Strategic Plan

2020 – 2024

London Hydro Inc.

2021 Updates

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1. Preface

Since 2000, when the electricity business in Ontario was segregated into independent generation, transmission, and distribution entities predicated on the legislated principles of the Energy Competition Act 1998, London Hydro Electric Commission was initially incorporated into London Hydro Utility Services Inc. (LHUSI), which was converted to London Hydro Inc. (LHI) in 2001 for the sole purpose of distributing electricity within the franchise service area of the city of London. The initial OEB license to LHUSI was ED-1999-0275 and later LHI was granted OEB license authority ED-2002-0557. LHI became a rate regulated utility under the OEB regulation. Since 1999, LHI has set its rate for distribution services in accordance with four generations of rate making principles of the OEB: first generation Incentive Rate-Making (2001-2005), second generation Incentive Rate-Making (2006-2009), third generation Incentive Rate-Making (2009-2013), and Renewed Regulatory Framework (2004 - to date). In addition to these rate making frameworks, LHI also had a one-time recovery of costs ($25 million) associated with market readiness in 2004. Our last cost of service rate application was adjudicated in 2017 for rates effective May 1, 2017. Moreover, in 2010, London Hydro deployed smart meter/AMI infrastructure and associated TOU billing for which additional cost recoveries of $25M were included as part of our rate applications in 2010 and 2013.

As per the Renewed Regulatory Framework principles, utilities are now subject to a five-year cycle for the cost of service rate application with Incentive Rate-Making for the interim years. As stated earlier, the last cost of service rate application was in 2017 and the next is in 2022 and so on and so forth.

LHI has regularly developed a three or a five-year strategic plan, making annual adjustments in the interim years. LHI is planning to revamp its strategic plan on a five-year basis for 2020-2024. In the past, LHI has taken both a top-down and bottom-up approach. In either of these two approaches, LHI has taken an iterative method to involve all employees, management, and the Board of Directors in finalizing the strategic plan. For the new strategic plan (2020-2024), LHI adopted a top-down approach starting with the Board and then involving employees throughout the year, with final Board approval in October/November 2019.

In several recent publications and industry surveys by Deloitte, PricewaterhouseCoopers, Ernst & Young, etc. there is an emerging common theme, which is one of increasing distributed energy resources, technology disruption, flat energy demand, and changing customer needs. In its 2016 study, the World Energy Council concluded that despite the changing industry, three core principles still underpin the success of the utility industry and these are: supply security (reliability), affordability (cost), and sustainability (environmental and social responsibility). The 2020 – 2024 strategic plan shall not overlook these three requirements.

This report is a culmination of a year-long effort by LHI to develop its strategic plan for the next five years with the objective to define a clear sense of purpose for the corporation during these times of increasing uncertainty and disruption. In 2020, the COVID-19 pandemic and the ensuing lockdown have created greater uncertainty and financial implications for the corporation. Accordingly, the Mission, Vision, and Values statements as well as the strategic goals established in this plan underscore how the corporation would achieve success in the evolving utility sector. In all of this, it is assumed that LHI will continue to remain an independent distribution utility and any corporate transactions related to mergers or acquisitions is out of the scope of this plan and any opportunities of this nature could be evaluated by LHI as and when they are presented. Despite many disruptions, COVID-19 pandemic, and constant change throughout, LHI has remained a financially viable corporation managing its cashflow in a reasonable manner. All throughout the lockdown due to COVID-19, LHI, as an essential service provider, continued to carry on with all of its capital and operational budget without any stoppage. In summary, London Hydro has responded effectively and successfully to the COVID-19 pandemic.

2. Situation Analysis

The electricity utility sector in Ontario has been in a state of constant change ever since the unbundling of the vertical utility model, deregulation, retail competition, followed by re-regulation, hybrid market, limited retail, and contract for long term generation. This was followed-up by the Green Energy Act which accounted for FIT 1, 2, 3, 4 & 5 and RESOP 1, 2, 3 & 4 programs. FIT5 and RESOP 4 were stopped and cancelled later on with limited penalties/recoveries of costs. Nevertheless, despite all of the changes in the Ontario market, it is now well established that generation, transmission, and distribution are three separate and segregated functions; as such, transmission and distribution entities are allowed only limited ownership of generation (small renewable and CHP) only. As well, there is some competition at the wholesale market, but the majority of the retail market is practically regulated through government pricing.

In this utility landscape, LHI's focus is on electricity distribution only. As an LDC, LHI's responsibilities are briefly: i) Distribution of Electricity, ii) Customer Billing, iii) Customer Care, iv) Energy Conservation & Demand Management Programs, and v) Energy Related Services. On a fee for service basis, LHI also provides customer billing and customer care services for the water utility.

This report contains the background information prepared internally and the proceedings from a Board/Senior Management strategy workshop held on June 17-18, 2019. The purpose of the workshop was to develop the major elements of a strategic plan for the next five years. The group began by reviewing and revising the mission, vision, and values statements. Then the

group conducted a current state analysis by identifying internal strengths and weaknesses and external opportunities and threats. Based on this, five priorities were agreed upon. Action plans were created for each priority. The COVID-19 related matters and financial implications are assumed to be unique and have a one-time impact and it is projected that from 2021 onward the performance of LHI will revert back to normal. Contrary to this assumption, it is likely that the COVID-19 disruption might prevail for a longer period of time. Nevertheless, our focus remains on the safety of our employees with a balanced approach to meeting our business needs. As much as possible, LHI should continue to strive towards progress on its priorities detailed in section 8.

London Hydro in Numbers

Annual Electricity Energy: 3,200,000 Mega-Watt-hour (MWh)	Annual Peak Demand: 693 MW

Financial Highlights ($ in millions)	**2019 Actual**	**2018 Actual**
Distribution Revenue	**69.7**	**68.7**
Net Earnings	**12.0**	**12.9**
Average Return on Shareholder's Equity	**7.0%**	**7.8%**
Annual Investments		
Capital Assets	**43.0**	**44.6**
Financial Position:		
Total Assets	**453.9**	**428.3**
Shareholder's Equity	**174.7**	**169.3**
Distributions to the City of London:		
Dividends Declared/Paid	**5.0**	**5.0**
S&P Credit Rating	**A/Stable**	**A/Stable**

Customer/Connection Counts[1]	2020[2]
Residential	147,020
Small Commercial	12,898
Commercial	1,538
Large Users	1
Cogen	8
Street Light (Connections)	37,784
Sentinel Lights (connections)	516
Unmetered (connections)	1,530
Total	**201,295**

Local Embedded Generation Type	Number	kilowatt (kW)
Micro-FIT (<10 kW) - solar	299	2,498
FIT (10 < kW < 500) - solar	62	12,937
Net Metered Solar	40	2,292
Renewable – solar	2	3,525
Non-Renewable (gas + cogen)	9	68,362
Total	412	89,614

LHI has developed a set of technology solutions and tools for the Green Button standards for data storage and management of customer energy usage. All of these tools, solutions, and applications are Underwriter Laboratories (USA standard agency) certified. These tools are developed to primarily service our customers, but by virtue of their design, which is predicated on three principles: cloud first, mobile first, and open standard first, LHI is able to provide these applications and solutions to other utilities as well. For a detailed report on the Green Button platform and application please see the confidential report titled *Feasibility Study: Growing London Hydro's Green Button Platform & Applications*. LHI services EnWin, and the City of London's water utility – Festival Hydro has currently expanded its service scope. Also recently, Whitby Hydro, whom we were servicing mid-2020, having merged with Veridian to form a new company, Elexicon, has opted not to renew their contract. A Green Button application called MyIDC (Commerce) is targeted toward C&I end users. There are about 350 C&I meters registered with the MyIDC (Commerce) application comprising about 158 unique C&I users spanning service areas of LHI and other Ontario utilities. Additionally, based on the strength of this technology we have completed pilot projects with Union Gas and ENMAX to study the viability of applying these technologies to gas utilities and to the electricity market in Alberta.

[1] London Hydro also provides customer billing and care for 119,813 water services on behalf of the City of London.
[2] Data as of July 31, 2020.

2.1 Utility Trends and Insights

a. Utilities are at a new inflection point mainly due to technological disruption and changing customer demands.

b. Technology disruption is two-fold: firstly, due to the change in generation supply mix and its economics; secondly, due to the digitization of customers, their energy usage as well as digitization of assets, engineering, and operation.

c. As an LDC, these disruptive technologies have different implications. The change in generation supply mix impacts the capital investment in wire infrastructure and its operation. Traditionally, the distribution system is not designed to facilitate the connection of customer owned small generation throughout the grid. In the case of LHI, 65% of our service territory can accommodate embedded generation. As of January 2019, LHI's system has about 400 embedded generators producing 68 MW – about 10% of our peak demand. The majority of the 400 are solar PV systems by number; however, the majority of the kilowatts generated are from gas.

d. When electricity markets were deregulated, different jurisdictions took different approaches to the customer service aspects of the business. In Texas and in Alberta, customer care and customer billing was determined to be a competitive service and carried out by non-regulated entities. In Ontario, it was initially discussed to make customer care and customer billing a competitive service; however, during the market readiness initiative, the regulator determined to keep it with the LDC business. The EDA, at that time, also lobbied for this position. Going forward, however, two forces might conspire to make customer services into a competitive business. This is mainly because of the advancement of technology, smart applications, and changing customer demands due to the change in demographics. Customers, today, want an increasing say about reliability, fixing problems, accurate billing, and increasing affordability. The smart meters and computer technology are helping us facilitate these changing customer needs. In other words, LHI should migrate from the position of the utility's preference to that of serving the customers' preference. As such, LHI's Green Button technology platform offers the opportunity to precisely do that.

e. In the long run, it is well understood that an LDC like LHI may have to adopt two distinct roles – one focused on wires and infrastructure and the other focused on customer service.

f. Distribution wires infrastructure would have the following focus:
   - Distribution grid

- Distributed generation
- Distributed storage
- Automation and fault monitoring systems
- Electric vehicles – charging as well as vehicle to grid (V2G)
- Demand response
- Emergency response
- Smart grids and microgrids

g. Customer care, billing, and service will also be a distinct focus and may involve the following functions:
   - Customer billing
   - Trusted energy advisor to customers
   - Provide new products and services
   - Behind-the-meter automation
   - Smart technologies and smart applications
   - Service gamification

   Item g. above could pave the path to becoming a virtual utility, especially if the customer usage data is regulated to be based on Green Button standards. The virtual utility therefore would not be restricted by physical or regulated boundaries and would be able to compete to gain market share and hence a large scale.

h. COVID-19 implications: During the lockdown, the provincial government voluntarily introduced a fixed tiered energy price in place of time-of-use rates. The government has further issued directives to offer customer choice to opt for either time-of-use or fixed tiered rates, effective November 1, 2020. If the majority of residential and small commercial customers opt for fixed tiered pricing, and assuming this becomes a permanent option, this is likely to have a significant impact on the value of the Green Button standards and applications. Though in the long run as there is an increased reduction in the use of fossil fuels and the price of energy increases, which will lead to increased needs for energy management and conservation and the utility of Green Button standard and applications is likely to increase.

2.2 Industry Disruption

The energy sector media has been publishing doom and gloom for the traditional utility business. While there are indeed disruptions in the utility industry, the immediacy of predicted doom and gloom is unfounded, especially for the wires business. As a side note, for the traditional generation business, the renewable and proliferation of microgrids would impact it somewhat, but not render the central large scale generation irrelevant. Focusing back on the distribution business of LHI, the proliferation of customer owned generation would only strengthen the need

for expanded distribution infrastructure while certainly causing some disruption in the way the infrastructure is designed and operated. This disruption to the distribution business would be because of the following technological changes and customer needs:

a. Customer owned small generation is becoming economically viable and we foresee increasing use of this. Also, the economics of micro turbine and small Combined Heat & Power (CHP) might encourage customers, especially industrial customers, to install such generation behind the meter.

b. Though the reliability of infrastructure in Ontario is excellent, the future grids and smart grids would require increasingly more fault tolerant networks. The technology is now becoming available to convert traditional grids into more fault tolerant grids.

c. LHI has been building its future network with more computerized relays to automate outage management and response. Computerized relaying together with automated switches is enabling utilities to make networks automated; however, the advent of artificial intelligence based decision making is in the early stages of development. In the years to come, the disruption could be significant from machine to machine applications and decision making, machine learning, and AI systems.

d. The industrial equipment and industries are certainly far advanced in adopting automation and robotics, which unfortunately requires a higher quality of power and absence of even momentary outages - power quality in terms of restrictive voltage variations and absence of harmonic distortions.

e. Customers are also demanding services at their convenience. Traditionally, utilities were least concerned with providing additional customer services as their only focus was low cost power. In addition to affordable power, customers are now demanding the flexibility of policies, fixing any problems quickly, demanding ever-higher reliability, and providing more smart device applications. In other words, customers are asking for a high quality of power and service on demand.

f. By equal measure, utilities are also disrupting their business model. This is rooted in some regulatory and legislated changes especially pertaining to carbon emissions, social responsibilities, energy conservation, etc.

g. The world of smart technologies is also shaping customers' expectations. Customers are more prone to demanding service anytime anywhere. In tandem, customers are also experiencing the need for expert advice on energy related matters. This is likely to intensify with the millennials and future generations.

h. The COVID-19 pandemic and associated lockdown in 2020 has also caused some disruption, especially in shifting electricity demand from commercial customers to residential customers as well as increased cost pressure on utilities. Furthermore, the provincial government has brought in customer choice of fixed tiered rates and time-of-use rates, which might have implications for continued energy conservation and associated applications for energy management.

In general, the disruption in the utility sector will drive the technology deployment and business model for LHI. Technology transformation will necessitate: digitisation of customers; digitisation of assets and operation; distributed energy resources and microgrids; energy efficiency, demand response; and, beyond-the-meter automation. Despite a short-term industry disruption due to the COVID-19 pandemic, in the long run it is still believed that increased digitization will define the new paradigm for the utility business model.

The business model transformation will mean utilities will seek new products and services, new customers, and new markets. LHI has been progressive in developing technologies and deploying smart devices on an incremental basis to avail itself of future applications that this disruption might bring about. The question is not if this disruption will arrive, but one of what will be the pace of change due to this disruption.

Summary

- The proliferation of distributed generation is already taking place and as such, LHI is connecting one or two net metered customers per month on a regular basis.
- LHI owns 13 FIT and MicroFIT contracts, which will end in 2030 and beyond. Following the end of these contracts, LHI will have to determine how to extract value out of these assets by participating in the Ontario grid. It is assumed that by then, the electricity price in the market would be high enough to provide significant added value, especially since these assets are fully recovered.
- Of equal significance would be about 400 other FIT and MicroFIT customer-owned contracts in London, which will also end around the same time period. LHI could assist these customers in maximizing their value by collective participation in the electricity market.
- LHI will continue with its focused investment on automation and remote control of the grid. This journey will be gradual and the grid will evolve into a smart grid over time.
- The distribution grid will remain a regulated and viable business for the foreseeable future (long term).
- In the short run, in Ontario, customer services will remain a regulated service of utilities, but we foresee regulatory changes that would eventually lead to a competitive environment for customer billing and services. In the meanwhile, LHI has a sweet spot in helping utilities deploy technology and Green Button standards as part of the

regulatory requirements. This will take place in the near term i.e. over the next five years. In the long run, it is quite likely that a virtual utility vision would become viable. Despite a near-term disruption and the introduction of fixed tiered rates due to the COVID-19 lockdown, the virtual utility business paradigm would continue to evolve and eventually become a dominant function.

2.3 Bill 87, Fixing the Hydro Mess Act, 2019

The government's intent regarding the above Bill is rooted in one fundamental principle, which is to provide affordable hydro to all customers. In pursuit of this, their actions are to end the expenditures on any and all non-core issues in so far as electricity is concerned. This is why conservation, which is seen as a program benefiting a few at the cost of others, is disbanded. Similarly, the government has promised to review the Class A Global Adjustment rebate again with a focus to make it affordable across all customers. Similarly, in the above Act the government has built-in flexibility to finance the Global Adjustment from the tax base or the rate base again to make hydro affordable. In the same vein, the Act proposes changes to the OEB to reduce the red tape for utilities and reduce the OEB fees, again with the intent to make hydro affordable. The government has also promised that going forward increases in hydro commodity rates i.e. Regulated Price Plan (RPP) will be kept at or below the Consumer Price Index.

Given the above context, LHI should take steps, which are congruent to keeping cost increases to a minimum, and provide benefits to the majority, preferably all, customers. The distribution rates are a result of an increase in operating dollars as well as an increase in the rate base (capital assets), which is indirectly accounted in the rates by return on capital and amortization. While we have kept OPEX reasonably under control, our rate base has increased significantly since 2017, the year of our last Cost of Service Rate Application. The reason for our rate base increase is primarily due to significant developer related activities plus some added CAPEX such as Nelson TS, Dundas Flex Street, upgrades to underground infrastructure, and voltage conversion initiatives. Without any BRT/transit related expenditures, we are estimating that our revenue requirement in our 2022 application might be as high as $85 million as compared to our revenue requirement of $68 million in our 2017 application. This will represent a 25% increase in rates between 2017 and 2022. There is no escape from this reality and this revenue requirement in 2022 could indeed be at risk if the new OEB is given the mandate to keep all rate increases "affordable".

The government of Ontario has issued a further directive to the IESO to undertake a thorough review of costs contributing to the Global Adjustment. The objective of this review is to determine how the Global Adjustment rates can be contained or even reduced in the future. Additionally, the government is more interested in introducing small nuclear reactors for electricity generation in the long run – this perhaps is at least 10 years away.

3. Current State Assessment

Strengths	Opportunities
● Technology development. ● Operational efficiency - low cost/high performance. ● Trusted brand entity within the Ontario industry. ● Positive corporate culture; plus willing to be risk-takers, agile. ● Supportive/knowledgeable Board. ● Innovative thinking. ● Skilled workforce.	● Ecosystem / Strategic partner / common systems. ● Potential government mandate for Green Button. ● Increased automation to help improve outage performance. ● Energy Services Advisor/Consultant/Solution Provider (Energy Management, Battery Storage System, EVs, DERs, and home automation). ● Set plan for becoming a DSO/FINO[3]. ● Cyber security. ● Broad geographic base – "digital without borders".
Weaknesses	**Threats**
● HR challenges, age demographics, and upcoming retirements. ● Lack of shareholder flexibility. ● Over-reliance on key individuals. ● As a regulated entity, LHI has limited marketing, communications, and sales expertise. ● Wherewithal – people and financial resources.	● Cyber-security. ● Political Landscape -> Provincial gov't direction. ● Lack of clear mandate/funding/directive for Green Button, DER and DSO. ● Changing technology, grid & infrastructure change -> IESO market renewal. ● Staff retention. ● Scale of operation. ● Introduction of fixed tiered pricing ● Working remotely ● OEB's disapproval of COVID-19 deferral accounts. ● OEB cutbacks to CoS revenue requirements.

4. Mergers, Amalgamations, Acquisitions, and Divestitures (MAAD)

Since deregulation and the unbundling of the electricity sector through the Electricity Act of 1998 when there were over 300 utilities in Ontario, there has been an increased exit through mergers or divestitures, especially of municipally owned utilities. In all of these MAAD transactions, except for Fortis Ontario, all utilities still remain government owned either by their local municipality or by the provincial government.

[3] DSO – Distribution System Operator
FINO – Fully Integrated Network Orchestrator

The following are highlights of various MAAD related activities in Ontario.

1. Amalgamations of municipalities – (i) Toronto Hydro (1999) – (Toronto, Etobicoke, North York, East York, York, and Scarborough); (ii) Hydro Ottawa (2000) – (Ottawa, Nepean, Kanata, Gloucester, Goulbourn & Casselman, in 2002); (iii) Hamilton Hydro (2001) – (Hamilton and Wentworth).
2. Hydro One purchased 87 smaller utilities (such as Lucan Hydro) and Brampton Hydro in 2000.
3. Markham Hydro and Vaughan Hydro together purchased Richmond Hill Hydro in 2000 and then in 2004 merged the operations of the three hydros into one called PowerStream Inc., which later acquired Aurora Hydro and Barrie Hydro.
4. Hamilton Hydro and St. Catharines Hydro merged into Horizon Utilities.
5. FortisOntario Inc. owns Algoma Power, Canadian Niagara Power, Cornwall Electric, Eastern Ontario Power (Gananoque) and has 10% interest in Westario Power, Rideau St. Lawrence and Grimsby Power.
6. Erie Thames Powerlines formed by merging the operations of Ingersoll, Aylmer, Burgessville, Central Elgin, East Zorra-Tavistock, Ingersoll, Norwich, Otterville, South-West Oxford and Zorra in 2000.
7. Essex Power formed through amalgamation of Amherstburg, LaSalle, Leamington and Tecumseh in 2000.
8. Bluewater Power was created by the merger of 6 utilities in the Sarnia area.
9. E.L.K. Energy Inc. formed as a result of amalgamation of Essex County, Lakeshore and Kingsville.
10. Veridian Connections Inc. was created by the merger of 7 utilities (in the Ajax area).
11. New Market Hydro and Tay Power merged in 2007 and formed a new company called New Market - Tay Power.
12. Collus Hydro sold 50% shares to PowerStream in 2012.
13. Hydro One acquired Norfolk Power, Haldimand Hydro and Woodstock Hydro in 2013/2014.
14. Cambridge N. Dumfries acquired Brant County Power in 2014.
15. In early 2017, Hydro One was partially IPO'd. This was done in stages and today 53% of Hydro One is in the hands of private shareholders and 47% is owned by the provincial government.
16. Feb. 1, 2017 PowerStream, Horizon Utilities and Enersource Mississauga merged and formed a new company named Alectra and on Feb. 28, 2017 they purchased Hydro One Brampton.
17. Hydro One acquired Orillia Power in 2016; the OEB in its first review rejected their MAAD application. Hydro One appealed the OEB's denial, and finally the sale was approved.
18. Guelph Hydro merged with Alectra in 2018.

19. New Market – Tay Power successfully acquired Midland Power Utility Commission in 2018.
20. EPCOR acquired Collus Hydro in 2018 by purchasing the City of Collingwood's 50% share as well as the 50% share owned by Alectra.
21. In 2018, the OEB finally approved the merger of Veridian Connections and Oshawa Hydro, the new company is called elexicon Energy.
22. The OEB also approved the acquisition of West Coast Huron Energy (Goderich Hydro) by Erie Thames Powerlines in 2018.
23. The OEB has approved Peterborough Hydro's acquisition by Hydro One.
24. The provincial government has expressed its intention to review multi-tier municipalities and regions in the Halton/Peel Region, Waterloo Region, Simcoe County, and Oxford County areas. The intent of this initiative is to consolidate the services and minimize the multiple levels of government in the regions/counties. In a way, this is similar to the initiative at Toronto's municipal council wherein the number of councillors was reduced from 44 to 25. The direct outcome of this regional streamlining could also result in amalgamations among the utilities in these regions. There are about 24 medium to small utilities in these regions that potentially could merge into four or fewer utilities. Unlike those regions and counties, London is a single-tier city i.e. the municipality provides all services to the city. As such, Middlesex County and the London region will not be impacted by this government initiative. Nonetheless, LHI might become a much smaller LDC vis-à-vis other utilities in Ontario because of the above amalgamations.

    This raises the issue of the relative market value of LHI going forward. If these amalgamations do pan out, it is feared that due to the scale of the operation, LHI may become a smaller utility. Presently, LHI is the sixth largest in Ontario, but in the future, it could likely become the tenth or eleventh largest.

Since 1999, LHI has attempted about five times to merge, acquire, and/or sell. Some of these attempts were carried out exhaustively and over multiple years involving a lot of employees as well as consultants. They all failed to materialize because of one common challenge, which was the potential for the city of London to lose LHI's head office as well as lose employment in the city. Given our futile past forays into MAAD activities, at this time therefore LHI does not wish to take on any MAAD related activities of its own volition. If any opportunities arise, LHI will consider them on a case-by-case basis. It is still unknown if COVID-19 would impose any financial challenges on utilities, which might prompt their municipal shareholders to exit the utility industry.

5. Purpose, Vision, Values

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 each other with respect and trust.

Agility – We will be open, innovative, and adaptable so that we can promptly pivot to adopt and shape the industry's future.

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

6. Five Year (2020 – 2024) Strategic Goals

FINANCIAL

1. Maximize shareholder returns through getting a new unregulated entity up and running.

2. Succeed in our rate application (95%+ approval of cost of service application) and maintaining profitability with an ROE of 7%+.

CUSTOMER CARE

3. Provide safe and reliable energy solutions.

4. Realize more visibility and control of the grid, including DERs and non-wire solutions, included in rate base.

TECHNOLOGY

5. Become an open and digital utility including operational technology, Green Button systems, tools and applications as well as promote the standardization of utilities' legacy data.

HIGH PERFORMANCE TEAM

6. Be known as an employer of excellence in terms of attraction, retention, and succession.

7. Strategic Focus for 2020 - 2022

1. Pursue non-regulated business opportunities.
2. Continued enhancement, development and leveraging of leading technology and assets.
3. Become a trusted consultant to end-users, industry partners and C&I customers for energy management and for the deployment of new industry technologies.
4. Expand the internal capacity of our team by focusing on recruitment, retention, succession, safety, and training.
5. Successful OEB Cost of Service Rate Application (95%+).
6. Leverage ecosystem through strategic partnerships.

8. Detailed Objectives for 2020 – 2022

Priority and Resources	Goal	Initiatives in 2020-2022
Non-regulated business opportunity (investment up to $1M)	Increased flexibility and freedom	1. Develop and quantify potential business case for unregulated business opportunities and our strategy for successful performance. 2. Shareholder education strategy - need for new business development, how to mitigate risk to asset value of LH. 3. Create new or modify Shareholder Declaration. 4. Set up new governance structure and operational structure.
Develop and leverage leading technology (investment up to $200k)	Plan for future market changes	1. Planning report for becoming a Fully Integrated Network Orchestrator (FINO). 2. Pilot Projects: Distributed Energy Resources (DER) (visibility, integration, control): FINO / Distribution System Operator (DSO). 3. Digital Utility Journey (continue) - using data analytics/AI for Grid /Outage Management System (OMS) optimization including expanding the field automation systems. 4. Integration of smart home innovation (Siri, Alexa, and Google home) with CIS. 5. Modularize apps development through utilizing micro services. 6. Technology for Customer Care. 7. CIS Refresh replacement. 8. Efficient management of customer options for fixed tiered rates and time-of-use rates.
Trusted consultant and industry partner (investment up to $300k)	Increase revenues Enhance relationships with C&I customers	1. Prepare a business plan to market Green Button apps, like MyIDC (Commerce), and shared services throughout Ontario. Design a software tool for utility engineering and planning. 2. Invest to set up a customer advisory group with the right mix of competencies and number of employees. 3. Seek out targeted energy conservation projects in Ontario. 4. Assist C&I customers to optimize their Global Adjustment charges.

Enhance internal team capacity (investment TBD)	Ensure continuity and be ready for change	1. Union agreement (cost + language drivers) – completed. 2. Compensation Strategy Management and Divisions. 3. Competency Identification - Skills, Attributes - by Level. 4. Succession Plans in place for the Executive Team. 5. Board tasks - Skillset needed for the new company board, governance. 6. Continued culture journey.
Successful rate application (Resource investment up to $250k)	Cont'd capital funding (95%) Max.10% total electricity bill increase Avoid oral hearing	1. Have and follow a detailed asset system / sustainment plan to support capital expenditures. 2. Leverage a consultant to create a Distribution System Plan (DSP). 3. Plan debt refinancing - Find lower interest rates for long term debt.

9. Summary

The above is a detailed discussion on our strategic plan; the five-year strategic direction together with the short term 2020 – 2022 priorities and objectives as well as the revised Purpose, Vision, and Values statements will be summarized in a brief brochure called *Strategy "At a Glance"*.