



## STAFF REPORT ACTION REQUIRED

### Amendments to Shareholder Direction to Toronto Hydro Corporation

<b>Date:</b>	September 17, 2007
<b>To:</b>	Executive Committee
<b>From:</b>	City Manager
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### SUMMARY

---

This report recommends that City Council, as sole shareholder, amend the Shareholder Direction to Toronto Hydro Corporation to more clearly articulate the principles that govern the operations of Toronto Hydro to reflect current City priorities.

#### RECOMMENDATIONS

---

**The City Manager recommends that the following amendments be made to the City's Shareholder Direction to Toronto Hydro Corporation:**

1. renumber subsection 2.3 (a)(iii) to be 2.3(a)(iv) and add the following as subsection 2.3(a)(iii) "in a socially responsible manner that supports priority objectives of the City of Toronto that are consistent with Toronto Hydro's business objectives"
2. amend subsection 2.3(b) to read "Toronto Hydro will provide a reliable, effective and efficient distribution system that meets changing demand utilizing emerging green technologies as appropriate"
3. amend subsection 2.3 (g) to read "Toronto Hydro will promote energy conservation and environmental responsibility and work with the City of Toronto to achieve its climate change objectives";
4. renumber subsection 2.3(h) to 2.3 (k) and subsection 2.3(i) to 2.3(h)

5. add subsection 2.3 (i) that reads “Toronto Hydro will engage in recruitment practices designed to attract employees from the diverse community it serves”;
6. add subsection 2.3(j) that reads “Toronto Hydro’s administrative strategies will support the City of Toronto priority objectives where consistent with Toronto Hydro’s business objectives, including procurement practices that encourage participation of equity-seeking groups”;

so that the Principles Section of the Shareholder Direction reads as in Appendix A.

### **Financial Impact**

There is no financial impact from adoption of the recommendations in this report. However, it cannot be determined at this time whether implementation of these principles will impact Toronto Hydro’s costs over the long term.

### **Equity Impact Statement**

The intent of the recommendation in this report concerning Toronto Hydro Corporation’s recruitment practices is to ensure access for target populations to employment opportunities within Hydro and its subsidiaries. Toronto Hydro is also asked to develop administrative processes that encourage participation of equity-seeking groups.

### **DECISION HISTORY**

On January 15, 2007, the Executive Committee had before it a report dated January 2, 2007 from the City Manager entitled “Designation of Certain Officials under New Statutory Accountability Requirements” and requested that “the City Manager report to the Committee on the current status of the Toronto Hydro Shareholder’s Agreement in meeting the City’s goals and objectives.”

A report from the City Manager entitled “City Objectives in Shareholder Direction to Toronto Hydro Corporation” responding to that direction was considered by the Executive Committee at its meeting held on April 30, 2007 when it deferred consideration until the Committee’s meeting to be held on June 25, 2007. At that time, the Committee further deferred consideration of the report until its meeting to be held on October 1, 2007. The staff report before the Committee at that time indicated that no changes were needed to the Shareholder Direction. However the Committee asked the City Manager to meet with interested members to determine what specific objectives they thought needed to be articulated more clearly. Staff invited comments from all members of the Executive Committee as well as Council Members serving on the Toronto Hydro Board. This report provides a clearer articulation of the operating principles for Toronto Hydro to address the issues raised.

## **ISSUE BACKGROUND**

Further consultation with Hydro stakeholders has identified four operating principles that should be added to the City's Shareholder Direction to Toronto Hydro Corporation.

- 1) helping the City achieve its climate change objectives
- 2) ensuring hiring policies address diversity in the workforce
- 3) working with the City to develop innovative local electricity generation
- 4) ensuring administrative practices that support equity-seeking groups where consistent with Toronto Hydro's business objectives

## **COMMENTS**

### **1. Helping the City Achieve its Climate Change Objectives**

At its meeting held on July 16, 17, 18 and 19, 2007, City Council adopted, as amended, the recommendations in Executive Committee Item EX10.3 entitled "Climate Change, Clean Air and Sustainable Energy Action Plan: Moving from Framework to Action".

The Climate Change and Clean Air Action Plan outlines a series of recommendations that build upon existing programs and policies which will engage the community in taking the steps required to significantly reduce our release of greenhouse gases to the atmosphere and make substantive positive changes to our local air quality.

Toronto's Sustainable Energy Plan recommends the creation of funding programs that encourage energy efficiency and renewable energy initiatives. These funding programs will in turn support the implementation of recommendations in the Climate Change and Clean Air Action Plan.

Among the recommendations adopted by Council at that time was a request that "energy utility companies in Toronto provide data to the City, in a manner respectful of customer confidentiality requirements, to assist staff in monitoring the City's progress in meeting its targets."

This report recommends that the City's Shareholder Direction to Toronto Hydro Corporation be amended to include as an operating principle that Hydro work with the City in the achievement of its climate change objectives, in addition to existing wording in the Direction requiring Hydro to operate in an environmentally-responsible manner and to promote energy conservation and environmental responsibility. This change would help Hydro act as the City's partner in achieving its environmental objectives.

### Background Information

Climate Change, Clean Air and Sustainable Energy Action Plan: Moving from Framework to Action

<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-5052.pdf>

### **2. Reflecting the City's Diversity in Toronto Hydro's Workforce**

It is a City objective that its workforce reflects the diversity of the population of the City of Toronto. Using the hiring policies of the City and its boards and corporations in a

proactive manner could also assist vulnerable City neighbourhoods and equity seeking groups. This report recommends that a further objective be added to the City's Shareholder Direction to Toronto Hydro Corporation that Hydro employ recruitment practices to attract employees that reflect the diversity of the City it services.

### **3. Innovative Local Electricity Generation Systems**

It is commonly understood that the electricity supply and distribution infrastructure serving the City is reaching its capacity limits and that its reliability and resiliency in coping with peak demands is increasingly being challenged by the age of the system infrastructure and capacity limits in the supply of electricity available. At the same time, the need for electricity that is produced in an environmentally responsible manner and distributed reliably using a resilient distribution system is greater than ever.

The City and Toronto Hydro Corporation can work together to meet these supply and distribution challenges in innovative ways that limit energy use and manage demand to reduce the need for expensive and intrusive infrastructure. The use of innovative technologies and community partnerships can also reduce the need for additional major generation and transmission facilities. This approach has already resulted in Toronto's peak energy usage declining over the past several years while Ontario's total peak energy demand has climbed.

### **4. Encouraging Equity-seeking Groups**

It would also be helpful if Toronto Hydro used its administrative practices including its purchasing policies to distribute economic benefits from capital spending and related work to equity-seeking groups. This objective can be accomplished within regular operational budgets by:

- (a) developing a process that provides increased access to contracts for small businesses operated by equity-seeking groups; and
- (b) creating vendor awareness programs linking vendors to opportunities to provide services to Toronto Hydro.

## **CONCLUSION**

This report recommends adding to the operating principles in the City's Shareholder Direction to Toronto Hydro Corporation to more clearly articulate the City's objectives for Toronto Hydro.

Staff consulted with all interested members of the Executive Committee and Councillors on the Toronto Hydro Board, the CEO and General Counsel for Toronto Hydro Corporation, the Toronto Police Service, City Legal Services and the Energy Efficiency Office in preparing this report.

**CONTACT**

Joe Borowiec, Strategic and Corporate Policy Division, Tel: 416-397-9110,  
Fax: 416-696-3645; E-mail: [jborowie@toronto.ca](mailto:jborowie@toronto.ca)

**SIGNATURE**

---

Shirley Hoy,  
City Manager

## Attachments:

Appendix 1 Principles Section of Toronto Hydro Shareholder Direction

**Principles Section of Toronto Hydro Shareholder Direction**

**2.3 Principles**

The following principles will govern the operations of Toronto Hydro:

- (a) The Business is integral to the well-being and the infrastructure of the City of Toronto. The Corporation recognizes that it is in the best interests of Toronto Hydro and the community of stakeholders whom the Business affects that Toronto Hydro conduct its affairs:
  - (i) on a commercially prudent basis;
  - (ii) in a manner consistent with the energy policies established by the Shareholder from time to time;
  - (iii) in a socially responsible manner that supports priority objectives of the City of Toronto that are consistent with Toronto Hydro's business objectives; and
  - (iv) in accordance with the financial performance objectives of the Shareholder as set out herein.
- (b) Toronto Hydro will provide a reliable, effective and efficient electricity distribution system that meets changing demand, utilizing emerging green technologies as appropriate.
- (c) Distribution rates applicable to customers of the Distribution Company will be set by the Board in accordance with the rates fixed by the Ontario Energy Board from time to time.
- (d) The Business is at all times subject to such licences, codes, policies, rules, orders, interim orders, approvals, consents and other actions of any Regulator.
- (e) Toronto Hydro will provide its services with an emphasis on customer orientation and satisfaction.
- (f) Toronto Hydro will operate in a safe and environmentally-responsible manner.
- (g) Toronto Hydro will promote energy conservation and environmental responsibility and work with the City of Toronto to achieve its climate change objectives.

- (h) Toronto Hydro will operate in a manner that will protect and enhance the City of Toronto's urban forest.
- (i) Toronto Hydro will engage in recruitment practices designed to attract employees from the diverse community it serves.
- (j) Toronto Hydro's administrative strategies will support the City of Toronto priority objectives where consistent with Toronto Hydro's business objectives, including procurement practices that encourage participation of equity-seeking groups.
- (k) The Board is responsible for determining and implementing the appropriate balance among the foregoing principles and for causing Toronto Hydro to conduct its affairs in accordance with the same.