



London Hydro Inc.

2021 OPERATING AND CAPITAL PLAN

London Hydro Inc.
2021 Operating and Capital Plan
Financial Highlights

<i>Financial Highlights</i>	(\$ millions)					
	Actual 2017	Actual 2018	Actual 2019	Projection 2020	Planned 2020	Planned 2021
Energy Quantities Distributed - Gigawatt Hrs	3,178.7	3,310.8	3,211.0	3,158.9	3,263.0	3,205.2
Revenue:						
Energy and distribution	\$ 440.0	\$ 426.0	\$ 435.8	\$ 506.7	\$ 541.7	\$ 535.8
Cost of power	\$ (373.5)	\$ (356.9)	\$ (368.2)	\$ (437.1)	\$ (472.4)	\$ (465.0)
Distribution revenue	\$ 66.5	\$ 69.1	\$ 67.6	\$ 69.6	\$ 69.4	\$ 70.8
Net earnings	\$ 14.6	\$ 12.9	\$ 12.0	\$ 8.2	\$ 8.2	\$ 8.9
Average return on shareholder equity	9.3%	7.8%	6.9%	4.6%	4.6%	4.9%
Annual investments:						
Capital assets	\$ 38.2	\$ 44.6	\$ 43.0	\$ 42.8	\$ 45.0	\$ 52.9
Financial Position:						
Total Assets	\$ 380.1	\$ 410.4	\$ 432.4	\$ 490.7	\$ 495.8	\$ 501.8
Shareholder's equity	\$ 161.0	\$ 168.9	\$ 175.9	\$ 179.1	\$ 177.2	\$ 182.9
Distributions to the City of London:						
Dividends declared or paid	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0
S&P Credit Rating	A/Stable	A/Stable	A/Stable	A/Stable	A/Stable	A/Stable

London Hydro Inc.
2021 Operating and Capital Plan
Statement of Operations
(in thousands of dollars)

	2017 Actual	2018 Actual	2019 Actual	2020 Projection	2020 Budget	2021 Budget	2021 Budget vs. 2020 Projection Incr / (Decr)		2021 Budget vs. 2020 Budget Incr / (Decr)	
STATEMENT OF OPERATIONS										
Revenues										
Energy	373,466	356,921	368,249	437,121	472,358	465,042	27,921	6.4%	(7,316)	-1.5%
Distribution	66,536	69,106	67,595	69,646	69,369	70,805	1,159	1.7%	1,436	2.1%
	440,002	426,027	435,844	506,767	541,727	535,847	29,080	5.7%	(5,880)	-1.1%
Cost of power	373,466	356,921	368,249	437,121	472,358	465,042	27,921	6.4%	(7,316)	-1.5%
Distribution Revenue	66,536	69,106	67,595	69,646	69,369	70,805	1,159	1.7%	1,436	2.1%
Controllable expenses										
Gross controllable expenses	42,942	44,760	45,316	46,304	48,287	47,345	1,041	-2.2%	(942)	2.0%
Recoveries	(4,864)	(5,083)	(5,218)	(4,599)	(4,616)	(4,347)	252	-5.5%	269	-5.8%
Net Controllable expenses	38,078	39,677	40,098	41,705	43,671	42,998	1,293	-3.1%	(673)	1.5%
Operating income	28,458	29,429	27,497	27,941	25,698	27,807	(134)	-0.5%	2,109	8.2%
Other revenue	5,906	8,457	6,965	7,366	7,382	7,035	(331)	-4.5%	(347)	-4.7%
EBITDA	34,364	37,886	34,462	35,307	33,080	34,842	(465)	-1.3%	1,762	5.3%
Amortization of capital assets	17,350	17,939	18,416	19,555	20,122	20,920	1,365	-7.0%	798	-4.0%
EBIT	17,014	19,947	16,046	15,752	12,958	13,922	(1,830)	-11.6%	964	7.4%
Unrealized (gain) loss on swap interest	(3,520)	341	419	3,272	-	-	(3,272)		-	
Interest expense	3,169	3,878	4,799	4,595	5,373	5,280	685	-14.9%	(93)	1.7%
Income taxes expense (recovery)	2,729	2,808	(1,141)	(275)	(579)	(245)	30	10.9%	334	57.7%
Net Earnings	14,636	12,920	11,969	8,160	8,164	8,887	727	8.9%	723	8.9%

London Hydro Inc.
Schedule of Controllable Expense By Object of Expenditure
2021 Operating Plan

CONTROLLABLE EXPENSES	2018	2019	2020	2020	2021	2021 Bdgt Vs. 2020 Proj		2021 Bdgt Vs. 2020 Budget	
Object of Expenditure	Actuals	Actuals	Budget	Projection	Budget	Incr / (Decr)		Incr / (Decr)	
Labour and benefits	26,719,375	27,132,905	29,260,300	28,137,800	28,273,700	135,900	0.5%	(986,600)	-3.4%
Professional services	5,867,273	5,997,972	5,869,500	5,634,300	5,773,600	139,300	2.5%	(95,900)	-1.6%
Computer hardware and software	2,540,194	2,814,797	3,386,500	3,239,700	3,490,300	250,600	7.7%	103,800	3.1%
Fleet operations and mtce	2,078,381	1,982,145	2,002,800	1,959,300	2,052,600	93,300	4.8%	49,800	2.5%
Rental, regulatory and other	1,671,488	1,793,953	1,876,600	1,705,300	1,908,800	203,500	11.9%	32,200	1.7%
Facilities maintenance and repair	1,533,895	1,667,646	1,706,900	1,513,900	1,739,900	226,000	14.9%	33,000	1.9%
Corporate employee expenses	1,201,336	1,232,737	1,358,800	1,100,200	1,334,100	233,900	21.3%	(24,700)	-1.8%
Postage expense	1,262,259	1,257,680	1,273,600	1,226,000	1,195,000	(31,000)	-2.5%	(78,600)	-6.2%
Property tax and insurance	1,194,959	1,207,932	1,262,800	1,268,300	1,321,100	52,800	4.2%	58,300	4.6%
Materials and supplies	971,920	994,706	1,070,100	1,064,200	1,074,700	10,500	1.0%	4,600	0.4%
Bad debts	702,530	737,263	800,000	990,000	900,000	(90,000)	-9.1%	100,000	12.5%
Business and communications	491,532	416,725	480,700	448,200	482,000	33,800	7.5%	1,300	0.3%
Inventory obsolescence	66,000	66,000	66,000	66,000	60,000	(6,000)	-9.1%	(6,000)	-9.1%
Studies and special projects	505,735	87,101	40,000	40,000	60,800	20,800	52.0%	20,800	52.0%
Internal allocations	(2,047,325)	(2,073,057)	(2,167,400)	(2,089,100)	(2,321,500)	(232,400)	11.1%	(154,100)	7.1%
Cost recoveries	(5,083,084)	(5,218,064)	(4,616,100)	(4,598,900)	(4,347,000)	251,900	-5.5%	269,100	-5.8%
Net Controllable Expenses	39,676,469	40,098,440	43,671,100	41,705,200	42,998,100	1,292,900	3.1%	(673,000)	-1.5%

London Hydro Inc.
 Schedule of Miscellaneous Revenue
 2021 Operating Plan

MISCELLANEOUS REVENUE (in \$000's)	2019 Actuals	2020 Budget	2020 Projection	2021 Budget
Late Payment Charges	(1,699)	(1,629)	(2,201)	(1,929)
Interest Earned	(739)	(1,277)	(492)	(429)
Rental Revenue	(491)	(486)	(511)	(503)
Collection Charges	(132)	(72)	(44)	(91)
Occupancy Charges	(596)	(601)	(567)	(556)
Billing Service Fees	(864)	(893)	(923)	(928)
Renewable Generation	(322)	(338)	(317)	(325)
Sale of Scrap	(834)	(481)	(850)	(600)
Revenue from Contributed Capital	(525)	(681)	(675)	(824)
Asset Disposition (Gain) Loss	(31)	(160)	(122)	(116)
Other Miscellaneous Revenue	(733)	(766)	(666)	(735)
TOTAL MISCELLANEOUS REVENUE	(6,965)	(7,382)	(7,366)	(7,035)

London Hydro Inc.
Schedule of Capital Expenditure
Distribution Infrastructure, Plant and Equipment
2021 Capital Plan
(in thousands of dollars)

	2020 Budget	2020 Projection	2021 Budget	2021 Budget vs. 2020 Projection		2021 Budget vs. 2020 Budget	
				Incr / (Decr)		Incr / (Decr)	
<u>DISTRIBUTION EXPENDITURES</u>							
Substation Rebuilds	190	190	345	155	81.6%	155	81.6%
Subdivision Rebuilds	8,262	6,551	7,748	1,197	18.3%	(514)	-6.2%
Main Feeders	2,995	3,661	2,021	(1,640)	-44.8%	(974)	-32.5%
Capital Contributions Paid - Transformer Stations	-	-	1,450	1,450		1,450	
Networks	1,625	1,933	2,560	627	32.4%	935	57.5%
Overhead Line Work	5,255	4,896	5,100	204	4.2%	(155)	-2.9%
Automation	945	950	975	25	2.6%	30	3.2%
Infrastructure	19,272	18,181	20,199	2,018	11.1%	927	4.8%
City Works Projects	3,749	3,701	12,078	8,377	226.3%	8,329	222.2%
Developer Works Projects	8,834	8,800	8,505	(295)	-3.4%	(329)	-3.7%
Demand	12,583	12,501	20,583	8,082	64.7%	8,000	63.6%
Meters and Devices	2,135	1,326	1,742	416	31.4%	(393)	-18.4%
Vehicles and Major Equipment	1,415	1,415	1,445	30	2.1%	30	2.1%
Operating Equipment	400	400	430	30	7.5%	30	7.5%
Equipment	3,950	3,141	3,617	476	15.2%	(333)	-8.4%
Office Furniture and Equipment	655	655	825	170	26.0%	170	26.0%
Buildings and Fixtures	1,976	1,726	2,816	1,090	63.2%	840	42.5%
Office Property and Equipment	2,631	2,381	3,641	1,260	52.9%	1,010	38.4%
Hardware and Software	1,232	917	1,020	103	11.2%	(212)	-17.2%
Applications Development	5,305	4,805	4,578	(227)	-4.7%	(727)	-13.7%
Information Systems	6,537	5,722	5,598	(124)	-2.2%	(939)	-14.4%
Pilot Programs - Gross Spending	1,632	2,360	511	(1,849)	-78.3%	(1,121)	-68.7%
Pilot Programs - Funding	(1,422)	(2,160)	(461)	1,699	-78.7%	961	-68%
Pilot Programs (Power Forward & Sidewalk Labs)	210	200	50	(150)	-75.0%	(160)	-76%
Total Distribution Infrastructure, Plant and Equipment	45,183	42,126	53,688	11,562	27.4%	8,505	18.8%
Change in Capital Assets Inventory	(150)	667	(750)	(1,417)	-212.4%	(600)	400.0%
Net Capital Spending	45,033	42,793	52,938	10,145	23.7%	7,905	17.6%
<u>CONTRIBUTIONS</u>							
Contributed Capital	(6,545)	(6,356)	(6,534)	(178)	2.8%	11	-0.2%

London Hydro Inc.
2021 Operating and Capital Plan
Balance Sheet
(in thousands of dollars)

	2017 Actual	2018 Actual	2019 Actual	2020 Budget	2020 Projection	2021 Budget
ASSETS						
Current assets						
Cash and equivalents	\$ 4,364	\$ 1,295	\$ 3,428	\$ 43,180	\$ 33,252	\$ 18,135
Accounts receivable	75,047	74,985	71,369	82,705	81,429	84,361
Income taxes receivable	-	-	1,171	339	189	807
Regulatory amounts recoverable	-	3,907	4,997	-	403	2,821
Inventories	647	616	418	700	500	500
Prepaid expenses	2,461	2,667	2,338	2,200	2,100	2,300
	82,519	83,470	83,721	129,124	117,873	108,924
Non-current assets						
Regulatory amounts recoverable	5,832	23,119	25,395	23,462	33,004	27,853
Capital assets	292,541	303,855	323,320	343,232	339,779	364,974
Total non-current assets	298,373	326,974	348,715	366,694	372,783	392,827
TOTAL ASSETS	\$ 380,892	\$ 410,444	\$ 432,436	\$ 495,818	\$ 490,656	\$ 501,751
LIABILITIES & EQUITY						
Current liabilities						
Accounts payable & accrued liabilities -						
Due to IESO	\$ 34,838	\$ 33,694	\$ 31,972	\$ 46,659	\$ 40,751	\$ 42,663
Other	13,467	14,514	16,467	13,700	14,700	16,000
Income taxes payable	735	2,197	-	-	-	-
Due to Shareholder	8,724	6,451	6,952	7,500	7,900	8,100
Regulatory liabilities	5,851	1,719	-	-	-	-
Smart meter loan	2,304	1,522	-	-	-	-
Customer & other deposits	932	2,415	1,082	600	800	800
Current portion of lease liabilities	-	32	33	34	33	35
Deferred revenue	1,395	1,813	2,113	1,500	1,400	1,500
Total current liabilities	68,246	64,357	58,619	69,993	65,584	69,098
Long-term liabilities						
Unrealized loss on swap interest	887	1,228	1,647	2,439	4,390	4,390
Regulatory liabilities	2,424	601	2,722	8,974	4,312	7,674
Customer and other deposits	5,896	3,510	3,324	2,600	2,600	2,000
Deferred revenue	8,105	9,705	9,694	7,500	7,600	5,900
Lease liabilities	-	2,256	2,223	2,189	2,190	2,155
Long-term debt	115,000	140,000	155,000	200,000	200,000	200,000
Smart meter loan	1,522	-	-	-	-	-
Accrued post-retirement liability	15,213	13,895	15,535	13,860	15,635	15,746
Future income taxes	3,766	5,590	8,982	10,669	10,495	13,051
Total long-term liabilities	152,813	176,785	199,127	248,231	247,222	250,916
Shareholder's equity						
Share capital	96,116	96,116	96,116	96,116	96,116	96,116
Retained earnings	64,887	72,807	79,776	81,099	82,936	86,823
Accumulated other comprehensive gain (loss)	(1,170)	379	(1,202)	379	(1,202)	(1,202)
Total shareholder's equity	159,833	169,302	174,690	177,594	177,850	181,737
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 380,892	\$ 410,444	\$ 432,436	\$ 495,818	\$ 490,656	\$ 501,751

London Hydro Inc.
2021 Operating and Capital Plan
Statement of Cashflows
(in thousands of dollars)

	2020 Projection	2020 Budget	2021 Budget	2021 Budget vs. 2020 Projection Incr / (Decr)	2021 Budget vs. 2020 Budget Incr / (Decr)
Cash provided by operating activities					
Net earnings for the year	\$ 8,160	\$ 8,164	\$ 8,887	\$ 727	\$ 723
Charges to operations not requiring a current cash payment:					
Amortization of capital assets and contributed capital	19,960	20,561	21,207	1,247	646
Gain on disposal of capital assets	(122)	(160)	(116)	6	44
	27,998	28,565	29,978	1,980	1,413
Net change in non-cash working capital balances related to operations	(1,910)	(1,723)	(539)	1,371	1,184
Increase in employee future benefit	100	75	111	11	36
Cash provided by operating activities	26,188	26,917	29,550	3,362	2,633
Financing activities					
Unrealized loss on swap interest	2,743	-	-	(2,743)	-
Decrease in customer and other deposits	(1,006)	(800)	(600)	406	200
Increase in due to Shareholder	948	1,200	200	(748)	(1,000)
Contributions to capital costs	6,356	6,545	6,534	178	(11)
Decrease in deferred revenue	(2,807)	(2,300)	(1,600)	1,207	700
Increase in long-term debt	45,000	-	-	(45,000)	-
Decrease in lease liabilities	(33)	(33)	(33)	-	-
Payment of dividends to shareholder	(5,000)	(5,000)	(5,000)	-	-
Cash provided by financing activities	46,201	(388)	(499)	(46,700)	(111)
Investment activities					
Net additions to capital assets	(42,793)	(45,033)	(52,938)	(10,145)	(7,905)
Proceeds on disposal of capital assets	140	176	119	(22)	(58)
Change in future income taxes	1,513	2,026	2,556	1,043	530
Change in regulatory amounts	(1,425)	4,553	6,095	7,520	1,542
Cash used in investing activities	(42,565)	(38,278)	(44,168)	(1,603)	(5,890)
Net increase (decrease) in cash during the year	29,824	(11,749)	(15,117)	(44,942)	(3,368)
Cash, beginning of year	3,428	54,929	33,252	29,824	(21,677)
Cash, end of year	\$ 33,252	\$ 43,180	\$ 18,135	\$ (15,117)	\$ (25,045)