		52		11
		1,097		922
Benefits paid		(776)		(864)
		321		58
Actuarial (gains) / losses included in OCI:				
Changes in demographic assumptions		(1,257)		-
Changes in financial assumptions		1,465		1,540
Effect of experience adjustments		36		42
		244		1,582
Defined benefit obligation, end of year	\$	16,100	\$	15,535

Actuarial assumptions:

	2020	2019
Discount (interest) rate	2.5%	3.1%
Salary levels	4.0%	4.0%
Immediate medical costs	5.0%	5.3%
Ultimate medical costs	4.0%	4.0%
Dental cost rate	4.0%	4.0%
Year ultimate rate reached	2040	2040

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$2.4 million. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$2.6 million.

16. Lease liability

The Company has a lease liability in connection with a right-of-use asset associated with property rented from the City of London included in property, plant and equipment with an initial measurement of \$2.3 million, amortized on a straight-line basis over 40 years commencing with the 2018 fiscal year.

Right-of-use-asset:

	2020		2019	
Cost:				
Balance, beginning of year	\$	2,319	\$	2,319
Balance, end of year	\$	2,319	\$	2,319
Accumulated depreciation:				
Balance, beginning of year	\$	116	\$	58
Depreciation		58		58
Balance, end of year	\$	174	\$	116
Carrying amount	\$	2,145	\$	2,203

Lease liability:

	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 100	\$ 66	\$ 34
Between one and five years	400	255	145
More than five years	3,200	1,155	2,045
	\$ 3,700	\$ 1,476	\$ 2,224

17. Share capital

	2020	2019
Authorized:		
An unlimited number of common shares		
An unlimited number of non-voting, non-cumulative preference shares, redeemable at the paid-up amount		
Issued:		
1,001 common shares	\$ 96,116	\$ 96,116

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time. On March 31, 2020, the Board of Directors declared a \$5.0 million special dividend payable to the sole shareholder, the Corporation of the City of London, to be paid by the end of 2021. On March 27, 2019 the Board of Directors declared a \$5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, in quarterly installments in 2019.

18. Revenue from contracts with customers

The Company generates revenue primarily from electricity rates and the distribution of electricity to its customers. These revenues disaggregated by type of customer are illustrated below:

Electricity rates:

	2020	2019
Residential	\$ 173,899	\$ 122,925
Commercial	245,290	230,628
Large users	13,817	10,301
Other	3,231	2,892
	\$ 436,237	\$ 366,746

Distribution revenue:

	2020	2019
Residential	\$ 45,535	\$ 44,312
Commercial	22,608	23,279
Large users	697	749
Other	1,399	1,386
	\$ 70,239	\$ 69,726

19. Other revenue

	2020	2019
City of London services	\$ 4,027	\$ 4,009
Late payment charges	1,471	1,699
Customer billing service fees	937	864
Pole and other rental income	928	885
Other services, recoveries and sundry revenues	893	1,401
Sale of scrap	803	834
Amortization of deferred revenue	678	525
Occupancy charges	578	596
Income tax incentive credits	495	480
Renewable generation revenue	348	322
Collection charges	42	132
Gain on disposal of property, plant and equipment	28	31
	\$ 11,228	\$ 11,778

20. Operating expenses

	2020	2019
Labour and benefits	\$ 27,695	\$ 27,133
Professional services	5,811	5,998
Computer hardware and software	3,217	2,815
Rental, regulatory and other expenses	2,274	1,943
Facilities maintenance and repair	1,528	1,668
Property tax and insurance	1,263	1,208
Postage	1,090	1,258
Corporate training and employee expenses	994	1,233
Materials and supplies	973	995
Fleet operations and maintenance	943	897
Bad debts	800	737
Office equipment services and maintenance	418	417
Allocations to capital and billable activities	(2,096)	(2,073)
	\$ 44,910	\$ 44,229

21. Finance (income) and expenses

	2020	2019
Finance income		
Interest income on bank deposits	\$ (105)	\$ (140)
Finance expenses		
Interest on long-term debt	4,332	4,216
Interest on short-term debt	29	118
Lease liability interest	67	68
Other	74	224
	4,502	4,626
Change in interest rate swap		
Unrealized loss on interest rate swap	6,630	419
Net finance expense	\$ 11,027	\$ 4,905

22. Due to shareholder

Trade balances due to shareholder:

	2020	2019
Water consumption	\$ 5,349	\$ 6,550
Non-interest bearing trade balance due to shareholder, without stated repayment terms	400	402
	\$ 5,749	\$ 6,952

The Company delivers electricity to the City of London throughout the year for the electricity needs of the City of London and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Company also provides additional services to the City of London, including water and waste water billing, customer care services and water meter replacement administrative services.

During the year ended December 31, 2020, the Company billed customers for water related service on behalf of the shareholder and remitted funds to the shareholder in the amount of \$187.6 million (2019 – \$174.4 million). The shareholder paid \$3.9 million (2019 - \$3.9 million) for this service.

During the year ended December 31, 2020, the Company performed water meter replacement administrative services on behalf of the shareholder. The shareholder paid \$0.1 million (2019 – \$0.1 million) for this service.

23. Commitments and contingencies

General

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the outcome of any of these matters could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2020, no assessments have been made.

Letters of credit

At December 31, 2020, the Company had provided \$4.3 million (2019 – \$6.6 million) in bank standby letters of credit to the IESO.

Vendor commitments

The Company has commitments in connection with Infrastructure projects of nil (2019 – \$0.2 million), new vehicle acquisitions of \$0.5 million (2019 - \$1.1 million) and Information Systems projects of nil (2019 - \$0.3 million).

Operating leases

The Company is committed to lease agreements for various vehicles, equipment and property rights. The future minimum non-cancellable annual lease payments are as follows:

	2020	2019
Less than one year	\$ 309	\$ 319
Between one and five years	587	868
More than five years	20	61
	\$ 916	\$ 1,248

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets or leases with lease terms that are less than 12 months. Lease payments associated with these arrangements are instead recognized as an expense over the term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit. Operating leases expensed during the year ended December 31, 2020 was of \$0.3 million (2019 - \$0.4 million).

24. Joint venture agreement

On January 1, 2013, The Company entered into an agreement with London District Renewable Energy Co-Operative Inc. ("LDREC") to create a joint venture with the legal name "London Renewable Energy Initiative" for the intention of identifying, applying for and constructing solar projects that have been approved under the Feed-in Tariff ("FIT") government program. The Company has a 49% equity interest in LDREC while appointing 60% of the members of the Executive Committee resulting in controlling interest. To date no significant work has been completed and no amounts have been recorded in these financial statements in connection with this venture.

25. Financial instruments and risk management

Fair value disclosure

The carrying values of cash, accounts receivable, due to shareholder and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt at December 31, 2020 is \$205 million (2019 - \$156 million). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2020 was 1.15% (2019 - 2.58%).

Financial risks

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

a) Credit risk

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company primarily assesses credit risk exposure by customer segment. Concentrations of consumption by segment or individual customer, may impact risk due to varying energy consumption patterns and allowable security deposit requirements associated with each segment. The Company is not exposed to a significant concentration of credit risk within any customer segment or individual customer. No single customer accounts for revenue in excess of 10% of total revenue.

25. Financial instruments and risk management (continued)

a) Credit risk (continued)

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the Statement of Comprehensive Income as bad debt expense. Subsequent recoveries of receivables previously provisioned are credited to the Statement of Comprehensive Income. The balance of the allowance for impairment loss at December 31, 2020 is \$3.7 million (2019 - \$2.6 million). During the year ended December 31, 2020, bad debt expense was \$0.8 million (2019 - \$0.7 million).

At December 31, 2020, approximately \$1.4 million (2019 - \$1.0 million) is included in the allowance for doubtful accounts for uncollectible amounts relating to water consumption. No bad debt expense has been realized in the Statement of Comprehensive Income in connection with water consumption as these amounts are fully recovered from the City of London.

The carrying amount of Regulatory asset balances is reduced by use of an allowance of impairment and the amount of the related impairment is recognized in the Statement of Comprehensive Income. The balance of the impairment as at December 31, 2020 is \$0.8 million (2019 - nil). The impairment is associated with the potential of unrecoverable amounts within the COVID deferral account.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2020, approximately \$3.2 million (2019 - \$2.2 million) is considered 60 days past due. The Company has approximately 162 thousand customers, the majority of whom are residential.

By regulation, the Company is responsible for collecting both the distribution and energy portions of the electricity bill. On average, the Company earns 23% of amounts billed to customers with the remaining 77% being collected for other parties. The Company is therefore exposed to a credit risk substantially greater than the income that it regularly earns.

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. At December 31, 2020, the Company held deposits in the amount of \$4.9 million (2019 - \$4.4 million). If presented with substantial credit losses, the Company has the ability to make an application to the regulator for recovery of those losses through distribution rate adjustments in future years.

25. Financial instruments and risk management (continued)

b) Market risk

Market risks primarily refer to the risk of loss that result from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have significant commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase or decrease in the interest rate at December 31, 2020 would have no impact on interest expense on the long-term debt as all debt instruments are fixed. A 1% increase in the interest rate at December 31, 2019 would have increased interest expense on the long-term debt by \$0.3 million, assuming all other variables remained constant. A 1% decrease in the interest rate at December 31, 2019 would have had an equal but opposite effect.

c) Liquidity risk

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due. The majority of accounts payable, as reported on the Statement of Financial Position, are due within 30 days.

The Company has an uncommitted operating revolving line of credit facility of \$20.0 million with the Toronto Dominion Bank. At December 31, 2020 the amount drawn by the Company under this line of credit was nil (2019 - nil). The line of credit is unsecured and interest is at bank prime rate on prime based borrowings minus 0.5%, or at Bankers' Acceptances ("B/A") rates plus a 0.75% stamping fee on B/A based borrowings.

At December 31, 2020 the Company had repaid a committed 364 day extendable operating revolving loan facility with the Toronto Dominion Bank (2019 - \$30.0 million).

The Company also has a bilateral facility for \$4.3 million for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which nil has been drawn and posted with the IESO (2019 - nil).

25. Financial instruments and risk management (continued)

d) Capital disclosures

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital includes shareholder's equity and long-term debt.

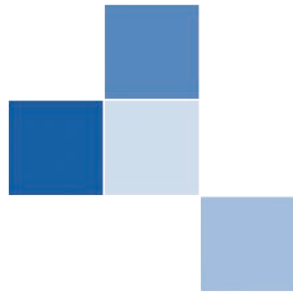
	2020	2019
Long-term debt	\$ 200,000	\$ 155,000
Shareholder's equity	175,136	174,690
	<u>\$ 375,136</u>	<u>\$ 329,690</u>

26. Impact of COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. The Government of Ontario originally announced a state of emergency on March 17, 2020 which remained in effect until July 24, 2020 when the Reopening Ontario Act, 2020 was introduced providing for restrictive orders. A secondary state of emergency was declared effective January 14, 2021 until February 16, 2021. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The OEB has informed the Company that it is to track any COVID-19 related expenses including bad debt expenses through a deferral account for potential future recovery. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.

27. Subsequent event

On March 30, 2021, the Board of Directors declared a \$5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, to be paid by the end of 2021.

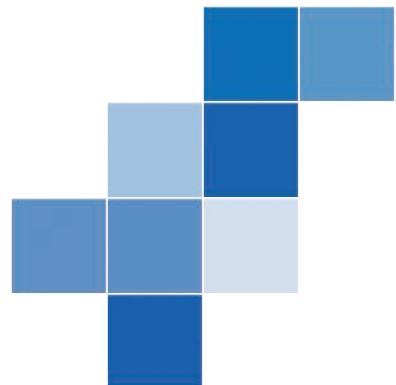


**London
Hydro**

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Powering London.
Empowering You.





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APPENDIX D LHI FINANCIAL STATEMENTS 2019



London Hydro Inc.

Financial Statements

For the year ended December 31, 2019
with comparative amounts for 2018



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of London Hydro Inc.

Opinion

We have audited the financial statements of London Hydro Inc. (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of Matter

We draw attention to Note 3 (m) to the financial statements which indicates that the Entity has changed its accounting policy for leases, as a result of the adoption of IFRS 16, Leases, and has applied that change using the modified retrospective method.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 31, 2020

London Hydro Inc.
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For the year ended December 31, 2019

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London Hydro Inc.
Statement of Financial Position

December 31, 2019, with comparative amounts at December 31, 2018

(in thousands of dollars)

	Note	2019	2018
ASSETS			
Current assets			
Cash	5	\$ 3,428	\$ 1,294
Accounts receivable	6	71,369	74,985
Income tax receivable		1,171	-
Materials and supplies	7	418	617
Prepaid expenses		2,338	2,667
Total current assets		78,724	79,563
Non-current assets			
Property, plant and equipment	8	330,641	308,700
Intangible assets	9	23,514	22,836
Total non-current assets		354,155	331,536
Total assets		432,879	411,099
Regulatory balances	11	21,019	17,166
Total assets and regulatory balances		\$ 453,898	\$ 428,265
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 48,440	\$ 48,209
Due to shareholder	22	6,952	6,451
Income tax payable		-	2,197
Current portion of lease liability	16	33	32
Current portion of long-term debt	14	-	1,522
Current portion of customer and other deposits		1,082	2,415
Current portion of deferred revenue	13	2,771	2,336
Total current liabilities		59,278	63,162
Non-current liabilities			
Long-term debt	14,25	155,000	140,000
Post-employment benefits	15	15,535	13,895
Customer and other deposits		3,324	3,509
Deferred revenue	13	30,880	27,192
Deferred tax liability	10	8,982	5,590
Lease liability	16	2,223	2,256
Unrealized loss on interest rate swap	14,25	1,647	1,228
Total non-current liabilities		217,591	193,670
Total liabilities		276,869	256,832
Equity			
Share capital	17	96,116	96,116
Retained earnings		79,776	72,806
Accumulated other comprehensive (loss) income		(1,202)	380
Total equity		174,690	169,302
Total liabilities and equity		451,559	426,134
Regulatory balances	11	2,339	2,131
<i>Commitments and contingencies (Note 23), Subsequent events (Note 26)</i>			
Total liabilities, equity and regulatory balances		\$ 453,898	\$ 428,265

On behalf of the Board:



Director



Director

London Hydro Inc.**Statement of Comprehensive Income****For the year ended December 31, 2019, with comparative amounts for 2018**

(in thousands of dollars)

	Note	2019	2018
Revenues			
Electricity sales	18	\$ 366,746	\$ 342,046
Distribution revenue	18	69,726	68,676
Other	19	11,778	13,121
		448,250	423,843
Operating expenses			
Electricity purchased		368,249	356,921
Operating expenses	20	44,229	43,709
Depreciation and amortization	8,9	20,180	19,168
		432,658	419,798
Income from operating activities		15,592	4,045
Net finance expense	21	4,905	3,880
Income before income taxes		10,687	165
Income tax expense	10	2,781	4,312
Net income (loss) for the year		7,906	(4,147)
Movement of regulatory balances			
Net movement of regulatory balances		142	15,563
Income taxes		3,922	1,503
	11	4,064	17,066
Net income for year and net movement in regulatory balances		11,970	12,919
Other comprehensive (loss) income			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefits	15	(1,582)	1,550
Tax on remeasurements	10	419	(411)
Net movement in regulatory balances, net of tax	11	(419)	411
Other comprehensive income		(1,582)	1,550
Total comprehensive income for the year		\$ 10,388	\$ 14,469

The accompanying notes are an integral part of these financial statements.

London Hydro Inc.
Statement of Changes in Equity

For the year ended December 31, 2019, with comparative amounts for 2018
(in thousands of dollars)

	Note	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2018		\$ 96,116	\$ 64,887	\$ (1,170)	\$ 159,833
Net income and net movement in regulatory balances		-	12,919	-	12,919
Other comprehensive income		-	-	1,550	1,550
Dividends	17	-	(5,000)	-	(5,000)
Balance at December 31, 2018		\$ 96,116	\$ 72,806	\$ 380	\$ 169,302
Balance at January 1, 2019		\$ 96,116	\$ 72,806	\$ 380	\$ 169,302
Net income and net movement in regulatory balances		-	11,970	-	11,970
Other comprehensive loss		-	-	(1,582)	(1,582)
Dividends	17	-	(5,000)	-	(5,000)
Balance at December 31, 2019		\$ 96,116	\$ 79,776	\$ (1,202)	\$ 174,690

The accompanying notes are an integral part of these financial statements.

London Hydro Inc.**Statement of Cash Flows****For the year ended December 31, 2019, with comparative amounts for 2018**

(in thousands of dollars)

	Note	2019	2018
Operating activities			
Net income and net movement in regulatory balances		\$ 11,970	\$ 12,919
Adjustments for:			
Depreciation and amortization	8,9	20,180	19,168
Amortization of deferred revenue	19	(525)	(412)
Post-employment benefits	15	58	232
Gain on disposal of property, plant and equipment	19	(31)	(220)
Net finance expense	21	4,905	3,880
Income tax expense	10	2,781	4,312
		39,338	39,879
Change in non-cash working capital:			
Accounts receivable		3,616	62
Materials and supplies		199	30
Prepaid expenses		329	(206)
Accounts payable and accrued liabilities		231	(95)
Due to shareholder		501	(2,273)
Customer and other deposits		(1,518)	(904)
		3,358	(3,386)
Other:			
Regulatory balances	11	(4,064)	(17,066)
Income tax paid		(2,972)	(1,745)
Income tax received		634	307
Interest paid	21	(4,626)	(3,719)
Interest received	21	140	180
		(10,888)	(22,043)
Net cash from operating activities		31,808	14,450
Investing activities			
Purchase of property, plant and equipment	8	(37,000)	(36,262)
Purchase of intangible assets	9	(6,018)	(8,351)
Proceeds on disposal of property, plant and equipment		250	296
Contributions received from customers		4,648	6,813
Net cash used in investing activities		(38,120)	(37,504)
Financing activities			
Dividends paid	17	(5,000)	(5,000)
Proceeds from long-term debt	14	15,000	55,000
Lease liability	16	(32)	2,288
Repayment of long-term debt	14	(1,522)	(32,304)
Net cash from financing activities		8,446	19,984
Change in cash		2,134	(3,070)
Cash, beginning of year		1,294	4,364
Cash, end of year		\$ 3,428	\$ 1,294

The accompanying notes are an integral part of these financial statements

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

1. Reporting entity

London Hydro Inc. ("the Company") is a rate regulated, municipally-owned hydro distribution company located in the City of London. The Company is a wholly-owned subsidiary company of the Corporation of the City of London and was incorporated on April 26, 2000 under the laws of the Province of Ontario, Canada.

The Company delivers electricity and related energy services to inhabitants of the City of London. The address of the Company's registered office is 111 Horton Street, London, Ontario, Canada.

2. Basis of presentation

a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

b) Approval of financial statements

These financial statements were approved by the Board of Directors on March 31, 2020.

c) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- (i) 3(b) – measurement of unbilled revenue
- (ii) 3(b) – determination of the performance obligation for contributions from customers and the related amortization period
- (iii) 3(d), 3(e), 8, 9 – estimation of useful lives of its property, plant and equipment and intangible assets
- (iv) 6 – estimation for allowance for doubtful accounts
- (v) 8, 16 – leases: whether an arrangement contains a lease
- (vi) 11 – recognition and measurement of regulatory balances
- (vii) 15 – measurement of defined benefit obligations: key actuarial assumptions
- (viii) 23 – recognition and measurement of provisions and contingencies

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
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2. Basis of presentation (continued)

e) Use of estimates and judgments (continued)

Critical accounting estimates and judgments for leases:

Judgments made in relation to accounting policies applied - Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Changes in the economic environment or changes in the industry may impact management's assessment of the lease term. Any changes in management's estimate of lease terms may have a material impact on the Company's balance sheet and statement of earnings.

Key sources of estimation - In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

f) Rate regulation

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Company was required to bill customers for the debt retirement charge set by the province. The Company may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC"). The debt retirement charge ended effective April 1, 2018 as set out in section 85(4) of the Electricity Act, and the Company no longer bills it to its customers.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

2. Basis of presentation (continued)

f) Rate regulation (continued)

Rate setting

Distribution revenue

For the distribution revenue, the Company files a "Cost of Service" ("COS") rate application with the OEB where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Company's business. The COS is usually filed every five years. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon the review, including any resulting revisions.

In the intervening years an Incentive Regulation Mechanism ("IRM") rate application is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

In August 2016, the Company filed a COS application which has been approved by the OEB. The rates approved in the application result in a decrease for the typical residential customer of \$1.40 per month compared to the previous year's rates effective May 1, 2017. The GDP IPI-FDD for 2018 was 1.2%, the OEB applied productivity factor was 0.0% and the OEB determined stretch factor was (0.15)%, resulting in a net adjustment of 1.05% to the previous year's rates effective May 1, 2018. The GDP IPI-FDD for 2019 was 1.5%, the OEB applied productivity factor was 0.0% and the OEB determined stretch factor was (0.30)%, resulting in a net adjustment of 1.2% to the previous year's rates effective May 1, 2019.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

Electricity rates

The OEB sets electricity prices for residential and small commercial consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers, other than consumers with retail contracts who pay a contracted rate plus a global adjustment rate adder, pay the market price for electricity. The Company is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

a) Financial instruments

Non-derivative

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f).

Derivative

The Company holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the Statement of Comprehensive Income as incurred as a change in interest rate swap. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in the Statement of Comprehensive Income.

Hedge accounting has not been used in the preparation of these financial statements.

b) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Company has the right to bill. Revenue includes rates for electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges were recorded on a net basis as the Company is acting as an agent for this billing stream.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

3. Significant accounting policies (continued)

b) Revenue recognition (continued)

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 Revenue from Contracts with Customers. Cash contributions received from developers are recorded as deferred revenue and amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 Revenue from Contracts with Customers. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Company has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

c) Materials and supplies

Materials and supplies, the majority of which are consumed by the Company in the provision of its services, are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

3. Significant accounting policies (continued)

d) Property, plant and equipment (continued)

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the lower of OEB prescribed rates and the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in the Statement of Comprehensive Income. The costs of the day-to-day servicing of PP&E are recognized in the Statement of Comprehensive Income as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in the Statement of Comprehensive Income. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
Building structures and components	12 - 75
Distribution system and equipment	25 - 60
Substation equipment	15 - 45
Right-of-use land asset	40
System supervisory equipment	8 - 35
Metering devices	15 - 30
Renewable generation assets	20
Automotive equipment	8 - 12
Equipment, tools and furniture	5 - 8
Computer hardware	3

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
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3. Significant accounting policies (continued)

e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated amortization. All other intangible assets are measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of intangible assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the lower of OEB prescribed rates and the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to complete.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights are measured at cost less accumulated amortization.

Computer software that is acquired or developed by the Company after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Capital contributions represent costs incurred and associated with assets that are not owned by the Company. These contributions are incurred where the Company is charged with the responsibility of upgrading assets that the Company does not hold title to. Capital contributions include costs towards the refurbishment and upgrade of a transformer station and wholesale meters. These assets are measured at cost less accumulated amortization.

Intangible assets in progress consist of application software under development at December 31, 2019.

Amortization is recognized in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Years
Capital contributions	30 - 45
Land rights	25
Computer software	3 - 5

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

f) Impairment

Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows from that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in the Statement of Comprehensive Income. An impairment loss is reversed through the Statement of Comprehensive Income if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the Statement of Comprehensive Income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

g) Customer and other deposits

Customer and other deposits include cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits at the rate of prime less 2% per annum. Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB, or upon termination of their electricity distribution service.

h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in the Statement of Comprehensive Income or Other Comprehensive Income ("OCI"). When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in the Statement of Comprehensive Income or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in the Statement of Comprehensive Income in the year incurred. When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in the Statement of Comprehensive Income or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in the Statement of Comprehensive Income or OCI.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
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3. Significant accounting policies (continued)

j) Post-employment benefits

Pension plan

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the Statement of Comprehensive Income when they are due.

Post-employment benefits, other than pension

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management’s best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in OCI. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in the Statement of Comprehensive Income.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

k) Finance income and finance expenses

Finance income is recognized as it accrues in the Statement of Comprehensive Income. Finance income comprises interest earned on cash.

Finance expenses comprise interest expense on borrowings and customer deposits. Finance expenses are recognized in the Statement of Comprehensive Income unless they are capitalized as part of the cost of qualifying assets.

l) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in the Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFEC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes ("PILs") are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets and liabilities are recognized for unused tax losses, unused tax credits and temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

m) Change in accounting policies

The Company has adopted the following amendments to standards with a date of initial application of January 1, 2019:

- i. IFRS 16 Leases
- ii. Annual Improvements to IFRS (2015-2017) cycle

i. IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

m) Change in accounting policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

Impact of transition to IFRS 16:

The new standard has been applied in preparing these financial statements for the year ended December 31, 2019. Comparative information presented for the year ended December 31, 2018, and for the year ended 2018 have been restated.

A reconciliation between comparative amounts previously reported to revised amounts presented in these financial statements is provided in the schedules below:

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

Reconciliation of Statement of Financial Position:

As at December 31, 2018	As Originally Presented	IFRS 16 Transitional Addition	Amortization	Reclass Lease Payments to debt / interest	Amounts Restated
Current assets					
Cash	\$ 1,294				\$ 1,294
Accounts receivable	74,985				74,985
Materials and supplies	617				617
Prepaid expenses	2,667				2,667
Total current assets	79,563				79,563
Non-current assets					
Property, plant and equipment	306,439	2,319	(58)		308,700
Intangible assets	22,836				22,836
Total non-current assets	329,275	2,319	(58)		331,536
Total assets	408,838	2,319	(58)		411,099
Regulatory balances	17,166				17,166
Total assets and regulatory balances	\$ 426,004	\$ 2,319	\$ (58)	\$ -	\$ 428,265
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 48,209				\$ 48,209
Due to shareholder	6,451				6,451
Income taxes payable	2,197				2,197
Current portion of long-term debt	1,522				1,522
Current portion of lease liability	-	32			32
Customer and other deposits	2,415				2,415
Deferred revenue	2,336				2,336
Total current liabilities	63,130	32			63,162
Non-current liabilities					
Long-term debt	140,000				140,000
Post-employment benefits	13,895				13,895
Customer and other deposits	3,509				3,509
Deferred revenue	27,192				27,192
Deferred tax liability	5,590				5,590
Lease liability	-	2,287		(31)	2,256
Unrealized loss on interest rate swap	1,228				1,228
Total non-current liabilities	191,414	2,287		(31)	193,670
Total liabilities	254,544	2,319		(31)	256,832
Equity					
Share capital	96,116				96,116
Retained earnings	72,833		(58)	31	72,806
Accumulated other comprehensive income	380				380
Total equity	169,329		(58)	31	169,302
Total liabilities and equity	423,873	2,319	(58)	-	426,134
Regulatory balances	2,131				2,131
Total liabilities, equity and regulatory balances	\$ 426,004	\$ 2,319	\$ (58)	\$ -	\$ 428,265

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

Reconciliation of Statement of Comprehensive Income:

For the year ended December 31, 2018	As Originally Presented	Amortization	Reclass Lease Payments to debt / interest	Amounts Restated
Revenue				
Sales of energy	\$ 342,046			\$ 342,046
Distribution revenue	68,676			68,676
Other	13,121			13,121
	423,843			423,843
Operating Expenses				
Cost of power purchased	356,921			356,921
Operating expenses	43,809		(100)	43,709
Depreciation and amortization	19,110	58		19,168
	419,840	58	(100)	419,798
Income from operating activities	4,003	(58)	100	4,045
Net finance expense	3,811		69	3,880
Income before income taxes	192	(58)	31	165
Income tax expense	4,312			4,312
Net loss for the year	(4,120)	(58)	31	(4,147)
Movement of regulatory balances				
Net movement of regulatory balances	15,563			15,563
Income taxes	1,503			1,503
	17,066			17,066
Net income for year and net movement in regulatory balance	12,946	(58)	31	12,919
Other comprehensive income				
Remeasurement of post-employment benefits	1,550			1,550
Tax on remeasurements	(411)			(411)
Net movement in regulatory balances, net of tax	411			411
Other comprehensive income	1,550			1,550
Total comprehensive income for the year	\$ 14,496	\$ (58)	\$ 31	\$ 14,469

ii. Annual Improvements to IFRS (2015-2017) cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements. The amendments were made to the following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23 Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed. They also clarify that an entity includes funds borrowed specifically to obtain an asset other than a qualifying asset as part of general borrowings.

These amendments did not result in a material impact on the financial statements.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

4. Standards issued not yet adopted

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. These standards or amendments relate to the measurement and disclosure of financial assets and liabilities. The extent of the impact on adoption of these standards and amendments has not yet been determined.

- i. Amendment to Conceptual Framework
- ii. Definition of Material (Amendments to IAS 1 and IAS 8)

i. Amendments to References to the Conceptual Framework in IFRS Standards:

On March 29, 2018 the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards to update references in IFRS Standards to previous versions of the Conceptual Framework.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2020. The Company does not expect the standard to have a material impact on the financial statements.

Some Standards include references to the 1989 and 2010 versions of the Framework. The IASB has published a separate document which contains consequential amendments to affected Standards so that they refer to the new Framework, with the exception of IFRS 3 Business Combinations which continues to refer to both the 1989 and 2010 Frameworks.

ii. Definition of Material (Amendments to IAS 1 and IAS 8):

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2020. The Company does not expect the standard to have a material impact on the financial statements.

The definition of material has been aligned across IFRS Standards and the Framework. The amendments provide a definition and explanatory paragraphs in one place.

Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
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5. Cash

	2019	2018
Bank balances	\$ 3,428	\$ 1,294

6. Accounts receivable

	2019	2018
Trade receivables	\$ 32,083	\$ 32,929
Unbilled revenue	36,468	38,237
Other	5,451	6,159
Allowance for doubtful accounts	(2,633)	(2,340)
	\$ 71,369	\$ 74,985

Included in accounts receivable is approximately \$9.4 million (2018 - \$8.5 million) of customer receivables for water consumption that the Company bills and collects on behalf of the Corporation of the City of London. As the Company does not assume liability for collection of these amounts, any amount relating to water consumption that is determined to be uncollectible is charged to the Corporation of the City of London.

Also, included in the accounts receivable is \$0.4 million (2018 - \$2.8 million) of energy, water, and sundry receivables due from the Corporation of the City of London.

7. Materials and supplies

Amounts written down due to obsolescence during the year ended December 31, 2019 was \$0.1 million (2018 - \$0.1 million).

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
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8. Property, plant and equipment

a) Cost or deemed cost:

	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
Balance at January 1, 2018	\$ 16,048	\$ 10,092	\$ 268,347	\$ 24,370	\$ 13,639	332,496
Additions	3,598	91	30,609	2,321	(357)	36,262
Disposals / retirements	(30)	-	(933)	(1,196)	-	(2,159)
Balance at December 31, 2018	\$ 19,616	\$ 10,183	\$ 298,023	\$ 25,495	\$ 13,282	\$ 366,599
Balance at January 1, 2019	\$ 19,616	\$ 10,183	\$ 298,023	\$ 25,495	\$ 13,282	\$ 366,599
Additions	1,759	265	31,184	2,740	1,052	37,000
Disposals / retirements	-	(237)	(878)	(968)	-	(2,083)
Balance at December 31, 2019	\$ 21,375	\$ 10,211	\$ 328,329	\$ 27,267	\$ 14,334	\$ 401,516

b) Accumulated depreciation:

	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
Balance at January 1, 2018	\$ 2,708	\$ 1,125	\$ 34,429	\$ 7,650	\$ -	\$ 45,912
Depreciation	835	293	10,274	2,668	-	14,070
Disposals / retirements	(30)	-	(870)	(1,183)	-	(2,083)
Balance at December 31, 2018	\$ 3,513	\$ 1,418	\$ 43,833	\$ 9,135	\$ -	\$ 57,899
Balance at January 1, 2019	\$ 3,513	\$ 1,418	\$ 43,833	\$ 9,135	\$ -	\$ 57,899
Depreciation	875	301	10,917	2,747	-	14,840
Disposals / retirements	-	(47)	(856)	(961)	-	(1,864)
Balance at December 31, 2019	\$ 4,388	\$ 1,672	\$ 53,894	\$ 10,921	\$ -	\$ 70,875

c) Carrying amounts:

Balance at	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
December 31, 2018	\$ 16,103	\$ 8,765	\$ 254,190	\$ 16,360	\$ 13,282	\$ 308,700
December 31, 2019	\$ 16,987	\$ 8,539	\$ 274,435	\$ 16,346	\$ 14,334	\$ 330,641

Property, plant and equipment includes a right-of-use asset associated with property rented from the City of London with an initial measurement of \$2.3 million, amortized on a straight-line basis over 40 years commencing with the 2018 fiscal year (see Note 16).

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

9. Intangible assets

a) Cost or deemed cost:

	Land rights	Capital contributions	Computer software	Intangible work in progress	Total
Balance at January 1, 2018	\$ 277	\$ 1,085	\$ 22,331	\$ 6,370	\$ 30,063
Additions	81	7,258	6,464	(5,452)	8,351
Disposals / retirements	-	-	(5,227)	-	(5,227)
Balance at December 31, 2018	\$ 358	\$ 8,343	\$ 23,568	\$ 918	\$ 33,187
Balance at January 1, 2019	\$ 358	\$ 8,343	\$ 23,568	\$ 918	\$ 33,187
Additions	32	-	6,155	(169)	6,018
Disposals / retirements	-	-	(3,890)	-	(3,890)
Balance at December 31, 2019	\$ 390	\$ 8,343	\$ 25,833	\$ 749	\$ 35,315

b) Accumulated amortization:

	Land rights	Capital contributions	Computer software	Intangible work in progress	Total
Balance at January 1, 2018	\$ 74	\$ 172	\$ 10,234	\$ -	\$ 10,480
Amortization	22	49	5,027	-	5,098
Disposals / retirements	-	-	(5,227)	-	(5,227)
Balance at December 31, 2018	\$ 96	\$ 221	\$ 10,034	\$ -	\$ 10,351
Balance at January 1, 2019	\$ 96	\$ 221	\$ 10,034	\$ -	\$ 10,351
Amortization	24	204	5,112	-	5,340
Disposals / retirements	-	-	(3,890)	-	(3,890)
Balance at December 31, 2019	\$ 120	\$ 425	\$ 11,256	\$ -	\$ 11,801

c) Carrying amounts:

Balance at	Land rights	Capital contributions	Computer software	Intangible work in progress	Total
December 31, 2018	\$ 262	\$ 8,122	\$ 13,534	\$ 918	\$ 22,836
December 31, 2019	\$ 270	\$ 7,918	\$ 14,577	\$ 749	\$ 23,514

During the year ended December 31, 2019, borrowing costs of nil (2018 - \$0.2 million) were capitalized as part of the cost of intangible assets. A capitalization rate of 2.89% was used to determine the amount of borrowing costs capitalized during the year ended December 31, 2018.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
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10. Income tax expense

Income tax expense is comprised of:

	2019	2018
Current income tax		
Current year	\$ (384)	\$ 2,886
Amendment for prior period income tax credits	(311)	(408)
Adjustment for prior period income tax expense	(335)	421
	(1,030)	2,899
Deferred tax		
Change in recognized deductible temporary differences:		
Loss on interest rate swap	(111)	(90)
Property, plant, equipment and intangible assets	4,760	1,671
Post-employment benefits	(16)	(61)
Deferred revenue	(822)	(107)
	3,811	1,413
Total current and deferred income tax in profit and loss, before movement of regulatory balance	2,781	4,312
Other comprehensive (loss) income		
Post-employment benefits	(419)	411
Total current and deferred income tax, before movement of regulatory balances	2,362	4,723
Net movement in regulatory balances	(3,503)	(1,914)
Income tax (recovery) expense recognized in Statement of Comprehensive Income	\$ (1,141)	\$ 2,809

Reconciliation of effective tax rate:

	2019	2018
Income before taxes	\$ 9,247	17,278
Canada and Ontario statutory income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	2,450	4,579
Increase (decrease) in income taxes resulting from:		
Net movement in regulatory balances	(3,503)	(1,914)
Other items	(88)	144
	\$ (1,141)	\$ 2,809

Significant components of the Company's deferred tax balances:

	2019	2018
Property, plant, equipment and intangible assets	\$ (14,788)	\$ (10,028)
Post-employment benefits	4,116	3,681
Deferred revenue	1,254	432
Future income taxes to be realized by customers	(9,418)	(5,915)
Loss on interest rate swap	436	325
	\$ (8,982)	\$ (5,590)

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
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11. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory assets:

Regulatory deferral account debit balances	January 1, 2018	Changes	Recovery/ (reversal)	December 31, 2018	Remaining years
Group 1 deferred accounts	\$ -	\$ 8,002	\$ -	\$ 8,002	
Other regulatory accounts	1,831	1,418	-	3,249	
Income tax	4,001	1,914	-	5,915	
	\$ 5,832	\$ 11,334	\$ -	\$ 17,166	

Regulatory deferral account debit balances	January 1, 2019	Changes	Recovery/ (reversal)	December 31, 2019	Remaining years
Group 1 deferred accounts	\$ 8,002	\$ (4,526)	\$ -	\$ 3,476	
Regulatory settlement account	-	8,440	(3,443)	4,997	0.8
Other regulatory accounts	3,249	(121)	-	3,128	2.3
Income tax	5,915	3,503	-	9,418	
	\$ 17,166	\$ 7,296	\$ (3,443)	\$ 21,019	

Regulatory liabilities:

Regulatory deferral account credit balances	January 1, 2018	Changes	Recovery/ (reversal)	December 31, 2018	Remaining years
Group 1 deferred accounts	\$ (5,217)	\$ 5,217	\$ -	\$ -	
Regulatory settlement account	(3,057)	(3,927)	5,265	(1,719)	0.3
Other regulatory accounts	-	159	(571)	(412)	3.3
	\$ (8,274)	\$ 1,449	\$ 4,694	\$ (2,131)	

Regulatory deferral account credit balances	January 1, 2019	Changes	Recovery/ (reversal)	December 31, 2019	Remaining years
Regulatory settlement account	\$ (1,719)	\$ (5,143)	\$ 6,862	\$ -	-
Other regulatory accounts	(412)	(509)	(1,418)	(2,339)	2.3
	\$ (2,131)	\$ (5,652)	\$ 5,444	\$ (2,339)	

11. Regulatory balances (continued)

The regulatory balances are recovered or settled through fixed and/or volumetric rate riders approved by the OEB. The volumetric rate riders are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances. Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. The rate was set at 2.45% in the first quarter of 2019 (March 31, 2018 – 1.5%) and 2.18% in the second, third and fourth quarters of 2019 (June 30, 2018 – 1.89%, September 30, 2018 – 1.89%, December 31, 2018 – 2.17%).

a) Group 1 deferral accounts

The Group 1 deferral accounts consist of purchased power cost variances including the Smart Metering Entity Charge Variances. As a regulated distributor of electricity, the Company is obligated to provide energy supply to all consumers at regulated or spot rates unless they elect to purchase their energy from an energy retailer. The regulatory framework requires that all energy commodity and non-commodity costs be billed at regulated rates to consumers who are on the Regulated Price Plan.

Variances between purchase costs and amounts billed for electricity are required to be captured in the Retail Settlement Variance Accounts (“RSVA”) for disposition through future rate riders. The variance accounts have been further defined by the regulator into commodity and non-commodity accounts. Those accounts defined as commodity accounts are eligible for regulatory review on a quarterly basis. All other accounts are defined as non-commodity and are currently eligible for review on an annual basis.

These variances were credit balances in 2016 and 2017. On August 26, 2016, the Company filed its 2017 COS rate application, in which it proposed the disposition of Group 1 account balances as at December 31, 2015 via rate riders. The OEB issued its decision with respect to this Application which authorizes the refund/recovery of these balances over a one-year period commencing May 1, 2017.

The RSVA variances were debit balances in 2018. On October 4, 2017, the Company filed its 2018 IRM rate application in which it proposed the disposition of the Group 1 account balances as at December 31, 2016 via rate riders. The OEB authorized the recovery of these balances over a one-year period commencing May 1, 2018.

11. Regulatory balances (continued)

b) Regulatory settlement account

During 2018, the Company filed its 2019 IRM rate application in which it proposed the recovery of the LRAMVA balance accumulated between January 1, 2016 and December 31, 2016, as well as the recovery of the 2018 Retail Transmission Service Rates Revenue Shortfall of the Group 1 accounts accumulated between May 1, 2018 and November 30, 2018 via rate riders. The OEB authorized the recovery of the LRAMVA balances over a one-year period commencing May 1, 2019.

c) Other regulatory accounts

Other regulatory account debit balances include various deferred costs in connection with LRAMVA, OEB Cost Assessment Variance non-cash OPEB adjustment and Retail Cost Variances.

Other regulatory account credit balances include pole attachment revenue variances and advanced funding for capital projects. The Company filed its 2017 COS rate application in 2016 which included a request for funding capital projects under the Advanced Capital Module and received an approval. During 2017, the Company filed its 2018 IRM rate application, which included a request for the recovery of such costs via rate riders. The OEB authorized the recovery of these costs via rate riders until the effective date of the next cost of service-based rate order. Distribution revenue repayable to customers representing tax savings as a result of increased capital cost allowance provided for through the Accelerated Investment Incentive introduced in Bill C-97 effective November 2018 is also included in other regulatory account credit balances.

d) Income tax

As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

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12. Accounts payable and accrued liabilities

	2019	2018
Due to Independent Electricity System Operator	\$ 31,973	\$ 33,694
Harmonized sales tax	167	118
Payroll and benefits payable	3,382	3,060
Other	12,918	11,337
	\$ 48,440	\$ 48,209

13. Deferred revenue

	2019	2018
Capital contributions for completed projects	\$ 21,845	\$ 18,010
Deposits held	11,806	11,518
	33,651	29,528
Less: Current portion	2,771	2,336
	\$ 30,880	\$ 27,192

Capital contributions for completed projects are recognized as revenue on a straight-line basis over the life of the asset for which the contribution was received.

Included in deposits held is \$3.6 million (2018 - \$3.7 million) received from the Corporation of the City of London as contributions for the construction of capital assets.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

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14. Long-term debt

	2019	2018
Unsecured, committed extendible revolving loan bearing interest at prime, minus 0.5%, interest only payments due March 2021	\$ 30,000	\$ 15,000
Unsecured, non-revolving term instalment loan bearing interest at the 4.4 year Bankers' Acceptance rate of 2.7% plus a stamping fee of 0.28%, interest only payments due June 2022	40,000	40,000
Unsecured, non-revolving term instalment loan bearing interest at the 7.6 year Bankers' Acceptance rate of 2.46% plus a stamping fee of 0.30%, interest only payments due June 2022	85,000	85,000
Unsecured, non-revolving term instalment loan bearing interest at the 7.8 year Bankers' Acceptance rate of 2.43% plus a stamping fee of 0.9%, payable in monthly instalments of \$192 principal plus interest, repaid in full August 2019	-	1,522
	<u>155,000</u>	<u>141,522</u>
Less: Current portion	-	1,522
	<u>\$ 155,000</u>	<u>\$ 140,000</u>

The Company has an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the amount of \$40 million. Interest only payments are due quarterly and commenced March 2018. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2022, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.7%, plus a stamping fee of 0.28%, for an all-in rate of 2.98%.

The Company has an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the amount of \$85 million. Interest only payments are due quarterly and commenced December 2014. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2022, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.46%, plus a stamping fee of 0.30%, for an all-in rate of 2.76%.

The Company had an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the original amount of \$20.5 million to fund its Smart Meter capital expenditure program. Principal repayments on this loan commenced October 2010 and were amortized over a 9 year period ending August 2019. The agreement was a fixed rate swap and matured August 2019 which effectively converted variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.43%, plus a stamping fee of 0.9%, for an all-in rate of 3.33%.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

14. Long-term debt (continued)

The swap agreements entered into with Royal Bank of Canada do not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contracts are recorded at their fair value at the end of the period with the unrealized gain or loss recorded in the Statements of Comprehensive Income as finance expenses. The unrealized loss for the year ended December 31, 2019 was \$0.4 million (2018 – \$0.3 million).

At December 31, 2019, the Company would be required to pay \$1.6 million (2018 - \$1.2 million) if it wished to cancel the swap agreements.

During the year ended December 31, 2019, interest on long-term debt was incurred in the amount of \$4.2 million (2018 - \$3.6 million) of which nil (2018 – \$0.2 million) was capitalized as part of the cost of intangible assets.

Reconciliation of opening and closing balances for liabilities from financing activities:

	2019	2018
Balance, beginning of year	\$ 141,522	\$ 118,826
Add: Advances	15,000	55,000
Less: Repayments	1,522	32,304
	155,000	141,522
Less: Current portion	-	1,522
	\$ 155,000	\$ 140,000

15. Post-employment benefits

a) OMERS pension plan

The Company provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. During the year ended December 31, 2019, the Company made employer contributions of \$3.1 million to OMERS (2018 - \$3.0 million), of which \$0.8 million (2018 - \$0.7 million) has been capitalized as part of PP&E and the remaining amount of \$2.3 million (2018 - \$2.3 million) has been recognized in the Statement of Comprehensive Income. The Corporation estimates that a contribution of \$3.5 million to OMERS will be made during the next fiscal year.

As at December 31, 2019, OMERS had approximately 510,000 members, of whom 323 are employees of the Company. The most recently available OMERS annual report is for the year ended December 31, 2019, which reported that the plan was 97% funded, with an unfunded liability of \$3.4 billion. This unfunded liability is likely to result in future payments by participating employers and members.

London Hydro Inc.
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15. Post-employment benefits (continued)

b) Post-employment benefits other than pension

The Company pays certain medical and life insurance benefits on behalf of some of its retired employees. The Company recognizes these post-employment benefits in the year in which employees' services were rendered. The Company is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans. Based on the most recent actuarial valuation as at December 31, 2019, the following information has been determined:

Reconciliation of the obligation:

	2019	2018
Defined benefit obligation, beginning of year	\$ 13,895	\$ 15,213
Included in profit or loss:		
Current service costs	393	462
Interest cost	518	497
Other benefits	11	(13)
	922	946
Benefits paid	(864)	(714)
	58	232
Actuarial (gains) / losses included in OCI:		
Changes in financial assumptions	1,540	(1,465)
Effect of experience adjustments	42	(85)
	1,582	(1,550)
Defined benefit obligation, end of year	\$ 15,535	\$ 13,895

Actuarial assumptions:

	2019	2018
Discount (interest) rate	3.1%	3.9%
Salary levels	4.0%	4.0%
Immediate medical costs	5.3%	5.4%
Ultimate medical costs	4.0%	4.0%
Dental cost rate	4.0%	4.5%
Year ultimate rate reached	2040	2040

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$2.0 million. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$2.3 million.

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Notes to the Financial Statements
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16. Lease liability

The Company has a lease liability in connection with a right-of-use asset associated with property rented from the City of London included in property, plant and equipment with an initial measurement of \$2.3 million, amortized on a straight-line basis over 40 years commencing with the 2018 fiscal year.

Right-of-use-asset:

	2019		2018	
Cost:				
Balance, beginning of year	\$	2,319	\$	-
Lease additions		-		2,319
Balance, end of year	\$	2,319	\$	2,319
Accumulated depreciation:				
Balance, beginning of year	\$	58	\$	-
Depreciation		58		58
Balance, end of year	\$	116	\$	58
Carrying amount	\$	2,203	\$	2,261

Lease liability:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
Less than one year	\$	100	\$	67	\$	33
Between one and five years		400		259		141
More than five years		3,300		1,218		2,082
	\$	3,800	\$	1,544	\$	2,256

London Hydro Inc.
Notes to the Financial Statements
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17. Share capital

	2019	2018
Authorized:		
An unlimited number of common shares		
An unlimited number of non-voting, non-cumulative preference shares, redeemable at the paid-up amount		
Issued:		
1,001 common shares	\$ 96,116	\$ 96,116

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time. On March 27, 2019 the Board of Directors declared a \$5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, in quarterly installments in 2019. On March 22, 2018 the Board of Directors declared a \$5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, in quarterly installments in 2018.

18. Revenue from contracts with customers

The Company generates revenue primarily from electricity rates and the distribution of electricity to its customers. These revenues disaggregated by type of customer are illustrated below:

Electricity rates:

	2019	2018
Residential	\$ 122,925	\$ 112,145
Commercial	230,628	218,668
Large users	10,301	8,714
Other	2,892	2,519
	\$ 366,746	\$ 342,046

Distribution revenue:

	2019	2018
Residential	\$ 44,312	\$ 43,601
Commercial	23,279	23,101
Large users	749	652
Other	1,386	1,322
	\$ 69,726	\$ 68,676

London Hydro Inc.
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19. Other revenue

	2019	2018
City of London services	\$ 4,009	\$ 4,009
Late payment charges	1,699	1,561
Other services, recoveries and sundry revenues	1,404	1,421
Pole and other rental income	885	501
Customer billing service fees	864	717
Sale of scrap	834	552
Occupancy charges	596	608
Amortization of deferred revenue	525	412
Income tax incentive credits	480	496
Renewable generation revenue	322	312
Collection charges	132	346
Gain on disposal of property, plant and equipment	31	220
IESO Conservation recoveries and incentives	(3)	1,966
	\$ 11,778	\$ 13,121

20. Operating expenses

	2019	2018
Labour and benefits	\$ 27,133	\$ 26,719
Professional services	5,998	5,867
Computer hardware and software	2,815	2,540
Rental, regulatory and other expenses	1,943	2,243
Facilities maintenance and repair	1,668	1,534
Postage	1,258	1,262
Corporate training and employee expenses	1,233	1,201
Property tax and insurance	1,208	1,195
Materials and supplies	995	972
Fleet operations and maintenance	897	1,028
Bad debts	737	703
Office equipment services and maintenance	417	492
Allocations to capital and billable activities	(2,073)	(2,047)
	\$ 44,229	\$ 43,709

London Hydro Inc.
Notes to the Financial Statements
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21. Finance (income) and expenses

	2019	2018
Finance income		
Interest income on bank deposits	\$ (140)	\$ (180)
Finance expenses		
Interest on long-term debt	4,216	3,591
Interest on short-term debt	118	58
Interest on funds used for construction project	-	(188)
Lease liability interest	68	69
Other	224	189
	4,626	3,719
Change in interest rate swap		
Unrealized loss on interest rate swap	419	341
Net finance expense	\$ 4,905	\$ 3,880

22. Due to shareholder

Trade balances due to shareholder:

	2019	2018
Water consumption	\$ 6,550	\$ 5,604
Non-interest bearing trade balance due to shareholder, without stated repayment terms	402	847
	\$ 6,952	\$ 6,451

The Company delivers electricity to the City of London throughout the year for the electricity needs of the City of London and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Company also provides additional services to the City of London, including water and waste water billing, customer care services and water meter replacement administrative services.

During the year ended December 31, 2019, the Company billed customers for water related service on behalf of the shareholder and remitted funds to the shareholder in the amount of \$174.4 million (2018 – \$174.2 million). The shareholder paid \$3.9 million (2018 - \$3.9 million) for this service.

During the year ended December 31, 2019, the Company performed water meter replacement administrative services on behalf of the shareholder. The shareholder paid \$0.1 million (2018 – \$0.1 million) for this service.

London Hydro Inc.
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23. Commitments and contingencies

General

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the outcome of any of these matters could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2019, no assessments have been made.

Letters of credit

At December 31, 2019, the Company had provided \$6.6 million (2018 – \$6.6 million) in bank standby letters of credit to the IESO.

Vendor commitments

The Company has commitments in connection with Infrastructure projects of \$0.2 million (2018 – \$0.5 million), new vehicle acquisitions of \$1.1 million (2018 - \$0.2 million) and Information Systems projects of \$0.3 million (2018 - nil).

Operating leases

The Company is committed to lease agreements for various vehicles, equipment and property rights. The future minimum non-cancellable annual lease payments are as follows:

	2019	2018
Less than one year	\$ 319	\$ 321
Between one and five years	868	209
More than five years	61	74
	\$ 1,248	\$ 604

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets or leases with lease terms that are less than 12 months. Lease payments associated with these arrangements are instead recognized as an expense over the term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit. Operating leases expensed during the year ended December 31, 2019 was of \$0.4 million (2018 - \$0.3 million).

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

24. Joint venture agreement

On January 1, 2013, The Company entered into an agreement with London District Renewable Energy Co-Operative Inc. ("LDREC") to create a joint venture with the legal name "London Renewable Energy Initiative" for the intention of identifying, applying for and constructing solar projects that have been approved under the Feed-in Tariff ("FIT") government program. The Company has a 49% equity interest in LDREC while appointing 60% of the members of the Executive Committee resulting in controlling interest. To date no significant work has been completed and no amounts have been recorded in these financial statements in connection with this venture.

25. Financial instruments and risk management

Fair value disclosure

The carrying values of cash, accounts receivable, due to shareholder and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt at December 31, 2019 is \$156 million (2018 - \$124 million). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2019 was 2.58% (2018 – 3.34%). The fair value of interest rate swaps is recorded based on valuation amounts as provided by RBC Capital Markets on a quarterly basis.

Financial risks

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

a) Credit risk

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company primarily assesses credit risk exposure by customer segment. Concentrations of consumption by segment or individual customer, may impact risk due to varying energy consumption patterns and allowable security deposit requirements associated with each segment. The Company is not exposed to a significant concentration of credit risk within any customer segment or individual customer. No single customer accounts for revenue in excess of 10% of total revenue.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

25. Financial instruments and risk management (continued)

a) Credit risk (continued)

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the Statement of Comprehensive Income as bad debt expense. Subsequent recoveries of receivables previously provisioned are credited to the Statement of Comprehensive Income. The balance of the allowance for impairment loss at December 31, 2019 is \$2.6 million (2018 - \$2.3 million). During the year ended December 31, 2019, bad debt expense was \$0.7 million (2018 - \$0.7 million).

At December 31, 2019, approximately \$1.0 million (2018 - \$0.8 million) is included in the allowance for doubtful accounts for uncollectible amounts relating to water consumption. No bad debt expense has been realized in the Statement of Comprehensive Income in connection with water consumption as these amounts are fully recovered from the City of London.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2019, approximately \$2.2 million (2018 - \$2.0 million) is considered 60 days past due. The Company has approximately 161 thousand customers, the majority of whom are residential.

By regulation, the Company is responsible for collecting both the distribution and energy portions of the electricity bill. On average, the Company earns 23% of amounts billed to customers with the remaining 77% being collected for other parties. The Company is therefore exposed to a credit risk substantially greater than the income that it regularly earns.

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. At December 31, 2019, the Company held deposits in the amount of \$4.4 million (2018 - \$5.9 million). If presented with substantial credit losses, the Company has the ability to make an application to the regulator for recovery of those losses through distribution rate adjustments in future years.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

25. Financial instruments and risk management (continued)

b) Market risk

Market risks primarily refer to the risk of loss that result from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have significant commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2019 would have increased interest expense on the long-term debt by \$0.3 million (2018 - \$0.2 million), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

c) Liquidity risk

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due. The majority of accounts payable, as reported on the Statement of Financial Position, are due within 30 days.

The Company has an uncommitted operating revolving line of credit facility of \$40.0 million with the Toronto Dominion Bank. At December 31, 2019 the amount drawn by the Company under this line of credit was nil (2018 - nil). The line of credit is unsecured and interest is at bank prime rate on prime based borrowings minus 0.5%, or at Bankers' Acceptances ("B/A") rates plus a 0.75% stamping fee on B/A based borrowings.

At December 31, 2019 the Company had a committed 364 day extendable operating revolving loan facility of \$30.0 million with the Toronto Dominion Bank and the amount drawn by the Company under this loan facility was \$30.0 million (2018 - \$15.0 million). Under the terms of this agreement, the loan has a maturity date of March 31, 2021. The Company has a one year period from the loan maturity date to repay any outstanding balances in the event the lender elects not to extend the loan for an additional 364 day period. Interest is at bank prime rate on prime based borrowings minus 0.5%, or at B/A rates plus a 0.75% stamping fee on B/A based borrowings.

The Company also has a bilateral facility for \$6.6 million for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which nil has been drawn and posted with the IESO (2018 - nil).

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

25. Financial instruments and risk management (continued)

d) Capital disclosures

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt.

	2019	2018
Long-term debt	\$ 155,000	\$ 141,522
Shareholder's equity	174,690	169,302
	\$ 329,690	\$ 310,824

26. Subsequent events

On March 31, 2020, the Board of Directors declared a \$5.0 million special dividend payable to the sole shareholder, the Corporation of the City of London, to be paid by the end of 2021.

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.



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APPENDIX E LHI S&P RATING MAY 2021

London Hydro Inc.

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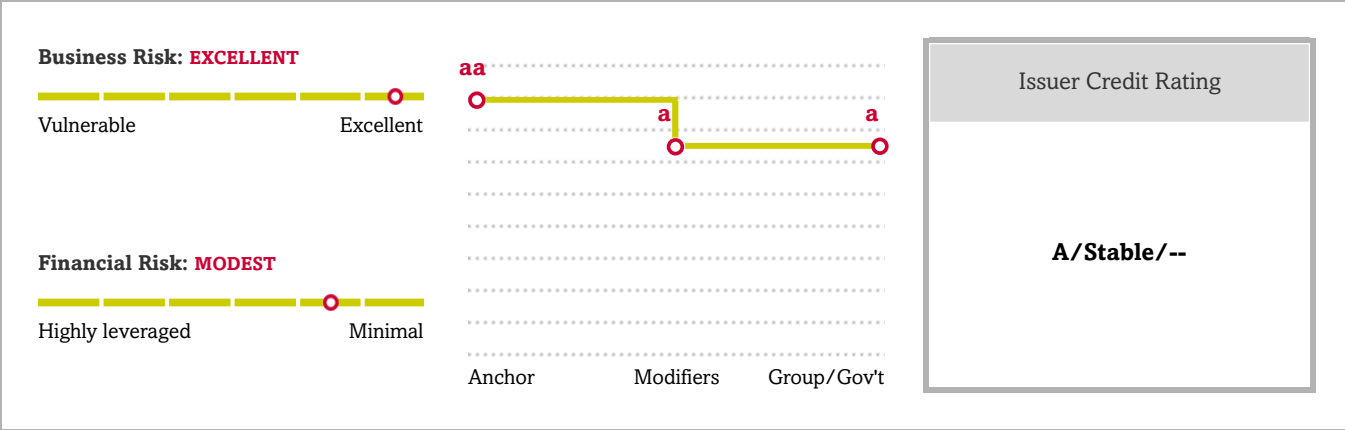
Environmental, Social, And Governance

Government Influence

Ratings Score Snapshot

Related Criteria

London Hydro Inc.



Credit Highlights

Overview	
Key strengths	Key risk
Low-risk regulated electricity distribution utility in Ontario.	Lack of geographic and regulatory diversity with limited likelihood of government support.
Regulatory environment is stable, transparent, and predictable.	Deferral of COVID-19 costs recovery could modestly increase cash flow volatility.
Ability to recover all prudently incurred costs in a timely manner.	Continued negative discretionary cash flow indicates external funding needs.

The Ontario Energy Board (OEB) has established deferral accounts to record the costs and losses stemming from the COVID-19 pandemic. The OEB, Ontario's regulator, has acknowledged that utility distributors, including London Hydro Inc. (LHI), may incur incremental costs related to the ongoing coronavirus pandemic. Therefore, it established deferral accounts for utilities to track incremental costs and lost revenue related to the pandemic. This will allow LHI to recover potential lost revenue, incremental expenses, or costs related to bad debt expenses, subject to the OEB's approval. The pandemic could increase LHI's cash flow volatility over the short term and lead to some regulatory lag, though the expected recovery of its COVID-19-related costs through the deferral accounts partly mitigates potential lost revenue.

The utility's lack of geographic and regulatory diversity is marginally offset by its favorable customer mix and credit-supportive regulatory environment. LHI serves about 160,000 customers, all in Ontario, making the company reliant on its sole regulator, OEB, to sustain its credit quality. While LHI has a small customer base, it is composed mostly of residential customers that are less sensitive to macroeconomic factors. We consider Ontario a relatively strong regulatory jurisdiction that is stable, transparent, and predictable, supporting LHI's excellent business risk. However, compared with other utilities, LHI has a small customer base and lacks geographic and regulatory diversity.

Outlook: Stable

The stable outlook reflects what S&P Global Ratings considers to be consistent, predictable cash-flow generation, which LHI's low-risk, regulated distribution business supports. During our outlook period, we expect funds from operations (FFO) to debt to be in the 23%-26% range.

Downside scenario

We believe a downgrade during the next two years is highly unlikely. However, a material, adverse regulatory ruling or a significant increase in leverage leading to a sustained deterioration in forecast adjusted FFO to debt of less than 13% could lead to a downgrade.

Upside scenario

We believe an upgrade during the next two years is highly unlikely. However, if the company implemented a well-articulated financial and dividend policy aligned with a shareholder agreement that enshrined the current modest balance-sheet leverage, and we became satisfied that there was negligible potential for future alignment with a more highly leveraged deemed capital structure used by the Ontario regulator for setting rates, we could reduce the impact of the financial policy modifier and raise the ratings.

Our Base-Case Scenario

Assumptions	Key metrics			
<ul style="list-style-type: none"> OEB will continue to operate in a transparent, stable, and predictable manner. We expect no adverse regulatory decisions in the forecast period. EBITDA margin of about 9% per year through 2022. Capital spending of C\$45 million-C\$50 million per year through 2022. Dividends of C\$5 million per year through 2022. All debt maturities refinanced. 	2020e	2021e	2022e	
	FFO to debt (%)	22-24	24-26	22-24
	Debt to EBITDA (x)	3.8-4.2	3.4-3.8	3.6-3.9
e--Estimate. FFO--Funds from operations.				

Company Description

LHI is a City of London-owned electricity distributor utility serving about 160,000 customers in southwestern Ontario, Canada.

Business Risk: Excellent

Our assessment of the company's business risk profile reflects the utility's regulated low-risk electricity-distribution operations in Ontario. Also, it reflects our view of the OEB's regulatory framework, which supports the utility's steady cash flow. In our view, the regulatory process is transparent, consistent, and predictable. These factors substantiate timely recovery of capital spending and operating costs. Exposure to commodity-related expenses is limited since the utility can pass through costs to rate payers. Additionally, there is revenue decoupling for distribution operators and fixed-rate distribution tariffs. We view these as key credit strengths.

LHI's business risk profile also takes into account a concentrated geographic footprint and limited size. We consider LHI a small utility because it provides electricity service to only about 160,000 customers. We expect the customer profile to remain stable, with about two-thirds of electricity demand from residential customers that are less sensitive to macroeconomic stresses and business cycles.

Financial Risk: Modest

Our base-case scenario includes adjusted FFO to debt in the 23%-26% range. Furthermore, we expect annual capital spending for the next few years to be higher than depreciation, at about C\$45million-C\$50 million for 2021, which will result in negative discretionary cash flows for the forecast period. We expect the company will require external funding sources to fund this capital spending.

We base our assessment on our low-volatility financial benchmarks, which are the most relaxed compared with those for a typical corporate issuer. This reflects the company's focus on low-risk regulated electricity distribution operations and strong management of regulatory risk.

Our ratings on LHI include a three-notch downward adjustment to account for the impact of its financial policy because we believe that debt leverage could be significantly higher than our base-case forecast. The utility has a relatively conservative capital structure with a forecast debt-to-capital ratio of about 47%, well below the authorized debt-to-capital ratio of 60%. Additional special dividend payments and an absence of any incentive to maintain the existing capital ratio within the financial policy could result in incremental debt leverage and financial measures weaker than those in our base case.

Liquidity: Adequate

We assess the company's liquidity as adequate because we believe its liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and meet cash outflows even with a 10% decline in EBITDA. The assessment also reflects the company's generally prudent risk management, sound relationship with banks, and generally satisfactory standing in credit markets.

Principal liquidity sources

- Cash on hand of about C\$28 million as of Dec. 31, 2020;
- Credit facility availability of C\$45 million; and
- Estimated cash FFO of about C\$45 million.

Principal liquidity uses

- Capital spending of about C\$50 million; and
- Dividends of about C\$5 million.

Environmental, Social, And Governance

LHI's exposure to environmental risk is limited given its operations are entirely in lower-risk electric distribution operations without commodity exposure. LHI is better positioned than its counterparts, with generation assets across North America. Social or governance factors have not had a material impact on the rating and are generally in line with those of peers.

Government Influence

We believe there is a low likelihood that LHI's owner, the City of London, would provide timely and sufficient extraordinary support in the event of financial distress. We base this on our assessment that there is a limited link and limited importance role to its government owner. The low likelihood of extraordinary government support means no rating enhancement to the 'a' stand-alone credit profile.

Ratings Score Snapshot

Issuer Credit Rating

A/Stable/--

Business risk: Excellent

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Excellent

Financial risk: Modest

- **Cash flow/leverage:** Intermediate

Anchor: aa

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Negative (-3 notches)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : a

- **Group credit profile:** a
- **Entity status within group:** Core (no impact)

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, Sept. 21, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- ARCHIVED - General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- ARCHIVED Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of May 7, 2021)***London Hydro Inc.**

Issuer Credit Rating

A/Stable/--

Issuer Credit Ratings History

10-Jun-2009

A/Stable/--

03-Jun-2008

A/Positive/--

26-Mar-2007

A-/Positive/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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APPENDIX F RECONCILIATION OF FINANCIAL STATEMENTS

Trial Balance Mapped to Financial Statement Grouping

AFS Section	AFS Grouping	USofA	OEB Account Name	2020 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)
BALANCE SHEET							
ASSETS							
Current Assets	Cash and Cash Equivalent	1005	Cash	28,298,214.63			
					28,298		28,298
Current Assets	Accounts Receivable	1100	Customer Accounts Receivable	24,832,477.64			
Current Assets	Accounts Receivable	1104	Accounts Receivable - Recoverable Work	7,240,562.48			
Current Assets	Accounts Receivable	1110	Other Accounts Receivable	6,335,909.66			
Current Assets	Accounts Receivable	1120	Accrued Utility Revenues	45,440,185.67			
Current Assets	Accounts Receivable	1130	Accumulated Provision for Uncollectible Accounts - Credit	(3,730,415.43)			
Current Assets	Accounts Receivable	1140	Interest and Dividends Receivable	16,114.05			
Current Assets	Accounts Receivable	1150	Rents Receivable	170,944.50			
Current Assets	Accounts Receivable	1190	Miscellaneous Current and Accrued Assets	1,625,807.15			
Current Assets	Accounts Receivable	2205	Accounts Payable	3,266,314.17			
Current Assets	Accounts Receivable	2208	Customer Credit Balances	(489,021.31)			
					84,709		84,709
Current Assets	Materials and supplies	1305	Fuel Stock	49,829.46			
Current Assets	Materials and supplies	1330	Plant Materials and Operating Supplies	407,705.06			
					458		458
Current Assets	Prepaid expenses	1180	Prepayments	1,752,288.79			
					1,752		1,752
Non-current assets	Property, plant and equipment	1805	Land	379,689.89			
Non-current assets	Property, plant and equipment	1808	Buildings and Fixtures	1,389,995.06			
Non-current assets	Property, plant and equipment	1820	Distribution Station Equipment - Normally Primary Below 50 kV	16,573,405.44			
Non-current assets	Property, plant and equipment	1830	Poles, Towers and Fixtures	52,662,366.57			
Non-current assets	Property, plant and equipment	1835	Overhead Conductors and Devices	75,605,391.56			
Non-current assets	Property, plant and equipment	1840	Underground Conduit	82,180,806.17			
Non-current assets	Property, plant and equipment	1845	Underground Conductors and Devices	102,828,087.07			
Non-current assets	Property, plant and equipment	1850	Line Transformers	111,124,719.49			
Non-current assets	Property, plant and equipment	1855	Services	50,877,890.55			
Non-current assets	Property, plant and equipment	1860	Meters	33,679,998.64			
Non-current assets	Property, plant and equipment	1908	Buildings and Fixtures	25,175,564.12			
Non-current assets	Property, plant and equipment	1915	Office Furniture and Equipment	1,270,266.71			
Non-current assets	Property, plant and equipment	1920	Computer Equipment - Hardware	1,315,919.23			
Non-current assets	Property, plant and equipment	1930	Transportation Equipment	14,853,629.19			
Non-current assets	Property, plant and equipment	1935	Stores Equipment	344,165.95			
Non-current assets	Property, plant and equipment	1940	Tools, Shop and Garage Equipment	987,170.25			
Non-current assets	Property, plant and equipment	1945	Measurement and Testing Equipment	1,343,477.84			
Non-current assets	Property, plant and equipment	1950	Power Operated Equipment	1,276,824.43			
Non-current assets	Property, plant and equipment	1955	Communication Equipment	5,538,728.71			
Non-current assets	Property, plant and equipment	1960	Miscellaneous Equipment	61,114.62			
Non-current assets	Property, plant and equipment	1980	System Supervisory Equipment	5,892,666.44			
Non-current assets	Property, plant and equipment	1995	Contributions and Grants - Credit	(39,262,042.69)			
Non-current assets	Property, plant and equipment	2005	Property Under Finance Leases	2,318,969.00			
Non-current assets	Property, plant and equipment	2055	Construction Work in Progress - Electric	12,535,395.56			
Non-current assets	Property, plant and equipment	2075	Non Rate-Regulated Utility Property Owned or Under Finance Leases	2,523,348.91			
Non-current assets	Property, plant and equipment	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipment	(209,431,074.95)			
Non-current assets	Property, plant and equipment	2180	Accumulated Depreciation of Non Rate-Regulated Utility Property	(1,054,538.04)			
					352,992		352,992
Non-current assets	Intangible assets	1508	Other Regulatory Assets	8,311,537.07			
Non-current assets	Intangible assets	1610	Miscellaneous Intangible Plant	1,293,406.49			
Non-current assets	Intangible assets	1611	Computer Software	23,435,565.24			
Non-current assets	Intangible assets	1612	Land Rights	688,377.31			
Non-current assets	Intangible assets	2055	Construction Work in Progress - Electric	931,499.84			
Non-current assets	Intangible assets	2120	Accumulated Amortization of Electric Utility Plant - Intangibles	(11,217,642.92)			
					23,443		23,443
Regulatory Balances	Regulatory Balances	1495	Deferred Taxes - Non-Current Assets	11,698,741.00			
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	990,632.52			
Regulatory Balances	Regulatory Balances	1509	Impacts Arising from the COVID-19 Emergency	1,462,096.65			
Regulatory Balances	Regulatory Balances	1518	RCVAREtail	311,258.22			
Regulatory Balances	Regulatory Balances	1548	RCVASTR	12,465.83			
Regulatory Balances	Regulatory Balances	1551	SME Charge Variance Account	(207,050.93)			
Regulatory Balances	Regulatory Balances	1568	LRAM Variance Account	3,118,465.58			
Regulatory Balances	Regulatory Balances	1580	RSVAWMS	(6,228,320.96)			
Regulatory Balances	Regulatory Balances	1584	RSVANW	3,633,931.26			
Regulatory Balances	Regulatory Balances	1586	RSVACH	206,842.53			
Regulatory Balances	Regulatory Balances	1588	RSVAPOWER	2,048,586.10			
Regulatory Balances	Regulatory Balances	1589	RSVAGA	6,395,428.93			
Regulatory Balances	Regulatory Balances	1595	Disposition and Recovery/Refund of Regulatory Balances Control Account	(449,751.34)			
					22,993		22,993
NET ASSETS					514,645		514,645
LIABILITIES AND EQUITY							
Current Liabilities	Accounts payable and accrued liabilities	2205	Accounts Payable	(41,987,202.27)			
Current Liabilities	Accounts payable and accrued liabilities	2292	Payroll Deductions / Expenses Payable	(4,015,924.33)			
					(46,003)		(46,004)
						(1)	rounding on AFS

AFS Section	AFS Grouping	USoFA	OEB Account Name	2020 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)		
Current Liabilities	Due to shareholder	2240	Accounts Payable to Associated Companies	(5,749,350.43)	(5,749)		(5,749)	-	
Current Liabilities	Income tax payable	2294	Accrual for Taxes, "Payments in Lieu" of Taxes, Etc.	(100,224.00)	(100)		(100)	-	
Current Liabilities	Dividends payable	2215	Dividends Declared	(5,000,000.00)	(5,000)		(5,000)	-	
Current Liabilities	Current portion of lease liability	2285	Obligations Under Finance Leases - Current	(33,740.00)	(34)		(34)	-	
Current Liabilities	Customer and other deposits	2210	Customer Deposits	(590,000.00)					
Current Liabilities	Customer and other deposits	2220	Miscellaneous Current and Accrued Liabilities	(2,332,955.60)	(2,923)		(2,923)	-	
Current Liabilities	Deferred revenue	2210	Customer Deposits	(2,262,534.47)					
Current Liabilities	Deferred revenue	2440	Deferred Revenues	(829,000.00)	(3,092)		(3,092)	-	
Non-current Liabilities	Long Term Debt	2520	Other Non-Current Debt	(200,000,000.00)	(200,000)		(200,000)	-	
Non-current Liabilities	Post-employment benefits	2306	OPEB Liability	(16,100,100.00)	(16,100)		(16,100)	0	
Non-current Liabilities	Customer and other deposits	2335	Non-Current Customer Deposits	(2,025,018.69)	(2,025)		(2,025)	-	
Non-current Liabilities	Deferred revenue	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipment	2,166,437.90					
Non-current Liabilities	Deferred revenue	2335	Non-Current Customer Deposits	(7,151,293.90)					
Non-current Liabilities	Deferred revenue	2440	Deferred Revenues	(29,342,170.62)	(34,327)		(34,327)	-	
Non-current Liabilities	Deferred tax liability	2350	Deferred Tax - Non-Current Liability	(9,506,222.00)	(9,506)		(9,506)	-	
Non-current Liabilities	Lease liability	2325	Obligations Under Finance Lease - Non-Current	(2,189,754.00)	(2,190)		(2,190)	-	
Non-current Liabilities	Unrealized loss on interest rate swap	2320	Other Miscellaneous Non-Current Liabilities	(8,277,261.03)	(8,277)		(8,277)	-	
Equity	Share capital and Retained earnings	3005	Common Shares Issued	(62,262,550.69)					
Equity	Share capital and Retained earnings	3030	Miscellaneous Paid-In Capital	(39,254,284.95)					
Equity	Share capital and Retained earnings	3045	Unappropriated Retained Earnings	(152,825,691.28)					
Equity	Share capital and Retained earnings	3046	Profit / Loss (from Income Statement)		(5,448)	(5,448)			
Equity	Share capital and Retained earnings	3049	Dividends Payable - Common Shares	84,000,000.00					
Equity	Share capital and Retained earnings	3075	Non Rate-Regulated Utility Shareholders' Equity	(794,508.20)	(171,137)		(176,582)	3	
Equity	Accumulated other comprehensive loss	1508	Other Regulatory Assets	860,100.00					
Equity	Accumulated other comprehensive loss	3090	Accumulated Other Comprehensive Income	586,600.00	1,447		1,446	(1)	rounding on AFS
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	(1,276,728.07)					
Regulatory Balances	Regulatory Balances	1592	PILs and Tax Variances - CCA Changes	(2,905,358.00)	(4,182)		(4,182)	-	
NET LIABILITIES AND EQUITY					(514,646)		(514,645)	1	
INCOME STATEMENT									
REVENUES									
Revenues	Electricity Sales	4006	Residential Energy Sales	(146,631,186.38)					
Revenues	Electricity Sales	4020	Energy Sales to Large Users	(12,053,129.76)					
Revenues	Electricity Sales	4025	Street Lighting Energy Sales	(2,118,395.38)					
Revenues	Electricity Sales	4030	Sentinel Lighting Energy Sales	(66,295.78)					
Revenues	Electricity Sales	4035	General Energy Sales	(183,855,485.18)					
Revenues	Electricity Sales	4050	Revenue Adjustment	(1,353,869.86)					
Revenues	Electricity Sales	4055	Energy Sales For Retailers/Others	(29,586,102.06)					
Revenues	Electricity Sales	4062	Billed - WMS	(12,226,804.56)					
Revenues	Electricity Sales	4066	Billed - NW	(22,258,627.84)					
Revenues	Electricity Sales	4068	Billed - CN	(20,635,241.59)					
Revenues	Electricity Sales	4076	Billed - Smart Metering Entity Charge	(1,093,053.37)					
Revenues	Electricity Sales	4080	Distribution Services Revenue	(4,358,432.92)		(436,237)	(436,237)	-	
Revenues	Distribution Revenue	4080	Distribution Services Revenue	(70,220,418.86)					
Revenues	Distribution Revenue	4235	Miscellaneous Service Revenues	(18,186.45)		(70,239)	(70,239)	-	
Revenues	Other	4082	Retail Services Revenues	(87,331.21)					
Revenues	Other	4084	Service Transaction Requests (STR) Revenues	(1,609.05)					
Revenues	Other	4086	SSS Administration Revenue	(482,462.39)					
Revenues	Other	4210	Rent from Electric Property	(968,444.90)					
Revenues	Other	4225	Late Payment Charges	(1,471,124.04)					
Revenues	Other	4235	Miscellaneous Service Revenues	(1,188,397.88)					
Revenues	Other	4245	Government and Other Assistance Directly Credited to Income	(678,149.82)					

AFS Section	AFS Grouping	USofA	OEB Account Name	2020 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)
Revenues	Other	4325	Revenues from Merchandise	(210,923.40)			
Revenues	Other	4355	Gain on Disposition of Utility and Other Property	(28,107.56)			
Revenues	Other	4375	Revenues from Non Rate-Regulated Utility Operations	(542,585.30)			
Revenues	Other	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generation Facility Expenses	(8,519.76)			
Revenues	Other	4390	Miscellaneous Non-Operating Income	(849,448.11)			
Revenues	Other	4398	Foreign Exchange Gains and Losses, Including Amortization	(13,325.93)			
Revenues	Other	5010	Load Dispatching	(17,487.00)			
Revenues	Other	5120	Maintenance of Poles, Towers and Fixtures	(13,311.00)			
Revenues	Other	5310	Meter Reading Expense	(745,005.96)			
Revenues	Other	5315	Customer Billing	(2,359,965.05)			
Revenues	Other	5320	Collecting	(424,328.95)			
Revenues	Other	5330	Collection Charges	(41,529.00)			
Revenues	Other	5415	Energy Conservation	(94,323.26)			
Revenues	Other	5605	Executive Salaries and Expenses	(28,877.31)			
Revenues	Other	5610	Management Salaries and Expenses	(95,421.53)			
Revenues	Other	5615	General Administrative Salaries and Expenses	(147,391.52)			
Revenues	Other	5620	Office Supplies and Expenses	(153,629.09)			
Revenues	Other	5630	Outside Services Employed	56,047.59			
Revenues	Other	5665	Miscellaneous General Expenses	(62,693.55)			
Revenues	Other	6110	Income Taxes	(569,477.00)			
						(11,229)	(11,228)
							1
							rounding on AFS
EXPENSES							
Operating Expenses	Electricity purchased	4705	Power Purchased	231,765,489.18			
Operating Expenses	Electricity purchased	4707	Charges - Global Adjustment	145,581,060.90			
Operating Expenses	Electricity purchased	4708	Charges - WMS	10,659,921.44			
Operating Expenses	Electricity purchased	4714	Charges - NW	23,657,019.48			
Operating Expenses	Electricity purchased	4716	Charges - CN	20,894,340.16			
Operating Expenses	Electricity purchased	4751	Charges - Smart Metering Entity Charge	1,077,576.45			
						433,635	433,635
Operating Expenses	Operating Expenses	4330	Costs and Expenses of Merchandising	82,753.86			
Operating Expenses	Operating Expenses	4375	Revenues from Non Rate-Regulated Utility Operations	(5,327,082.35)			
Operating Expenses	Operating Expenses	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generation Facility Expenses	5,537,833.88			
Operating Expenses	Operating Expenses	4390	Miscellaneous Non-Operating Income	(711.91)			
Operating Expenses	Operating Expenses	4405	Interest and Dividend Income	(33,448.86)			
Operating Expenses	Operating Expenses	5005	Operation Supervision and Engineering	2,008,378.04			
Operating Expenses	Operating Expenses	5010	Load Dispatching	2,740,678.49			
Operating Expenses	Operating Expenses	5012	Station Buildings and Fixtures Expense	336,795.34			
Operating Expenses	Operating Expenses	5016	Distribution Station Equipment - Operation Labour	13,145.74			
Operating Expenses	Operating Expenses	5017	Distribution Station Equipment - Operation Supplies and Expenses	139,354.23			
Operating Expenses	Operating Expenses	5020	Overhead Distribution Lines and Feeders - Operation Labour	144,047.27			
Operating Expenses	Operating Expenses	5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	273,571.83			
Operating Expenses	Operating Expenses	5035	Overhead Distribution Transformers - Operation	18,658.58			
Operating Expenses	Operating Expenses	5040	Underground Distribution Lines and Feeders - Operation Labour	41,249.34			
Operating Expenses	Operating Expenses	5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	185,782.52			
Operating Expenses	Operating Expenses	5055	Underground Distribution Transformers - Operation	59,785.83			
Operating Expenses	Operating Expenses	5065	Meter Expense	1,833,605.06			
Operating Expenses	Operating Expenses	5085	Miscellaneous Distribution Expense	1,917,663.52			
Operating Expenses	Operating Expenses	5095	Overhead Distribution Lines and Feeders - Rental Paid	122,601.54			
Operating Expenses	Operating Expenses	5105	Maintenance Supervision and Engineering	1,623,674.62			
Operating Expenses	Operating Expenses	5110	Maintenance of Buildings and Fixtures - Distribution Stations	86,472.88			
Operating Expenses	Operating Expenses	5114	Maintenance of Distribution Station Equipment	970,372.28			
Operating Expenses	Operating Expenses	5120	Maintenance of Poles, Towers and Fixtures	580,021.82			
Operating Expenses	Operating Expenses	5125	Maintenance of Overhead Conductors and Devices	1,489,739.77			
Operating Expenses	Operating Expenses	5130	Maintenance of Overhead Services	150,843.23			
Operating Expenses	Operating Expenses	5135	Overhead Distribution Lines and Feeders - Right of Way	1,200,577.82			
Operating Expenses	Operating Expenses	5145	Maintenance of Underground Conduit	324,267.70			
Operating Expenses	Operating Expenses	5150	Maintenance of Underground Conductors and Devices	1,079,235.98			
Operating Expenses	Operating Expenses	5155	Maintenance of Underground Services	1,167,571.78			
Operating Expenses	Operating Expenses	5160	Maintenance of Line Transformers	115,294.08			
Operating Expenses	Operating Expenses	5175	Maintenance of Meters	34,379.43			
Operating Expenses	Operating Expenses	5305	Supervision	211,572.34			
Operating Expenses	Operating Expenses	5310	Meter Reading Expense	2,144,455.48			
Operating Expenses	Operating Expenses	5315	Customer Billing	4,292,669.51			
Operating Expenses	Operating Expenses	5320	Collecting	1,386,416.92			
Operating Expenses	Operating Expenses	5335	Bad Debt Expense	800,010.64			
Operating Expenses	Operating Expenses	5410	Community Relations - Sundry	97,670.97			
Operating Expenses	Operating Expenses	5415	Energy Conservation	94,323.26			
Operating Expenses	Operating Expenses	5420	Community Safety Program	25,074.57			
Operating Expenses	Operating Expenses	5605	Executive Salaries and Expenses	1,399,744.11			
Operating Expenses	Operating Expenses	5610	Management Salaries and Expenses	2,102,152.99			
Operating Expenses	Operating Expenses	5615	General Administrative Salaries and Expenses	4,238,900.62			
Operating Expenses	Operating Expenses	5620	Office Supplies and Expenses	2,286,544.73			
Operating Expenses	Operating Expenses	5630	Outside Services Employed	1,009,571.06			
Operating Expenses	Operating Expenses	5635	Property Insurance	521,293.36			
Operating Expenses	Operating Expenses	5640	Injuries and Damages	596,303.05			
Operating Expenses	Operating Expenses	5645	OMERS Pensions and Benefits	65,047.15			
Operating Expenses	Operating Expenses	5655	Regulatory Expenses	707,267.84			
Operating Expenses	Operating Expenses	5660	General Advertising Expenses	795,838.18			
Operating Expenses	Operating Expenses	5665	Miscellaneous General Expenses	1,760,915.31			
Operating Expenses	Operating Expenses	5675	Maintenance of General Plant	684,044.68			
Operating Expenses	Operating Expenses	6105	Taxes Other Than Income Taxes	572,285.61			
Operating Expenses	Operating Expenses	6205	Donations	202,157.00			
						44,909	44,910
							1
							rounding on AFS
Operating Expenses	Depreciation and Amortization	5085	Miscellaneous Distribution Expense	1,078,272.10			
Operating Expenses	Depreciation and Amortization	5665	Miscellaneous General Expenses	679,544.28			
Operating Expenses	Depreciation and Amortization	5705	Depreciation Expense - Property, Plant, and Equipment	14,446,300.38			

AFS Section	AFS Grouping	USofA	OEB Account Name	2020 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)		
Operating Expenses	Depreciation and Amortization	5715	Amortization of Intangible Assets	5,099,566.29					
Operating Expenses	Depreciation and Amortization	5725	Miscellaneous Depreciation	129,183.23					
						21,433	21,432	(1)	rounding on AFS
Finance (Income) Expenses	Net finance expense	4335	Profits and Losses from Financial Instrument Hedges	6,629,973.03					
Finance (Income) Expenses	Net finance expense	4405	Interest and Dividend Income	(104,755.77)					
Finance (Income) Expenses	Net finance expense	6005	Interest on Long Term Debt	4,331,740.72					
Finance (Income) Expenses	Net finance expense	6035	Other Interest Expense	102,997.53					
Finance (Income) Expenses	Net finance expense	6045	Interest Expense on Finance Capital Lease Obligations	67,236.00					
						11,027	11,027	-	
Income tax expense	Income tax expense	6110	Income Taxes	617,042.00					
Income tax expense	Income tax expense	6115	Provision for Deferred Taxes - Income Statement	589,157.00					
						1,206	1,206	-	
Movement of regulatory balances	Net movement of regulatory balances	1509	Impacts Arising from the COVID-19 Emergency	1,626,195.30					
Movement of regulatory balances	Net movement of regulatory balances	4050	Revenue Adjustment	(1,682,085.68)					
Movement of regulatory balances	Net movement of regulatory balances	4062	Billed - WMS	1,566,883.12					
Movement of regulatory balances	Net movement of regulatory balances	4066	Billed - NW	(1,396,391.64)					
Movement of regulatory balances	Net movement of regulatory balances	4068	Billed - CN	(259,098.57)					
Movement of regulatory balances	Net movement of regulatory balances	4076	Billed - Smart Metering Entity Charge	15,476.92					
Movement of regulatory balances	Net movement of regulatory balances	4080	Distribution Services Revenue	4,454,592.54					
Movement of regulatory balances	Net movement of regulatory balances	4210	Rent from Electric Property	411,774.96					
Movement of regulatory balances	Net movement of regulatory balances	4225	Late Payment Charges	(683,396.81)					
Movement of regulatory balances	Net movement of regulatory balances	4235	Miscellaneous Service Revenues	(1,518.10)					
Movement of regulatory balances	Net movement of regulatory balances	4405	Interest and Dividend Income	(388,616.62)					
Movement of regulatory balances	Net movement of regulatory balances	5315	Customer Billing	(43,784.12)					
Movement of regulatory balances	Net movement of regulatory balances	5665	Miscellaneous General Expenses	(1,605,016.15)					
Movement of regulatory balances	Net movement of regulatory balances	6035	Other Interest Expense	136,331.67					
						2,149	2,150	1	rounding on AFS
Movement of regulatory balances	Income taxes	6115	Provision for Deferred Taxes - Income Statement	(2,346,100.00)					
						(2,346)	(2,346)	-	
Other comprehensive income	Remeasurements of post-employment benefits	3045	Unappropriated Retained Earnings	244,400.00		244	244	-	
Other comprehensive income	Tax on remeasurements	3045	Unappropriated Retained Earnings	(64,766.00)		(65)	(65)	-	
Other comprehensive income	Net movement in regulatory balances, net of tax	3045	Unappropriated Retained Earnings	64,766.00		65	65	-	
						(5,448)			
		TOTALS		(0.00)					

Part 2: Trial Balance by Account

Section	Grouping	OEB	OEB Account Name	2020
Current Assets	Cash and Cash Equivalent	1005	Cash	28,298,214.63
Current Assets	Accounts Receivable	1100	Customer Accounts Receivable	24,832,477.64
Current Assets	Accounts Receivable	1104	Accounts Receivable - Recoverable Work	7,240,562.48
Current Assets	Accounts Receivable	1110	Other Accounts Receivable	6,335,909.66
Current Assets	Accounts Receivable	1120	Accrued Utility Revenues	45,440,185.67
Current Assets	Accounts Receivable	1130	Accumulated Provision for Uncollectible Accounts - Credit	(3,730,415.43)
Current Assets	Accounts Receivable	1140	Interest and Dividends Receivable	16,114.05
Current Assets	Accounts Receivable	1150	Rents Receivable	170,944.50
Current Assets	Prepaid expenses	1180	Prepayments	1,752,288.79
Current Assets	Accounts Receivable	1190	Miscellaneous Current and Accrued Assets	1,625,807.15
Current Assets	Materials and supplies	1305	Fuel Stock	49,829.46
Current Assets	Materials and supplies	1330	Plant Materials and Operating Supplies	407,705.06
Regulatory Balances	Regulatory Balances	1495	Deferred Taxes - Non-Current Assets	11,698,741.00
Equity	Accumulated other comprehensive loss	1508	Other Regulatory Assets	860,100.00
Non-current assets	Intangible assets	1508	Other Regulatory Assets	8,311,537.07
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	990,632.52
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	(1,276,728.07)
Movement of regulatory balances	Net movement of regulatory balances	1509	Impacts Arising from the COVID-19 Emergency	1,626,195.30
Regulatory Balances	Regulatory Balances	1509	Impacts Arising from the COVID-19 Emergency	1,462,096.65
Regulatory Balances	Regulatory Balances	1518	RCVARetail	311,258.22
Regulatory Balances	Regulatory Balances	1548	RCVASTR	12,465.83
Regulatory Balances	Regulatory Balances	1551	SME Charge Variance Account	(207,050.93)
Regulatory Balances	Regulatory Balances	1568	LRAM Variance Account	3,118,465.58
Regulatory Balances	Regulatory Balances	1580	RSVAWMS	(6,228,320.96)
Regulatory Balances	Regulatory Balances	1584	RSVANW	3,633,931.26
Regulatory Balances	Regulatory Balances	1586	RSVACN	206,842.53
Regulatory Balances	Regulatory Balances	1588	RSVAPOWER	2,048,580.10
Regulatory Balances	Regulatory Balances	1589	RSVAGA	6,395,428.93
Regulatory Balances	Regulatory Balances	1592	PLs and Tax Variances - CCA Changes	(2,905,358.00)
Regulatory Balances	Regulatory Balances	1595	Disposition and Recovery/Refund of Regulatory Balances Control Account	(449,751.34)
Non-current assets	Intangible assets	1610	Miscellaneous Intangible Plant	1,293,406.49
Non-current assets	Intangible assets	1611	Computer Software	23,435,565.24
Non-current assets	Intangible assets	1612	Land Rights	688,377.31
Non-current assets	Property, plant and equipment	1805	Land	379,689.89
Non-current assets	Property, plant and equipment	1808	Buildings and Fixtures	1,389,995.06
Non-current assets	Property, plant and equipment	1820	Distribution Station Equipment - Normally Primary Below 50 kV	16,573,405.44
Non-current assets	Property, plant and equipment	1830	Poles, Towers and Fixtures	52,662,366.57
Non-current assets	Property, plant and equipment	1835	Overhead Conductors and Devices	75,605,391.56
Non-current assets	Property, plant and equipment	1840	Underground Conduit	82,180,806.17
Non-current assets	Property, plant and equipment	1845	Underground Conductors and Devices	102,828,087.07
Non-current assets	Property, plant and equipment	1850	Line Transformers	111,124,719.49
Non-current assets	Property, plant and equipment	1855	Services	50,877,890.55
Non-current assets	Property, plant and equipment	1860	Meters	33,679,998.64
Non-current assets	Property, plant and equipment	1908	Buildings and Fixtures	25,175,564.12
Non-current assets	Property, plant and equipment	1915	Office Furniture and Equipment	1,270,266.71
Non-current assets	Property, plant and equipment	1920	Computer Equipment - Hardware	1,315,919.23
Non-current assets	Property, plant and equipment	1930	Transportation Equipment	14,853,629.19
Non-current assets	Property, plant and equipment	1935	Stores Equipment	344,165.95
Non-current assets	Property, plant and equipment	1940	Tools, Shop and Garage Equipment	987,170.25
Non-current assets	Property, plant and equipment	1945	Measurement and Testing Equipment	1,343,477.84
Non-current assets	Property, plant and equipment	1950	Power Operated Equipment	1,276,824.43
Non-current assets	Property, plant and equipment	1955	Communication Equipment	5,538,728.71
Non-current assets	Property, plant and equipment	1960	Miscellaneous Equipment	61,114.62
Non-current assets	Property, plant and equipment	1980	System Supervisory Equipment	5,892,666.44
Non-current assets	Property, plant and equipment	1995	Contributions and Grants - Credit	(39,262,042.69)
Non-current assets	Property, plant and equipment	2005	Property Under Finance Leases	2,318,969.00
Non-current assets	Property, plant and equipment	2055	Construction Work in Progress - Electric	12,535,395.56
Non-current assets	Intangible assets	2055	Construction Work in Progress - Electric	931,499.84
Non-current assets	Property, plant and equipment	2075	Non Rate-Regulated Utility Property Owned or Under Finance Leases	2,523,348.91
Non-current assets	Property, plant and equipment	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipme	(209,431,074.95)
Non-current Liabilities	Deferred revenue	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipme	2,166,437.90
Non-current assets	Intangible assets	2120	Accumulated Amortization of Electric Utility Plant - Intangibles	(11,217,642.92)
Non-current assets	Property, plant and equipment	2180	Accumulated Depreciation of Non Rate-Regulated Utility Property	(1,054,538.04)
Current Assets	Accounts Receivable	2205	Accounts Payable	3,266,314.17
Current Liabilities	Accounts payable and accrued liabilities	2205	Accounts Payable	(41,987,202.27)
Current Assets	Accounts Receivable	2208	Customer Credit Balances	(489,021.31)
Current Liabilities	Customer and other deposits	2210	Customer Deposits	(590,000.00)
Current Liabilities	Deferred revenue	2210	Customer Deposits	(2,262,534.47)
Current Liabilities	Dividends payable	2215	Dividends Declared	(5,000,000.00)
Current Liabilities	Customer and other deposits	2220	Miscellaneous Current and Accrued Liabilities	(2,332,955.60)
Current Liabilities	Due to shareholder	2240	Accounts Payable to Associated Companies	(5,749,350.43)
Current Liabilities	Current portion of lease liability	2285	Obligations Under Finance Leases - Current	(33,740.00)
Current Liabilities	Accounts payable and accrued liabilities	2292	Payroll Deductions / Expenses Payable	(4,015,924.33)
Current Liabilities	Income tax payable	2294	Accrual for Taxes, "Payments in Lieu" of Taxes, Etc.	(100,224.00)
Non-current Liabilities	Post-employment benefits	2306	OPEB Liability	(16,100,100.00)
Non-current Liabilities	Unrealized loss on interest rate swap	2320	Other Miscellaneous Non-Current Liabilities	(8,277,261.03)
Non-current Liabilities	Lease liability	2325	Obligations Under Finance Lease - Non-Current	(2,189,754.00)
Non-current Liabilities	Customer and other deposits	2335	Non-Current Customer Deposits	(2,025,018.69)
Non-current Liabilities	Deferred revenue	2335	Non-Current Customer Deposits	(7,151,293.90)
Non-current Liabilities	Deferred tax liability	2350	Deferred Tax - Non-Current Liability	(9,506,222.00)
Current Liabilities	Deferred revenue	2440	Deferred Revenues	(829,000.00)
Non-current Liabilities	Deferred revenue	2440	Deferred Revenues	(29,342,170.62)
Non-current Liabilities	Long Term Debt	2520	Other Non-Current Debt	(200,000,000.00)
Equity	Share capital and Retained earnings	3005	Common Shares Issued	(62,262,550.69)
Equity	Share capital and Retained earnings	3030	Miscellaneous Paid-In Capital	(39,254,284.95)
Equity	Share capital and Retained earnings	3045	Unappropriated Retained Earnings	(152,825,691.28)
Other comprehensive income	Remeasurements of post-employment benefits	3045	Unappropriated Retained Earnings	244,400.00
Other comprehensive income	Tax on remeasurements	3045	Unappropriated Retained Earnings	(64,766.00)
Other comprehensive income	Net movement in regulatory balances, net of tax	3045	Unappropriated Retained Earnings	64,766.00
Equity	Share capital and Retained earnings	3049	Dividends Payable - Common Shares	84,000,000.00
Equity	Share capital and Retained earnings	3075	Non Rate-Regulated Utility Shareholders' Equity	(794,508.20)
Equity	Accumulated other comprehensive loss	3090	Accumulated Other Comprehensive Income	586,600.00
Revenues	Electricity Sales	4006	Residential Energy Sales	(146,631,186.38)
Revenues	Electricity Sales	4020	Energy Sales to Large Users	(12,053,129.76)
Revenues	Electricity Sales	4025	Street Lighting Energy Sales	(2,118,395.38)

Section	Grouping	OEB	OEB Account Name	2020
Revenues	Electricity Sales	4030	Sentinel Lighting Energy Sales	(66,295.78)
Revenues	Electricity Sales	4035	General Energy Sales	(183,855,485.18)
Movement of regulatory balances	Net movement of regulatory balances	4050	Revenue Adjustment	(1,682,085.68)
Revenues	Electricity Sales	4050	Revenue Adjustment	(1,353,869.86)
Revenues	Electricity Sales	4055	Energy Sales For Retailers/Others	(29,586,102.06)
Movement of regulatory balances	Net movement of regulatory balances	4062	Billed - WMS	1,566,883.12
Revenues	Electricity Sales	4062	Billed - WMS	(12,226,804.56)
Movement of regulatory balances	Net movement of regulatory balances	4066	Billed - NW	(1,398,391.64)
Revenues	Electricity Sales	4066	Billed - NW	(22,258,627.84)
Movement of regulatory balances	Net movement of regulatory balances	4068	Billed - CN	(259,098.57)
Revenues	Electricity Sales	4068	Billed - CN	(20,635,241.59)
Movement of regulatory balances	Net movement of regulatory balances	4076	Billed - Smart Metering Entity Charge	15,476.92
Revenues	Electricity Sales	4076	Billed - Smart Metering Entity Charge	(1,093,053.37)
Movement of regulatory balances	Net movement of regulatory balances	4080	Distribution Services Revenue	4,454,592.54
Revenues	Electricity Sales	4080	Distribution Services Revenue	(4,358,432.92)
Revenues	Distribution Revenue	4080	Distribution Services Revenue	(70,220,418.86)
Revenues	Other	4082	Retail Services Revenues	(87,331.21)
Revenues	Other	4084	Service Transaction Requests (STR) Revenues	(1,609.05)
Revenues	Other	4086	SSS Administration Revenue	(482,462.39)
Movement of regulatory balances	Net movement of regulatory balances	4210	Rent from Electric Property	411,774.96
Revenues	Other	4210	Rent from Electric Property	(968,444.90)
Movement of regulatory balances	Net movement of regulatory balances	4225	Late Payment Charges	(683,396.81)
Revenues	Other	4225	Late Payment Charges	(1,471,124.04)
Movement of regulatory balances	Net movement of regulatory balances	4235	Miscellaneous Service Revenues	(1,518.10)
Revenues	Distribution Revenue	4235	Miscellaneous Service Revenues	(18,186.45)
Revenues	Other	4235	Miscellaneous Service Revenues	(1,188,397.88)
Revenues	Other	4245	Government and Other Assistance Directly Credited to Income	(678,149.82)
Revenues	Other	4325	Revenues from Merchandise	(210,923.40)
Operating Expenses	Operating Expenses	4330	Costs and Expenses of Merchandising	82,753.86
Finance (Income) Expenses	Net finance expense	4335	Profits and Losses from Financial Instrument Hedges	6,629,973.03
Revenues	Other	4355	Gain on Disposition of Utility and Other Property	(28,107.56)
Operating Expenses	Operating Expenses	4375	Revenues from Non Rate-Regulated Utility Operations	(5,327,082.35)
Revenues	Other	4375	Revenues from Non Rate-Regulated Utility Operations	(542,585.30)
Operating Expenses	Operating Expenses	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generator	5,537,833.88
Revenues	Other	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generator	(8,519.76)
Operating Expenses	Operating Expenses	4390	Miscellaneous Non-Operating Income	(711.91)
Revenues	Other	4390	Miscellaneous Non-Operating Income	(849,448.11)
Revenues	Other	4398	Foreign Exchange Gains and Losses, Including Amortization	(13,325.93)
Finance (Income) Expenses	Net finance expense	4405	Interest and Dividend Income	(104,755.77)
Movement of regulatory balances	Net movement of regulatory balances	4405	Interest and Dividend Income	(388,616.62)
Operating Expenses	Operating Expenses	4405	Interest and Dividend Income	(33,448.86)
Operating Expenses	Electricity purchased	4705	Power Purchased	231,765,489.18
Operating Expenses	Electricity purchased	4707	Charges - Global Adjustment	145,581,060.90
Operating Expenses	Electricity purchased	4708	Charges - WMS	10,659,921.44
Operating Expenses	Electricity purchased	4714	Charges - NW	23,657,019.48
Operating Expenses	Electricity purchased	4716	Charges - CN	20,894,340.16
Operating Expenses	Electricity purchased	4751	Charges - Smart Metering Entity Charge	1,077,576.45
Operating Expenses	Operating Expenses	5005	Operation Supervision and Engineering	2,008,376.04
Operating Expenses	Operating Expenses	5010	Load Dispatching	2,740,678.49
Revenues	Other	5010	Load Dispatching	(17,487.00)
Operating Expenses	Operating Expenses	5012	Station Buildings and Fixtures Expense	336,795.34
Operating Expenses	Operating Expenses	5016	Distribution Station Equipment - Operation Labour	13,145.74
Operating Expenses	Operating Expenses	5017	Distribution Station Equipment - Operation Supplies and Expenses	139,354.23
Operating Expenses	Operating Expenses	5020	Overhead Distribution Lines and Feeders - Operation Labour	144,047.27
Operating Expenses	Operating Expenses	5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	273,571.83
Operating Expenses	Operating Expenses	5035	Overhead Distribution Transformers - Operation	18,858.58
Operating Expenses	Operating Expenses	5040	Underground Distribution Lines and Feeders - Operation Labour	41,249.34
Operating Expenses	Operating Expenses	5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	185,782.52
Operating Expenses	Operating Expenses	5055	Underground Distribution Transformers - Operation	59,785.83
Operating Expenses	Operating Expenses	5065	Meter Expense	1,833,605.06
Operating Expenses	Operating Expenses	5085	Miscellaneous Distribution Expense	1,917,663.52
Operating Expenses	Depreciation and Amortization	5085	Miscellaneous Distribution Expense	1,078,272.10
Operating Expenses	Operating Expenses	5095	Overhead Distribution Lines and Feeders - Rental Paid	122,601.54
Operating Expenses	Operating Expenses	5105	Maintenance Supervision and Engineering	1,623,674.62
Operating Expenses	Operating Expenses	5110	Maintenance of Buildings and Fixtures - Distribution Stations	86,472.88
Operating Expenses	Operating Expenses	5114	Maintenance of Distribution Station Equipment	970,372.28
Operating Expenses	Operating Expenses	5120	Maintenance of Poles, Towers and Fixtures	580,021.82
Revenues	Other	5120	Maintenance of Poles, Towers and Fixtures	(13,311.00)
Operating Expenses	Operating Expenses	5125	Maintenance of Overhead Conductors and Devices	1,489,739.77
Operating Expenses	Operating Expenses	5130	Maintenance of Overhead Services	150,843.23
Operating Expenses	Operating Expenses	5135	Overhead Distribution Lines and Feeders - Right of Way	1,200,577.82
Operating Expenses	Operating Expenses	5145	Maintenance of Underground Conduit	324,267.70
Operating Expenses	Operating Expenses	5150	Maintenance of Underground Conductors and Devices	1,079,235.98
Operating Expenses	Operating Expenses	5155	Maintenance of Underground Services	1,167,571.78
Operating Expenses	Operating Expenses	5160	Maintenance of Line Transformers	115,284.08
Operating Expenses	Operating Expenses	5175	Maintenance of Meters	34,379.43
Operating Expenses	Operating Expenses	5305	Supervision	211,572.34
Operating Expenses	Operating Expenses	5310	Meter Reading Expense	2,144,455.48
Revenues	Other	5310	Meter Reading Expense	(745,005.96)
Movement of regulatory balances	Net movement of regulatory balances	5315	Customer Billing	(43,784.12)
Operating Expenses	Operating Expenses	5315	Customer Billing	4,292,669.51
Revenues	Other	5315	Customer Billing	(2,359,965.05)
Operating Expenses	Operating Expenses	5320	Collecting	1,386,416.82
Revenues	Other	5320	Collecting	(424,328.95)
Revenues	Other	5330	Collection Charges	(41,529.00)
Operating Expenses	Operating Expenses	5335	Bad Debt Expense	800,010.64
Operating Expenses	Operating Expenses	5410	Community Relations - Sundry	97,670.97
Operating Expenses	Operating Expenses	5415	Energy Conservation	94,323.26
Revenues	Other	5415	Energy Conservation	(94,323.26)
Operating Expenses	Operating Expenses	5420	Community Safety Program	25,074.57
Operating Expenses	Operating Expenses	5605	Executive Salaries and Expenses	1,399,744.11
Revenues	Other	5605	Executive Salaries and Expenses	(28,877.31)
Operating Expenses	Operating Expenses	5610	Management Salaries and Expenses	2,102,152.99
Revenues	Other	5610	Management Salaries and Expenses	(95,421.53)
Operating Expenses	Operating Expenses	5615	General Administrative Salaries and Expenses	4,238,900.62
Revenues	Other	5615	General Administrative Salaries and Expenses	(147,391.52)
Operating Expenses	Operating Expenses	5620	Office Supplies and Expenses	2,286,544.73
Revenues	Other	5620	Office Supplies and Expenses	(153,629.09)
Operating Expenses	Operating Expenses	5630	Outside Services Employed	1,009,571.06
Revenues	Other	5630	Outside Services Employed	55,047.59

Section	Grouping	OEB	OEB Account Name	2020
Operating Expenses	Operating Expenses	5635	Property Insurance	521,293.36
Operating Expenses	Operating Expenses	5640	Injuries and Damages	596,303.05
Operating Expenses	Operating Expenses	5645	OMERS Pensions and Benefits	62,047.15
Operating Expenses	Operating Expenses	5655	Regulatory Expenses	707,267.84
Operating Expenses	Operating Expenses	5660	General Advertising Expenses	795,838.18
Movement of regulatory balances	Net movement of regulatory balances	5665	Miscellaneous General Expenses	(1,605,016.15)
Operating Expenses	Operating Expenses	5665	Miscellaneous General Expenses	1,760,915.31
Operating Expenses	Depreciation and Amortization	5665	Miscellaneous General Expenses	679,544.28
Revenues	Other	5665	Miscellaneous General Expenses	(62,693.55)
Operating Expenses	Operating Expenses	5675	Maintenance of General Plant	684,044.68
Operating Expenses	Depreciation and Amortization	5705	Depreciation Expense - Property, Plant, and Equipment	14,446,300.38
Operating Expenses	Depreciation and Amortization	5715	Amortization of Intangible Assets	5,099,566.29
Operating Expenses	Depreciation and Amortization	5725	Miscellaneous Depreciation	129,183.23
Finance (Income) Expenses	Net finance expense	6005	Interest on Long Term Debt	4,331,740.72
Finance (Income) Expenses	Net finance expense	6035	Other Interest Expense	102,997.53
Movement of regulatory balances	Net movement of regulatory balances	6035	Other Interest Expense	136,331.67
Finance (Income) Expenses	Net finance expense	6045	Interest Expense on Finance Capital Lease Obligations	67,236.00
Operating Expenses	Operating Expenses	6105	Taxes Other Than Income Taxes	572,285.61
Income tax expense	Income tax expense	6110	Income Taxes	617,042.00
Revenues	Other	6110	Income Taxes	(569,477.00)
Income tax expense	Income tax expense	6115	Provision for Deferred Taxes - Income Statement	589,157.00
Movement of regulatory balances	Income taxes	6115	Provision for Deferred Taxes - Income Statement	(2,346,100.00)
Operating Expenses	Operating Expenses	6205	Donations	202,157.00

0.00

2.1.6 AFS - Income Tax Expense

Income tax expense is comprised of:

	YEAR 2020	USoA
Current income tax		
Current year	\$ 574	6110
Amendment for prior period income tax credits	(10)	6110
Adjustment for prior period income tax expense	53	6110
	617	
Deferred tax		
Change in recognized deductible temporary differences:		
Loss on interest rate swap loss	(1,757)	6115
Property, plant, equipment and intangible assets	3,085	6115
Post-employment benefits	(85)	6115
Deferred revenue	(654)	6115
	589	
Total current and deferred income tax in profit and loss, before movement of regulatory balance	1,206	
Other comprehensive income		
Post-employment benefits	(65)	6115
Total current and deferred income tax, before movement of regulatory balances	1,141	
Net movement in regulatory balances	(2,281)	6115
Income tax expense recognized in Statement of Comprehensive Income	\$ (1,140)	

2.1.13 Reconciliation (Mapping) - Income Tax Expense

AFS Grouping	Account Name	Trial Balance	USoA
Income tax expense	Income Taxes	\$ 617	6110
Other Revenue (SRED income tax credits)	Income Taxes	\$ (569)	6110
		\$ 48	
Income tax expense	Provision for Deferred Taxes - Income Statement	\$ 589	6115
Net movement in regulatory balances, net of tax	Provision for Deferred Taxes - Income Statement	\$ (2,346)	6115
		\$ (1,757)	

2.1.7 Trial Balance - Income Tax Expense

Account Name	Trial Balance	USoA
Income Taxes	\$ 47,565	6110
Provision for Future Income Taxes	\$ (1,756,943)	6115

Trial Balance Mapped to Financial Statement Grouping

AFS Section	AFS Grouping	USofA	OEB Account Name	2019 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)		
BALANCE SHEET									
ASSETS									
Current Assets	Cash and Cash Equivalent	1005	Cash	3,427,745.20					
					3,428		3,428		
Current Assets	Accounts Receivable	1100	Customer Accounts Receivable	20,503,736.05					
Current Assets	Accounts Receivable	1104	Accounts Receivable - Recoverable Work	4,796,190.42					
Current Assets	Accounts Receivable	1110	Other Accounts Receivable	2,382,440.17					
Current Assets	Accounts Receivable	1120	Accrued Utility Revenues	43,909,747.51					
Current Assets	Accounts Receivable	1130	Accumulated Provision for Uncollectible Accounts - Credit	(2,632,520.17)					
Current Assets	Accounts Receivable	1140	Interest and Dividends Receivable	21,219.88					
Current Assets	Accounts Receivable	1150	Rents Receivable	161,540.61					
Current Assets	Accounts Receivable	1190	Miscellaneous Current and Accrued Assets	213,925.35					
Current Assets	Accounts Receivable	2205	Accounts Payable	2,718,537.97					
Current Assets	Accounts Receivable	2208	Customer Credit Balances	(705,966.82)					
					71,369		71,369		
Current Assets	Income tax receivable	2294	Accrual for Taxes, "Payments in Lieu" of Taxes, Etc.	1,171,493.00					
					1,171		1,171		
Current Assets	Materials and supplies	1305	Fuel Stock	51,917.77					
Current Assets	Materials and supplies	1330	Plant Materials and Operating Supplies	366,175.34					
					418		418		
Current Assets	Prepaid expenses	1180	Prepayments	2,338,219.70					
					2,338		2,338		
Non-current assets	Property, plant and equipment	1805	Land	385,689.89					
Non-current assets	Property, plant and equipment	1808	Buildings and Fixtures	1,389,995.06					
Non-current assets	Property, plant and equipment	1820	Distribution Station Equipment - Normally Primary Below 50 KV	16,347,992.40					
Non-current assets	Property, plant and equipment	1830	Poles, Towers and Fixtures	49,945,963.57					
Non-current assets	Property, plant and equipment	1835	Overhead Conductors and Devices	71,711,568.99					
Non-current assets	Property, plant and equipment	1840	Underground Conduit	71,563,823.96					
Non-current assets	Property, plant and equipment	1845	Underground Conductors and Devices	99,423,796.01					
Non-current assets	Property, plant and equipment	1850	Line Transformers	106,352,664.05					
Non-current assets	Property, plant and equipment	1855	Services	46,204,229.24					
Non-current assets	Property, plant and equipment	1860	Meters	32,477,169.09					
Non-current assets	Property, plant and equipment	1908	Buildings and Fixtures	26,045,376.72					
Non-current assets	Property, plant and equipment	1915	Office Furniture and Equipment	1,107,401.52					
Non-current assets	Property, plant and equipment	1920	Computer Equipment - Hardware	1,200,638.58					
Non-current assets	Property, plant and equipment	1930	Transportation Equipment	13,307,101.63					
Non-current assets	Property, plant and equipment	1935	Stores Equipment	333,637.54					
Non-current assets	Property, plant and equipment	1940	Tools, Shop and Garage Equipment	830,909.03					
Non-current assets	Property, plant and equipment	1945	Measurement and Testing Equipment	1,314,549.77					
Non-current assets	Property, plant and equipment	1950	Power Operated Equipment	1,376,824.43					
Non-current assets	Property, plant and equipment	1955	Communication Equipment	5,093,334.37					
Non-current assets	Property, plant and equipment	1960	Miscellaneous Equipment	57,659.79					
Non-current assets	Property, plant and equipment	1980	System Supervisory Equipment	5,303,054.22					
Non-current assets	Property, plant and equipment	1995	Contributions and Grants - Credit	(39,262,042.69)					
Non-current assets	Property, plant and equipment	2005	Property Under Finance Leases	2,318,969.00					
Non-current assets	Property, plant and equipment	2055	Construction Work in Progress - Electric	14,333,398.46					
Non-current assets	Property, plant and equipment	2075	Non Rate-Regulated Utility Property Owned or Under Finance Leases	2,523,348.91					
Non-current assets	Property, plant and equipment	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipment	(200,120,300.39)					
Non-current assets	Property, plant and equipment	2180	Accumulated Depreciation of Non Rate-Regulated Utility Property	(925,354.81)					
					330,641		330,641		
Non-current assets	Intangible assets	1508	Other Regulatory Assets	8,991,081.35					
Non-current assets	Intangible assets	1610	Miscellaneous Intangible Plant	1,293,406.49					
Non-current assets	Intangible assets	1611	Computer Software	23,241,788.66					
Non-current assets	Intangible assets	1612	Land Rights	571,929.94					
Non-current assets	Intangible assets	2055	Construction Work in Progress - Electric	749,456.64					
Non-current assets	Intangible assets	2120	Accumulated Amortization of Electric Utility Plant - Intangibles	(11,333,764.06)					
					23,514		23,514		
Regulatory Balances	Regulatory Balances	1495	Deferred Taxes - Non-Current Assets	9,417,407.00					
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	666,566.88					
Regulatory Balances	Regulatory Balances	1518	RCVAREtail	266,152.88					
Regulatory Balances	Regulatory Balances	1548	RCVASTR	9,906.19					
Regulatory Balances	Regulatory Balances	1551	SME Charge Variance Account	(189,009.45)					
Regulatory Balances	Regulatory Balances	1568	LRAM Variance Account	2,185,697.61					
Regulatory Balances	Regulatory Balances	1580	RSVAVMS	(4,593,713.99)					
Regulatory Balances	Regulatory Balances	1584	RSVANW	2,206,068.77					
Regulatory Balances	Regulatory Balances	1586	RSVACN	(48,882.57)					
Regulatory Balances	Regulatory Balances	1588	RSVAPOWER	1,004,198.69					
Regulatory Balances	Regulatory Balances	1589	RSVAGA	5,645,394.31					
Regulatory Balances	Regulatory Balances	1595	Disposition and Recovery/Refund of Regulatory Balances Control Account	4,448,674.63					
					21,018		21,019	1	rounding on AFS
NET ASSETS					453,897		453,898	1	
LIABILITIES AND EQUITY									
Current Liabilities	Accounts payable and accrued liabilities	2205	Accounts Payable	(44,890,733.30)					
Current Liabilities	Accounts payable and accrued liabilities	2220	Miscellaneous Current and Accrued Liabilities						

AFS Section	AFS Grouping	USoFA	OEB Account Name	2019 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)		
Current Liabilities	Accounts payable and accrued liabilities	2290	Commodity Taxes	(167,001.68)					
Current Liabilities	Accounts payable and accrued liabilities	2292	Payroll Deductions / Expenses Payable	(3,381,664.10)	(48,439)		(48,440)	(1)	rounding on AFS
Current Liabilities	Due to shareholder	2240	Accounts Payable to Associated Companies	(6,952,415.58)	(6,952)		(6,952)	-	
Current Liabilities	Current portion of lease liability	2285	Obligations Under Finance Leases - Current	(32,763.00)	(33)		(33)	-	
Current Liabilities	Customer and other deposits	2210	Customer Deposits	(266,548.68)					
Current Liabilities	Customer and other deposits	2220	Miscellaneous Current and Accrued Liabilities	(815,532.43)	(1,082)		(1,082)	-	
Current Liabilities	Deferred revenue	2210	Customer Deposits	(2,112,613.63)					
Current Liabilities	Deferred revenue	2440	Deferred Revenues	(658,000.00)	(2,771)		(2,771)	-	
Non-current Liabilities	Long Term Debt	2520	Other Non-Current Debt	(155,000,000.00)	(155,000)		(155,000)	-	
Non-current Liabilities	Post-employment benefits	2306	OPEB Liability	(15,534,600.00)	(15,535)		(15,535)	(0)	
Non-current Liabilities	Customer and other deposits	2335	Non-Current Customer Deposits	(3,324,288.94)	(3,324)		(3,324)	-	
Non-current Liabilities	Deferred revenue	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipment	1,488,288.08					
Non-current Liabilities	Deferred revenue	2335	Non-Current Customer Deposits	(9,693,745.59)					
Non-current Liabilities	Deferred revenue	2440	Deferred Revenues	(22,674,377.50)	(30,880)		(30,880)	-	
Non-current Liabilities	Deferred tax liability	2350	Deferred Tax - Non-Current Liability	(8,981,831.00)	(8,982)		(8,982)	-	
Non-current Liabilities	Lease liability	2325	Obligations Under Finance Lease - Non-Current	(2,223,495.00)	(2,223)		(2,223)	-	
Non-current Liabilities	Unrealized loss on interest rate swap	2320	Other Miscellaneous Non-Current Liabilities	(1,647,288.00)	(1,647)		(1,647)	-	
Equity	Share capital and Retained earnings	3005	Common Shares Issued	(62,262,550.69)					
Equity	Share capital and Retained earnings	3030	Miscellaneous Paid-In Capital	(39,254,284.95)					
Equity	Share capital and Retained earnings	3045	Unappropriated Retained Earnings	(142,404,612.70)					
Equity	Share capital and Retained earnings	3046	Profit / Loss (from Income Statement)		(10,387)	(10,387)			
Equity	Share capital and Retained earnings	3049	Dividends Payable - Common Shares	79,000,000.00					
Equity	Share capital and Retained earnings	3075	Non Rate-Regulated Utility Shareholders' Equity	(583,337.90)	(165,505)		(175,892)	-	
Equity	Accumulated other comprehensive loss	1508	Other Regulatory Assets	615,700.00					
Equity	Accumulated other comprehensive loss	3090	Accumulated Other Comprehensive Income	586,600.00	1,202		1,202	-	
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	(789,331.81)					
Regulatory Balances	Regulatory Balances	1592	PLs and Tax Variances - CCA Changes	(1,549,883.00)	(2,339)		(2,339)	-	
NET LIABILITIES AND EQUITY					(453,897)		(453,898)	(1)	
INCOME STATEMENT									
REVENUES									
Revenues	Electricity Sales	4006	Residential Energy Sales	(95,177,855.55)					
Revenues	Electricity Sales	4020	Energy Sales to Large Users	(8,201,972.86)					
Revenues	Electricity Sales	4025	Street Lighting Energy Sales	(2,097,229.29)					
Revenues	Electricity Sales	4030	Sentinel Lighting Energy Sales	(44,739.68)					
Revenues	Electricity Sales	4035	General Energy Sales	(169,191,058.47)					
Revenues	Electricity Sales	4050	Revenue Adjustment	(6,237,604.27)					
Revenues	Electricity Sales	4055	Energy Sales For Retailers/Others	(27,893,778.75)					
Revenues	Electricity Sales	4062	Billed - WMS	(12,376,828.17)					
Revenues	Electricity Sales	4066	Billed - NW	(21,962,888.50)					
Revenues	Electricity Sales	4068	Billed - CN	(20,984,830.80)					
Revenues	Electricity Sales	4076	Billed - Smart Metering Entity Charge	(1,082,221.66)					
Revenues	Electricity Sales	4080	Distribution Services Revenue	(1,495,346.48)		(366,746)	(366,746)	-	
Revenues	Distribution Revenue	4080	Distribution Services Revenue	(69,705,840.07)					
Revenues	Distribution Revenue	4235	Miscellaneous Service Revenues	(20,525.40)		(69,726)	(69,726)	-	
Revenues	Other	4082	Retail Services Revenues	(80,321.10)					
Revenues	Other	4084	Service Transaction Requests (STR) Revenues	(1,435.25)					
Revenues	Other	4086	SSS Administration Revenue	(475,084.32)					
Revenues	Other	4210	Rent from Electric Property	(922,363.91)					
Revenues	Other	4225	Late Payment Charges	(1,698,897.12)					
Revenues	Other	4235	Miscellaneous Service Revenues	(1,187,182.11)					
Revenues	Other	4245	Government and Other Assistance Directly Credited to Income	(524,628.51)					
Revenues	Other	4325	Revenues from Merchandise	(227,533.48)					
Revenues	Other	4355	Gain on Disposition of Utility and Other Property	(30,880.47)					

AFS Section	AFS Grouping	USofA	OEB Account Name	2019 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)
Revenues	Other	4375	Revenues from Non Rate-Regulated Utility Operations	(846,449.99)			
Revenues	Other	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generation Facility Expenses	(4,272.27)			
Revenues	Other	4390	Miscellaneous Non-Operating Income	(864,623.94)			
Revenues	Other	4398	Foreign Exchange Gains and Losses, Including Amortization	11,300.33			
Revenues	Other	5005	Operation Supervision and Engineering	(4,994.91)			
Revenues	Other	5010	Load Dispatching	(27,399.96)			
Revenues	Other	5105	Maintenance Supervision and Engineering	(4,005.09)			
Revenues	Other	5120	Maintenance of Poles, Towers and Fixtures	(27,359.00)			
Revenues	Other	5310	Meter Reading Expense	(739,841.46)			
Revenues	Other	5315	Customer Billing	(2,343,419.01)			
Revenues	Other	5320	Collecting	(421,353.93)			
Revenues	Other	5330	Collection Charges	(132,084.50)			
Revenues	Other	5415	Energy Conservation	(130,719.26)			
Revenues	Other	5605	Executive Salaries and Expenses	(25,914.71)			
Revenues	Other	5610	Management Salaries and Expenses	(83,944.15)			
Revenues	Other	5615	General Administrative Salaries and Expenses	(166,426.94)			
Revenues	Other	5620	Office Supplies and Expenses	(282,187.07)			
Revenues	Other	5630	Outside Services Employed	46,611.15			
Revenues	Other	5665	Miscellaneous General Expenses	(61,040.29)			
Revenues	Other	6110	Income Taxes	(521,273.00)			
						(11,778)	(11,778)
EXPENSES							
Operating Expenses	Electricity purchased	4705	Power Purchased	174,762,988.68			
Operating Expenses	Electricity purchased	4707	Charges - Global Adjustment	137,528,871.40			
Operating Expenses	Electricity purchased	4708	Charges - WMS	11,482,200.57			
Operating Expenses	Electricity purchased	4714	Charges - NW	22,597,819.94			
Operating Expenses	Electricity purchased	4716	Charges - CN	20,825,656.58			
Operating Expenses	Electricity purchased	4751	Charges - Smart Metering Entity Charge	1,051,087.79			
						368,249	368,249
Operating Expenses	Operating Expenses	4330	Costs and Expenses of Merchandising	114,853.34			
Operating Expenses	Operating Expenses	4375	Revenues from Non Rate-Regulated Utility Operations	(10,120,711.32)			
Operating Expenses	Operating Expenses	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generation Facility Expenses	10,754,193.39			
Operating Expenses	Operating Expenses	4390	Miscellaneous Non-Operating Income	(474.94)			
Operating Expenses	Operating Expenses	4405	Interest and Dividend Income	(5,239.67)			
Operating Expenses	Operating Expenses	5005	Operation Supervision and Engineering	2,068,758.49			
Operating Expenses	Operating Expenses	5010	Load Dispatching	2,107,168.98			
Operating Expenses	Operating Expenses	5012	Station Buildings and Fixtures Expense	414,345.24			
Operating Expenses	Operating Expenses	5016	Distribution Station Equipment - Operation Labour	23,218.80			
Operating Expenses	Operating Expenses	5017	Distribution Station Equipment - Operation Supplies and Expenses	149,211.69			
Operating Expenses	Operating Expenses	5020	Overhead Distribution Lines and Feeders - Operation Labour	183,535.84			
Operating Expenses	Operating Expenses	5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	314,572.43			
Operating Expenses	Operating Expenses	5035	Overhead Distribution Transformers - Operation	5,301.48			
Operating Expenses	Operating Expenses	5040	Underground Distribution Lines and Feeders - Operation Labour	45,411.63			
Operating Expenses	Operating Expenses	5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	222,606.94			
Operating Expenses	Operating Expenses	5055	Underground Distribution Transformers - Operation	190,442.21			
Operating Expenses	Operating Expenses	5065	Meter Expense	1,704,402.58			
Operating Expenses	Operating Expenses	5085	Miscellaneous Distribution Expense	1,976,023.88			
Operating Expenses	Operating Expenses	5095	Overhead Distribution Lines and Feeders - Rental Paid	161,902.88			
Operating Expenses	Operating Expenses	5105	Maintenance Supervision and Engineering	1,658,807.98			
Operating Expenses	Operating Expenses	5110	Maintenance of Buildings and Fixtures - Distribution Stations	70,938.52			
Operating Expenses	Operating Expenses	5114	Maintenance of Distribution Station Equipment	837,868.75			
Operating Expenses	Operating Expenses	5120	Maintenance of Poles, Towers and Fixtures	667,491.04			
Operating Expenses	Operating Expenses	5125	Maintenance of Overhead Conductors and Devices	1,501,511.49			
Operating Expenses	Operating Expenses	5130	Maintenance of Overhead Services	198,457.55			
Operating Expenses	Operating Expenses	5135	Overhead Distribution Lines and Feeders - Right of Way	1,111,828.20			
Operating Expenses	Operating Expenses	5145	Maintenance of Underground Conduit	238,236.20			
Operating Expenses	Operating Expenses	5150	Maintenance of Underground Conductors and Devices	1,075,296.00			
Operating Expenses	Operating Expenses	5155	Maintenance of Underground Services	899,502.74			
Operating Expenses	Operating Expenses	5160	Maintenance of Line Transformers	254,623.03			
Operating Expenses	Operating Expenses	5175	Maintenance of Meters	36,725.08			
Operating Expenses	Operating Expenses	5305	Supervision	227,357.86			
Operating Expenses	Operating Expenses	5310	Meter Reading Expense	2,308,440.03			
Operating Expenses	Operating Expenses	5315	Customer Billing	4,265,775.43			
Operating Expenses	Operating Expenses	5320	Collecting	1,570,695.81			
Operating Expenses	Operating Expenses	5335	Bad Debt Expense	737,262.78			
Operating Expenses	Operating Expenses	5410	Community Relations - Sundry	141,089.46			
Operating Expenses	Operating Expenses	5415	Energy Conservation	124,634.36			
Operating Expenses	Operating Expenses	5420	Community Safety Program	74,526.80			
Operating Expenses	Operating Expenses	5605	Executive Salaries and Expenses	1,342,020.38			
Operating Expenses	Operating Expenses	5610	Management Salaries and Expenses	2,055,539.05			
Operating Expenses	Operating Expenses	5615	General Administrative Salaries and Expenses	4,238,273.96			
Operating Expenses	Operating Expenses	5620	Office Supplies and Expenses	2,295,402.20			
Operating Expenses	Operating Expenses	5630	Outside Services Employed	1,059,176.07			
Operating Expenses	Operating Expenses	5635	Property Insurance	484,734.87			
Operating Expenses	Operating Expenses	5640	Injuries and Damages	583,226.47			
Operating Expenses	Operating Expenses	5645	OMERS Pensions and Benefits	81,628.04			
Operating Expenses	Operating Expenses	5655	Regulatory Expenses	711,160.01			
Operating Expenses	Operating Expenses	5660	General Advertising Expenses	840,587.29			
Operating Expenses	Operating Expenses	5665	Miscellaneous General Expenses	858,797.67			
Operating Expenses	Operating Expenses	5675	Maintenance of General Plant	658,907.60			
Operating Expenses	Operating Expenses	6105	Taxes Other Than Income Taxes	543,230.75			
Operating Expenses	Operating Expenses	6205	Donations	202,257.34			
						44,232	44,229 (3)
Operating Expenses	Depreciation and Amortization	5085	Miscellaneous Distribution Expense	1,084,990.47			
Operating Expenses	Depreciation and Amortization	5665	Miscellaneous General Expenses	679,544.28			
Operating Expenses	Depreciation and Amortization	5705	Depreciation Expense - Property, Plant, and Equipment	13,625,630.36			

AFS Section	AFS Grouping	USofA	OEB Account Name	2019 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)		
Operating Expenses	Depreciation and Amortization	5715	Amortization of Intangible Assets	4,660,734.77					
Operating Expenses	Depreciation and Amortization	5725	Miscellaneous Depreciation	129,183.19					
						20,180	20,180	-	
Finance (Income) Expenses	Net finance expense	4405	Interest and Dividend Income	(140,430.76)					
Finance (Income) Expenses	Net finance expense	4335	Profits and Losses from Financial Instrument Hedges	419,013.00					
Finance (Income) Expenses	Net finance expense	6005	Interest on Long Term Debt	4,216,467.99					
Finance (Income) Expenses	Net finance expense	6035	Other Interest Expense	341,129.44					
Finance (Income) Expenses	Net finance expense	6045	Interest Expense on Finance Capital Lease Obligations	68,184.00					
						4,904	4,905	1	rounding on AFS
Income tax expense	Income tax expense	6110	Income Taxes	(1,030,089.00)					
Income tax expense	Income tax expense	6115	Provision for Deferred Taxes - Income Statement	3,810,607.00					
						2,781	2,781	-	
Movement of regulatory balances	Net movement of regulatory balances	4050	Revenue Adjustment	(3,447,621.21)					
Movement of regulatory balances	Net movement of regulatory balances	4062	Billed - WMS	894,627.60					
Movement of regulatory balances	Net movement of regulatory balances	4066	Billed - NW	(634,931.44)					
Movement of regulatory balances	Net movement of regulatory balances	4068	Billed - CN	158,974.22					
Movement of regulatory balances	Net movement of regulatory balances	4076	Billed - Smart Metering Entity Charge	31,133.87					
Movement of regulatory balances	Net movement of regulatory balances	4080	Distribution Services Revenue	3,626,782.31					
Movement of regulatory balances	Net movement of regulatory balances	4210	Rent from Electric Property	393,709.83					
Movement of regulatory balances	Net movement of regulatory balances	4405	Interest and Dividend Income	(588,100.52)					
Movement of regulatory balances	Net movement of regulatory balances	5315	Customer Billing	(55,514.69)					
Movement of regulatory balances	Net movement of regulatory balances	5615	General Administrative Salaries and Expenses	(5,360.16)					
Movement of regulatory balances	Net movement of regulatory balances	5665	Miscellaneous General Expenses	(679,544.28)					
Movement of regulatory balances	Net movement of regulatory balances	6035	Other Interest Expense	173,481.02					
						(142)	(142)	-	
Movement of regulatory balances	Income taxes	6115	Provision for Deferred Taxes - Income Statement	(3,921,645.00)					
						(3,922)	(3,922)	-	
Other comprehensive income	Remeasurements of post-employment benefits	3045	Unappropriated Retained Earnings	1,581,300.00					
						1,581	1,582	1	rounding on AFS
Other comprehensive income	Tax on remeasurements	3045	Unappropriated Retained Earnings	(419,045.00)					
						(419)	(419)	-	
Other comprehensive income	Net movement in regulatory balances, net of tax	3045	Unappropriated Retained Earnings	419,045.00					
						419	419	-	
						(10,387)			
		TOTALS		(0.00)					

Part 2: Trial Balance by Account

Section	Grouping	OEB	OEB Account Name	2019
Current Assets	Cash and Cash Equivalent	1005	Cash	3,427,745.20
Current Assets	Accounts Receivable	1100	Customer Accounts Receivable	20,503,736.05
Current Assets	Accounts Receivable	1104	Accounts Receivable - Recoverable Work	4,796,190.42
Current Assets	Accounts Receivable	1110	Other Accounts Receivable	2,382,440.17
Current Assets	Accounts Receivable	1120	Accrued Utility Revenues	43,909,747.51
Current Assets	Accounts Receivable	1130	Accumulated Provision for Uncollectible Accounts - Credit	(2,632,520.17)
Current Assets	Accounts Receivable	1140	Interest and Dividends Receivable	21,219.88
Current Assets	Accounts Receivable	1150	Rents Receivable	161,540.61
Current Assets	Prepaid expenses	1180	Prepayments	2,338,219.70
Current Assets	Accounts Receivable	1190	Miscellaneous Current and Accrued Assets	213,925.35
Current Assets	Materials and supplies	1305	Fuel Stock	51,917.77
Current Assets	Materials and supplies	1330	Plant Materials and Operating Supplies	366,175.34
Regulatory Balances	Regulatory Balances	1495	Deferred Taxes - Non-Current Assets	9,417,407.00
Equity	Accumulated other comprehensive loss	1508	Other Regulatory Assets	615,700.00
Non-current assets	Intangible assets	1508	Other Regulatory Assets	8,991,081.35
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	(789,331.81)
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	666,566.88
Regulatory Balances	Regulatory Balances	1518	RCVAREtail	266,152.88
Regulatory Balances	Regulatory Balances	1548	RCVASTR	9,906.19
Regulatory Balances	Regulatory Balances	1551	SME Charge Variance Account	(189,009.45)
Regulatory Balances	Regulatory Balances	1568	LRAM Variance Account	2,185,697.61
Regulatory Balances	Regulatory Balances	1580	RSVAWMS	(4,593,713.99)
Regulatory Balances	Regulatory Balances	1584	RSVANW	2,206,068.77
Regulatory Balances	Regulatory Balances	1586	RSVACN	(48,882.57)
Regulatory Balances	Regulatory Balances	1588	RSVAPOWER	1,004,198.69
Regulatory Balances	Regulatory Balances	1589	RSVAGA	5,645,394.31
Regulatory Balances	Regulatory Balances	1592	PLs and Tax Variances - CCA Changes	(1,549,883.00)
Regulatory Balances	Regulatory Balances	1595	Disposition and Recovery/Refund of Regulatory Balances Control Account	4,448,674.63
Non-current assets	Intangible assets	1610	Miscellaneous Intangible Plant	1,293,406.49
Non-current assets	Intangible assets	1611	Computer Software	23,241,788.66
Non-current assets	Intangible assets	1612	Land Rights	571,929.94
Non-current assets	Property, plant and equipment	1805	Land	385,689.89
Non-current assets	Property, plant and equipment	1808	Buildings and Fixtures	1,389,995.06
Non-current assets	Property, plant and equipment	1820	Distribution Station Equipment - Normally Primary Below 50 kV	16,347,992.40
Non-current assets	Property, plant and equipment	1830	Poles, Towers and Fixtures	49,945,963.57
Non-current assets	Property, plant and equipment	1835	Overhead Conductors and Devices	71,711,568.99
Non-current assets	Property, plant and equipment	1840	Underground Conduit	71,563,823.96
Non-current assets	Property, plant and equipment	1845	Underground Conductors and Devices	99,423,796.01
Non-current assets	Property, plant and equipment	1850	Line Transformers	106,352,664.05
Non-current assets	Property, plant and equipment	1855	Services	46,204,229.24
Non-current assets	Property, plant and equipment	1860	Meters	32,477,169.09
Non-current assets	Property, plant and equipment	1908	Buildings and Fixtures	26,045,376.72
Non-current assets	Property, plant and equipment	1915	Office Furniture and Equipment	1,107,401.52
Non-current assets	Property, plant and equipment	1920	Computer Equipment - Hardware	1,200,638.58
Non-current assets	Property, plant and equipment	1930	Transportation Equipment	13,307,101.63
Non-current assets	Property, plant and equipment	1935	Stores Equipment	333,637.54
Non-current assets	Property, plant and equipment	1940	Tools, Shop and Garage Equipment	830,909.03
Non-current assets	Property, plant and equipment	1945	Measurement and Testing Equipment	1,314,549.77
Non-current assets	Property, plant and equipment	1950	Power Operated Equipment	1,376,824.43
Non-current assets	Property, plant and equipment	1955	Communication Equipment	5,093,334.37
Non-current assets	Property, plant and equipment	1960	Miscellaneous Equipment	57,659.79
Non-current assets	Property, plant and equipment	1980	System Supervisory Equipment	5,303,054.22
Non-current assets	Property, plant and equipment	1995	Contributions and Grants - Credit	(39,262,042.69)
Non-current assets	Property, plant and equipment	2005	Property Under Finance Leases	2,318,969.00
Non-current assets	Intangible assets	2055	Construction Work in Progress - Electric	749,456.64
Non-current assets	Property, plant and equipment	2055	Construction Work in Progress - Electric	14,333,398.46
Non-current assets	Property, plant and equipment	2075	Non Rate-Regulated Utility Property Owned or Under Finance Leases	2,523,348.91
Non-current assets	Property, plant and equipment	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipme	(200,120,300.39)
Non-current Liabilities	Deferred revenue	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipme	1,488,288.08
Non-current assets	Intangible assets	2120	Accumulated Amortization of Electric Utility Plant - Intangibles	(11,333,764.06)
Non-current assets	Property, plant and equipment	2180	Accumulated Depreciation of Non Rate-Regulated Utility Property	(925,354.81)
Current Assets	Accounts Receivable	2205	Accounts Payable	2,718,537.97
Current Liabilities	Accounts payable and accrued liabilities	2205	Accounts Payable	(44,890,733.30)
Current Assets	Accounts Receivable	2208	Customer Credit Balances	(705,966.82)
Current Liabilities	Customer and other deposits	2210	Customer Deposits	(266,548.68)
Current Liabilities	Deferred revenue	2210	Customer Deposits	(2,112,613.63)
Current Liabilities	Customer and other deposits	2220	Miscellaneous Current and Accrued Liabilities	(815,532.43)
Current Liabilities	Due to shareholder	2240	Accounts Payable to Associated Companies	(6,952,415.58)
Current Liabilities	Current portion of lease liability	2285	Current Long Term Debt	(32,763.00)
Current Liabilities	Accounts payable and accrued liabilities	2290	Commodity Taxes	(167,001.68)
Current Liabilities	Accounts payable and accrued liabilities	2292	Payroll Deductions / Expenses Payable	(3,381,664.10)
Current Assets	Income tax receivable	2294	Accrual for Taxes, "Payments in Lieu" of Taxes, Etc.	1,171,493.00
Non-current Liabilities	Post-employment benefits	2306	OPEB Liability	(15,534,600.00)
Non-current Liabilities	Unrealized loss on interest rate swap	2320	Other Miscellaneous Non-Current Liabilities	(1,647,288.00)
Non-current Liabilities	Lease liability	2325	Current Long Term Debt	(2,223,495.00)
Non-current Liabilities	Customer and other deposits	2335	Non-Current Customer Deposits	(3,324,288.94)
Non-current Liabilities	Deferred revenue	2335	Non-Current Customer Deposits	(9,693,745.59)
Non-current Liabilities	Deferred tax liability	2350	Deferred Tax - Non-Current Liability	(8,981,831.00)
Current Liabilities	Deferred revenue	2440	Deferred Revenues	(658,000.00)
Non-current Liabilities	Deferred revenue	2440	Deferred Revenues	(22,674,377.50)
Non-current Liabilities	Long Term Debt	2520	Other Non-Current Debt	(155,000,000.00)
Equity	Share capital and Retained earnings	3005	Common Shares Issued	(62,262,550.69)
Equity	Share capital and Retained earnings	3030	Miscellaneous Paid-In Capital	(39,254,284.95)
Equity	Share capital and Retained earnings	3045	Unappropriated Retained Earnings	(142,404,612.70)
Other comprehensive income	Net movement in regulatory balances, net of tax	3045	Unappropriated Retained Earnings	419,045.00
Other comprehensive income	Remeasurements of post-employment benefits	3045	Unappropriated Retained Earnings	1,581,300.00
Other comprehensive income	Tax on remeasurements	3045	Unappropriated Retained Earnings	(419,045.00)
Equity	Share capital and Retained earnings	3049	Dividends Payable - Common Shares	79,000,000.00
Equity	Share capital and Retained earnings	3075	Non Rate-Regulated Utility Shareholders' Equity	(583,337.90)
Equity	Accumulated other comprehensive loss	3090	Accumulated Other Comprehensive Income	586,600.00
Revenues	Electricity Sales	4006	Residential Energy Sales	(95,177,855.55)
Revenues	Electricity Sales	4020	Energy Sales to Large Users	(8,201,972.86)
Revenues	Electricity Sales	4025	Street Lighting Energy Sales	(2,097,229.29)
Revenues	Electricity Sales	4030	Sentinel Lighting Energy Sales	(44,739.68)
Revenues	Electricity Sales	4035	General Energy Sales	(169,191,058.47)

Section	Grouping	OEB	OEB Account Name	2019
Movement of regulatory balances	Net movement of regulatory balances	4050	Revenue Adjustment	(3,447,621.21)
Revenues	Electricity Sales	4050	Revenue Adjustment	(6,237,604.27)
Revenues	Electricity Sales	4055	Energy Sales For Retailers/Others	(27,893,778.75)
Movement of regulatory balances	Net movement of regulatory balances	4062	Billed - WMS	894,627.60
Revenues	Electricity Sales	4062	Billed - WMS	(12,376,828.17)
Movement of regulatory balances	Net movement of regulatory balances	4066	Billed - NW	(634,931.44)
Revenues	Electricity Sales	4066	Billed - NW	(21,962,888.50)
Movement of regulatory balances	Net movement of regulatory balances	4068	Billed - CN	158,974.22
Revenues	Electricity Sales	4068	Billed - CN	(20,984,830.80)
Movement of regulatory balances	Net movement of regulatory balances	4076	Billed - Smart Metering Entity Charge	31,133.87
Revenues	Electricity Sales	4076	Billed - Smart Metering Entity Charge	(1,082,221.66)
Movement of regulatory balances	Net movement of regulatory balances	4080	Distribution Services Revenue	3,626,782.31
Revenues	Distribution Revenue	4080	Distribution Services Revenue	(89,705,840.07)
Revenues	Electricity Sales	4080	Distribution Services Revenue	(1,495,346.48)
Revenues	Other	4082	Retail Services Revenues	(80,321.10)
Revenues	Other	4084	Service Transaction Requests (STR) Revenues	(1,435.25)
Revenues	Other	4086	SSS Administration Revenue	(475,084.32)
Movement of regulatory balances	Net movement of regulatory balances	4210	Rent from Electric Property	393,709.83
Revenues	Other	4210	Rent from Electric Property	(922,363.91)
Revenues	Other	4225	Late Payment Charges	(1,698,897.12)
Revenues	Distribution Revenue	4235	Miscellaneous Service Revenues	(20,525.40)
Revenues	Other	4235	Miscellaneous Service Revenues	(1,187,182.11)
Revenues	Other	4245	Government and Other Assistance Directly Credited to Income	(524,628.51)
Revenues	Other	4325	Revenues from Merchandise	(227,533.48)
Operating Expenses	Operating Expenses	4330	Costs and Expenses of Merchandising	114,853.34
Finance (Income) Expenses	Net finance expense	4335	Profits and Losses from Financial Instrument Hedges	419,013.00
Revenues	Other	4355	Gain on Disposition of Utility and Other Property	(30,880.47)
Operating Expenses	Operating Expenses	4375	Revenues from Non Rate-Regulated Utility Operations	(10,120,711.32)
Revenues	Other	4375	Revenues from Non Rate-Regulated Utility Operations	(846,449.99)
Operating Expenses	Operating Expenses	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generator	10,754,193.39
Revenues	Other	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generator	(4,272.27)
Operating Expenses	Operating Expenses	4390	Miscellaneous Non-Operating Income	(474.94)
Revenues	Other	4390	Miscellaneous Non-Operating Income	(864,623.64)
Revenues	Other	4398	Foreign Exchange Gains and Losses, Including Amortization	11,300.33
Finance (Income) Expenses	Net finance expense	4405	Interest and Dividend Income	(140,430.76)
Movement of regulatory balances	Net movement of regulatory balances	4405	Interest and Dividend Income	(598,100.52)
Operating Expenses	Operating Expenses	4405	Interest and Dividend Income	(45,239.67)
Operating Expenses	Electricity purchased	4705	Power Purchased	174,762,988.68
Operating Expenses	Electricity purchased	4707	Charges - Global Adjustment	137,528,871.40
Operating Expenses	Electricity purchased	4708	Charges - WMS	11,482,200.57
Operating Expenses	Electricity purchased	4714	Charges - NW	22,597,919.94
Operating Expenses	Electricity purchased	4716	Charges - CN	20,825,856.58
Operating Expenses	Electricity purchased	4751	Charges - Smart Metering Entity Charge	1,051,087.79
Operating Expenses	Operating Expenses	5005	Operation Supervision and Engineering	2,068,758.49
Revenues	Other	5005	Operation Supervision and Engineering	(4,994.91)
Operating Expenses	Operating Expenses	5010	Load Dispatching	2,107,168.98
Revenues	Other	5010	Load Dispatching	(27,399.96)
Operating Expenses	Operating Expenses	5012	Station Buildings and Fixtures Expense	414,345.24
Operating Expenses	Operating Expenses	5016	Distribution Station Equipment - Operation Labour	23,218.80
Operating Expenses	Operating Expenses	5017	Distribution Station Equipment - Operation Supplies and Expenses	149,211.69
Operating Expenses	Operating Expenses	5020	Overhead Distribution Lines and Feeders - Operation Labour	183,535.84
Operating Expenses	Operating Expenses	5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	314,572.43
Operating Expenses	Operating Expenses	5035	Overhead Distribution Transformers - Operation	8,301.48
Operating Expenses	Operating Expenses	5040	Underground Distribution Lines and Feeders - Operation Labour	48,411.63
Operating Expenses	Operating Expenses	5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	222,606.94
Operating Expenses	Operating Expenses	5055	Underground Distribution Transformers - Operation	190,442.21
Operating Expenses	Operating Expenses	5065	Meter Expense	1,704,402.58
Operating Expenses	Depreciation and Amortization	5085	Miscellaneous Distribution Expense	1,084,990.47
Operating Expenses	Operating Expenses	5085	Miscellaneous Distribution Expense	1,976,023.88
Operating Expenses	Operating Expenses	5095	Overhead Distribution Lines and Feeders - Rental Paid	161,902.88
Operating Expenses	Operating Expenses	5105	Maintenance Supervision and Engineering	1,658,807.98
Revenues	Other	5105	Maintenance Supervision and Engineering	(4,005.09)
Operating Expenses	Operating Expenses	5110	Maintenance of Buildings and Fixtures - Distribution Stations	70,938.52
Operating Expenses	Operating Expenses	5114	Maintenance of Distribution Station Equipment	837,868.75
Operating Expenses	Operating Expenses	5120	Maintenance of Poles, Towers and Fixtures	667,491.04
Revenues	Other	5120	Maintenance of Poles, Towers and Fixtures	(27,359.00)
Operating Expenses	Operating Expenses	5125	Maintenance of Overhead Conductors and Devices	1,501,511.49
Operating Expenses	Operating Expenses	5130	Maintenance of Overhead Services	198,457.55
Operating Expenses	Operating Expenses	5135	Overhead Distribution Lines and Feeders - Right of Way	1,111,828.20
Operating Expenses	Operating Expenses	5145	Maintenance of Underground Conduit	238,236.20
Operating Expenses	Operating Expenses	5150	Maintenance of Underground Conductors and Devices	1,075,296.00
Operating Expenses	Operating Expenses	5155	Maintenance of Underground Services	899,502.74
Operating Expenses	Operating Expenses	5160	Maintenance of Line Transformers	254,623.03
Operating Expenses	Operating Expenses	5175	Maintenance of Meters	36,725.08
Operating Expenses	Operating Expenses	5305	Supervision	227,357.86
Operating Expenses	Operating Expenses	5310	Meter Reading Expense	2,308,440.03
Revenues	Other	5310	Meter Reading Expense	(739,841.46)
Movement of regulatory balances	Net movement of regulatory balances	5315	Customer Billing	(55,514.69)
Operating Expenses	Operating Expenses	5315	Customer Billing	4,265,775.43
Revenues	Other	5315	Customer Billing	(2,343,419.01)
Operating Expenses	Operating Expenses	5320	Collecting	1,570,695.81
Revenues	Other	5320	Collecting	(421,353.93)
Revenues	Other	5330	Collection Charges	(132,084.50)
Operating Expenses	Operating Expenses	5335	Bad Debt Expense	737,262.78
Operating Expenses	Operating Expenses	5410	Community Relations - Sundry	141,089.46
Operating Expenses	Operating Expenses	5415	Energy Conservation	124,634.36
Revenues	Other	5415	Energy Conservation	(130,719.26)
Operating Expenses	Operating Expenses	5420	Community Safety Program	74,505.90
Operating Expenses	Operating Expenses	5605	Executive Salaries and Expenses	1,342,020.38
Revenues	Other	5605	Executive Salaries and Expenses	(25,914.71)
Operating Expenses	Operating Expenses	5610	Management Salaries and Expenses	2,055,539.05
Revenues	Other	5610	Management Salaries and Expenses	(83,944.15)
Movement of regulatory balances	Net movement of regulatory balances	5615	General Administrative Salaries and Expenses	(5,360.16)
Operating Expenses	Operating Expenses	5615	General Administrative Salaries and Expenses	4,238,273.96
Revenues	Other	5615	General Administrative Salaries and Expenses	(166,426.94)
Operating Expenses	Operating Expenses	5620	Office Supplies and Expenses	2,295,402.20
Revenues	Other	5620	Office Supplies and Expenses	(282,187.07)
Operating Expenses	Operating Expenses	5630	Outside Services Employed	1,059,176.07
Revenues	Other	5630	Outside Services Employed	46,611.15
Operating Expenses	Operating Expenses	5635	Property Insurance	484,734.87

Section	Grouping	OEB	OEB Account Name	2019
Operating Expenses	Operating Expenses	5640	Injuries and Damages	583,226.47
Operating Expenses	Operating Expenses	5645	OMERS Pensions and Benefits	81,628.04
Operating Expenses	Operating Expenses	5655	Regulatory Expenses	711,160.01
Operating Expenses	Operating Expenses	5660	General Advertising Expenses	840,587.29
Movement of regulatory balances	Net movement of regulatory balances	5665	Miscellaneous General Expenses	(679,544.28)
Operating Expenses	Depreciation and Amortization	5665	Miscellaneous General Expenses	679,544.28
Operating Expenses	Operating Expenses	5665	Miscellaneous General Expenses	858,797.67
Revenues	Other	5665	Miscellaneous General Expenses	(61,040.29)
Operating Expenses	Operating Expenses	5675	Maintenance of General Plant	658,907.60
Operating Expenses	Depreciation and Amortization	5705	Depreciation Expense - Property, Plant, and Equipment	13,625,630.36
Operating Expenses	Depreciation and Amortization	5715	Amortization of Intangible Assets	4,660,734.77
Operating Expenses	Depreciation and Amortization	5725	Miscellaneous Depreciation	129,183.19
Finance (Income) Expenses	Net finance expense	6005	Interest on Long Term Debt	4,216,467.99
Finance (Income) Expenses	Net finance expense	6035	Other Interest Expense	341,129.44
Movement of regulatory balances	Net movement of regulatory balances	6035	Other Interest Expense	173,481.02
Finance (Income) Expenses	Net finance expense	6045	Interest Expense on Finance Capital Lease Obligations	68,184.00
Operating Expenses	Operating Expenses	6105	Taxes Other Than Income Taxes	543,230.75
Income tax expense	Income tax expense	6110	Income Taxes	(1,030,089.00)
Revenues	Other	6110	Income Taxes	(521,273.00)
Movement of regulatory balances	Income taxes	6115	Provision for Deferred Taxes - Income Statement	(3,921,645.00)
Income tax expense	Income tax expense	6115	Provision for Deferred Taxes - Income Statement	3,810,607.00
Operating Expenses	Operating Expenses	6205	Donations	202,257.34
				(0.00)

2.1.6 AFS - Income Tax Expense

Income tax expense is comprised of:

	YEAR 2019	USoA
Current income tax		
Current year	\$ (384)	6110
Amendment for prior period income tax credits	(311)	6110
Adjustment for prior period income tax expense	(335)	6110
	<u>(1,030)</u>	
Deferred tax		
Change in recognized deductible temporary differences:		
Loss on interest rate swap loss	(111)	6115
Property, plant, equipment and intangible assets	4,760	6115
Post-employment benefits	(16)	6115
Deferred revenue	(822)	6115
	<u>3,811</u>	
Total current and deferred income tax in profit and loss, before movement of regulatory balance	2,781	
Other comprehensive income		
Post-employment benefits	(419)	6115
Total current and deferred income tax, before movement of regulatory balances	2,362	
Net movement in regulatory balances	<u>(3,503)</u>	6115
Income tax expense recognized in Statement of Comprehensive Income	\$ (1,141)	

2.1.13 Reconciliation (Mapping) - Income Tax Expense

AFS Grouping	Account Name	Trial Balance	USoA
Income tax expense	Income Taxes	\$ (1,030)	6110
Other Revenue (SRED income tax credits)	Income Taxes	\$ (521)	6110
		<u>\$ (1,551)</u>	
Income tax expense	Provision for Deferred Taxes - Income Statement	\$ 3,811	6115
Net movement in regulatory balances, net of tax	Provision for Deferred Taxes - Income Statement	\$ (3,922)	6115
		<u>\$ (111)</u>	

2.1.7 Trial Balance - Income Tax Expense

Account Name	Trial Balance	USoA
Income Taxes	\$ (1,551,362)	6110
Provision for Future Income Taxes	\$ (111,038)	6115

Trial Balance Mapped to Financial Statement Grouping

AFS Section	AFS Grouping	USofA	OEB Account Name	2018 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)
BALANCE SHEET							
ASSETS							
Current Assets	Cash and Cash Equivalent	1005	Cash	1,294,488.40			
					1,294		1,294
Current Assets	Accounts Receivable	1040	Other Special Deposits	5,208.00			
Current Assets	Accounts Receivable	1100	Customer Accounts Receivable	23,742,814.68			
Current Assets	Accounts Receivable	1104	Accounts Receivable - Recoverable Work	4,272,862.60			
Current Assets	Accounts Receivable	1110	Other Accounts Receivable	11,231,002.24			
Current Assets	Accounts Receivable	1120	Accrued Utility Revenues	38,237,392.25			
Current Assets	Accounts Receivable	1130	Accumulated Provision for Uncollectible Accounts - Credit	(2,340,445.85)			
Current Assets	Accounts Receivable	1140	Interest and Dividends Receivable	20,848.96			
Current Assets	Accounts Receivable	1150	Rents Receivable	126,241.38			
Current Assets	Accounts Receivable	2205	Accounts Payable	340,115.55			
Current Assets	Accounts Receivable	2208	Customer Credit Balances	(650,806.85)			
					74,985		74,985
Current Assets	Materials and supplies	1305	Fuel Stock	67,349.25			
Current Assets	Materials and supplies	1330	Plant Materials and Operating Supplies	549,365.82			
					617		617
Current Assets	Prepaid expenses	1180	Prepayments	2,666,777.19			
					2,667		2,667
Non-current assets	Property, plant and equipment	1805	Land	385,689.89			
Non-current assets	Property, plant and equipment	1808	Buildings and Fixtures	1,389,995.06			
Non-current assets	Property, plant and equipment	1820	Distribution Station Equipment - Normally Primary Below 50 kV	16,529,155.49			
Non-current assets	Property, plant and equipment	1830	Poles, Towers and Fixtures	48,148,216.21			
Non-current assets	Property, plant and equipment	1835	Overhead Conductors and Devices	68,548,307.06			
Non-current assets	Property, plant and equipment	1840	Underground Conduit	62,052,390.32			
Non-current assets	Property, plant and equipment	1845	Underground Conductors and Devices	96,662,276.34			
Non-current assets	Property, plant and equipment	1850	Line Transformers	103,375,265.42			
Non-current assets	Property, plant and equipment	1855	Services	40,824,480.20			
Non-current assets	Property, plant and equipment	1860	Meters	31,050,935.28			
Non-current assets	Property, plant and equipment	1908	Buildings and Fixtures	24,286,764.93			
Non-current assets	Property, plant and equipment	1915	Office Furniture and Equipment	872,334.55			
Non-current assets	Property, plant and equipment	1920	Computer Equipment - Hardware	1,505,207.28			
Non-current assets	Property, plant and equipment	1930	Transportation Equipment	13,194,067.13			
Non-current assets	Property, plant and equipment	1935	Stores Equipment	319,837.54			
Non-current assets	Property, plant and equipment	1940	Tools, Shop and Garage Equipment	912,664.90			
Non-current assets	Property, plant and equipment	1945	Measurement and Testing Equipment	1,116,529.35			
Non-current assets	Property, plant and equipment	1950	Power Operated Equipment	1,077,502.60			
Non-current assets	Property, plant and equipment	1955	Communication Equipment	5,081,979.81			
Non-current assets	Property, plant and equipment	1960	Miscellaneous Equipment	4,039.00			
Non-current assets	Property, plant and equipment	1980	System Supervisory Equipment	4,830,198.51			
Non-current assets	Property, plant and equipment	1995	Contributions and Grants - Credit	(39,262,042.69)			
Non-current assets	Property, plant and equipment	2055	Construction Work in Progress - Electric	13,281,865.85			
Non-current assets	Property, plant and equipment	2075	Non Rate-Regulated Utility Property Owned or Under Finance Leases	2,523,348.91			
Non-current assets	Property, plant and equipment	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipment	(191,475,655.19)			
Non-current assets	Property, plant and equipment	2180	Accumulated Depreciation of Non Rate-Regulated Utility Property	(796,171.62)			
					306,439		306,439
Non-current assets	Intangible assets	1508	Other Regulatory Assets	9,670,625.63			
Non-current assets	Intangible assets	1610	Miscellaneous Intangible Plant	1,293,406.49			
Non-current assets	Intangible assets	1611	Computer Software	20,976,520.39			
Non-current assets	Intangible assets	1612	Land Rights	539,800.73			
Non-current assets	Intangible assets	2055	Construction Work in Progress - Electric	918,351.00			
Non-current assets	Intangible assets	2120	Accumulated Amortization of Electric Utility Plant - Intangibles	(10,562,862.93)			
					22,836		22,836
Regulatory Balances	Regulatory Balances	1495	Deferred Taxes - Non-Current Assets	5,914,807.00			
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	603,105.83			
Regulatory Balances	Regulatory Balances	1518	RCVAREtail	202,611.53			
Regulatory Balances	Regulatory Balances	1548	RCVASTR	7,207.36			
Regulatory Balances	Regulatory Balances	1551	SME Charge Variance Account	(154,073.60)			
Regulatory Balances	Regulatory Balances	1568	LRAM Variance Account	2,436,100.05			
Regulatory Balances	Regulatory Balances	1580	RSVAWMS	(3,623,300.31)			
Regulatory Balances	Regulatory Balances	1584	RSVANW	5,308,942.23			
Regulatory Balances	Regulatory Balances	1586	RSVACN	3,775,925.88			
Regulatory Balances	Regulatory Balances	1588	RSVAPOWER	(326,823.78)			
Regulatory Balances	Regulatory Balances	1589	RSVAGA	3,432,475.75			
Regulatory Balances	Regulatory Balances	1595	Disposition and Recovery/Refund of Regulatory Balances Control Account	(411,365.24)			
					17,166		17,166
NET ASSETS					426,004		426,004
LIABILITIES AND EQUITY							
Current Liabilities	Accounts payable and accrued liabilities	2205	Accounts Payable	(43,322,028.37)			
Current Liabilities	Accounts payable and accrued liabilities	2220	Miscellaneous Current and Accrued Liabilities	(1,707,850.14)			
Current Liabilities	Accounts payable and accrued liabilities	2290	Commodity Taxes	(117,668.60)			
Current Liabilities	Accounts payable and accrued liabilities	2292	Payroll Deductions / Expenses Payable	(3,060,028.57)			
					(48,208)		(48,209)
						(1)	rounding on AFS

AFS Section	AFS Grouping	USoFA	OEB Account Name	2018 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)		
Current Liabilities	Due to shareholder	2240	Accounts Payable to Associated Companies	(6,450,846.19)	(6,451)		(6,451)	-	
Current Liabilities	Income tax payable	2294	Accrual for Taxes, "Payments in Lieu" of Taxes, Etc.	(2,196,827.00)	(2,197)		(2,197)	-	
Current Liabilities	Current portion of long-term debt	2260	Current Long Term Debt	(1,522,000.00)	(1,522)		(1,522)	-	
Current Liabilities	Customer and other deposits	2210	Customer Deposits	(2,359,823.02)					
Current Liabilities	Customer and other deposits	2220	Miscellaneous Current and Accrued Liabilities	(55,329.83)	(2,415)		(2,415)	-	
Current Liabilities	Deferred revenue	2210	Customer Deposits	(1,813,371.97)					
Current Liabilities	Deferred revenue	2440	Deferred Revenues	(523,000.00)	(2,336)		(2,336)	-	
Non-current Liabilities	Long Term Debt	2520	Other Non-Current Debt	(140,000,000.00)	(140,000)		(140,000)	-	
Non-current Liabilities	Post-employment benefits	2306	OPEB Liability	(13,894,700.00)	(13,895)		(13,895)	(0)	
Non-current Liabilities	Customer and other deposits	2335	Non-Current Customer Deposits	(3,509,219.89)	(3,509)		(3,509)	-	
Non-current Liabilities	Deferred revenue	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipment	963,659.57					
Non-current Liabilities	Deferred revenue	2335	Non-Current Customer Deposits	(9,704,518.00)					
Non-current Liabilities	Deferred revenue	2440	Deferred Revenues	(18,450,858.19)	(27,192)		(27,192)	-	
Non-current Liabilities	Deferred tax liability	2350	Deferred Tax - Non-Current Liability	(5,590,269.00)	(5,590)		(5,590)	-	
Non-current Liabilities	Unrealized loss on interest rate swap	2320	Other Miscellaneous Non-Current Liabilities	(1,228,275.00)	(1,228)		(1,228)	-	
Equity	Share capital and Retained earnings	3005	Common Shares Issued	(62,262,550.69)					
Equity	Share capital and Retained earnings	3030	Miscellaneous Paid-In Capital	(39,254,284.95)					
Equity	Share capital and Retained earnings	3045	Unappropriated Retained Earnings	(126,445,198.38)					
Equity	Share capital and Retained earnings	3046	Profit / Loss (from Income Statement)		(14,497)	(14,497)			
Equity	Share capital and Retained earnings	3049	Dividends Payable - Common Shares	74,000,000.00					
Equity	Share capital and Retained earnings	3075	Non Rate-Regulated Utility Shareholders' Equity	(492,163.56)	(154,454)		(168,949)	2	rounding on AFS
Equity	Accumulated other comprehensive loss	1508	Other Regulatory Assets	(965,600.00)					
Equity	Accumulated other comprehensive loss	3090	Accumulated Other Comprehensive Income	586,600.00	(379)		(380)	(1)	rounding on AFS
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	(411,965.08)					
Regulatory Balances	Regulatory Balances	1595	Disposition and Recovery/Refund of Regulatory Balances Control Account	(1,719,364.93)	(2,131)		(2,131)	-	
NET LIABILITIES AND EQUITY					(426,004)		(426,004)	(0)	
INCOME STATEMENT									
REVENUES									
Revenues	Sale of energy	4006	Residential Energy Sales	(92,938,198.73)					
Revenues	Sale of energy	4020	Energy Sales to Large Users	(7,419,905.89)					
Revenues	Sale of energy	4025	Street Lighting Energy Sales	(1,811,204.08)					
Revenues	Sale of energy	4030	Sentinel Lighting Energy Sales	(43,916.41)					
Revenues	Sale of energy	4035	General Energy Sales	(167,862,495.41)					
Revenues	Sale of energy	4050	Revenue Adjustment	128,839.40					
Revenues	Sale of energy	4055	Energy Sales For Retailers/Others	(27,227,355.70)					
Revenues	Sale of energy	4062	Billed - WMS	(12,756,558.08)					
Revenues	Sale of energy	4066	Billed - NW	(18,512,944.53)					
Revenues	Sale of energy	4068	Billed - CN	(18,010,421.25)					
Revenues	Sale of energy	4076	Billed - Smart Metering Entity Charge	(1,146,770.24)					
Revenues	Sale of energy	4080	Distribution Services Revenue	5,554,749.43		(342,046)	(342,046)	-	
Revenues	Distribution Revenue	4080	Distribution Services Revenue	(68,655,233.51)					
Revenues	Distribution Revenue	4235	Miscellaneous Service Revenues	(20,692.80)		(68,676)	(68,676)	-	
Revenues	Other	4082	Retail Services Revenues	(54,314.70)					
Revenues	Other	4084	Service Transaction Requests (STR) Revenues	(809.25)					
Revenues	Other	4086	SSS Administration Revenue	(464,004.03)					
Revenues	Other	4210	Rent from Electric Property	(529,682.87)					
Revenues	Other	4225	Late Payment Charges	(1,561,023.47)					
Revenues	Other	4235	Miscellaneous Service Revenues	(1,258,256.56)					
Revenues	Other	4245	Government and Other Assistance Directly Credited to Income	(411,679.93)					
Revenues	Other	4325	Revenues from Merchandise	(312,486.10)					
Revenues	Other	4355	Gain on Disposition of Utility and Other Property	(219,887.98)					
Revenues	Other	4375	Revenues from Non Rate-Regulated Utility Operations	(2,425,328.65)					
Revenues	Other	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generation Facility Expenses	(2,715.26)					
Revenues	Other	4390	Miscellaneous Non-Operating Income	(580,360.89)					
Revenues	Other	4398	Foreign Exchange Gains and Losses, Including Amortization	(8,592.64)					

AFS Section	AFS Grouping	USofA	OEB Account Name	2018 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)
Revenues	Other	5005	Operation Supervision and Engineering	(9,641.93)			
Revenues	Other	5010	Load Dispatching	(27,399.96)			
Revenues	Other	5065	Meter Expense	(3,000.00)			
Revenues	Other	5085	Miscellaneous Distribution Expense	(1,278.53)			
Revenues	Other	5105	Maintenance Supervision and Engineering	(8,513.23)			
Revenues	Other	5120	Maintenance of Poles, Towers and Fixtures	(43,976.00)			
Revenues	Other	5310	Meter Reading Expense	(831,180.10)			
Revenues	Other	5315	Customer Billing	(2,343,419.01)			
Revenues	Other	5320	Collecting	(421,353.93)			
Revenues	Other	5330	Collection Charges	(345,672.00)			
Revenues	Other	5415	Energy Conservation	(167,464.65)			
Revenues	Other	5605	Executive Salaries and Expenses	(25,732.84)			
Revenues	Other	5610	Management Salaries and Expenses	(58,845.07)			
Revenues	Other	5615	General Administrative Salaries and Expenses	(176,490.62)			
Revenues	Other	5620	Office Supplies and Expenses	(298,203.28)			
Revenues	Other	5630	Outside Services Employed	(35,440.57)			
Revenues	Other	5640	Injuries and Damages	2,882.00			
Revenues	Other	5665	Miscellaneous General Expenses	(62,553.77)			
Revenues	Other	6110	Income Taxes	(434,261.00)		(13,121)	(13,121)
EXPENSES							
Operating Expenses	Cost of power purchased	4705	Power Purchased	175,704,100.40			
Operating Expenses	Cost of power purchased	4707	Charges - Global Adjustment	122,329,451.00			
Operating Expenses	Cost of power purchased	4708	Charges - WMS	12,349,655.13			
Operating Expenses	Cost of power purchased	4714	Charges - NW	22,978,457.54			
Operating Expenses	Cost of power purchased	4716	Charges - CN	22,539,256.17			
Operating Expenses	Cost of power purchased	4751	Charges - Smart Metering Entity Charge	1,019,945.47		356,921	356,921
Operating Expenses	Operating Expenses	4330	Costs and Expenses of Merchandising	117,517.90			
Operating Expenses	Operating Expenses	4375	Revenues from Non Rate-Regulated Utility Operations	(7,198,331.89)			
Operating Expenses	Operating Expenses	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generation Facility Expenses	7,616,284.68			
Operating Expenses	Operating Expenses	4390	Miscellaneous Non-Operating Income	(3,644.29)			
Operating Expenses	Operating Expenses	4405	Interest and Dividend Income	(52,471.55)			
Operating Expenses	Operating Expenses	5005	Operation Supervision and Engineering	2,188,039.75			
Operating Expenses	Operating Expenses	5010	Load Dispatching	1,878,523.72			
Operating Expenses	Operating Expenses	5012	Station Buildings and Fixtures Expense	444,400.45			
Operating Expenses	Operating Expenses	5016	Distribution Station Equipment - Operation Labour	69,878.94			
Operating Expenses	Operating Expenses	5017	Distribution Station Equipment - Operation Supplies and Expenses	158,809.41			
Operating Expenses	Operating Expenses	5020	Overhead Distribution Lines and Feeders - Operation Labour	167,651.57			
Operating Expenses	Operating Expenses	5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	320,163.85			
Operating Expenses	Operating Expenses	5035	Overhead Distribution Transformers - Operation	12,006.87			
Operating Expenses	Operating Expenses	5040	Underground Distribution Lines and Feeders - Operation Labour	116,057.67			
Operating Expenses	Operating Expenses	5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	135,575.54			
Operating Expenses	Operating Expenses	5055	Underground Distribution Transformers - Operation	246,581.68			
Operating Expenses	Operating Expenses	5065	Meter Expense	1,578,611.41			
Operating Expenses	Operating Expenses	5085	Miscellaneous Distribution Expense	1,809,600.82			
Operating Expenses	Operating Expenses	5095	Overhead Distribution Lines and Feeders - Rental Paid	77,340.95			
Operating Expenses	Operating Expenses	5105	Maintenance Supervision and Engineering	1,931,904.57			
Operating Expenses	Operating Expenses	5110	Maintenance of Buildings and Fixtures - Distribution Stations	63,217.61			
Operating Expenses	Operating Expenses	5114	Maintenance of Distribution Station Equipment	752,286.49			
Operating Expenses	Operating Expenses	5120	Maintenance of Poles, Towers and Fixtures	739,593.03			
Operating Expenses	Operating Expenses	5125	Maintenance of Overhead Conductors and Devices	1,551,717.39			
Operating Expenses	Operating Expenses	5130	Maintenance of Overhead Services	240,599.26			
Operating Expenses	Operating Expenses	5135	Overhead Distribution Lines and Feeders - Right of Way	1,090,829.27			
Operating Expenses	Operating Expenses	5145	Maintenance of Underground Conduit	384,109.22			
Operating Expenses	Operating Expenses	5150	Maintenance of Underground Conductors and Devices	1,100,151.19			
Operating Expenses	Operating Expenses	5155	Maintenance of Underground Services	1,044,995.70			
Operating Expenses	Operating Expenses	5160	Maintenance of Line Transformers	136,011.96			
Operating Expenses	Operating Expenses	5175	Maintenance of Meters	34,119.75			
Operating Expenses	Operating Expenses	5305	Supervision	211,107.70			
Operating Expenses	Operating Expenses	5310	Meter Reading Expense	2,249,748.00			
Operating Expenses	Operating Expenses	5315	Customer Billing	4,135,050.25			
Operating Expenses	Operating Expenses	5320	Collecting	1,692,318.63			
Operating Expenses	Operating Expenses	5335	Bad Debt Expense	702,530.16			
Operating Expenses	Operating Expenses	5410	Community Relations - Sundry	108,704.27			
Operating Expenses	Operating Expenses	5415	Energy Conservation	167,464.65			
Operating Expenses	Operating Expenses	5420	Community Safety Program	72,001.92			
Operating Expenses	Operating Expenses	5605	Executive Salaries and Expenses	1,264,174.94			
Operating Expenses	Operating Expenses	5610	Management Salaries and Expenses	1,853,649.47			
Operating Expenses	Operating Expenses	5615	General Administrative Salaries and Expenses	4,371,935.93			
Operating Expenses	Operating Expenses	5620	Office Supplies and Expenses	2,549,733.73			
Operating Expenses	Operating Expenses	5630	Outside Services Employed	897,104.26			
Operating Expenses	Operating Expenses	5635	Property Insurance	495,333.90			
Operating Expenses	Operating Expenses	5640	Injuries and Damages	480,510.81			
Operating Expenses	Operating Expenses	5645	OMERS Pensions and Benefits	97,302.64			
Operating Expenses	Operating Expenses	5655	Regulatory Expenses	692,739.35			
Operating Expenses	Operating Expenses	5660	General Advertising Expenses	657,685.45			
Operating Expenses	Operating Expenses	5665	Miscellaneous General Expenses	862,961.88			
Operating Expenses	Operating Expenses	5675	Maintenance of General Plant	769,497.55			
Operating Expenses	Operating Expenses	6105	Taxes Other Than Income Taxes	523,560.48			
Operating Expenses	Operating Expenses	6205	Donations	201,684.94		43,809	43,809
Operating Expenses	Depreciation and Amortization	5085	Miscellaneous Distribution Expense	1,050,619.38			
Operating Expenses	Depreciation and Amortization	5665	Miscellaneous General Expenses	178,390.17			
Operating Expenses	Depreciation and Amortization	5705	Depreciation Expense - Property, Plant, and Equipment	12,837,373.57			
Operating Expenses	Depreciation and Amortization	5715	Amortization of Intangible Assets	4,920,225.05			

AFS Section	AFS Grouping	USofA	OEB Account Name	2018 Trial Balance	Balance Sheet (\$000's)	Income Statement (\$000's)	LH Financial Statement (\$000's)	
Operating Expenses	Depreciation and Amortization	5725	Miscellaneous Depreciation	123,660.78		19,110	19,110	-
Finance (Income) Expenses	Finance income	4405	Interest and Dividend Income	(180,183.91)				
Finance (Income) Expenses	Finance expenses	4335	Profits and Losses from Financial Instrument Hedges	341,274.00				
Finance (Income) Expenses	Finance expenses	6005	Interest on Long Term Debt	3,591,052.16				
Finance (Income) Expenses	Finance expenses	6035	Other Interest Expense	246,726.78				
Finance (Income) Expenses	Finance expenses	6040	Allowance For Borrowing Costs Applied to CWIP - Credit	(188,202.16)		3,811	3,811	-
Income tax expense	Income tax expense	6110	Income Taxes	2,898,354.00				
Income tax expense	Income tax expense	6115	Provision for Deferred Taxes - Income Statement	1,413,562.00		4,312	4,312	-
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4050	Revenue Adjustment	(859,314.58)				
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4062	Billed - WMS	406,902.95				
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4066	Billed - NW	(4,465,512.71)				
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4068	Billed - CN	(4,528,834.92)				
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4076	Billed - Smart Metering Entity Charge	126,824.77				
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4080	Distribution Services Revenue	(5,394,489.79)				
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4210	Rent from Electric Property	35,901.79				
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4405	Interest and Dividend Income	(195,361.82)				
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	5315	Customer Billing	(79,681.72)				
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	5665	Miscellaneous General Expenses	(178,390.17)				
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	6035	Other Interest Expense	159,331.97				
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	6110	Income Taxes	(1,504,000.00)		(17,067)	(17,066)	1 rounding on AFS
Other comprehensive income	Remeasurements of post-employment benefits	3045	Unappropriated Retained Earnings	(1,549,600.00)		(1,550)	(1,550)	-
Other comprehensive income	Tax on remeasurements	3045	Unappropriated Retained Earnings	410,644.00		411	411	-
Other comprehensive income	Net movement in regulatory balances, net of tax	3045	Unappropriated Retained Earnings	(410,644.00)		(411)	(411)	-
						(14,497)		
		TOTALS		(0.00)				

Part 2: Trial Balance by Account

Section	Grouping	OEB	OEB Account Name	2018
Current Assets	Cash and Cash Equivalent	1005	Cash	1,294,488.40
Current Assets	Accounts Receivable	1040	Other Special Deposits	5,208.00
Current Assets	Accounts Receivable	1100	Customer Accounts Receivable	23,742,814.68
Current Assets	Accounts Receivable	1104	Accounts Receivable - Recoverable Work	4,272,862.60
Current Assets	Accounts Receivable	1110	Other Accounts Receivable	11,231,002.24
Current Assets	Accounts Receivable	1120	Accrued Utility Revenues	38,237,392.25
Current Assets	Accounts Receivable	1130	Accumulated Provision for Uncollectible Accounts - Credit	(2,340,445.85)
Current Assets	Accounts Receivable	1140	Interest and Dividends Receivable	20,848.88
Current Assets	Accounts Receivable	1150	Rents Receivable	126,241.38
Current Assets	Prepaid expenses	1180	Prepayments	2,666,777.19
Current Assets	Materials and supplies	1305	Fuel Stock	67,349.25
Current Assets	Materials and supplies	1330	Plant Materials and Operating Supplies	549,365.62
Regulatory Balances	Regulatory Balances	1495	Deferred Taxes - Non-Current Assets	5,914,807.00
Equity	Accumulated other comprehensive loss	1508	Other Regulatory Assets	(965,600.00)
Non-current assets	Intangible assets	1508	Other Regulatory Assets	9,670,625.63
Other comprehensive income	Tax on remeasurements	1508	Other Regulatory Assets	410,644.00
Other comprehensive income	Net movement in regulatory balances, net of tax	1508	Other Regulatory Assets	(410,644.00)
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	603,105.83
Regulatory Balances	Regulatory Balances	1508	Other Regulatory Assets	(411,965.08)
Regulatory Balances	Regulatory Balances	1518	RCVARetail	202,611.53
Regulatory Balances	Regulatory Balances	1548	RCVASTR	7,207.36
Regulatory Balances	Regulatory Balances	1551	SME Charge Variance Account	(154,073.60)
Regulatory Balances	Regulatory Balances	1568	LRAM Variance Account	2,436,100.05
Regulatory Balances	Regulatory Balances	1580	RSVAWMS	(3,623,300.31)
Regulatory Balances	Regulatory Balances	1584	RSVANW	5,308,942.23
Regulatory Balances	Regulatory Balances	1586	RSVACN	3,775,925.88
Regulatory Balances	Regulatory Balances	1588	RSVAPOWER	(326,823.78)
Regulatory Balances	Regulatory Balances	1589	RSVAGA	3,432,475.75
Regulatory Balances	Regulatory Balances	1595	Disposition and Recovery/Refund of Regulatory Balances Control Account	(411,365.24)
Regulatory Balances	Regulatory Balances	1595	Disposition and Recovery/Refund of Regulatory Balances Control Account	(1,719,364.93)
Non-current assets	Intangible assets	1610	Miscellaneous Intangible Plant	1,293,406.49
Non-current assets	Intangible assets	1611	Computer Software	20,976,520.39
Non-current assets	Intangible assets	1612	Land Rights	539,800.73
Non-current assets	Property, plant and equipment	1805	Land	385,689.89
Non-current assets	Property, plant and equipment	1808	Buildings and Fixtures	1,389,995.06
Non-current assets	Property, plant and equipment	1820	Distribution Station Equipment - Normally Primary Below 50 kV	16,529,155.49
Non-current assets	Property, plant and equipment	1830	Poles, Towers and Fixtures	48,148,216.21
Non-current assets	Property, plant and equipment	1835	Overhead Conductors and Devices	68,548,307.06
Non-current assets	Property, plant and equipment	1840	Underground Conduit	62,052,390.32
Non-current assets	Property, plant and equipment	1845	Underground Conductors and Devices	96,662,276.34
Non-current assets	Property, plant and equipment	1850	Line Transformers	103,375,265.42
Non-current assets	Property, plant and equipment	1855	Services	40,824,480.20
Non-current assets	Property, plant and equipment	1860	Meters	31,050,935.28
Non-current assets	Property, plant and equipment	1908	Buildings and Fixtures	24,286,764.93
Non-current assets	Property, plant and equipment	1915	Office Furniture and Equipment	872,334.55
Non-current assets	Property, plant and equipment	1920	Computer Equipment - Hardware	1,505,207.28
Non-current assets	Property, plant and equipment	1930	Transportation Equipment	13,194,067.13
Non-current assets	Property, plant and equipment	1935	Stores Equipment	319,837.54
Non-current assets	Property, plant and equipment	1940	Tools, Shop and Garage Equipment	912,664.90
Non-current assets	Property, plant and equipment	1945	Measurement and Testing Equipment	1,116,529.35
Non-current assets	Property, plant and equipment	1950	Power Operated Equipment	1,077,502.60
Non-current assets	Property, plant and equipment	1955	Communication Equipment	5,081,979.81
Non-current assets	Property, plant and equipment	1960	Miscellaneous Equipment	4,039.00
Non-current assets	Property, plant and equipment	1980	System Supervisory Equipment	4,830,198.51
Non-current assets	Property, plant and equipment	1995	Contributions and Grants - Credit	(39,262,042.69)
Non-current assets	Property, plant and equipment	2055	Construction Work in Progress - Electric	13,281,865.85
Non-current assets	Intangible assets	2055	Construction Work in Progress - Electric	918,351.00
Non-current assets	Property, plant and equipment	2075	Non Rate-Regulated Utility Property Owned or Under Finance Leases	2,523,348.91
Non-current assets	Property, plant and equipment	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipme	(191,475,655.19)
Non-current Liabilities	Deferred revenue	2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipme	963,659.57
Non-current assets	Intangible assets	2120	Accumulated Amortization of Electric Utility Plant - Intangibles	(10,562,862.93)
Non-current assets	Property, plant and equipment	2180	Accumulated Depreciation of Non Rate-Regulated Utility Property	(796,171.62)
Current Assets	Accounts Receivable	2205	Accounts Payable	340,115.55
Current Liabilities	Accounts payable and accrued liabilities	2205	Accounts Payable	(43,322,028.37)
Current Assets	Accounts Receivable	2208	Customer Credit Balances	(650,806.85)
Current Liabilities	Customer and other deposits	2210	Customer Deposits	(2,359,823.02)
Current Liabilities	Deferred revenue	2210	Customer Deposits	(1,813,371.97)
Current Liabilities	Accounts payable and accrued liabilities	2220	Miscellaneous Current and Accrued Liabilities	(1,707,850.14)
Current Liabilities	Customer and other deposits	2220	Miscellaneous Current and Accrued Liabilities	(55,329.83)
Current Liabilities	Due to shareholder	2240	Accounts Payable to Associated Companies	(6,450,846.19)
Current Liabilities	Current portion of long-term debt	2260	Current Long Term Debt	(1,522,000.00)
Current Liabilities	Accounts payable and accrued liabilities	2290	Commodity Taxes	(117,668.60)
Current Liabilities	Accounts payable and accrued liabilities	2292	Payroll Deductions / Expenses Payable	(3,060,028.57)
Current Liabilities	Income tax payable	2294	Accrual for Taxes, "Payments in Lieu" of Taxes, Etc.	(2,196,827.00)
Non-current Liabilities	Post-employment benefits	2306	OPEB Liability	(13,894,700.00)
Non-current Liabilities	Unrealized loss on interest rate swap	2320	Other Miscellaneous Non-Current Liabilities	(1,228,275.00)
Non-current Liabilities	Customer and other deposits	2335	Non-Current Customer Deposits	(3,509,219.89)
Non-current Liabilities	Deferred revenue	2335	Non-Current Customer Deposits	(9,704,518.00)
Non-current Liabilities	Deferred tax liability	2350	Deferred Tax - Non-Current Liability	(5,590,269.00)
Current Liabilities	Deferred revenue	2440	Deferred Revenues	(523,000.00)
Non-current Liabilities	Deferred revenue	2440	Deferred Revenues	(18,450,858.19)
Non-current Liabilities	Long Term Debt	2520	Other Non-Current Debt	(140,000,000.00)
Equity	Share capital and Retained earnings	3005	Common Shares Issued	(62,262,550.69)
Equity	Share capital and Retained earnings	3030	Miscellaneous Paid-In Capital	(39,254,284.95)
Equity	Share capital and Retained earnings	3045	Unappropriated Retained Earnings	(126,445,198.38)
Other comprehensive income	Remeasurements of post-employment benefits	3045	Unappropriated Retained Earnings	(1,549,600.00)
Equity	Share capital and Retained earnings	3049	Dividends Payable - Common Shares	74,000,000.00
Equity	Share capital and Retained earnings	3075	Non Rate-Regulated Utility Shareholders' Equity	(492,163.56)
Equity	Accumulated other comprehensive loss	3090	Accumulated Other Comprehensive Income	586,600.00
Revenues	Sale of energy	4006	Residential Energy Sales	(92,938,198.73)
Revenues	Sale of energy	4020	Energy Sales to Large Users	(7,419,905.89)
Revenues	Sale of energy	4025	Street Lighting Energy Sales	(1,811,204.08)
Revenues	Sale of energy	4030	Sentinel Lighting Energy Sales	(43,916.41)
Revenues	Sale of energy	4035	General Energy Sales	(167,862,495.41)
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4050	Revenue Adjustment	(859,314.58)

Section	Grouping	OEB	OEB Account Name	2018
Revenues	Sale of energy	4050	Revenue Adjustment	128,839.40
Revenues	Sale of energy	4055	Energy Sales For Retailers/Others	(27,227,355.70)
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4062	Billed - WMS	406,902.95
Revenues	Sale of energy	4062	Billed - WMS	(12,756,558.08)
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4066	Billed - NW	(4,465,512.71)
Revenues	Sale of energy	4066	Billed - NW	(18,512,944.83)
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4068	Billed - CN	(4,528,834.92)
Revenues	Sale of energy	4068	Billed - CN	(18,010,421.25)
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4076	Billed - Smart Metering Entity Charge	126,824.77
Revenues	Sale of energy	4076	Billed - Smart Metering Entity Charge	(1,146,770.24)
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4080	Distribution Services Revenue	(5,984,489.79)
Revenues	Sale of energy	4080	Distribution Services Revenue	5,554,749.43
Revenues	Distribution Revenue	4080	Distribution Services Revenue	(68,655,233.51)
Revenues	Other	4082	Retail Services Revenues	(54,314.70)
Revenues	Other	4084	Service Transaction Requests (STR) Revenues	(809.25)
Revenues	Other	4086	SSS Administration Revenue	(464,004.03)
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4210	Rent from Electric Property	35,901.79
Revenues	Other	4210	Rent from Electric Property	(529,682.87)
Revenues	Other	4225	Late Payment Charges	(1,561,023.47)
Revenues	Distribution Revenue	4235	Miscellaneous Service Revenues	(20,692.80)
Revenues	Other	4235	Miscellaneous Service Revenues	(1,258,256.56)
Revenues	Other	4245	Government and Other Assistance Directly Credited to Income	(411,679.93)
Revenues	Other	4325	Revenues from Merchandise	(312,486.10)
Operating Expenses	Operating Expenses	4330	Costs and Expenses of Merchandising	117,517.90
Finance (Income) Expenses	Finance expenses	4335	Profits and Losses from Financial Instrument Hedges	341,274.00
Revenues	Other	4355	Gain on Disposition of Utility and Other Property	(219,887.98)
Operating Expenses	Operating Expenses	4375	Revenues from Non Rate-Regulated Utility Operations	(7,198,331.89)
Revenues	Other	4375	Revenues from Non Rate-Regulated Utility Operations	(2,425,328.65)
Operating Expenses	Operating Expenses	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generator	7,616,284.68
Revenues	Other	4380	Expenses from Non Rate-Regulated Utility Operations, Sub-account Generator	(2,715.26)
Operating Expenses	Operating Expenses	4390	Miscellaneous Non-Operating Income	(3,644.29)
Revenues	Other	4390	Miscellaneous Non-Operating Income	(580,360.89)
Revenues	Other	4398	Foreign Exchange Gains and Losses, Including Amortization	(8,592.64)
Finance (Income) Expenses	Finance income	4405	Interest and Dividend Income	(180,183.91)
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	4405	Interest and Dividend Income	(195,361.82)
Operating Expenses	Operating Expenses	4405	Interest and Dividend Income	(52,471.55)
Operating Expenses	Cost of power purchased	4705	Power Purchased	175,704,100.40
Operating Expenses	Cost of power purchased	4707	Charges - Global Adjustment	122,329,451.00
Operating Expenses	Cost of power purchased	4708	Charges - WMS	12,349,655.13
Operating Expenses	Cost of power purchased	4714	Charges - NW	22,978,457.54
Operating Expenses	Cost of power purchased	4716	Charges - CN	22,539,256.17
Operating Expenses	Cost of power purchased	4751	Charges - Smart Metering Entity Charge	1,019,945.47
Operating Expenses	Operating Expenses	5005	Operation Supervision and Engineering	2,188,039.75
Revenues	Other	5005	Operation Supervision and Engineering	(9,641.93)
Operating Expenses	Operating Expenses	5010	Load Dispatching	1,878,523.72
Revenues	Other	5010	Load Dispatching	(27,399.96)
Operating Expenses	Operating Expenses	5012	Station Buildings and Fixtures Expense	444,400.45
Operating Expenses	Operating Expenses	5016	Distribution Station Equipment - Operation Labour	69,878.94
Operating Expenses	Operating Expenses	5017	Distribution Station Equipment - Operation Supplies and Expenses	158,809.41
Operating Expenses	Operating Expenses	5020	Overhead Distribution Lines and Feeders - Operation Labour	167,651.57
Operating Expenses	Operating Expenses	5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	320,163.85
Operating Expenses	Operating Expenses	5035	Overhead Distribution Transformers - Operation	12,006.87
Operating Expenses	Operating Expenses	5040	Underground Distribution Lines and Feeders - Operation Labour	116,057.67
Operating Expenses	Operating Expenses	5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	135,575.54
Operating Expenses	Operating Expenses	5055	Underground Distribution Transformers - Operation	246,581.68
Operating Expenses	Operating Expenses	5065	Meter Expense	1,578,611.41
Revenues	Other	5065	Meter Expense	(3,000.00)
Operating Expenses	Operating Expenses	5085	Miscellaneous Distribution Expense	1,809,600.82
Operating Expenses	Depreciation and Amortization	5085	Miscellaneous Distribution Expense	1,050,619.38
Revenues	Other	5085	Miscellaneous Distribution Expense	(1,278.63)
Operating Expenses	Operating Expenses	5095	Overhead Distribution Lines and Feeders - Rental Paid	77,340.95
Operating Expenses	Operating Expenses	5105	Maintenance Supervision and Engineering	1,931,904.57
Revenues	Other	5105	Maintenance Supervision and Engineering	(8,513.23)
Operating Expenses	Operating Expenses	5110	Maintenance of Buildings and Fixtures - Distribution Stations	63,217.61
Operating Expenses	Operating Expenses	5114	Maintenance of Distribution Station Equipment	752,286.49
Operating Expenses	Operating Expenses	5120	Maintenance of Poles, Towers and Fixtures	739,593.03
Revenues	Other	5120	Maintenance of Poles, Towers and Fixtures	(43,976.00)
Operating Expenses	Operating Expenses	5125	Maintenance of Overhead Conductors and Devices	1,551,717.39
Operating Expenses	Operating Expenses	5130	Maintenance of Overhead Services	240,599.26
Operating Expenses	Operating Expenses	5135	Overhead Distribution Lines and Feeders - Right of Way	1,090,829.27
Operating Expenses	Operating Expenses	5145	Maintenance of Underground Conduit	384,109.22
Operating Expenses	Operating Expenses	5150	Maintenance of Underground Conductors and Devices	1,100,151.19
Operating Expenses	Operating Expenses	5155	Maintenance of Underground Services	1,044,995.70
Operating Expenses	Operating Expenses	5160	Maintenance of Line Transformers	136,011.96
Operating Expenses	Operating Expenses	5175	Maintenance of Meters	34,119.75
Operating Expenses	Operating Expenses	5305	Supervision	211,107.70
Operating Expenses	Operating Expenses	5310	Meter Reading Expense	2,249,748.00
Revenues	Other	5310	Meter Reading Expense	(831,180.10)
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	5315	Customer Billing	(79,681.72)
Operating Expenses	Operating Expenses	5315	Customer Billing	4,135,050.25
Revenues	Other	5315	Customer Billing	(2,343,419.01)
Operating Expenses	Operating Expenses	5320	Collecting	1,692,318.63
Revenues	Other	5320	Collecting	(421,353.93)
Revenues	Other	5330	Collection Charges	(345,672.00)
Operating Expenses	Operating Expenses	5335	Bad Debt Expense	702,530.16
Operating Expenses	Operating Expenses	5410	Community Relations - Sundry	108,704.27
Operating Expenses	Operating Expenses	5415	Energy Conservation	167,464.65
Revenues	Other	5415	Energy Conservation	(167,464.65)
Operating Expenses	Operating Expenses	5420	Community Safety Program	72,001.92
Operating Expenses	Operating Expenses	5605	Executive Salaries and Expenses	1,264,174.94
Revenues	Other	5605	Executive Salaries and Expenses	(25,887.13)
Operating Expenses	Operating Expenses	5610	Management Salaries and Expenses	1,853,649.47
Revenues	Other	5610	Management Salaries and Expenses	(59,197.88)
Operating Expenses	Operating Expenses	5615	General Administrative Salaries and Expenses	4,371,935.93
Revenues	Other	5615	General Administrative Salaries and Expenses	(176,208.31)
Operating Expenses	Operating Expenses	5620	Office Supplies and Expenses	2,549,733.73
Revenues	Other	5620	Office Supplies and Expenses	(298,816.85)
Operating Expenses	Operating Expenses	5630	Outside Services Employed	897,104.26
Revenues	Other	5630	Outside Services Employed	(34,237.88)
Operating Expenses	Operating Expenses	5635	Property Insurance	495,333.90

Section	Grouping	OEB	OEB Account Name	2018
Operating Expenses	Operating Expenses	5640	Injuries and Damages	480,510.81
Revenues	Other	5640	Injuries and Damages	2,882.00
Operating Expenses	Operating Expenses	5645	OMERS Pensions and Benefits	97,302.64
Operating Expenses	Operating Expenses	5655	Regulatory Expenses	692,739.35
Operating Expenses	Operating Expenses	5660	General Advertising Expenses	657,685.45
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	5665	Miscellaneous General Expenses	(178,390.17)
Operating Expenses	Operating Expenses	5665	Miscellaneous General Expenses	862,961.88
Operating Expenses	Depreciation and Amortization	5665	Miscellaneous General Expenses	178,390.17
Revenues	Other	5665	Miscellaneous General Expenses	(62,918.10)
Operating Expenses	Operating Expenses	5675	Maintenance of General Plant	769,497.55
Operating Expenses	Depreciation and Amortization	5705	Depreciation Expense - Property, Plant, and Equipment	12,837,373.57
Operating Expenses	Depreciation and Amortization	5715	Amortization of Intangible Assets	4,920,225.05
Operating Expenses	Depreciation and Amortization	5725	Miscellaneous Depreciation	123,660.78
Finance (Income) Expenses	Finance expenses	6005	Interest on Long Term Debt	3,591,052.16
Finance (Income) Expenses	Finance expenses	6035	Other Interest Expense	246,726.78
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	6035	Other Interest Expense	159,331.97
Finance (Income) Expenses	Finance expenses	6040	Allowance For Borrowing Costs Applied to CWIP - Credit	(188,202.16)
Operating Expenses	Operating Expenses	6105	Taxes Other Than Income Taxes	523,560.48
Income tax expense	Income tax expense	6110	Income Taxes	2,898,354.00
Net movement in regulatory balances, net of tax	Net movement in regulatory balances, net of tax	6110	Income Taxes	(1,504,000.00)
Revenues	Other	6110	Income Taxes	(434,261.00)
Income tax expense	Income tax expense	6115	Provision for Deferred Taxes - Income Statement	1,413,562.00
Operating Expenses	Operating Expenses	6205	Donations	201,684.94

2.1.6 AFS - Income Tax Expense

Income tax expense is comprised of:

	YEAR 2018	USoA
Current income tax		
Current year	\$ 2,886	6110
Adjustment for prior period income tax credits	(408)	6110
Adjustment for prior period income tax expense	421	6110
	<u>2,899</u>	
Deferred tax		
Change in recognized deductible temporary differences:		
Gain on interest rate swap loss	(90)	6115
Property, plant, equipment and intangible assets	1,671	6115
Post-employment benefits	(61)	6115
Deferred revenue	(107)	6115
	<u>1,413</u>	
Total current and deferred income tax in profit and loss, before movement of regulatory balance	4,312	
Other comprehensive income		
Post-employment benefits	411	6110
Total current and deferred income tax, before movement of regulatory balances	4,723	
Net movement in regulatory balances	(1,914)	6110
Income tax expense recognized in Statement of Comprehensive Income	\$ 2,809	

2.1.13 Reconciliation (Mapping) - Income Tax Expense

AFS Grouping	Account Name	Trial Balance	USoA
Income tax expense	Income Taxes	\$ 2,898	6110
Net movement in regulatory balances, net of tax	Income Taxes	\$ (1,504)	6110
Other Revenue (SRED income tax credits)	Income Taxes	\$ (434)	6110
		<u>\$ 960</u>	
Income tax expense	Provision for Deferred Taxes - Income Statement	\$ 1,414	6115

2.1.7 Trial Balance - Income Tax Expense

Account Name	Trial Balance	USoA
Income Taxes	\$ 960,093	6110
Provision for Future Income Taxes	\$ 1,413,562	6115



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APPENDIX G CHECKLIST

2022 Cost of Service Checklist

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Filing Requirement Page # Reference		Date:	Evidence Reference, Notes (Note: if requirement is not applicable, please provide reasons)
GENERAL REQUIREMENTS			
Ch 1, Pg. 2	Certification by a senior officer that the evidence filed is accurate, consistent and complete		Exhibit 1
Ch 1, Pg. 3-4	Confidential Information - Practice Direction has been followed		N/A
Ch 1, Pg. 4	Certification by a senior officer that the application and any evidence filed in support of the application does not include any personal information unless it is filed in accordance with Rule 9A of the OEB's Rules (and the Practice Direction, as applicable).		Exhibit 1
Ch 2, Pg. 2	Statement identifying all deviations from Filing Requirements		N/A
2	Chapter 2 appendices in PDF and live Microsoft Excel format; PDF and Excel copy of current tariff sheet		Filed with application
3	If applicable, late applications filed after the commencement of the rate year for which the application is intended to set rates is converted to the following rate year.		N/A
3	If aligning rate year with fiscal year, application filed no later than the end of April of the year prior to the test year		N/A
4	Text searchable and bookmarked PDF documents		All Exhibits
5	Links within Excel models not broken and models names so that they can be identified (e.g. RRWF instead of Attachment A)		Filed with application
5	Materiality threshold; additional details below the threshold if necessary (for rate base, capital expenditures and OM&A)		Exhibit 3 & 4
EXHIBIT 1 - ADMINISTRATIVE DOCUMENTS			
<i>Table of Contents</i>			
6	Table of Contents listing major sections and subsections of the application. Electronic version of application appropriately bookmarked to provide direct access to each section		All Exhibits have TOC
<i>Executive Summary and Business Plan</i>			
6	Summary identifying key elements of the proposals and the Business Plan underpinning application, as guided by the Rate Handbook including plain language information about its goals		1.3 Executive Summary and Business Plan
<i>Customer Summary</i>			
7	Brief but complete summary of the application that will be posted as a stand-alone document on the OEB's website for review by the general public and be made available to customers of the applicant. Must include: main requests (with section references), description of impacts of requests, bill impact for customer at 750kWh as well as a typical consumer for a distributor's service area for each of the residential and small business customer classes (bill impacts to be based on commodity rates based on TOU and reg. charges held constant)		5.0 Customer Summary
<i>Administration</i>			
7	Primary contact information (name, address, phone, fax, email)		6.3.3 Primary Application Contact:
7	Identification of legal (or other) representation		6.3.4 Legal or Other Representation for the Application:
7	Applicant's internet address for viewing of application and any social media accounts used by the applicant to communicate with customers		6.3.5 Applicant's internet address for viewing:
7	Statement identifying where notice should be published and why		6.5 STATEMENTS AS TO WHO IS AFFECTED BY APPLICATION AND PUBLICATION
7	Bill impacts - distribution only impacts for 750 kWh residential and 2000 kWh GS<50 (sub-total A of Tariff Schedule and Bill Impact Spreadsheet Model) to be used for notice; proposed bill impacts based on alternative consumption profiles and customer groups as appropriate given consumption patterns of a distributors customers		6.6 BILL IMPACTS FOR PUBLIC NOTICE OF APPLICATION
7	Form of hearing requested and why		6.7 STATEMENT OF REQUESTED HEARING FORM
7	Requested effective date		6.8 RATE ORDER REQUIREMENT FOR IMPLEMENTATION
8	Statement identifying and describing any changes to methodologies used vs previous applications		6.9 STATEMENT IDENTIFYING AND DESCRIBING ANY CHANGES TO
8	Identification of OEB directions from any previous OEB Decisions and/or Orders. The applicant must clearly indicate how these are being addressed in the current application (e.g., filing of a study as directed in a previous decision)		6.10 IDENTIFICATION OF OEB DIRECTIONS FROM ANY PREVIOUS OEB DECISIONS
8	Reference to Conditions of Service - LDC does not need to file Conditions of Service, but must provide reference to website and confirm version is current; identify if there are changes to Conditions of Service (a) since last CoS application or (b) as a result of the current application. Confirmation that there are no rates and charges linked in the Conditions of Service that are not in the distributor's Tariff of Rates and Charges must be provided		6.11 CONDITIONS OF SERVICE
8	Description of the corporate and utility organizational structure, showing the main units and executive and senior management positions within the utility. Include a corporate entities relationship chart, showing the extent to which the parent company is represented on the utility company's Board of Directors and a description of the reporting relationships between utility and parent company management. Also include any planned changes in corporate or operational structure, including any changes in legal organization and control		6.13 CORPORATE AND UTILITY ORGANIZATIONAL STRUCTURE

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8	List of approvals requested (and relevant section of legislation). All approvals including accounting orders, new rate classes, revised specific service charges or retail service charges which the distributor is seeking, must be separately identified in Appendix 2-A and clearly documented in the appropriate sections of the application - a PDF copy of Appendix 2-A should be provided in this section		6.14 LIST OF SPECIFIC APPROVALS REQUESTED
Distribution System Overview			
8	Description of Service Area (including map, communities served)		7.0 DISTRIBUTION SYSTEM OVERVIEW
8 & 9	Description of whether the distributor is a host distributor and/or embedded distributor. Identification of embedded and/or host distributors; if partially embedded provide %load from host distributor. If the distributor is a host, the applicant should identify whether there is a separate Embedded Distributor customer class or if any embedded distributors are included in other customer classes such as GS > 50 kW		7.0 DISTRIBUTION SYSTEM OVERVIEW
9	Statement as to whether or not the distributor has had any transmission or high voltage assets deemed by the OEB as distribution assets and whether or not there are any such assets the distributor is seeking approval for in this application		N/A
Application Summary			
At a minimum, the items below must be provided. Applicants must also identify all proposed changes that will have a material impact on customers.			
9	Revenue Requirement - service RR, increase/decrease (\$ and %) from change from previously approved and main drivers		8.2 REVENUE REQUIREMENT
9	Budgeting and Accounting Assumptions - economic overview (such as growth and inflation), and identification of accounting standard used for test year and brief explanation of impacts arising from any change in standards		8.3 Budgeting and Accounting Assumptions
9	Load Forecast Summary - load and customer growth, % change in kWh/kW and customer numbers from last OEB-approved, description of forecasting method(s) used for customer/connection and consumption/demand		8.4 LOAD FORECAST SUMMARY
9 & 10	Rate Base and DSP - major drivers of DSP, rate base for test year, change in rate base from last approved (\$ and %), capital expenditures requested for the test year, change in capital expenditures from last approved (\$ and %), summary of costs requested for renewable energy connections/expansions, smart grid, and regional planning initiatives, any O.Reg 339/09 planned recovery		8.5 CAPITAL PLAN (DSP) AND RATE BASE
10	OM&A Expense - OM&A for test year and change from last approved (\$ and %), summary of drivers and cost trends, inflation assumed, total compensation for test year and change from last approved (\$ and %).		8.5.5 Operations, Maintenance and Administration Expense
10	Cost of Capital - summary table showing proposed capital structure and cost of capital parameters used in WACC. Statement regarding use of OEB's cost of capital parameters; summary of any deviations		8.5.6 Cost of Capital
10	Cost Allocation & Rate Design - summary of any deviations from OEB methodologies, significant changes proposed to revenue-to-cost ratios and fixed/variable splits and summary of proposed mitigation plans		8.6 Cost Allocation and Rate Design
10	Deferral and Variance Accounts - total disposition (RPP and non-RPP), disposition period, new accounts requested and any requested discontinuation of existing DVAs		8.7 Deferral and Variance Accounts
10	Bill Impacts - total impacts (\$ and %) for all classes for typical customers		8.8 Bill Impacts
Customer Engagement			
10 & 11	Discussion on how customers were informed of the proposals being considered for inclusion in the application and the value of those proposals to customers i.e. costs, benefits, and the impact on rates		9.0 Customer Engagement
11	Discussion of any feedback provided by customers and how the feedback shaped the final application		9.0 Customer Engagement
11	Impact of customer engagement activities on the development of the capital plan are to be filed as part of the capital plan requirements in Chapter 5		9.0 Customer Engagement
11	Reference to any other communication sent to customers about the application i.e. bill inserts, town hall meetings or other forms of out reach and the feedback received from customers through these engagement activities. Provide summary of feedback received through engagement activities.		9.0 Customer Engagement
11	Complete Appendix 2-AC Customer Engagement Activities Summary - explicit identification of the outcomes of customer engagement in terms of the impacts on the distributor's plans, and how that information has shaped the application		9.0 Customer Engagement
11	All responses to matters raised in letters of comment filed with the OEB		9.0 Customer Engagement
Performance Measurement			
11 & 12	Discussion of performance for each of the distributor's scorecard measures over the last five years; drivers for its performance, plans for continuous improvement currently and going forward		10.0 Performance Measurement
12	Identify performance improvement targets, forecast of efficiency assessment using the PEG forecasting model for the test year, discussion on how the results obtained from the PEG model has informed the business plan and application		1.3 Executive Summary and Business Plan
12	Activity and Performance-based Benchmarking (APB) results - discussion of performance for each of the ten programs and provide any immediate remedial actions distributor plans to take. Distributors may include how the APB results will influence future planning		1.3 Executive Summary and Business Plan
Facilitating Innovation			
13	In order to support the OEB's consideration of its new objective to facilitate innovation in the electricity sector, it would be helpful for distributors to include in their cost-based applications a description of the ways that their approach to innovation have shaped the proposals in the application. This could include an explanation of its approach to innovation in its business more generally, or related to specific projects, including enabling characteristics or constraints in its ability to undertake innovative solutions for enhancing the provision of distribution services in a way that benefits customers.		1.3.7 Innovation
Financial Information			
13	Non-consolidated Audited Financial Statements for 3 most recent historical years (i.e. 2 years statements must be filed, covering 3 years of historical actuals)		11.0 Financial Information

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Filing Requirement Page # Reference		Evidence Reference, Notes (Note: if requirement is not applicable, please provide reasons)
13	Detailed reconciliation of AFS with regulatory financial results filed in the application, including a reconciliation of the fixed assets in order to, as one example, separate non-distribution business. This must include identification of any deviations that are being proposed between AFS and regulatory financial results, including the identification of any prior OEB approvals for such deviations	11.0 Financial Information
13	Annual Report and MD&A for most recent year of distributor and parent company, as available and applicable	11.0 Financial Information
13	Rating Agency Reports, if available; Prospectuses, etc. for recent and planned public issuances	11.0 Financial Information
13	Any change in tax status	11.0 Financial Information
13	Existing accounting orders and departures from these orders, as well as any departures from the USoA	11.0 Financial Information
13	Accounting Standards used for financial statements and when adopted	11.0 Financial Information
13 & 14	Confirmation that accounting treatment of any non-utility business has segregated activities from rate regulated activities	11.0 Financial Information
<i>Distributor Consolidation</i>		
14	If a distributor has acquired or amalgamated with another distributor, identify any incentives that formed part of the acquisition or amalgamation transaction if the incentive represents costs that are being proposed to remain or enter rate base and/or revenue requirement. A distributor must specify whether any commitments made to shareholders are to be funded through rates	N/A
14	List of exhibits in application in which incentives are discussed	N/A
14	Description of actual savings as a result of consolidation compared to what was in the approved consolidation application and explanation of how savings are sustainable and the efficacy of any rate plan approved as part of the MAADs application	N/A

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14	Identify approved ACM or ICM from a previous Price Cap IR application it proposes be incorporated into rate base		N/A
EXHIBIT 2 - RATE BASE			
<i>Overview</i>			
15	Completed Fixed Asset Continuity Schedule (Appendix 2-BA) - in Application and Excel format		Exhibit 2, Appendix 2-1 Chapter 2 Appendices Excel workbook
15	For rate base, must include opening and closing balances, average of opening and closing balances for gross assets and accumulated depreciation (discussion of methodology if applicant uses an alternative method); working capital allowance (historical actuals, bridge and test year forecast)		Table 2-1, Table 2-8
15	Continuity statements (year end balance, including interest during construction and overheads). Explanation for any restatement (e.g. due to change in accounting standards) Year over year variance analysis; explanation where variance greater than materiality threshold Hist. OEB-Approved vs Hist. Actual (for the most recent historical OEB-approved year) Hist. Act. vs. preceding Hist. Act. (for the relevant number of years) Hist. Act. vs. Bridge Bridge vs. Test		Exhibit 2, Appendix 2-1 Chapter 2 Appendices Excel workbook Table 2-8 (Summary of Continuity Schedules) Variance Analysis - Section 2.1.1
15	Opening and closing balances of gross assets and accumulated depreciation must correspond to fixed asset continuity statements. If not, an explanation must be provided (e.g. CWIP, ARO). Reconciliation must be between net book value balances reported on Appendix 2-BA and balances included in rate base calculation		Exhibit 2, Appendix 2-1 Chapter 2 Appendices Excel workbook Table 2-8 (Summary of Continuity Schedules)
16	Distributor may include in-service balances previously recorded in DVAs, such as MIST meters or renewable generation/smart grid related accounts, in its opening test year property, plant and equipment balances, if these costs have not been previously reviewed and approved for disposition, but disposition is being requested in this application. In this situation, the distributor must clearly show in its evidence (e.g. Appendix 2-BA) that the addition was included in the opening test year balances and must reconcile the closing bridge year and opening test year figures. Distributors must provide the same reconciliation for accumulated depreciation		Exhibit 2, Appendix 2-1 Chapter 2 Appendices Excel workbook Table 2-8 (Summary of Continuity Schedules)
<i>Gross Assets - PP&E and Accumulated Depreciation</i>			
16	Breakdown by function (transmission or high voltage plant, distribution plant, general plant, other plant) for required statements and analyses		Table 2-10
16	Breakdown by major plant account for each functionalized plant item; for test year, each plant item must be accompanied by description		Table 2-10
16	Summary of approved and actual costs for any ICM(s) and/ or ACM approved in previous IRM applications		Section 2.7
16	Continuity statements must reconcile to calculated depreciation expenses under Exhibit 4 and presented by asset account		Table 2-9
16	All asset disposals clearly identified in the Chapter 2 Appendices for all historical, bridge and test years		Table 2-8 (Summary of Continuity Schedules)
<i>Allowance for Working Capital</i>			
16 & 17	Working Capital - 7.5% allowance or Lead/Lag Study or Previous OEB Direction		Section 2.3
17	Lead/Lag Study - leads and lags measured in days, dollar-weighted		n/a
17	Cost of Power must be determined by split between RPP and non-RPP Class A and Class B customers based on actual data, use most current RPP (TOU) price, use current UTR. Calculation must include the impact of the most up to date Ontario Electricity Rebate, currently set at of 18.9% on the total bill. Distributors must complete Appendix 2-Z - Commodity Expense.		Chapter 2 Appendices Excel workbook
<i>Distribution System Plan and Capital Expenditures Summary</i>			
18	DSP filed as a stand-alone document; a discrete element within Exhibit 2		Section 2.4 Appendix 2-7
18	Overall summary of capital expenditures over the past five historical years, including the last OEB-approved amounts, as well as the bridge year and the test year. The summary must show capital expenditures, treatment of contributed capital, and additions and deductions from CWIP. As part of Exhibit 2, a distributor must also provide explanations of year-over-year variances and an explanation of the variance, if any, between the OEB-approved capital expenditure amount in the last rebasing year as compared to the actual expenditures for that year.		Table 2-20 Section 2.5.3
18	Complete Appendix 2-AB - four historical years must be actuals, forecasts for the bridge and test years; at a minimum, for historical years, applicants must provide actual totals for each DSP category.		Chapter 2 Appendices Excel workbook
<i>Policy Options for the Funding of Capital</i>			
18 & 19	Distributor may propose ACM capital project coming into service during Price Cap IR (a discrete project documented in DSP). Provide cost and materiality calculations to demonstrate ACM qualification		Section 2.6
18 & 19	Distributor must establish need for and prudence of these projects based on DSP information; identification that distributor is proposing ACM treatment for these future projects, preliminary cost information. The ACM Report provides further details on the information required.		Section 2.6
19	Complete Capital Module Applicable to ACM and ICM		Section 2.6 Appendix 2-2
<i>Addition of Previously Approved ACM and ICM Project Assets to Rate Base</i>			
19 & 20	Distributor with previously approved ACM(s) and/or ICM(s) - schedule of ACM/ICM amounts proposed to be incorporated into rate base. The distributors must compare actual capital spending with OEB-approved amount and provide an explanation for variances		Section 2.7
20	Balances in Account 1508 sub-accounts, reconciliation with proposed rate base amounts; recalculated revenue requirement should be compared with rate rider revenue		Section 9.4
20 & 21	Accelerated capital cost allowance (CCA) should not be reflected in the ACM/ICM revenue requirement associated with these projects. Distributors should include the impact of the CCA rule change associated with the ACM/ICM project(s) in Account 1592 - PILs and Tax Variances – CCA Changes sub-account for CCA changes		Section 9.4
<i>Capitalization Policy</i>			
21	Capitalization policy including changes since its last rebasing application. Must identify the changes and the causes of the changes.		Section 2.8 Appendix 2-4

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Capitalization of Overhead			
21	Appendix 2-D complete; identification of burden rates and burden rates prior to changes, if any		Section 2.9 Appendix 2-5
Costs of Eligible Investments for the Connection of Qualifying Generation Facilities			
22 & 23	Generation Facilities - If applicable, proposal to divide the costs of eligible investments between the distributor's ratepayers and all Ontario ratepayers per O.Reg. 330/09. Request for rate protection exceeds the materiality threshold in section 2.0.8 of the Filing Requirements - Appendices 2-FA through 2-FC identifying all eligible investments for recovery		Section 2.10
Service Quality			
23	5 historical years of SQRs, explanation for any under-performance vs standard and actions taken. If available, any outcomes of such actions.		Section 2.11 Appendix 2-6
23	Completed Appendix 2-G; confirmation that the data is consistent with scorecard, or explanation of any inconsistencies		Chapter 2 Appendices Excel workbook
Ch5 p5	Where applicable, explanation for section headings other than Chapter 5 headings; cross reference table		Noted in Executive Summary (DSP page 7) - DSP follows same order as Ch 5, with Ch 5 Headings provided in parentheses for each section.
Ch5 p5-6	Distribution System Plan Overview - key elements, overview of how projects address customer preferences, sources of cost savings, period covered, vintage of information on investment drivers, changes to asset management process since last DSP filing, dependencies, projects related to grid modernization/distributed energy resources/climate change adaptation		1.1 Distribution System Plan Overview (5.2.1)
Ch5 p6-7	Coordinated Planning with 3rd parties - description of consultations - deliverables of the Regional Planning Process, or status of deliverables - relevant material documents provided to other participants in the process - IESO letter in relation to REG investments (Ch 5 p13) and Dx response letter		1.2 Coordinated Planning with Third Parties for Regional Planning (5.2.2)
Ch5 p8-9	Performance Measurement - identify and define methods and measures used to monitor DSP performance providing for each a brief description of its purpose, form (e.g. formula if quantitative metric) and driver (e.g. consumer, legislative, regulatory, corporate) - unit cost metrics for capital expenditures and O&M/customer, km of line, peak capacity as outlined in Appendix 5-A - summary of performance and trends over historical period. Must include SAIFI and SAIDI for all interruptions and all interruptions excluding loss of supply. Applicant should also provide a summary of Major Events that occurred since the last Cost of Service. For each cause interruption: Number of interruptions that occurred as a result of the cause of interruption, number of customer interruptions that occurred as a result of the cause of interruption, number of customer-hours of interruptions that occurred as a result of the cause of interruption. Explanation for any adverse deviations from trend of targets (including any established in a previously filed DSP) and any under-performance in SAIDI and SAIFI measures, and actions taken or to be taken to address the issues and any outcomes, if available. - explain how information has affected DSP		1.3 Performance Measurement for Continuous Improvement (5.2.3)
Ch5 p9	Realized efficiencies due to smart meters -documented capital and operating efficiencies realized as a result of the deployment and operationalization of smart meters and related technologies. Both qualitative and quantitative descriptions should be provided		1.4 Realized Efficiencies Due to Smart Meters (5.2.4)
Ch5 p10	Asset Management Process Overview - description of AM objectives/corporate goals and how Dx ranks objectives for prioritizing investments; Inputs/Outputs of the AM process and information flow for investments - flowchart accompanied by explanatory text recommended		2.1 Asset Management Process Overview (5.3.1)
Ch5 p11	Overview of Assets Managed - description of service area (including evolution of features in forecast period affecting DSP), - description of system configuration including length (km) of underground and overhead systems, number and length of circuits by voltage level, and number and capacity of transformer stations - service profile and condition by asset type (tables and/or figures) - date data compiled - assessment of degree the capacity of system assets is utilized		2.2 Overview of Assets Managed (5.3.2)
Ch5 p12	Asset Lifecycle Optimization - description of asset lifecycle optimization policies and practices, including asset replacement and refurbishment, maintenance planning criteria and assumptions - description of asset life cycle risk management policies and practices, assessment methods and approaches to mitigation		2.3 Asset Lifecycle Optimization Policies and Practices (5.3.3)
Ch5 p12-13	System Capability Assessment for REG - REG applications > 10 kW, number and MW of REG connections for forecast period, capacity of Dx to connect REG, connection constraints		2.4 System Capability Assessment for REG (5.3.4)
Ch5 p13-14	Capital Expenditure Plan - should set out and justify a distributor's proposed expenditures on its distribution system and (non-system) general plant over a five-year planning period, including investment and asset-related operating and maintenance expenditures. Distributors must provide overview of: customer engagement activities to obtain information on their preferences and how the results of assessing this information are reflected in the capital expenditure plan, how the distributor expects its system to develop over the next five years, including in relation to load and customer growth, climate change adaptation, grid modernization and/or the accommodation of forecasted REG projects		3.1 Capital Expenditure Plan (5.4)
Ch5 p14-15	Capital Expenditure Planning Process Overview - description of the analytical tools and methods used for risk management and its correlation to the capital expenditure plan - description of the process(es), tools and methods (including relevant linkages to the distributor's asset management process) used to identify, select, prioritize and pace the execution of projects/programs in each investment category - if different from that described above, the method and criteria used to prioritize REG investments - approach to assessing non-distribution system alternatives to relieving system capacity or operational constraints, including the role of Regional Planning Processes in identifying and assessing alternatives - strategy in taking advantage of opportunities that arise during system planning to implement cost-effective modernization of the distribution system (options, mechanisms that facilitate real time data and behind the meter services, investments necessary, adoption of innovative processes etc. - consideration of distribution rate funded CDM programs, that are not funded by the Global Adjustment Mechanism, to defer distribution infrastructure		3.1.1 Capital Expenditure Planning Process Overview (5.4.1)

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Ch5 p15-16	Rate-Funded Activities to Defer Distribution Infrastructure -CDM programs that target distributor-specific peak demand reductions to address a local constraint of the distribution system -demand response programs to reduce peak demand in order to defer capital investment -programs to improve the efficiency of the distribution system and reduce distribution losses -energy storage programs whose primary purpose is to defer specific capital spending for the distribution system		3.1.1.1 Rate-Funded Activities to Defer Distribution Infrastructure (5.4.1.1)
Ch5 p16-17	Capital Expenditure Summary - completed Appendix 2-AB for historical and forecast period - At a minimum, for historical years, applicants that have previously filed a DSP must provide the actual total expenditures in each DSP category. All years must be provided per the Chapter 5 investment categories. - description of the impacts of capital expenditures on O&M must be given for each year or a statement that the capital plans did not impact O&M costs - Explanations should be provided if there are material changes in the percentage a given investment category is of the total investment over the forecast period relative to actual spending over the historical period. In addition to the Plan vs. Actual variances for individual investment categories, explanations must be provided for the following: • Plan vs. Actual variances for the total plan for each year of the historical period • Variances in a given investment category that are trending much higher or lower over the historical period - Must also complete Chapter 2 Appendix 2-AA, along with explanations of variances by project or category, the proposed accounting treatments, a statement should be provided that there are no expenditures for non-distribution activities in the applicant's budget		3.2 Capital Expenditure Summary (5.4.2)
Ch5 p17	Justifying Capital Expenditures -filings must enable OEB to assess whether and how a distributor's DSP delivers value to customers, including by controlling costs in relation to its proposed investments through appropriate optimization, prioritization, and pacing of capital-related expenditures -distributors should also keep pace with technological changes and integrate cost-effective innovative projects and traditional planning needs such as load growth, asset condition and reliability		3.3 Justifying Capital Expenditures (5.4.3)
Ch5 p17-18	Overall Plan - comparative expenditures by category over historical period, forecast impact of system investment on O&M, drivers of investments by category including historical trend and expected evolution of each driver over the forecast period, information related to Dx system capability assessment		3.3.1 Overall Plan (5.4.3.1)
Ch5 p18-25	Material Investments - For each project that meets materiality threshold set in Ch 2 <u>General Information</u> - total capital and, where applicable, (non-capitalized) O&M costs proposed for recovery in rates - any capital contributions made or forecast to be made to a transmitter with respect to a Connection and Cost Recovery Agreement (must include initial forecast used to calculate contribution, amount of contribution (if any), true-up dates and potential true-up payments - customer attachments - dates - risks - variances - REG investments - Information on total capital and OM&A costs associated with REG investment, if any, included in a project/program; and a description of how the REG investment is expected to improve the system's ability to accommodate the connection of REG facilities. <u>Evaluation criteria and information requirements for each project/program</u> - may include: efficiency, customer value, reliability, etc. See filing requirements for investment evaluation criteria and the qualitative or quantitative evidence that a distributor can use to demonstrate that an investment is consistent with these criteria <u>Category specific requirements for each project</u> - category-specific information and analyses should be used to support a project/program (or elements thereof as applicable). - system access, system renewal, system service, general plant (as applicable) - see filing requirements for detailed discussion		3.3.2 Material Investments (5.4.3.2); DSP Appendix H, I and J
EXHIBIT 3 - OPERATING REVENUE			
<i>Load and Revenue Forecasts</i>			
23	Explanation of causes, assumptions and adjustments for volume forecast, including economic assumptions and data sources for customer and load forecasts		3.2.2 PURCHASED KWH FORECAST
23	Explanation of weather normalization methodology		3.2.2 PURCHASED KWH FORECAST
24	Completed Appendix 2-IB; the customer and load forecast for the test year must be entered on RRWF, Tab 10		RRWF, Tab 10
24 & 25	Multivariate Regression Model - rationale for choice, regression statistics (including explanation for any resulting unintuitive relationships), explanation of weather normalization methodology, sources of data for endogenous and exogenous variables (where a variable has been constructed, a complete explanation of the variable data used and source), any binary variables used to either account for individual data points or to account for seasonal or cyclical trends or for discontinuities in the historical data (where such variable has been used, explanation and justification must be provided), explanation of any specific adjustments made; data used in load forecast must be provided in Excel format, including derivation of constructed variables		3.2.2 PURCHASED KWH FORECAST
25	NAC Model - rationale for choice, data supporting NAC variables, description of accounting for CDM in historical period and how CDM impacts are factored into test year forecast), discussion of weather normalization considerations		3.2.3 BILLED KWH LOAD FORECAST
<i>CDM Adjustment for the Load Forecast for Distributors</i>			
26	CDM Adjustment - If a distributor expects impacts from any CFF-related projects not deployed by April 2019 but for which a distributor is contractually obligated to complete, or for other programs delivered by the distributor after April 2019, a distributor may include these amounts as part of a CDM manual adjustment to the 2022 load forecast but must ensure that sufficient supporting evidence is provided for all estimated CDM savings		N/A

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26	If a distributor proposes a CDM adjustment to its 2022 load forecast, it should document the CDM savings to be used as the basis for the 2022 LRAMVA threshold. In addition, the allocation of the CDM savings for the LRAMVA and the load forecast adjustment should be provided by customer class and for both kWh and, as applicable to a customer class, kW. The distributor should document its proposal adequately, including how CDM savings will be tracked and reported in order to account for differences between forecast revenue loss attributable to CDM activity embedded in rates and actual revenue loss due to the impacts of CDM programs	N/A
26	Appendix 2-I - is provided as one approach for calculating the aggregate amounts for the LRAMVA and the corresponding CDM adjustment to the load forecast.	N/A
	<i>Accuracy of Load Forecast and Variance Analyses</i>	
26	Completed Appendix 2-IB	Chapter 2 Appendices Excel workbook
26	For customer/connection counts - identification as to whether customer/connection count is shown in year end or average format, year-over-year variances in changes of customer/connection counts with explanation of major changes, explanations of bridge and test year forecasts by rate class, for last rebasing variance analysis between last OEB-approved and actuals with explanations for material differences	3.3 Accuracy of Load Forecast and Variance Analyses
26 & 27	For consumption and demand - explanation to support how kWh are converted to kW for applicable demand-billed classes, year-over-year variances in kWh and kW by rate class and for system consumption overall (kWh) with explanations for material changes in the definition of or major changes over time (should be done for both historical actuals against each other and historical weather-normalized actuals over time), explanations of the bridge and test year forecasts by rate class, variance analysis between the last OEB-approved and the actual and weather-normalized actual results	3.3 Accuracy of Load Forecast and Variance Analyses
27	For revenues - calculation of bridge year forecast of revenues at existing rates; calculation of test year forecasted revenues at each of existing rates and proposed rates	3.3 Accuracy of Load Forecast and Variance Analyses
27	With respect to average consumption, for each rate class, distributors are to provide weather-actual and weather-normalized average annual consumption or demand per customer as applicable for the rate class for last OEB approved and historical, weather normalized average annual consumption or demand per customer for the bridge and test years, explanation of the net change in average consumption from last OEB-approved and actuals from historical, bridge and test years based on year-over-year variances and any apparent trends in data	3.3 Accuracy of Load Forecast and Variance Analyses
	<i>Other Revenue</i>	
28	Completed Appendix 2-H	Chapter 2 Appendices Excel workbook

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28	Variance analysis (including explanations for significant variances) - year over year, historical, bridge and test		3.4 Other Revenues - contained in narrative under each USofA account
28	Any new proposed specific service charges, or proposed changes to rates or application of existing specific service charges		3.4 Other Revenues - contained in narrative under USofA 4235
28	Revenue from affiliate transactions, shared services, corporate cost allocation as described in 2.4.3.2. For each affiliate transaction, identification of the service, the nature of the service provided to affiliate entities, accounts used to record the revenue and associated costs (Appendix 2-N)		N/A - included in discussion in 4.5.2
28	Accounts related to affiliate revenue and affiliate expense are shown in the footnote of Appendix 2-H		N/A
28	Balances recorded in Account 4375 and Account 4380 must reconcile to the balances recorded in Appendix 2-N – Shared Services and Corporate Allocation for the three historic years, the bridge year and the test year. Any differences must be reconciled		N/A - balances in 2-N included in OM&A, discussed in 4.5.2
29	Identification of any discrete customer groups that may be materially impacted by changes to other rates and charges.		N/A
EXHIBIT 4 - OPERATING COSTS			
<i>Overview</i>			
29 & 30	Brief explanation of test year OM&A levels, cost drivers, significant changes, trends in costs including OM&A per customer (and its components) for the historical, bridge and test years, inflation rate assumed, business environment changes		4.1, 4.1.2, 4.1.3, 4.1.5, 4.2.3, 4.2.5, 4.2.5.1, 4.2.5.2, 4.4
<i>Summary and Cost Driver Tables</i>			
30	Summary of recoverable OM&A expenses; Appendix 2-JA		Chapter 2 Appendices Excel workbook
30	Recoverable OM&A cost drivers; Appendix 2-JB		4.2.6, Chapter 2 Appendices
30	OM&A programs table; Appendix 2-JC		4.2.7, Chapter 2 Appendices
30	Recoverable OM&A Cost per customer and per FTE; Appendix 2-L		4.2.3, Chapter 2 Appendices
30	Identification of change in OM&A in test year in relation to change in capitalized overhead.		4.1.6 (n/a)
30	OM&A variance analysis for test year with respect to bridge and historical years; Appendix 2-D		Chapter 2 Appendices Excel workbook
<i>Program Delivery Costs with Variance Analysis</i>			
30	Completed Appendix 2-JC OM&A Programs Table - completed by program; include variance analysis between test year costs against each of the last OEB approved costs and most recent actuals for variances that are outliers based on historical trend. The variance analysis should explain whether the change was within or outside the applicant's control		4.3
30 & 31	For each significant change within the applicant's control describe business decision that was made to manage the cost increase/decrease and the alternatives		4.3, 4.4
<i>Workforce Planning and Employee Compensation</i>			
31	Employee Compensation - completed Appendix 2-K		Table 4-32, Chapter 2 Appendices Excel workbook
31	Description of previous and proposed workforce plans, including compensation strategy		4.5.1.1, 4.5.1.2
31	Discussion of the outcomes of previous plans and how those outcomes have impacted their proposed plans including an explanation of the reasons for all material changes to headcount and compensation. Explanation for all years includes: - year over year variances, inflation rates used for forecasts, and the plan for any new employees - basis for performance pay, eligible employee groups, goals, measures, and review process for pay-for-performance plans, - relevant studies (e.g. compensation benchmarking)		4.5.1.1, 4.5.1.2, 4.5.1.5
31	For virtual utilities - Appendix K completed in relation to the employees of the affiliates who are doing the work of the regulated utility. The status of pension funding and all assumptions used in the analysis must be provided. Three or fewer employees - the applicant must aggregate this category with the category to which it is most closely related. This higher level of aggregation must be continued, if required, to ensure that no category contains three or fewer employees.		n/a
32	Details of employee benefit programs including pensions, other post-employment retirement benefits (OPEBs), and other costs charged to OM&A. A breakdown of the pension and OPEBs amounts included in OM&A and capital must be provided for the last OEB-approved rebasing application, and for historical, bridge and test years		4.5.1.3, 4.5.1.6
32	Most recent actuarial report		Exhibit 4 Appendix 4-4
32	Accounting method for pension and OPEBs; if cash method, sufficient supporting rationale. If proposing to change the basis in which pension and OPEB costs included in OM&A, quantification of impact of transition		n/a
<i>Shared Services and Corporate Cost Allocation</i>			
32	Identification of all shared services among affiliates and parent company; identification of the extent to which the applicant is a "virtual utility"		4.5.2
32	Allocation methodology for corporate and shared services, pricing methodology, list of costs and allocators, including any third party review		4.5.2
33	Completed Appendix 2-N for service provided or received for historical, bridge and test; including reconciliation with revenue included in Other Revenue		4.5.2, Table 4-38, Chapter 2 Appendices Excel workbook
33	Shared Service and Corporate Cost Variance analysis - test year vs last OEB approved and test year vs most recent actual		4.5.2
33	Identification of any Board of Director costs for affiliates included in LDC costs		n/a
<i>Non-Affiliate Services, One-Time Costs, Regulatory Costs</i>			
33	Purchased Non-Affiliated Services - file a copy of procurement policy (signing authority, tendering process, non-affiliate service purchase compliance)		4.5.3, Exhibit 4 Appendix 4-5
33	For material transactions that are not in compliance with procurement policy, or that were undertaken pursuant to exceptions contemplated within the policy, an explanation as to why as well as a summary of the nature and cost of the product, and a description of the specific methodology used for selecting the vendor		n/a
33 & 34	Identification of one-time costs in historical, bridge, test; explanation of cost recovery in test (or future years). If no recovery of one-time costs is being proposed in the test year and subsequent IRM term, an explanation must be provided		4.5.4, Chapter 2 Appendices Excel workbook

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34	Regulatory costs - breakdown of actual and anticipated regulatory costs, including OEB cost assessments and expenses related to the CoS application (e.g. legal fees, consultant fees), proposed recovery (i.e. amortized?) Completed Appendix 2-M	4.5.4, 4.5.5, Chapter 2 Appendices Excel workbook
34	Information supporting the incremental level of the costs associated with the preparation and review of the current application. In addition, the applicant must identify over what period the costs are proposed to be recovered. For distributors, the recovery period would normally be the duration of the expected cost of service plus IRM term under the Price Cap IR option (i.e. five years). If the applicant is proposing a different recovery period, it must explain why it believes this is appropriate.	4.5.4

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<i>LEAP, Charitable and Political Donations</i>	
34	LEAP - the greater of 0.12% of forecasted service revenue requirement or \$2,000 should be included in OM&A and recovered from all rate classes
34	Detailed information for all contributions that are claimed for recovery
34	Charitable Donations - the applicant must confirm that no political contributions have been included for recovery
<i>Depreciation, Amortization and Depletion</i>	
35	Explanations for any useful lives of an asset that are proposed that are not within the ranges contained in the Kinectrics Report
35	Depreciation, Amortization and Depletion details by asset group for historical, bridge and test years. Include asset amount and rate of depreciation/amortization. Must complete Appendix 2-C which must agree to accumulated depreciation in Appendix 2-BA under rate base
35	Identification of any Asset Retirement Obligations and associated depreciation, accretion expense
35	Identification of historical depreciation practice and proposal for test year. Variances from half year rule must be documented and supporting rationale provided
35	Copy of depreciation/amortization policy, or equivalent written description; summary of changes to depreciation/amortization policy since last CoS
35	Explanation of any deviations from the practice of depreciating significant parts or components of PP&E separately
36	For any depreciation expense policy or asset service lives changes since its last rebasing application: - identification of the changes and detailed explanation for the causes of the changes - use of Kinectrics study or another study to justify changes in useful life - list detailing all asset service lives tied to USoA, detail differences in TUL from Kinectrics and explain differences outside of minimum and maximum TUL range from Kinectrics; Appendix 2-BB if there have been changes in asset service lives since last rebasing
<i>Income Tax or PILs</i>	
36	Completed version of the PILs model (PDF and Excel); derivation of adjustments for historical, bridge, test years
36	Supporting schedules and calculations identifying reconciling items
36	Most recent federal and provincial tax returns
36	Financial Statements included with tax returns if different from those filed with application
37	Calculation of Tax Credits; redact where required (filing of unredacted versions is not required)
37	Supporting schedules, calculations and explanations for other additions and deductions
37	Completion of the integrity checks in the PILs Model
37 & 38	Accelerated CCA - Distributors must provide: the full revenue requirement impact recorded in Account 1592 and the balance sought for review and disposition, the method used in calculating the revenue requirement impact recorded in Account 1592, detailed calculations by year for the full revenue requirement impact recorded in Account 1592
<i>Other Taxes</i>	
38	Taxes other than income taxes or PILs, as defined in the APH (e.g. property taxes), should only be included in Account 6105, effective January 1, 2012. Account 6105 is not an OM&A account and should therefore be excluded from all OM&A totals. The applicant should provide an explanation of how these tax amounts are derived.

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Non-recoverable and Disallowed Expenses			
38	Exclude from regulatory tax calculation any non-recoverable or disallowed expenses	4.1.1	
Conservation and Demand Management			
39	Statement confirming that costs directly attributable to CDM programs (e.g. staff labour dedicated to such programs) are not included in the revenue requirement to be recovered through distribution rates	4.1.1	
Lost Revenue Adjustment Mechanism Variance Account			
39 - 44	<p>Distributors must provide version 6 of LRAMVA Work Form (Excel) when making LRAMVA requests for remaining amounts related to CFF activity. An application for lost revenues should include: Final Verified Annual Reports if claiming lost revenues from savings from CDM programs delivered in 2017 or earlier, Participation and Cost reports in Excel format made available by the IESO.</p> <ul style="list-style-type: none"> - Personal information and commercially sensitive information removed. - An application for lost revenues should also provide: <ul style="list-style-type: none"> - statement identifying the year(s) of new lost revenues and prior year savings persistence claimed in the LRAMVA disposition - statement confirming LRAMVA based on verified savings results supported by the distributors final CDM Report and Persistence Savings Report (both filed in Excel format). - statement indicating that the distributor has relied on the most recent input assumptions available at the time of program evaluation - summary table with principal and carrying charges by rate class and resulting rate riders - statement providing the disposition period; rationale provided for disposing the balance in the LRAMVA if one or more classes do not generate significant rate riders - details for the forecasted CDM savings included in the LRAMVA calculation including reference to the OEBs approval, or an explanation if there are no forecast CDM savings - rationale confirming how rate class allocations for actual CDM savings were determined by class and program (Tab 3-A of LRAMVA Work Form) - statement confirming whether additional documentation was provided in support of projects that were not included in distributors final CDM Annual Report (Tab 8 of LRAMVA Work Form as applicable) - for a distributor's street lighting project(s) which may have been completed in collaboration with local municipalities, the following must be provided: Explanation of the methodology to calculate street lighting savings; Confirmation whether the street lighting savings were calculated in accordance with OEB-approved load profiles for street lighting projects; Confirmation whether the street lighting project(s) received funding from the IESO and the appropriate net-to-gross assumption used to calculate street lighting savings <p>For the recovery of lost revenues related to demand savings from street light upgrades, distributors should provide the following information:</p> <ul style="list-style-type: none"> o Explanation of the forecast demand savings from street lights, including assumptions built into the load forecast from the last CoS application o Confirmation that the street light upgrades represent incremental savings attributable to participation in the IESO program, and that any savings not attributable to the IESO program have been removed (for example, other upgrades under normal asset management plans) o Confirmation that the associated energy savings from the applicable IESO program have been removed from the LRAMVA workform so as not to double count savings (for example, if requesting lost revenue recovery for the demand savings from a street light upgrade program, the associated energy savings from the Retrofit program have been subtracted from the Retrofit total) o Confirmation that the distributor has received reports from the participating municipality that validate the number and type of bulbs replaced or retrofitted through the IESO program <p>o A table, in live excel format, that shows the monthly breakdown of billed demand over the period of the street light upgrade project, and the detailed calculations of the change in billed demand due to the street light upgrade project (including data on number of bulbs, type of bulb replaced or retrofitted, average demand per bulb).</p> <p>For the recovery of lost revenues related to demand savings from other programs that are not included in the monthly Participation and Cost Reports of the IESO (for example Combined Heat and Power projects), distributors should provide the following information: The third party evaluation report that describes the methodology to calculate the demand savings achieved for the program year. In particular, if the proposed methodology is different than the evaluation approaches used by the IESO, an explanation must be provided explaining why the proposed approach is more appropriate, the rationale for net-to-gross assumptions used, a breakdown of billed demand and detailed level calculations in live excel format</p> <p>Participation and Cost Reports and detailed project level savings files made available by the IESO to support the clearance of energy- and/or demand-related LRAMVA balances where final verified results from the IESO are not available. These reports should be filed in excel format, similar to the previous Final Verified Annual Reports from 2015 to 2017.</p> <ul style="list-style-type: none"> o If a distributor seeks to claim any additional program savings to December 31, 2020: <ul style="list-style-type: none"> - Related to CCF programs: an explanation must be provided as to how savings have been estimated based on the available data (i.e. IESO's Participation & Cost Reports) and/or rationale to justify the eligibility of the program savings - Related to other programs delivered by a distributor: an explanation and rationale should be provided to justify the eligibility of the additional program savings 	4.8	
EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE			
Capital Structure			
44	Statement that LDC adopts OEB's guidelines for cost of capital and confirms that updates will be done. Alternatively - utility specific cost of capital with supporting evidence	Exhibit 5 page 4 (starting line 13)	
44	Completed Appendix 2-OA for last OEB approved and test year	Chapter 2 Appendices Excel workbook	
44	Completed Appendix 2-OB for historical, bridge and test years	Chapter 2 Appendices Excel workbook	
44	Explanation for any changes in capital structure	N/A Exhibit 5 page 3 line 16	
Cost of Capital (Return on Equity and Cost of Debt)			
44	Calculation of cost for each capital component	Table 5-1	
45	Profit or loss on redemption of debt	N/A Exhibit 5 page 3 line 13	
45	Copies of promissory notes or other debt arrangements with affiliates	N/A	
45	Explanation of debt rate for each existing debt instrument including an explanation on how the debt rate was determined and is in compliance with the policies documented in the 2009 Report	Table 5-2	
45	Forecast of new debt in bridge and test year - details including estimate of rate	Exhibit 5, page 6	
45	If proposing any rate that is different from the OEB guidelines, a justification of the proposed rate(s), including key assumptions	N/A	
45	Notional Debt - should attract the weighted average cost of actual long-term debt rather than the current deemed long-term debt rate issued by the OEB	Table 5-2	
Not-for-Profit Corporations			
46	The requested capital structure and cost of capital (including the proposed cost of long-term and short-term debt and proposed return on equity)	N/A	

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46	Statement as to whether the revenues derived from the return on equity component of the cost of capital is to be used to build up operating and capital reserves or will be used for other purposes	N/A
46	If the revenues derived from the return on equity component of the cost of capital will be used to fund reserves, provide the specifications for each proposed reserve fund and a description of the governance (policies, procedures, sign-off authority, etc.) that will be applied	N/A
46	If the revenues derived from the return on equity component of the cost of capital will be used for other purposes, provide a statement as to whether these revenues will be used for non-distribution activities (in the situation where the excess revenues are greater than the amounts needed to fund distribution activities). Provide rationale supporting the use of the revenues in this manner. Also provide the governance (policies, procedures, sign-off authority, etc.) that will be applied to the funding of non-distribution activities	N/A
46	If there are approved reserves from previous OEB decisions provide the following: -the limits of any capital and/or operating reserves as approved by the OEB, and identifying the decisions establishing these reserve accounts and their limits -the current balances of any established capital and/or operating reserves	N/A
EXHIBIT 6 - REVENUE DEFICIENCY/SUFFICIENCY		
47	Revenue deficiency or sufficiency calculations net of electricity price differentials captured in the Retail Settlement Variance Accounts (RSVAs) and also net of any cost associated with low voltage (LV) charges or DVA balances of distribution expenditures/revenues being tracked through approved deferral and variance accounts for certain distribution assets (e.g. ICM and ACM capital projects, MIST meters) and for which disposition is not being sought in the application.	
47	Summary of drivers for test year deficiency/sufficiency, how much each driver contributes; references in application evidence mapped to drivers	

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47	Impacts of any changes in methodologies to deficiency/sufficiency	
<i>Revenue Requirement Work Form</i>		
48	RRWF - in PDF and Excel. Revenue requirement, def/sufficiency, data entered in RRWF must correspond with other exhibits	RRWF
48	If the enhanced RRWF cannot reflect a distributor's proposed rates accurately, the distributor must file its rate generator model	
EXHIBIT 7 - COST ALLOCATION		
<i>Cost Allocation Study Requirements</i>		
48	Completed cost allocation study using the OEB-approved methodology or a comparable model must be filed reflecting future loads and costs and be supported by appropriate explanations and live Excel spreadsheets. Sheets 11 and 12 of the RRWF must also be completed. Updated load profiles or scaled version of HONI CAIF. Model must be consistent with test year load forecast, changes to customer classes and load profiles.	London Hydro EB-2021-0041 2022_Cost_Allocation_Model, RRWF
48 & 49	Explanation provided if a distributor is unable to update its load profiles and confirm that it intends to put plans in place to update its load profiles the next time a cost allocation model is filed	N/A
49	Provide spreadsheet and a description with example calculations to show how the demand data in the cost allocation model was derived from the load forecast and load profiles	7.1.3 Weighting Factors
49	Description of weighting factors, and rationale for use of default values (if applicable)	
49	Complete live Excel cost allocation model, whether using the OEB-issued one or a different model. If using the OEB-issued model, Input sheet I.2, cells c15 and c17 must be used to identify the final run of the model on each sheet. If using another model, the distributor must file equivalent information.	London Hydro EB-2021-0041 2022_Cost_Allocation_Model
50	Host Distributor only - evidence of consultation with embedded Dx - statement regarding embedded Dx support for approach to allocation of costs - if embedded Dx is separate class - class in cost allocation study and RRWF, Sheet 11 - if new embedded Dx class - rationale and supporting evidence (cost of serving, load served, asset ownership information, distribution charges); include in cost allocation study and RRWF, Sheet 11 - if embedded Dx billed as GS customer - , include with the GS class in cost allocation model and Appendix 2-P. Provide cost of serving, load served, asset ownership information, distribution charges, appropriateness of rate class. File Appendix 2-Q.	N/A
51	Unmetered Loads (including Street Lighting) - Confirmation of communication with unmetered load customers when proposing changes to the level of the rates and charges or the introduction of new rates and charges	7.5 Confirmation of Communication - Unmetered Load
51	microFIT - if the applicant believes that it has unique circumstances which would justify a certain rate, appropriate documentation must be provided	N/A
51	Standby Rates - distributors should request approval for its standby rates to be made final and provide evidence confirming that they have advised all affected customers of the proposal. A distributor that seeks changes to its standby charges, including a change in the methodology on which these rates are based, must provide full documentation supporting its proposal, and confirm that all affected customers have been notified of the proposed change(s).	N/A
51 & 52	New customer class or eliminated customer class - rationale and restatement of revenue requirement from previous CoS	N/A
<i>Class Revenue Requirements</i>		

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52	To support a proposal to rebalance rates, the distributor must provide information on the revenue by class that would apply if all rates were changed by a uniform percentage. Ratios must be compared with the ratios that will result from the rates being proposed by the distributor.		7.2.1 Revenue at Existing Rates
Revenue to Cost Ratios			
53	If R:C ratios outside deadband based on model - distributors must include cost allocation proposal to bring them within the OEB-approved ranges. In making any such adjustments, distributors should address potential mitigation measures if the impact of the adjustments on the rates of any particular class or classes is significant.		7.3.1 Revenue Re-balancing
53	If distributor proposes to continue rebalancing rates after the cost of service test year, the ratios proposed for subsequent year(s) must be provided		7.3.1 Revenue Re-balancing
53	If Cost Allocation Model other than OEB model used - exclude LV, exclude DVA such as smart meters		N/A
EXHIBIT 8 - RATE DESIGN			
54	Monthly fixed charges - 2 decimal places; variable charges - 4 decimal places		RRWF
Fixed Variable Proportion			
54	The following is to be provided in relation to the fixed/variable proportion of proposed rates: -Current F/V with supporting info -Proposed F/V proportion with explanation for any changes (billing determinants from proposed load forecast) -Table comparing current and proposed monthly fixed charges with the floor and ceiling as in cost allocation study Analysis must be net of rate adders, funding adders, and rate riders		8.1 FIXED/VARIABLE PROPORTION
Rate Design Policy			
55	Applicants that are still transitioning to fully fixed residential rates should refer to the approach to implementation of the policy, including mitigation expectations, was described in a letter from the OEB published on July 16, 2015		N/A
55	Fully fixed rate design for new charges applicable to the residential class provided that those charges are specifically related to the distribution of electricity. Pass-through costs (e.g. transmission rates, Low Voltage charges, and Group 1 deferral and variance accounts) and LRAMVA amounts are to continue to be recovered as variable charges because the distributor's costs vary with electricity usage. Previously approved distribution-specific charges or rate riders on a distributor's tariff should remain unchanged until they expire, even if they were declared interim.		RRWF
RTSRs			
55	Retail Transmission Service Rate Work Form - PDF and Excel		London Hydro EB-2021-0041 2022 RTSR Workform
55	RTSR information must be consistent with working capital allowance calculation; explanation for any differences		London Hydro EB-2021-0041 2022 RTSR Workform
Retail Service Charges			
55	If proposing changes to Retail Service Charges or introduction of new rates and charges - evidence of consultation and notice, and results of consultation		N/A
56	Distributors that are still using the Retail Service Costs Variance Accounts (RCVAs) will dispose of the balances and the RCVAs will be eliminated. Distributors should forecast retail services revenues based on the updated charges and include the costs of providing retail services in revenue requirement		Section 9.4
Regulatory Charges			
56	If applying for a rate other than the generic rate set by the OEB, distributors must provide justification as to why their specific circumstances would warrant a different rate, in addition to a detailed derivation of their proposed rate		N/A
Specific Service Charges			
56	Specific Service Charge description/purpose/reason for new and revised SSC; calculations to support charges		8.7 Specific Service Charges
56 & 57	Identification in the Application Summary all proposed changes that will have a material impact on customers, including charges that may affect a discrete group		N/A
57	Identification of any rates and charges in Conditions of Service that do not appear on tariff sheet. Explain nature of costs, provide schedule outlining revenues or capital contributions recovered from these rates from last OEB-approved year to 2020 and the revenue forecasted for the bridge and test years. A proposal and explanation as to whether these charges should be included on tariff sheet		N/A
57	Ensure revenue from SSCs corresponds with Operating Revenue evidence		Caroline
Wireline Pole Attachment Charge			
58	Record the excess incremental revenue as of September 1, 2018 until the effective date of its rebased rates in a new variance account related to pole attachment charge. Distributors will need to refund the closing balance in the distributor's next cost of service application. Distributors may forecast a balance up to the effective date of its new rates, provided it can do so with reasonable accuracy, and the OEB may consider disposing of the forecasted amount and closing the account.		Section 9.4
57 & 58	OEB issued an Order which determined that the inflationary adjustment for 2021 would be suspended. The Order stated that the province-wide pole attachment charge of \$44.50 will remain in effect as of January 1, 2021 on an interim basis, until further notice. The Order does not affect any distributor that has an approved distributor-specific wireline pole attachment charge.		8.7 Specific Service Charges
Low Voltage Service Rates			
58	If the distributor is fully or partially embedded, information on the following must be provided: Forecast LV Cost		8.8 LOW VOLTAGE SERVICE RATES
			N/A

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58	Actual LV Cost (historical, bridge, test), variances and explanations for substantive changes		N/A
58	Support for forecast LV, e.g. Hydro One Sub-Transmission charges		N/A
58	Allocation of forecasted LV cost to customer classes (typically proportional to Tx connection revenue)		N/A
58	Proposed LV rates by customer class		N/A
Smart Meter Entity Charge			
58	Distributor must follow accounting guidance provided on March 23, 2018		8.6 SMART METERING ENTITY CHARGE
Loss Factors			
59	Proposed SFLF and Total Loss Factor for test year		
59	Statement as to whether LDC is embedded including whether fully or partially		8.9 LOSS ADJUSTMENT FACTORS
59	Study of losses if required by previous decision		8.9 LOSS ADJUSTMENT FACTORS
59	3-5 years of historical loss factor data - Completed Appendix 2-R		Chapter 2 Appendices Excel workbook
59	If proposed loss factor >5%, explanation and action plan to reduce losses going forward		8.9 LOSS ADJUSTMENT FACTORS
59	Explanation of SFLF if not standard		8.9 LOSS ADJUSTMENT FACTORS
Tariff of Rates and Charges			
59	Current and proposed Tariff of Rates and Charges filed in the Tariff Schedule/Bill Impacts Model - must be filed in Excel format Explanation and support of each change in the appropriate section of the application		London Hydro EB-2021-0041 2022_Tariff_Schedule_and_Bill_Impact_Model
59	Explanation of changes to terms and conditions of service if changes affect application of rates		8.3 Retail Transmission Service Rates (RTSR)
59	Proposed tariffs must include applicable regulatory charges, and any other generic rates as ordered by the OEB		8.5 REGULATORY CHARGES
Revenue Reconciliation			
60	Calculations of revenue per class under current and proposed rates; reconciliation of rate class revenue and other revenue to total revenue requirement (i.e. breakout volumes, rates and revenues by rate component etc.)		8.12 Revenue Reconciliation
60	Completed RRWF - Sheet 13 - rates and charges entered on this sheet should be rounded to the same decimal places as tariff		RRWF
Bill Impact Information			
60	Completed Tariff Schedule and Bill Impacts Model. Bill impacts must identify existing rates, proposed changes to rates, and detailed bill impacts (including % change in distribution excluding pass through costs - Sub-Total A, % change in distribution - Sub-Total B, % change in delivery - Sub-Total C, and \$ change in total bill)		RRWF
60	Impact of changes resulting from the as-filed application on representative samples of end-users (i.e. volume, % rate change and revenue). Commodity and regulatory charges held constant		RRWF
60	Rates and charges input in the tariff schedule and Bill Impacts Model rounded to the decimal places as shown on the existing tariff		RRWF
60	Bill impacts provided for typical customers and consumption levels. Must provide residential 750 kWh, residential at the lowest 10th percentile and GS<50 2,000 kWh. Bill impacts must be provided for a range of consumption levels relevant to the service territory.		RRWF
61	If applicable, for certain classes where one or more customers have unique consumption and demand patterns, the distributor must show a typical impact and provide an explanation		N/A
Rate Mitigation			
61	For distributors still in the process of moving to fully fixed residential rates - refer to the approach to implementation of the policy, including mitigation expectations described in a letter from the OEB published on July 16, 2015. Distributors should also refer to the OEB's previous decision approving the extended implementation of fully fixed residential rates.		8.14 Rate Mitigation
61	Mitigation plan if total bill increase for any customer class is >10% including: specification of class and magnitude of increase, description of mitigation measures, justification, revised impact calculation. The Tariff Schedule and Bill Impacts Model must reflect any mitigation plan proposed.		8.14 Rate Mitigation
61 & 62	Rate Harmonization Plans, if applicable - including impact analysis		N/A
EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS			
62	List of all outstanding DVA and sub-accounts; provide description of DVAs that were used differently than as described in the APH		Section 9.2 - Table 9-2, Table 9-3
62	Completed DVA continuity schedule for period following last disposition to present - live Excel format. Continuity schedule must show separate itemization of opening balances, annual adjustments, transactions, dispositions, interest and closing balances for all outstanding deferral and variance accounts. The opening principal amounts as well as the opening interest amounts for Group 1 and 2 balances, shown in the DVA Continuity Schedule, must reconcile with the last applicable approved closing balances.		2022 DVA Continuity Schedule
62	Confirm use of interest rates established by the OEB by month or by quarter for each year		Section 9.1 - Table 9-1
62	Explanation if account balances in continuity schedule differs from trial balance in RRR and AFS. This includes all Account 1508 sub-accounts. A reconciliation of all the Account 1508 sub-accounts to the Account 1508 control account reported in the RRR is to be provided in the continuity schedule		Section 9.2
63	Identification of Group 2 accounts that will continue/discontinue going forward, with explanation		Section 9.4
63	Statement as to any new accounts, and justification.		Section 9.9

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63	Statement whether any adjustments made to DVA balances previously approved by OEB on final basis - the OEB expects that no adjustment will be made to any deferral and variance account balances previously approved by the OEB on a final basis. Distributors to refer to OEB letter of October 2019 in addressing accounting or other errors in respect of Group 1 deferral and variance accounts that have previously been disposed of by the OEB on a final basis. Applicants must provide explanations for the nature and the amounts of adjustments, and include appropriate supporting documentation, under a section titled "Adjustments to Deferral and Variance Accounts".	Section 9.1
63	Breakdown of energy sales and cost of power by USoA - as reported in AFS mapped and reconciled to USoA. Provide explanation if there are differences between the reported energy sales and cost of power expense	Section 9.10
63	Completed GA Analysis Workform for each year that has not previously been approved by the OEB for disposition irrespective of whether seeking disposition of the Account 1589 balance as part of current application. If the distributor is adjusting the Account 1589 balance that was previously approved on an interim basis, the GA Analysis Workform is required to be completed from the year after the distributor last received final disposition for Account 1589.	2022 GA Analysis Workform
64	Statement confirming distributor has complied with OEB guidance of February 21, 2019 on the accounting for Accounts 1588 and 1589	Section 3 - Commodity Accounts 1588 and 1589
<i>Disposition of Deferral and Variance Accounts</i>		
64	Identify all accounts for which LDC is seeking disposition; identify DVA for which LDC is not proposing disposition and the reasons why	Sections 9.5 and 9.6
65	Statement whether DVA balances before forecasted interest match the last AFS; explain any variances	
64	If the RRR balances do not agree to the year-end balances in the continuity schedule, a distributor must reconcile and explain the difference(s).	Section 9.2
64	For any utility specific accounts requested for disposition (e.g. Account 1508 sub-accounts), supporting evidence showing how the annual balance is derived must be provided. The relevant accounting order must also be provided	Section 9.4
64	Request final disposition of residual balances for vintage Account 1595 sub-accounts only once. Distributors are expected to seek disposition of the audited account balance in the fourth rate year after the expiry of the rate rider. A completed 1595 Analysis Workform for residual balances that meet the eligibility requirements for dispositions of Account 1595 Sub-accounts must be filed	Section 9.3, 1595 Analysis Workform
64	Proposed mechanisms for disposition with all relevant calculations: - allocation of each account (including rationale) - proposed billing determinants, including charge type for recovery purposes - in accordance with section 2.8.2, and include in cont. schedule	Section 9.7
64	Propose rate riders for recovery or refund of balances that are proposed for disposition. The default disposition period is one year; if the applicant is proposing an alternative recovery period must provide explanation	Section 9.8
65	Rate riders where volumetric rider is \$0.0000 for one or more classes not included in the tariff for those classes	Section 9.7 Proposed method of disposition for Rate Rider for RSVA WMS - Sub-account CBR Class B
65	Establish separate rate riders to recover balances in the RSVA's from Market Participants who must not be allocated the RSVA balances related to charges for which the MP's settle directly with the IESO	Section 9.8 Proposed Rate Rider for DVA Balances Non-WMP; DVA Continuity Schedule - Tab 7
65	Propose disposition of Account 1592 – PILs and Tax Variances, Sub-account CCA Changes (see 2.4.5.1 of filing requirements)	Section 9.4
<i>Global Adjustment</i>		
66	Establishment of a separate rate rider included in the delivery component of the bill that would apply prospectively to Non-RPP Class B customers when clearing balances from the GA Variance Account	Section 9.8, DVA Continuity Schedule - Tab 7
66	GA Analysis Workform in live Excel format for each year that has not previously been approved by the OEB for disposition (on an interim or final basis), irrespective of whether or not seeking disposition of Group 1 deferral and variance account balances. If the distributor is adjusting the Account 1589 GA balance that was previously approved on an interim basis, the GA Analysis Workform is required to be completed from the year after the distributor last received final disposition for Account 1589	GA Analysis Workform completed
66	As part of Note 5 in the GA Analysis Workform, reconciliation of any discrepancy between the actual and expected balance by quantifying differences pertaining to factors such as true-ups between estimated and actual costs and/or revenues. Any remaining, unexplained discrepancy will be assessed for materiality and could prompt further analysis before disposition of the balance is approved. Any unexplained discrepancy that is greater than +/- 1% of the total annual IESO GA charges will be considered material and warrant further investigation.	GA Analysis Workform, Tab GA 2020
66	To further support a conclusion that GA charges have been appropriately allocated between customer classes, distributors must also perform a reasonability test for the balance in Account 1588. The reasonability test is included in the GA Analysis Workform.	GA Analysis Workform, Tab Account 1588
<i>Commodity Accounts 1588 and 1589</i>		
67	If a distributor has not implemented OEB's February 21, 2019 accounting guidance, it must indicate this	N/A, The Commodity Accounting Guidance was fully implemented
67	Indication of the year in which Account 1588 and Account 1589 balances were last approved for disposition, and whether the balances were approved on an interim or final basis. If the balances were last disposed on an interim basis, distributors should indicate the year in which balances were last disposed on a final basis.	N/A, The Commodity Accounting Guidance was fully implemented
67	In order to request for final disposition of historical balances as part of the current application, distributors must provide confirmation that these balances have been considered in the context of the accounting guidance and provide a summary of the review performed. Distributors must also discuss the results of the review, whether any systemic issues were noted, and whether any material adjustments to those balances have been recorded. A summary and description of each adjustment made to the historical balances must also be provided in the application.	N/A, The Commodity Accounting Guidance was fully implemented
67 & 68	Expectations of final disposition requests of commodity pass-through account balances are: - Interim disposition of historical balances or no disposition requested: some distributors may have received approval for interim disposition of historical account balances or did not request disposition of account balances in a prior rate application due to the threshold test. If these distributors have reviewed the balances in the context of the new accounting guidance and are confident that there are no systemic issues with their RPP settlement and related accounting processes, distributors may request final disposition of account balances. If these distributors identified errors or discrepancies that materially affect the ending account balances, utilities should adjust their account balances prior to requesting final disposition - No disposition of historical balances and concerns noted: distributors that did not receive approval for disposition of historical account balances due to concerns noted by the OEB should apply the accounting guidance to those balances and adjust the balances as necessary, prior to requesting final disposition.	N/A, The Commodity Accounting Guidance was fully implemented

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68	If accounting guidance not fully implemented effective January 1, 2019, a distributor must provide an explanation as to why this guidance has not been implemented, the status of the implementation process, and the expected implementation date.		The Commodity Accounting Guidance was fully implemented
68	Certification by the CEO, CFO or equivalent that distributor has robust processes and internal controls in place for the preparation, review, verification and oversight of account balances being proposed for disposition		Appendix 9-1
<i>Disposition of CBR Class B Variance</i>			
68 & 69	Proposed disposition of Account 1580 sub-account CBR Class B in accordance with the CBR Accounting Guidance. Must be disposed over one year. - In the DVA continuity schedule, applicants must indicate whether they serve any Class A customers during the period where Account 1580 CBR Class B sub-account balance accumulated. In the event that the allocated CBR Class B amount results in a volumetric rate rider that rounds to zero at the fourth decimal place in one or more rate classes, the entire balance in Account 1580 CBR Class B sub-account will be added to the Account 1580 – WMS control account to be disposed through the general purpose Group 1 DVA rate riders - Account 1580 sub-account CBR Class A is not to be disposed through rates proceedings but rather follow the OEB's accounting guidance - The DVA continuity schedule will allocate the portion of Account 1580 sub-account CBR Class B allocated to customers who transitioned between Class A and Class B based on consumption levels		Section 9.7 Proposed method of disposition for Rate Rider for RSVA WMS - Sub-account CBR Class B; Section 9.8; DVA Continuity Schedule - Tab 7
<i>Disposition of Account 1595</i>			
69	Applicants are expected to request disposition of residual balances in Account 1595 Sub-accounts for each vintage year only once, on a final basis		Section 9.3
70	Account 1595 Analysis Workform - live Excel - for distributors who meet the eligibility requirements for disposition of residual balances of Account 1595 sub-accounts		1595 Analysis Workform completed
70	Reconciliation of 1595 residual balance with any amounts that have yet to result in associated rate riders (for example, shared tax savings amounts that were previously approved to be transferred to Account 1595 for disposition at a later date).		N/A
70	Material residual balances will require further analysis, consisting of separating the components of the residual balances by each applicable rate rider and by customer rate class. Detailed explanations for any significant residual balances attributable to specific rate riders for each customer rate class. Explanations must include for example, volume differences between forecast volumes (used to calculate the rate riders) as compared to actual volumes at which the rate riders were billed.		N/A
<i>Retail Service Charges</i>			
70 & 71	Retail Service Charges - if there is a balance in 1518 or 1548, distributor must: - confirm variances are incremental costs of providing retail services; identify drivers for balances - provide schedule identifying all revenues and expenses listed by USoA that are incorporated into the variances - state whether Article 490 of APH has been followed; explanation if not followed		Section 9.4
71	The OEB established a new variance account for electricity distributors that no longer used the RCVAs. The balance in the account would be refunded to ratepayers in a future rate application, and the new account subsequently closed. Distributors can forecast a balance up to the effective date of new rates and the OEB may consider disposing of the forecasted amount		N/A
<i>Establishment of New Deferral and Variance Accounts</i>			
71	New DVA - information provided which addresses that the requested DVA meets the following criteria: causation, materiality, prudence; include draft accounting order.		Section 9.9