



London Hydro Inc.

2022 OPERATING AND CAPITAL PLAN

London Hydro Inc.
2022 Operating and Capital Plan
Financial Highlights

<i>Financial Highlights</i>	(\$ millions)					
	Actual 2017	Actual 2018	Actual 2019	Projection 2020	Planned 2021	Planned 2022
Energy Quantities Distributed - Gigawatt Hrs	3,178.7	3,310.8	3,211.0	3,158.9	3,205.2	3,224.8
Revenue:						
Energy and distribution	\$ 440.0	\$ 426.0	\$ 435.8	\$ 506.7	\$ 535.8	\$ 555.3
Cost of power	\$ (373.5)	\$ (356.9)	\$ (368.2)	\$ (437.1)	\$ (465.0)	\$ (477.4)
Distribution revenue	\$ 66.5	\$ 69.1	\$ 67.6	\$ 69.6	\$ 70.8	\$ 77.9
Net earnings	\$ 14.6	\$ 12.9	\$ 12.0	\$ 8.2	\$ 8.9	\$ 15.3
Average return on shareholder equity	9.3%	7.8%	6.9%	4.6%	4.9%	8.1%
Annual investments:						
Capital assets	\$ 38.2	\$ 44.6	\$ 43.0	\$ 42.8	\$ 52.9	\$ 51.5
Financial Position:						
Total Assets	\$ 380.1	\$ 410.4	\$ 432.4	\$ 490.7	\$ 501.8	\$ 509.8
Shareholder's equity	\$ 161.0	\$ 168.9	\$ 175.9	\$ 179.1	\$ 182.9	\$ 193.3
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.
2022 Operating and Capital Plan
Statement of Operations
(in thousands of dollars)

	2017 Actual	2018 Actual	2019 Actual	2020 Projection	2020 Budget	2021 Budget	2022 Budget	2022 Budget vs. 2021 Budget Incr / (Decr)	
STATEMENT OF OPERATIONS									
Revenues									
Energy	373,466	356,921	368,249	437,121	472,358	465,042	477,378	12,336	2.7%
Distribution	66,536	69,106	67,595	69,646	69,369	70,805	77,876	7,071	10.0%
	440,002	426,027	435,844	506,767	541,727	535,847	555,254	19,407	3.6%
Cost of power	373,466	356,921	368,249	437,121	472,358	465,042	477,378	12,336	2.7%
Distribution Revenue	66,536	69,106	67,595	69,646	69,369	70,805	77,876	7,071	10.0%
Controllable expenses									
Gross controllable expenses	42,942	44,760	45,316	46,304	48,287	47,345	49,140	1,795	-3.8%
Recoveries	(4,864)	(5,083)	(5,218)	(4,599)	(4,616)	(4,347)	(4,321)	26	-0.6%
Net Controllable expenses	38,078	39,677	40,098	41,705	43,671	42,998	44,819	1,821	-4.2%
Operating income	28,458	29,429	27,497	27,941	25,698	27,807	33,057	5,250	18.9%
Other revenue	5,906	8,457	6,965	7,366	7,382	7,035	6,972	(63)	-0.9%
EBITDA	34,364	37,886	34,462	35,307	33,080	34,842	40,028	5,186	14.9%
Amortization of capital assets	17,350	17,939	18,416	19,555	20,122	20,920	22,698	1,778	-8.5%
EBIT	17,014	19,947	16,046	15,752	12,958	13,922	17,330	3,408	24.5%
Unrealized (gain) loss on swap interest	(3,520)	341	419	3,272	-	-	(4,390)	(4,390)	
Interest expense	3,169	3,878	4,799	4,595	5,373	5,280	4,717	(563)	10.7%
Income taxes expense (recovery)	2,729	2,808	(1,141)	(275)	(579)	(245)	1,676	1,921	784.0%
Net Earnings	14,636	12,920	11,969	8,160	8,164	8,887	15,328	6,441	72.5%

London Hydro Inc.
 Schedule of Controllable Expense By Object of Expenditure
 2022 Operating Plan

CONTROLLABLE EXPENSES	2017 Actuals	2018 Actuals	2019 Actuals	2020 Projection	2021 Budget	2022 Budget	2022 Bdgt Vs. 2021 Bdgt Incr / (Decr)	
Object of Expenditure								
Labour and benefits	25,886,482	26,719,375	27,132,905	28,282,200	28,273,700	29,463,800	1,190,100	4.2%
Professional services	5,359,357	5,867,274	5,997,972	5,634,300	5,773,600	5,987,200	213,600	3.7%
Computer hardware and software	2,260,531	2,540,194	2,814,797	3,239,700	3,490,300	3,751,700	261,400	7.5%
Fleet operations and mtce	1,881,557	2,078,381	1,982,145	1,959,300	2,052,600	2,124,300	71,700	3.5%
Rental, regulatory and other	1,898,946	1,671,488	1,793,953	1,705,300	1,908,800	1,881,800	(27,000)	-1.4%
Facilities maintenance and repair	1,601,569	1,533,895	1,667,646	1,513,900	1,739,900	1,783,600	43,700	2.5%
Corporate employee expenses	1,182,113	1,201,336	1,232,737	1,100,200	1,334,100	1,366,000	31,900	2.4%
Postage expense	1,259,210	1,262,259	1,257,680	1,226,000	1,195,000	1,180,000	(15,000)	-1.3%
Property tax and insurance	1,182,292	1,194,959	1,207,932	1,268,300	1,321,100	1,350,600	29,500	2.2%
Materials and supplies	1,001,076	971,920	994,706	1,064,200	1,074,700	1,094,900	20,200	1.9%
Bad debts	840,200	702,530	737,263	990,000	900,000	900,000	-	0.0%
Business and communications	462,619	491,532	416,725	448,200	482,000	479,600	(2,400)	-0.5%
Inventory obsolescence	60,000	66,000	66,000	66,000	60,000	61,500	1,500	2.5%
Studies and special projects	10,136	505,735	87,101	40,000	60,800	71,300	10,500	17.3%
Internal allocations	(1,943,784)	(2,047,325)	(2,073,057)	(2,089,100)	(2,321,500)	(2,356,400)	(34,900)	1.5%
Cost recoveries	(4,864,269)	(5,083,084)	(5,218,064)	(4,598,900)	(4,347,000)	(4,320,700)	26,300	-0.6%
Net Controllable Expenses	38,078,035	39,676,470	40,098,440	41,849,600	42,998,100	44,819,200	1,821,100	4.2%

London Hydro Inc.
Schedule of Miscellaneous Revenue
2022 Operating Plan

MISCELLANEOUS REVENUE (in \$000's)	2019 Actuals	2020 Budget	2020 Projection	2021 Budget	2022 Budget
Late Payment Charges	(1,699)	(1,629)	(2,201)	(1,929)	(1,635)
Interest Earned	(739)	(1,277)	(492)	(429)	(200)
Rental Revenue	(491)	(486)	(511)	(503)	(801)
Collection Charges	(132)	(72)	(44)	(91)	(91)
Occupancy Charges	(596)	(601)	(567)	(556)	(544)
Billing Service Fees	(864)	(893)	(923)	(928)	(928)
Renewable Generation	(322)	(338)	(317)	(325)	(325)
Sale of Scrap	(834)	(481)	(850)	(600)	(600)
Revenue from Contributed Capital	(525)	(681)	(675)	(824)	(963)
Asset Disposition (Gain) Loss	(31)	(160)	(122)	(116)	(150)
Other Miscellaneous Revenue	(733)	(766)	(666)	(735)	(735)
TOTAL MISCELLANEOUS REVENUE	(6,965)	(7,382)	(7,366)	(7,035)	(6,972)

London Hydro Inc.
Schedule of Capital Expenditure
Distribution Infrastructure, Plant and Equipment
2022 Capital Plan
(in thousands of dollars)

DISTRIBUTION EXPENDITURES

	2021 Budget	2022 Budget	2022 Budget vs. 2021 Budget Incr / (Decr)	
Substation Rebuilds	345	15	(330)	-95.7%
Subdivision Rebuilds	7,748	8,537	789	10.2%
Main Feeders	2,021	1,785	(236)	-11.7%
Capital Contributions Paid - Transformer Stations	1,450	-	(1,450)	-100.0%
Networks	2,560	2,131	(429)	-16.8%
Overhead Line Work	5,100	5,290	190	3.7%
Automation	975	1,020	45	4.6%
Infrastructure	20,199	18,778	(1,421)	-7.0%
City Works Projects	12,078	5,521	(6,557)	-54.3%
Developer Works Projects	8,505	8,633	128	1.5%
Demand	20,583	14,154	(6,429)	-31.2%
Meters and Devices	1,742	1,699	(43)	-2.5%
Vehicles and Major Equipment	1,445	1,450	5	0.3%
Operating Equipment	430	409	(21)	-4.9%
Equipment	3,617	3,558	(59)	-1.6%
Office Furniture and Equipment	825	729	(96)	-11.6%
Buildings and Fixtures	2,816	1,643	(1,173)	-41.7%
Office Property and Equipment	3,641	2,372	(1,269)	-34.9%
Hardware and Software	1,020	829	(191)	-18.7%
Applications Development	4,578	4,875	297	6.5%
Information Systems	5,598	5,704	106	1.9%
Pilot Programs - Gross Spending	511	-	(511)	-100.0%
Pilot Programs - Funding	(461)	-	461	-100%
Pilot Programs (Power Forward & Sidewalk Labs)	50	-	(50)	-100%
Total Distribution Infrastructure, Plant and Equipment	53,688	44,566	(9,122)	-17.0%
Change in Capital Assets Inventory	(750)	(650)	100	-13.3%
Net Capital Spending	52,938	43,916	(9,022)	-17.0%
<u>CONTRIBUTIONS</u>				
Contributed Capital	(6,534)	(4,558)	1,976	-30.2%

London Hydro Inc.
2022 Operating and Capital Plan
Balance Sheet
(in thousands of dollars)

	2017 Actual	2018 Actual	2019 Actual	2020 Budget	2020 Projection	2021 Budget	2022 Budget
ASSETS							
Current assets							
Cash and equivalents	\$ 4,364	\$ 1,295	\$ 3,428	\$ 43,180	\$ 33,252	\$ 18,135	\$ 15,791
Accounts receivable	75,047	74,985	71,369	82,705	81,429	84,361	85,462
Income taxes receivable	-	-	1,171	339	189	807	-
Regulatory amounts recoverable	-	3,907	4,997	-	403	2,821	787
Inventories	647	616	418	700	500	500	500
Prepaid expenses	2,461	2,667	2,338	2,200	2,100	2,300	2,100
	82,519	83,470	83,721	129,124	117,873	108,924	104,640
Non-current assets							
Regulatory amounts recoverable	5,832	23,119	25,395	23,462	33,004	27,853	16,071
Capital assets	292,541	303,855	323,320	343,232	339,779	364,974	389,067
Total non-current assets	298,373	326,974	348,715	366,694	372,783	392,827	405,138
TOTAL ASSETS	\$ 380,892	\$ 410,444	\$ 432,436	\$ 495,818	\$ 490,656	\$ 501,751	\$ 509,778
LIABILITIES & EQUITY							
Current liabilities							
Accounts payable & accrued liabilities -							
Due to IESO	\$ 34,838	\$ 33,694	\$ 31,972	\$ 46,659	\$ 40,751	\$ 42,663	\$ 43,505
Other	13,467	14,514	16,467	13,700	14,700	16,000	16,300
Income taxes payable	735	2,197	-	-	-	-	543
Due to Shareholder	8,724	6,451	6,952	7,500	7,900	8,100	8,200
Regulatory liabilities	5,851	1,719	-	-	-	-	-
Smart meter loan	2,304	1,522	-	-	-	-	-
Customer & other deposits	932	2,415	1,082	600	800	800	400
Current portion of lease liabilities	-	32	33	34	33	35	36
Deferred revenue	1,395	1,813	2,113	1,500	1,400	1,500	1,500
Total current liabilities	68,246	64,357	58,619	69,993	65,584	69,098	70,484
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	6,306
Customer and other deposits	5,896	3,510	3,324	2,600	2,600	2,000	2,000
Deferred revenue	8,105	9,705	9,694	7,500	7,600	5,900	6,200
Lease liabilities	-	2,256	2,223	2,189	2,190	2,155	2,119
Long-term debt	115,000	140,000	155,000	200,000	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	15,861
Future income taxes	3,766	5,590	8,982	10,669	10,495	13,051	14,743
Total long-term liabilities	152,813	176,785	199,127	248,231	247,222	250,916	247,229
Shareholder's equity							
Share capital	96,116	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	97,151
Accumulated other comprehensive gain (loss)	(1,170)	379	(1,202)	379	(1,202)	(1,202)	(1,202)
Total shareholder's equity	159,833	169,302	174,690	177,594	177,850	181,737	192,065
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 380,892	\$ 410,444	\$ 432,436	\$ 495,818	\$ 490,656	\$ 501,751	\$ 509,778

London Hydro Inc.
2022 Operating and Capital Plan
Statement of Cashflows
(in thousands of dollars)

	2020 Projection	2021 Budget	2022 Budget	2022 Budget vs. 2021 Budget Incr / (Decr)
Cash provided by operating activities				
Net earnings for the year	\$ 8,160	\$ 8,887	\$ 15,328	\$ 6,441
Charges to operations not requiring a current cash payment:				
Amortization of capital assets and contributed capital	19,960	21,207	22,896	1,689
Gain on disposal of capital assets	(122)	(116)	(150)	(34)
	27,998	29,978	38,074	8,096
Net change in non-cash working capital balances related to operations	(1,910)	(539)	1,591	2,130
Increase in employee future benefit	100	111	115	4
Cash provided by operating activities	26,188	29,550	39,780	10,230
Financing activities				
Unrealized loss (gain) on swap interest	2,743	-	(4,390)	(4,390)
Decrease in customer and other deposits	(1,006)	(600)	(400)	200
Increase in due to Shareholder	948	200	100	(100)
Contributions to capital costs	6,356	6,534	4,558	(1,976)
Decrease in deferred revenue	(2,807)	(1,600)	300	1,900
Increase in long-term debt	45,000	-	-	-
Decrease in lease liabilities	(33)	(33)	(35)	(2)
Payment of dividends to shareholder	(5,000)	(5,000)	(5,000)	-
Cash provided by financing activities	46,201	(499)	(4,867)	(4,368)
Investment activities				
Net additions to capital assets	(42,793)	(52,938)	(43,916)	9,022
Capital asset transfers from regulatory assets	-	-	(7,631)	(7,631)
Proceeds on disposal of capital assets	140	119	150	31
Change in future income taxes	1,513	2,556	1,692	(864)
Change in regulatory amounts	(1,425)	6,095	12,448	6,353
Cash used in investing activities	(42,565)	(44,168)	(37,258)	6,911
Net increase (decrease) in cash during the year	29,824	(15,117)	(2,344)	12,773
Cash, beginning of year	3,428	33,252	18,135	(15,117)
Cash, end of year	\$ 33,252	\$ 18,135	\$ 15,791	\$ (2,344)