

CORPORATE RESPONSIBILITY REPORT 2011

OUR WORLD. OUR CITY. OUR RESPONSIBILITY.

THE MEASURE OF OUR
CORPORATE RESPONSIBILITY
COMMITMENT

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Message from the Chairman and the President and Chief Executive Officer

At Toronto Hydro Corporation, we're committed to providing safe and reliable service to our customers while delivering economic value to the City of Toronto. We strive to achieve this while upholding a business philosophy built upon honesty, transparency and accountability. These are the principles that Toronto Hydro was founded upon a century ago.

The year 2011 was an important milestone in our history as we celebrated our 100th year of service. There are many highlights noted in the following report, but two stand out in particular. Completing our largest annual capital construction program, we achieved the best safety performance we've ever had by reaching two million hours without a lost time injury in our workforce. And our United Way Toronto campaign raised more than \$373,000 – the most we've ever donated to this important organization that helps the less fortunate in our community.

Our 100th anniversary was the perfect opportunity to reflect upon our past, to evaluate our present and plan for our future. We took an honest look at where we are and where we should be in the areas of service reliability and customer experience. We asked ourselves some tough questions and went to our customers to find out what matters most to the residents and businesses in Toronto. We know that convenience in transacting with us tops many of our customers' lists of priorities and we're making changes across the utility to make it easier to do business with us. To this end, we introduced a call back feature to reduce customer wait times when dialing into our call centre. We launched social media channels to offer our customers new platforms to discuss conservation tips and learn about our programs. Through the power of Twitter, Toronto Hydro is now Tweeting real-time updates about major power outages.

People are always looking for tools to help manage their electricity consumption and we launched **PowerLens**[™] energy calculator to provide customers with customized conversation tips based on their unique consumption profiles.

In addition to our commitment to customer service, we're steadily improving productivity and efficiencies within our utility. Absenteeism has improved by 25 per cent over the past three years and currently sits at 15 per cent below Statistics Canada's average of all Canadian public and private sector utilities. Since 1998, we've reduced our staff by approximately 35 per cent. Over the past five years, we've reduced our senior executive team by more than 60 per cent.

There is no question that 2011 was one of the most pivotal years in our journey, and we hope to carry this momentum forward into the years ahead. The next chapter of our history is sure to test our resilience. Over the next decade, more than 40 per cent of our work force is set to retire. At the same time, we're working to renew an aging and failing distribution system. This construction is critical to addressing service reliability issues and to upgrade the system with more intelligent equipment to meet the needs of a modern Toronto.

We know these are difficult times but we are up to the challenge. After all, there are very few Canadian companies that are 100 years old. After a century of service, one thing we know is that in times of calm or uncertainty, a commitment to corporate responsibility is the correct path to follow.

At Toronto Hydro, we stand by our commitment to continuously maximize customer and stakeholder satisfaction by providing safe and reliable service and by being environmentally responsible. We thank all of our employees for helping us achieve one of our most successful years ever, and we are looking forward to a bright and exciting future.

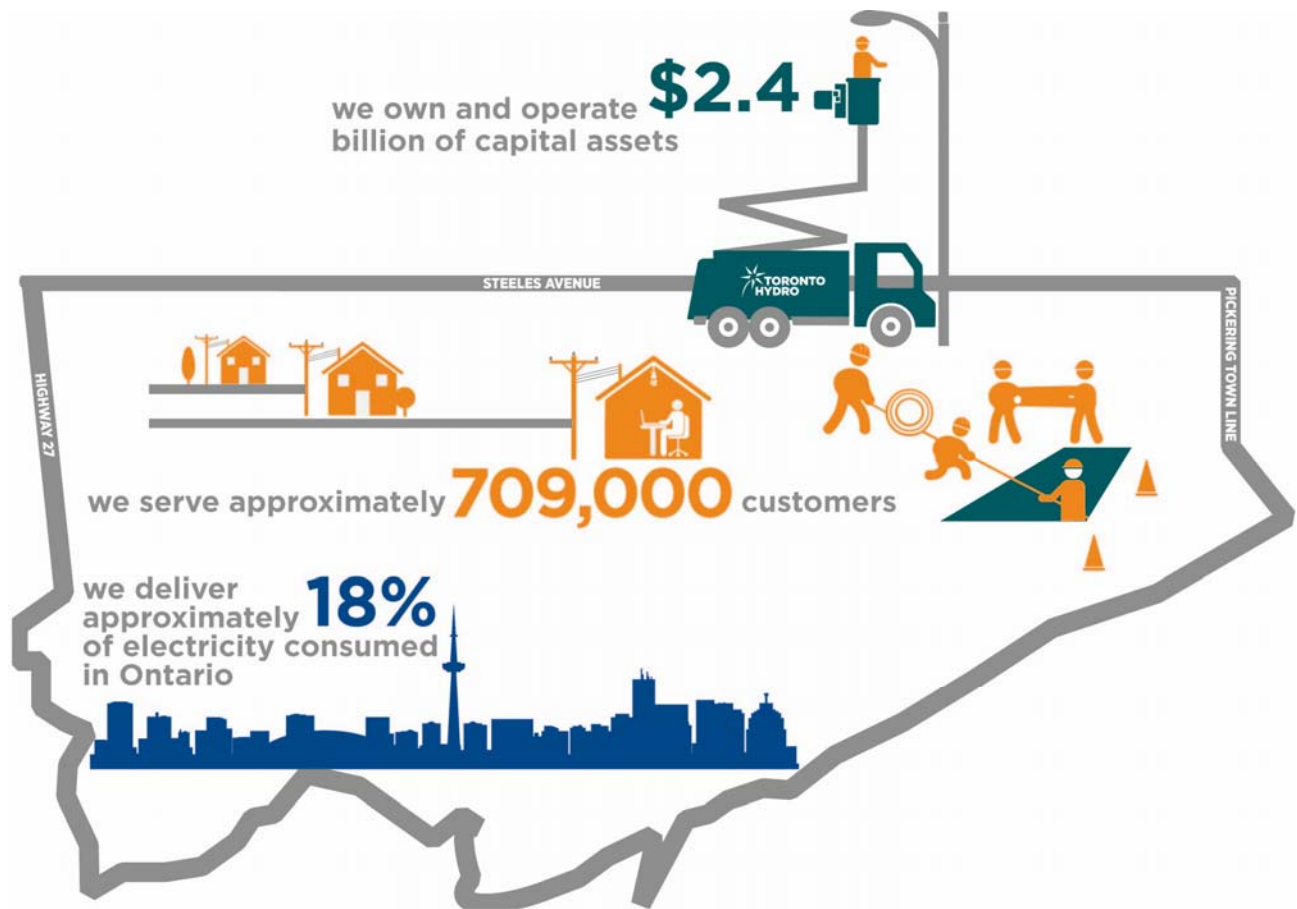


Clare R. Copeland
Chairman



Anthony M. Haines
President and Chief Executive Officer

About Toronto Hydro



Toronto Hydro Corporation (the Corporation) is a holding company which wholly owns two subsidiaries:

- **Toronto Hydro-Electric System Limited (Toronto Hydro)** * distributes electricity and engages in conservation and demand management activities; and
- **Toronto Hydro Energy Services Inc.** provides street lighting services.

Our principal business is the distribution of electricity. We own and operate \$2.4 billion of capital assets comprised primarily of our electricity distribution system that delivers electricity to approximately 709,000 customers in the City. We are the largest municipal electricity distribution company in Canada and distribute approximately 18 per cent of electricity consumed in Ontario.

Our business is regulated by the Ontario Energy Board (OEB), which has broad powers relating to licensing, standards of conduct and service, and the regulations of rates charged by Toronto Hydro and other electricity distributors in Ontario.

The City of Toronto is the sole shareholder of the Corporation.

Our head office is located at 14 Carlton St., Toronto, Ontario, M5B 1K5.

The City of Toronto is the only geographic market in which we conduct business.

Throughout this report, mentions of “Toronto Hydro,” “We” or “Our” is intended to refer to the utility, Toronto Hydro-Electric System Limited.

*Toronto Hydro is a long-standing member of the Canadian Electricity Association and the Electricity Distributors Association.



At a Glance – Corporate Overview

Our Assets

Peak load – megawatts 4,919

Control centre 1

Operations centres 7

Municipal substations 170

Poles 140,600

Underground vaults 16,916

Cable chambers 11,268

Length of underground wires (kms) 10,900

Primary switches 19,800

Street and expressway lights 164,400

Vehicles in fleet 639



Our People

Number of customers (approximately) 709,000

Residential service customers 629,049

General service with monthly demand of 0–5,000 kiloWatt 80,222

Large users with monthly demand over 5,000 kW 52

Number of employees as at December 31, 2011 (approximately) 1,800

Labour unions: Canadian Union of Public Employees (CUPE) Local One, The Society of Energy

Professionals

Percentage of workforce in a bargaining unit: 70%

Annual Customer call volume 636,000

Our Performance

Average duration of customer power interruptions (hours) 1.43

Average number of customer power interruptions 1.62

Community involvement expenditures \$913,700

Net revenues (\$ millions) \$570.8

Operating expenses (\$ millions) \$243.5

Conservation and Demand Management

Reduction in megawatts (MW) 43

Savings in megawatt hours (MWh) 101,326

Greenhouse gas (GHG) emissions 87,000

Scope 1 and 2; tonnes of carbon dioxide equivalent (CO₂e)

Energy consumption

Total electricity consumed (MWh) 792,200

Total fuel consumed; gigajoule (GJ) 118,400

OUR CORPORATE RESPONSIBILITY PHILOSOPHY



Toronto Hydro's vision is to continuously maximize customer and stakeholder satisfaction by providing safe and reliable service in an environmentally responsible way. We believe that incorporating corporate responsibility into our day-to-day business practices will help us achieve this vision.

The corporate responsibility function is managed jointly by our Communications and Public Affairs and Strategy and Enterprise Risk Management departments.

Toronto Hydro's corporate strategy focuses on customer service, asset modernization, health and safety and financial strength. In 2011, we continued to align our corporate responsibility initiatives with our corporate strategy and followed International Organization for Standardization (ISO) 31000 Risk management - Principles and guidelines as well as the ISO 26000 Guidance on social responsibility. These principles and guidelines address a variety of social, economic and environmental issues, including climate change and greenhouse gases.

We are currently pursuing registration for *Occupational Health and Safety Assessment Series* (OHSAS) 18001 and ISO 14001 standards. These standards help organizations define the framework for managing their environmental, health and safety risks. ISO 14001 provides an environmental management system and OHSAS 18001 offers an occupational health and safety management system that outlines health and safety practices. At Toronto Hydro, we believe that these elements are critical to improving workplace safety. We believe that adherence to these international standards will help improve the environmental, health and safety performance of our organization.

Managing our environmental footprint continues to be a priority. We are continuing to assess our carbon footprint strategy and our reduction targets.

Last year we assessed our corporate responsibility efforts across the organization and identified opportunities for improved communication between various departments. We formed a utility-wide corporate responsibility committee to help ensure that our business activities are considered in the context of corporate responsibility reporting. With this group, our intent is to help mitigate enterprise risks by identifying and reporting on business activities and behaviours that contribute to the economic, social and environmental well-being of the communities and stakeholders that we serve. The group plans to meet regularly throughout 2012.

Our Focus In 2011

Our report illustrates how our CR principles have helped us achieve our corporate goals in the following four pillars:

Customer Service

Strive to be the best utility in customer service

Asset Modernization

Improve reliability and strive to meet the objectives of the Green Energy Act, 2009 by rebuilding the existing aging infrastructure in keeping with leading technology

Health and Safety

Conduct our business with a skilled, safe and productive workforce

Financial Strength

Achieve consistent financial performance

Our Stakeholders

As the largest municipal electric utility in Canada, Toronto Hydro interacts with many stakeholders that shape our business. We strive to build meaningful relationships with these groups by engaging with them in an open and transparent manner.



Government

Toronto Hydro engages with municipal, provincial and federal government bodies to communicate, understand, support and implement policy in the energy sector; to build strong relationships that support the implementation of the governance principles mandated by our shareholder; and to maintain a diverse, safe and high-performing work environment.

- In 2011, we collaborated with the Ontario Power Authority to develop 2012-2014 conservation and demand management programs.

Shareholder

We strive to build a strong relationship with the Corporation's sole shareholder, the City of Toronto, through meaningful dialogue. We interact with the City through a variety of channels which include face-to-face briefings with the Mayor and city councillors, our participation in committee meetings, and monthly newsletters.

Our key shareholder engagement activities in 2011 included:

- We participated in monthly meetings with the City of Toronto's Executive Environment Team to align Toronto Hydro initiatives with the City's Climate Change, Clean Air and Sustainable Energy Action Plan.
- We are a member of the City's Corporate Energy Management Committee and attended quarterly meetings.
- We attended bi-monthly meetings in support of the City's Live Green Toronto program and its Climate Change, Clean Air and Sustainable Energy Action Plan.
- In keeping with the City's concerns about climate change, we reduced our greenhouse gases by approximately 47,300 tonnes of carbon dioxide equivalent from 2010.
- We coordinated 28 face-to-face meetings with City councillors to discuss our business operations.
- We published *CityWise*, a monthly e-newsletter to keep City councillors and staff informed about our latest initiatives and corporate news.
- As part of our outreach strategy, we held a briefing and question and answer session for the Mayor of Toronto and councillors, and attended the annual general meeting of Toronto Hydro Corporation at City Council.
- The Corporation declared and paid dividends totalling \$33.1 million to the City.
- We resolved escalated issues and complaints through our Office of the President.

Employees

We had approximately 1,800 employees as at December 31, 2011 comprised of skilled trades, engineers and management professionals.

Our key employee engagement initiatives in 2011 included:

- More than 150 employee engagement initiatives including town halls, focus groups and forums.
- Achieved two million hours without a lost-time injury.
- Delivered an average of 5.2 days of training per employee.
- Launched new intranet site as an online information resource.
- Published special edition of employee magazine, Spectrum to commemorate our 100th anniversary and circulated to all employees and approximately 1,100 retirees.

Regulator

Toronto Hydro's rates and services are regulated by the Ontario Energy Board, an independent provincial government agency. At any time, we may have one or more applications before the Ontario Energy Board, and may be participating in other Ontario Energy Board-sponsored proceedings.

Our key regulator engagement initiatives in 2011 included:

- Toronto Hydro received approval for funding from the Ontario Power Authority for various conservation and demand management (CDM) programs for both residential and business customers for the term 2011-2014.
- We received approval for funding of our 2011 Electricity Distribution Rate Application for a distribution revenue requirement and rate base to continue our infrastructure renewal program.
- In August 2011, we filed a three-year cost of service application for 2012, 2013 and 2014 electricity distribution rates. Following recent regulatory developments Toronto Hydro replaced our cost of service application with a new 2012 to 2014 application under the incentive regulation mechanism framework.

Industry Associations – Canadian Electricity Association, Electricity Distributors Association, Ontario Energy Network, Coalition of Large Distributors

Toronto Hydro takes an active role in a number of recognized industry associations and coalitions to ensure that the best interests of Toronto Hydro and our customers are advanced to government, consumers groups and other interested parties. Our executives participate on the boards of directors and on various committees of these industry associations. Toronto Hydro is a founding member of the Coalition of Large Distributors.

- As part of the Coalition of Large Distributors CDM working group, we expanded our leadership in program development.

Customers

We engage with our residential and commercial customers through a variety of communication and engagement channels. Our Office of the President works to resolve escalated issues and complaints from customers.

In 2011, our key engagement initiatives with residential customers included:

- Sent out approximately 37,000 notification letters to inform customers about construction work in their neighbourhoods. We now communicate to customers in advance of planned construction work almost 100 per cent of the time.
- Launched Toronto Hydro social media channels on YouTube, Twitter and Facebook.
- Launched *PowerLens*[™] energy calculator, consumption alerts and bill predictions to help customers understand their personal electricity consumption.
- Integrated new customer information and billing system.
- Achieved an estimated 3.61 MW reduction in peak electricity demand through engagement in residential CDM programs.
- Issued a total of six customer newsletters: four editions of eConnect (our online publication) and two Bright Ideas® (our printed newsletter).
- Participated in 57 community events to promote CDM programs – interacted with more than 45,000 people, distributed more than 26,000 energy conservation coupon booklets.
- Hosted four public information sessions across the City to educate customers about the state of the electricity distribution system.

In 2011, our key engagement initiatives with business customers included:

- Launched power outage hotline to help businesses make informed decisions about their operations during power interruptions.
- Hosted six information sessions for commercial, institutional, and industrial business customers to explain the application and registration process for CDM business programs.
- Hosted second annual *Energy Into Action Toronto* conference with the Ontario Power Authority and the City of Toronto. Approximately 61 attendees participated from large commercial, institutional and industrial businesses.

Colleges and Universities

We collaborate with various universities and colleges to develop instructional programs related to careers at Toronto Hydro and to deliver corporate and trades training at our work sites. Toronto Hydro also collaborates with universities to help us develop innovative and technologically-advanced solutions to modernize our distribution system.

In 2011, we collaborated with:

- Georgian College
- Ryerson University – Centre for Urban Energy
- University of Toronto – Mowat Centre for Policy Innovation, School of Public Policy & Governance
- York University

Non-Government, Not-for-Profit and Community Organizations

We work with non-government, not-for-profit, and community organizations to help raise awareness about energy conservation, and to help strengthen the communities we serve.

In 2011, we collaborated with:

- Building Owners and Managers Association (BOMA) of Toronto to help market our various CDM business programs.
- Greater Toronto CivicAction Alliance and its environmental initiative Greening Greater Toronto to raise awareness about available CDM programs within the commercial building sector.
- Toronto Association of Business Improvement Areas and attended regular meetings to discuss our CDM programs for businesses.
- United Way Toronto and raised approximately \$373,000 for United Way Toronto to support disadvantaged youth, and invest in a brighter tomorrow.
- LEAF - Local Enhancement & Appreciation of Forests and the City of Toronto to plant about 500 trees and help clean up Earl Bales Park.
- Pollution Probe, participating in the Clean Air Commute® to save approximately 9 million grams of pollutants from entering the air.

Our 2011 Indicators



- Net Revenues
 - Revenues minus the cost of purchased power and other, as reported in Toronto Hydro Corporation's Audited Consolidated Statement of Income
- Operating Expenses
 - Operating Expenses, as reported in Toronto Hydro Corporation's Audited Consolidated Statement of Income



- Conservation and Demand Management
 - Total kilowatt-hours and kilowatts saved by customers due to conservation and demand management programs implemented by Toronto Hydro.
- Energy Consumption
 - Includes electricity and natural gas consumed by Toronto Hydro facilities, fuels consumed by our utility vehicles and equipment and line losses per year. It does not include propane or electricity generated from onsite sources such as solar panels
- Greenhouse Gas Emissions
 - Greenhouse gas emissions (Scope 1 and 2) that Toronto Hydro emits. Emissions are measured in tonnes of CO₂e.



- Community Involvement Expenditures
 - Charitable donations made by Toronto Hydro and our affiliates to community-based organizations, including expenditures and donations. This indicator does not include in-kind contributions. It does include memberships and support activities.
- System Average Interruption Duration Index (SAIDI)
 - A measure (in hours) of the annual system average interruption duration for customers served, not including major event days. SAIDI represents the quotient obtained by dividing the total customer hours of interruptions longer than one minute by the number of customers served.
- System Average Interruption Frequency Index (SAIFI)
 - A measure of the frequency of service interruptions for customers served, not including major event days. SAIFI represents the quotient obtained by dividing the total number of customer interruptions longer than one minute by the number of customers served.

Materiality

The Shareholder Direction states that the business of Toronto Hydro is integral to the well being and the infrastructure of the City and provides, among other things, that it is in the best interests of Toronto Hydro and the stakeholders affected by its business that Toronto Hydro conducts its affairs:

- On a commercially prudent basis, while engaging in recruitment practices designed to attract employees from the diverse communities we serve and supporting the City's objectives where consistent with Toronto Hydro's business objectives, including procurement practices that encourage participation of equity-seeking groups in a manner consistent with the energy policies established by the City from time to time, in a socially responsible manner that supports priority objectives of the City that are consistent with Toronto Hydro's business objectives and in accordance with the financial performance objectives of the City;
- To provide a reliable and efficient electricity distribution system that meets changing demand using emerging green technologies as appropriate with an emphasis on customer satisfaction;
- In a safe and environmentally responsible manner while working with the City to achieve its climate change objectives; and
- In a manner that promotes energy conservation and environmental responsibility, we keep our property and facilities clean and well-maintained and free from graffiti, and protect and enhance the City's urban forest.

The Board of Directors of Toronto Hydro is responsible for determining and implementing the appropriate balance among these principles.



About This Report

We have self-assessed our 2011 Corporate Responsibility Report to be at a level B under the Global Reporting Initiative (GRI) Index.

This report was prepared in accordance with the Sustainability Reporting Guidelines developed by GRI, and includes additional disclosures required by the Electric Utilities Sector Supplement (EUSS). This standard is internationally recognized as the best practice in sustainability reporting. In 2010, Toronto Hydro also applied the B+ level of the GRI G3.1 guidelines.

We have also integrated several of the core indicators from the ISO Standard 26000: 2010, *Guidance for social responsibility*, which includes: Protecting consumers' health and safety; Consumer service, support and complaint dispute resolution; Education and awareness; Education and culture; Employment creation and skills development; Health; and Social investment.

Toronto Hydro endeavours to follow best practices in corporate responsibility reporting and makes our report available to interested stakeholders in a variety of formats, including full-length PDF which is posted on the website, and a condensed 'highlights' version which is distributed upon request.

Accountability for the production of this Corporate Responsibility Report is shared by Communications and Public Affairs, and Strategy and Enterprise Risk Management. Information provided to Strategy and Enterprise Risk Management by internal subject matter experts is also reviewed by Toronto Hydro's internal management disclosure committee. The indicators in this report have been reviewed and assured by our Strategy and Enterprise Risk Management.

Toronto Hydro Corporation produces a number of public reports each year. These include the Annual Report which provides an update of our consolidated financial performance, and this Corporate Responsibility Report, which provides broad-based details on a number of economic, environmental and social responsibility-related initiatives.

The Annual Report includes audited consolidated financial statements, and as noted above, this Corporate Responsibility Report includes certain results that are either audited or assured by qualified third parties. Some of the information that is contained in the Annual Report and this Corporate Responsibility Report is also available in Toronto Hydro Corporation's Annual Information Form (AIF), which was filed on The [System for Electronic Document Analysis and Retrieval \(SEDAR\) website](#) on March 29, 2012.

We welcome input from the public about this Report. Please send feedback to sustainability@torontohydro.com. Inquiries can also be directed to:

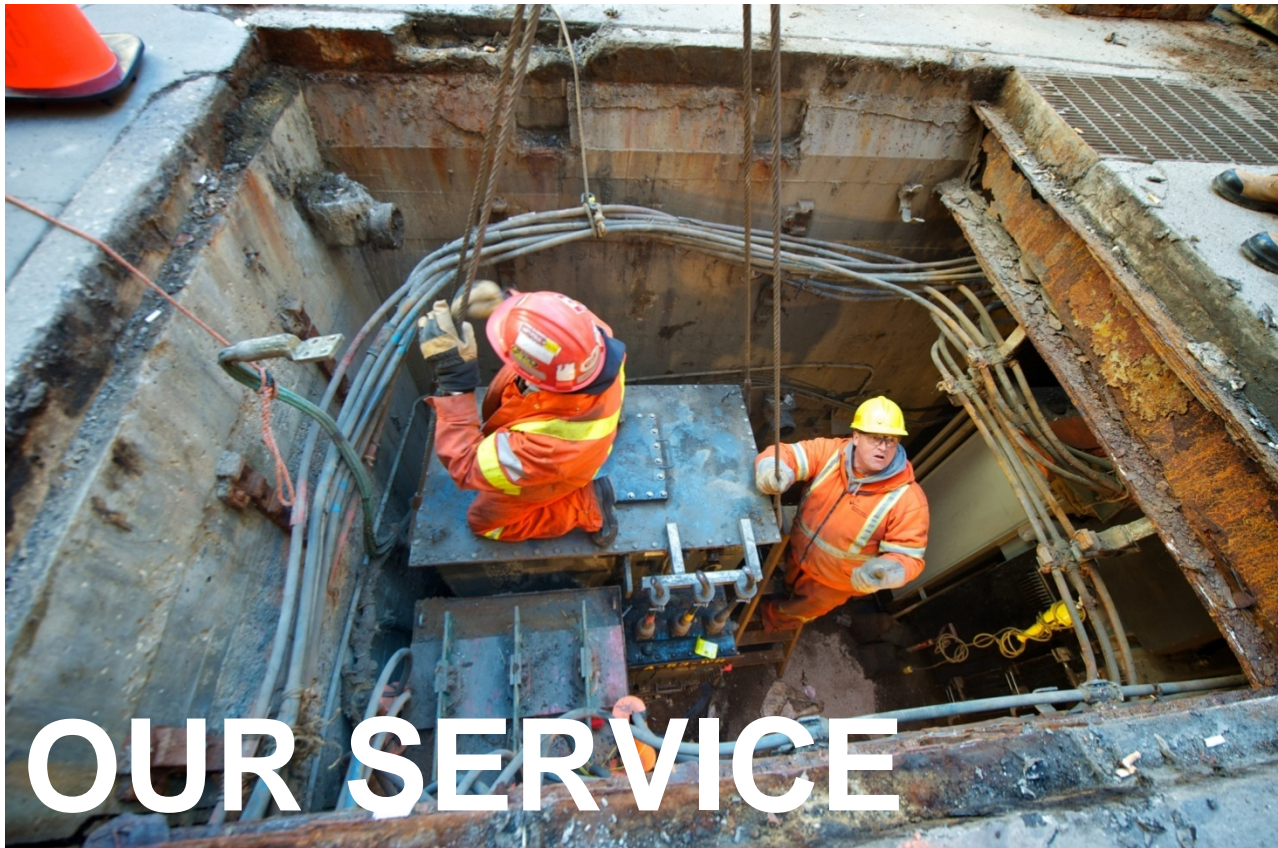
Vice-President
Marketing, Communications and Public Affairs
Toronto Hydro
14 Carlton St.
Toronto, ON M5B 1K5

Toronto Hydro uses the following key international protocols and standards to guide our activities:

Global Reporting Initiative (GRI) – G3.1 Sustainability Reporting Guidelines, Sustainability Reporting Guidelines & Electric Utilities Sector Supplement

ISO 31000: 2009, Risk Management
Risk management – Principles and guidelines

ISO 26000: 2010 - Social responsibility
– Guidance for social responsibility



OUR SERVICE

At Toronto Hydro, our core business is to deliver reliable electricity safely and efficiently to our customers.

How We Measure Reliability

As it is standard throughout the industry, at Toronto Hydro we evaluate our service reliability through two main measures: System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI).



SAIDI is a measure in hours of the annual system average interruption duration for customers served. In 2011, our SAIDI increased to 1.43 hours from 1.29 hours in 2010. However, the Canadian Electricity Association (CEA) reported an average of 4.34 hours in 2010 for Canadian electricity utilities.

We attribute the increase in average interruption duration to two things: inclement weather and defective equipment. Last year, we saw a rise in the number of storm days throughout the year and this severe weather impacted our grid.



SAIFI is a measure of the frequency of service interruptions for customers served, not including major event days. Our SAIFI measurement for 2011 decreased to 1.62 hours from 1.77 hours in 2010. Our results fare well against the CEA's average of 2.11 hours in 2010.

The decrease in the frequency of outages may have to do with the integration of feeder automation and grid modernization technologies, continued maintenance of tree pruning and the installation of animal guards.

Addressing Our Aging Infrastructure

Since 2006, Toronto Hydro has invested approximately \$1.7 billion to modernize our distribution plant. In 2011 alone, we invested \$431.2 million primarily in infrastructure upgrades to renew our aging electricity grid.

Toronto Hydro's distribution system is comprised of a complex combination of substations, and overhead and underground distribution equipment. Much of our electricity grid was built between 1940 and 1980 and our service reliability is gradually worsening due to aging infrastructure. In fact, we estimate that approximately 40 per cent of power outages in 2011 were caused by defective equipment.

The State of Toronto Hydro's Assets



Construction and Maintenance Work

In 2011, we completed our largest capital program to date and completed more than 700 projects including a significant amount of construction to renew our aging distribution grid. We replaced approximately:

- **704 kilometres** of overhead primary and secondary cable
- **712 kilometres** of underground primary and secondary cable
- **4,058** poles
- **3,248** transformers

Underground Direct Buried Distribution – Since 2007, we have been working to replace underground direct buried unjacketed cable. In 2011, we completed **27 underground direct buried distribution projects** to improve the system reliability of our underground system supplying a number of neighbourhoods.

Underground Distribution System Rehabilitation – We are working to replace aging underground cable in the downtown core. Last year we completed **53 underground distribution system rehabilitation projects** to replace failing power cables.

Transformer Station Renewal – We are working to upgrade aging transformer stations with newer equipment. In 2011, we completed **47 transformer station projects**.

Standardization – Toronto Hydro is working to upgrade or replace distribution system components and legacy assets that are no longer current, and standardize designs and equipment across the grid. We completed **21 standardization projects** in 2011.

Overhead System Rebuild – We are modernizing and upgrading our existing overhead system to improve workplace safety and reduce maintenance costs. We completed **31 overhead system rebuild projects** in 2011.

Feeder Reliability – We are proactively targeting main feeder lines experiencing a higher than average number of outages. In 2011, we completed **18 feeder reliability projects**.

Secondary Upgrades – We are investing in secondary distribution asset installations, repairs and upgrades to help ensure that functional and operational performance is maintained. In 2011, we completed **25 secondary upgrade projects**.

Feeder Automation

In 2010, Toronto Hydro equipped 10 of our worst performing feeders with automatic switching devices to help isolate faults and reduce the frequency and duration of outages. In 2011 feeder automation helped 19,065 customers by limiting their power outage to less than one minute in duration, saving 247,845 customer minutes of outages. These improvements have had a positive impact on our grid reliability and have helped improve our SAIDI and SAIFI results.

Transformer Monitors

Toronto Hydro is using transformer monitoring technology to study transformer load management opportunities. Since 2009, we have deployed approximately 5,600 monitors. The devices tell us which transformers are overloaded and calculate where equipment has reached the end of its lifespan. This allows us to perform proactive maintenance before transformers fail, and in turn, is improving service reliability. Thanks to the transformer monitor deployment, in the summer of 2011, Toronto Hydro identified 12 overloaded transformers at risk of failure and completed the necessary work to avoid overloading. As a result, we saved approximately 100,000 customer minutes of outages.

Feature: Community Energy Storage

Electric vehicles and renewable generation have arrived and are being integrated into our grid. Toronto Hydro is working with a consortium to develop a community energy storage unit to help facilitate their introduction to our distribution system.

Instead of installing the community energy storage at the transmission or substation level like many existing energy storage units, Toronto Hydro intends to install it on the secondary voltage lines to service a specific group of customers, or a small community – hence its name.

The unit will benefit customers by serving as a buffer to help alleviate supply issues associated with peaking demand, momentary outages and power variability from renewable generation.



- Richard Ford, Manager, Grid Solutions

“These new technologies are changing the way Toronto Hydro is able to respond to power outages: in some cases helping us restore power to customers within minutes. We’re improving our service reliability and making our grid smarter, and it’s truly rewarding to be part of this team.”

Bremner Station - Increasing Load Capacity in the Downtown Core

Subject to Ontario Energy Board approval, Toronto Hydro is proposing to construct Bremner Transformer Station adjacent to the Roundhouse building at Bremner Boulevard and Rees Street. The station would help increase reliability and supply of electricity to the financial district and downtown core.

In 2011, we held two public consultation sessions to inform the community and stakeholders about the proposed Bremner Station project, and Toronto Hydro's timelines. We plan to host public information sessions throughout 2012. For more information, please visit torontohydro.com/bremnerstationproject



Contact Voltage and Public Safety

We take our responsibility to operate our business safely very seriously. In 2011, we continued our efforts to reduce the risk of contact voltage across the City.

Contact voltage is an intermittent condition that exists when electricity or voltage is present on street equipment such as sidewalk handwells or hydro pole plate covers. It is more likely to be present during wet, icy or salty conditions. Freezing and thawing can cause the ground around underground equipment to shift, disturbing underground wiring and creating conditions where contact voltage can occur.

There are approximately 12,000 handwells across the City of Toronto, and in 2010, we launched a program to switch out handwell lids and handwell equipment with non-conductive pieces comprised of fibre-reinforced polymer concrete covers and high density polyethylene boxes. As part of this program, we are also replacing cable between handwells.

2011 Handwell Upgrade Program Highlights:

- We replaced 1,834 handwell lids bringing our total to 10,334 since 2010.
- We replaced approximately 2,999 handwells bringing the total to 6,792 since the program began.
- We replaced more than 55 kilometres of cable bringing the total amount to more than 100 kilometres since 2010.

Detection and Maintenance

Although there is not a national or provincial standard surrounding the mobile surveying of contact voltage, Toronto Hydro uses a mobile voltage tracker to conduct frequent scans of the City. We are currently working to analyze the findings to help determine root causes.

To help reduce the risk of contact voltage, we are also reviewing our street lighting standards and materials. Toronto Hydro is currently developing a new standard design practice for street lighting which we anticipate should be released in 2012.



“When contact voltage surfaced in 2009, Standards and Policy Planning launched a number of initiatives to reduce the risk of incidents across the City. Since then, my day-to-day working life has been significantly impacted, as I oversee crews that work to properly identify contact

voltage and remediate incidents in a timely manner. Helping keep Toronto safe is a large part of my job, and something that I’m very proud to be a part of.” - Sheikh Nahyaan, Supervisor, Standards & Materials

Working with the Industry to Develop Guidelines

In 2011, Toronto Hydro participated in a working group with the Electrical Safety Authority to help mitigate instances of contact voltage through the collaborative development of industry guidelines surrounding the design, installation, operation and maintenance of street light assets.

Emergency Preparedness Planning

In 2011, Toronto Hydro participated in joint emergency exercises and workshops with the Province of Ontario and the Independent Electricity System Operator.

We also identified emergency training requirements for employees assigned with roles and responsibilities during a crisis and completed some training for operational staff.

Throughout the year, we identified and validated our critical functions and set the foundation to develop a business continuity program.

As part of our emergency preparedness planning, we are currently reviewing our power system emergency plan. This addresses incidents which interrupt the distribution of power to our customers and/or affect Toronto Hydro’s ability to safely control and monitor the system under specific conditions.

Our Customer Service

It's All About Relationships - At Toronto Hydro, we care about our customers and the value they receive for our services. We are committed to making it easy to do business with us and are working hard to deliver tools that are convenient and user-friendly for customers.

In 2011, we continued to make strides in enhancing customer service and focused our efforts on gaining customer insight and feedback through research. We conducted approximately 2,500 surveys and a number of focus groups to hear what matters most to our customers when it comes to outages, new connections, conservation, billing and more. This feedback helped identify where we have opportunities to grow and where we can develop initiatives to address areas for improvement.

Fostering an open dialogue with our customers

We successfully launched our official social media channels in July of 2011. Through Twitter, Facebook and YouTube, we are communicating and connecting with our customers through convenient channels.

The Social Media Scene

At the end of 2011, we had:

- **2,300** Facebook fans
- **1,261** Twitter followers
- **2,185** YouTube video views
- **8,160** total mentions of "Toronto Hydro" online
- **40+** customer service inquiries resolved via Twitter
- **150+** Tweets about unplanned power outages

Connect with us





“Social media is changing the way we work and live and has brought on a cultural revolution that I’m very excited to be a part of. Social platforms like Facebook and Twitter are enabling brands to build customer relationships through the quick sharing of information, ideas and customer care solutions.”

Toronto Hydro’s participation in social media has allowed us to evolve from traditional one-way forms of customer communication to two-way conversations, giving our customers options for how they interact with us.”

- Hasdeep Bhatia, Web & Online Communications Consultant, Toronto Hydro

Helping Customers Manage their Bills

There are approximately 118,000 customers using our Time-of-Use (TOU) microsite to track their electricity consumption. In 2011, we introduced three new online tools through our TOU portal to help customers better manage their electricity bills:

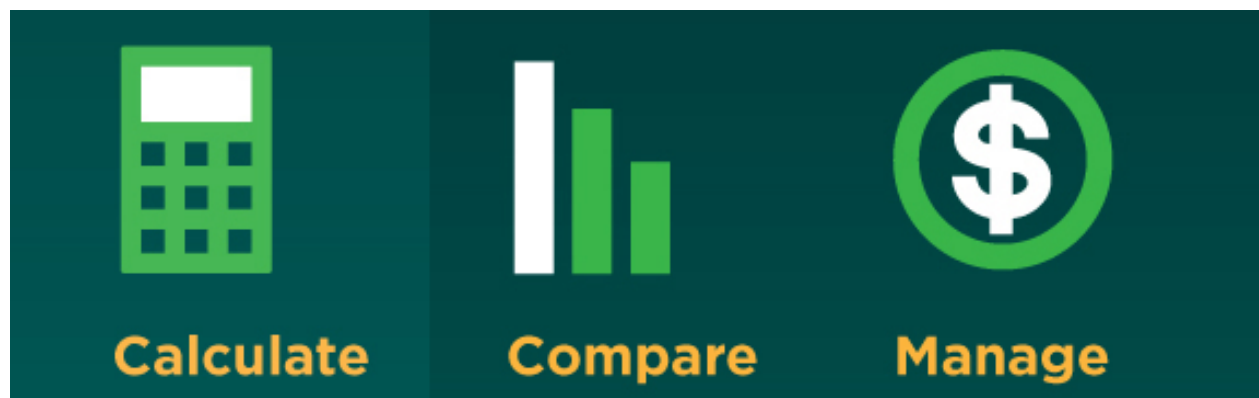
Consumption Alerts

The consumption alert feature allows a customer to sign up to receive an email notification when a certain level of monthly electricity use has been reached. This helps Toronto Hydro to remind customers about how much electricity they are consuming between bills, so that they can take steps to manage their consumption if they so choose.

Bill Predictions

The bill prediction tool provides customers with a forecast of what their next bill will be, based on their historical consumption information. It can help customers manage their future bills and avoid surprises if consumption increases for any reason.

PowerLens™ Energy Calculator



Toronto Hydro launched the *PowerLens*™ energy calculator in late 2011. The tool can provide customers with a better understanding of their personal energy usage by analyzing individual home energy profiles in combination with TOU electricity consumption. The *PowerLens*™ energy calculator identifies and recommends conservation programs that can help customers save money and manage their electricity usage. To date, approximately 4,000 customers have used the energy calculator.

We are continuing to enhance our online self-service tools to add to our customer service offerings while making productivity and efficiency improvements.

Integrating a New Customer Information and Billing System

In July 2011, Toronto Hydro successfully completed the implementation of a new customer information and billing system. This new technology accommodates the increased billing complexity for TOU rates and the MicroFIT solar connection program, while providing greater automation that improves the efficiency of many of our customer care transactions. Anticipating a higher volume of calls and longer than typical wait times during the transition, we simultaneously introduced a Customer Call Back feature which provided customers with the option to wait in queue, or receive a call back within 15 minutes.

Managing Human Connections – Engaging our Business Customers

At Toronto Hydro, we understand the impact that outages can have on businesses. In 2011, we introduced a power outage hotline for large business customers to improve our outage communications and to help businesses make informed decisions about their operations during power interruptions. Building relationships with our commercial and industrial customers is important to us and we plan to expand our engagement over the course of 2012.

Breaking Down Language Barriers

Our customer base is comprised of a multicultural and diverse group of people. We recognize that English is not always our customers' first language and that is why Toronto Hydro offers an interpreter service. Our customer service representatives have instant access to interpreters who speak more than 100 languages. This service is helping us effectively communicate with customers.



Health and Safety is an important focus at Toronto Hydro and we are constantly striving to improve processes with the goal of building a skilled, safe and productive workforce.

Building an Engaged and Healthy Workforce

In 2011, we held more than 150 employee engagement initiatives including town halls, focus groups and forums to communicate our business objectives and to solicit feedback from our staff. Toronto Hydro attained two million hours without a lost time injury and an employee retention rate of approximately 97 per cent in 2011.

Transferring Knowledge from our Skilled Trades People

Over the next 10 years, approximately 750 employees will be eligible for retirement – that's more than 40 per cent of our workforce. Many of our employees approaching retirement are highly skilled trades people who have acquired extensive knowledge about the complexities of our aging distribution system. It takes almost five years to build the specialized skill sets necessary to perform work on our distribution grid. Toronto Hydro is preparing for this transition with an increased focus on recruitment and skilled trades training.

Operating Ministry-Recognized Municipal Utility Trades Apprenticeship Program

We are proud to have our own power line technician program, accredited by the Ontario Ministry of Training, Colleges and Universities. We offer programs for power line technicians, certified power cable persons, distribution system technologists, metering technicians and power system controllers. At the school, apprentices are instructed by veteran trades professionals in a combination of settings which include in-class, job simulation and field training.

In 2011, Toronto Hydro hired 43 apprentices: 12 certified power line persons, 13 certified power cable persons, 12 distribution system technologists and six power system controllers. This brings our total number of apprentices hired to more than 194 since 2003.

Attracting the Best and the Brightest

Faced with the challenge of renewing an aging workforce, Toronto Hydro has developed an outreach strategy to ensure we attract and retain top talent. In 2011, we participated in seven college and university career fairs and events, and hired 17 new graduates to fill permanent positions.

We are also working with the Georgian College® School of Engineering Technology to help shape curriculum for the electrical engineering technician and technology programs. This helps to ensure that students graduate with the necessary proficiencies to fulfill these positions at our utility. Each program also includes a co-operative education component and students who work at Toronto Hydro gain practical experience working alongside our staff. In 2011, we hired 11 graduates from these diploma programs.

In 2011, we recruited 210 employees and developed an on-boarding program to ease the transition into their new roles. Specialized plans are created for each new employee to help build understanding about how the position links to the organization. In 2011, we completed 245 on-boarding and transition plans for employees undergoing major job changes.



“The Georgian College® Supervisor Training Program was an efficient, enjoyable use of time. We were taught skills that are immediately useful and can be applied virtually every day. Our facilitator, Sandy, did a wonderful job of encouraging us to participate in discussions, and a broad spectrum of

Supervisors with different backgrounds and interests allowed for a greater understanding of the workplace. Truly a valuable learning experience!” - Anna de Langley, Supervisor, Construction and Maintenance, Toronto Hydro

Investing in our Employees through Training and Development

We believe in the continuous development of our people and we are committed to extending professional development opportunities to our workforce. That's why our employees received an average of 5.2 days of training in 2011.

Toronto Hydro's training initiatives are comprised of compliance and legislative programs focused on recertification, skill refreshers and safety practices. Our legislative training adheres to ISO/OHSAS requirements and includes commercial driver's license upgrades and renewals, propane training, transportation of dangerous goods, and standard and emergency first aid and CPR.



Our compliance training focuses on:

- pole top rescue
- bucket rescue
- confined space rescue
- equi-potential grounding and bonding
- 0 to 8 ton crane training
- work site set-up
- simulated defensive driving
- first aid training
- propane
- transportation of dangerous goods
- workplace risk prevention

Employees are tested and required to sign attestations to demonstrate and declare understanding of the training content.

In 2010, Toronto Hydro introduced a defensive driver training simulator to practise driving in dangerous conditions in a safe environment. In 2011, all employees driving commercial vehicles participated in a one day defensive driving training program. We passed an Ontario Ministry of Transportation audit on our hours of service, and our at-fault driver incidents decreased by approximately 40 per cent.

In 2011, we also launched simulation training to help station and control room staff practise switching procedures on specialized equipment.

As part of our ongoing collaboration with Georgian College®, we are jointly developing corporate education programs for our employees. In 2011, we embarked on a joint leadership program for supervisors. Designed to enhance and develop managerial skills, the program consists of seven days of in-class training, blended with group and online learning opportunities. It is expected that all supervisors will complete this training between 2012 and 2013.

Building on our Safety Story

Toronto Hydro has always worked hard to develop a corporate culture committed to safety. We are continuously evaluating our policies and procedures and taking strides to improve our health and safety processes.

In 2011, we achieved the best safety record to date while completing the largest annual capital construction program in our history. Toronto Hydro achieved two million hours without a lost-time injury in our workforce.

With a focus on health and wellness, we have also been working hard to increase productivity by educating our employees about keeping healthy through diet, fitness, cold and flu prevention and stress management.

In May 2011, we celebrated North American Occupational Safety and Health (NAOSH) Week and hosted a utility-wide event dedicated to employee health and wellness. Stations were set up to measure people's cholesterol, blood pressure, body mass index and other parameters.

This effort is paying off. In 2011, absenteeism across the organization dropped by eight per cent and over the past three years, absenteeism has improved by 25 per cent.

Did you know? Last year, Toronto Hydro received two ZeroQuest President's Awards from the Infrastructure Health and Safety Association for achieving one million and 1.5 million hours without a lost time injury in 2010

Improving our Safety Reporting

We believe that open communication and transparent reporting is essential in keeping safety top of mind. We introduced new safety management software to help streamline our reporting processes and help us manage safety and environmental management activities. This software is improving our reporting time, accuracy and helping to instantly notify key staff should an incident occur.

Our executives and managers receive a weekly environment, health and safety report highlighting the status of actions in the safety management system. This helps ensure accountability, responsibility and consistent communication across the utility.

All employees are represented by and/or engaged in formal health and safety committees that help to monitor and advise on occupational health and safety. We take every opportunity to regularly inform staff about safety issues through our employee communications channels including posters, safety bulletins, safety meetings, digital messaging, magazine articles and our intranet site, where we also post our days without a lost time injury on the home page. We begin most meetings with a brief discussion about safety on the job and at home.

Last year, we successfully passed an audit conducted by the Infrastructure Health and Safety Association to assess our ZeroQuest safety management systems. We achieved a significant improvement in all safety performance indicators.

Contractor Safety

In 2011, Toronto Hydro hosted monthly safety meetings with our external contractors to review incidents and share key learnings.

Toronto Hydro has collaborated with the Infrastructure Health and Safety Association to create a confined space training course that covers the specific hazards encountered in our confined spaces, and Toronto Hydro's protocols for entry. Training is provided by Infrastructure Health and Safety Association to contractors. In order to be granted access to a confined space, contractors must successfully complete an audit of their confined space program and equipment, and provide proof that the course has been completed.

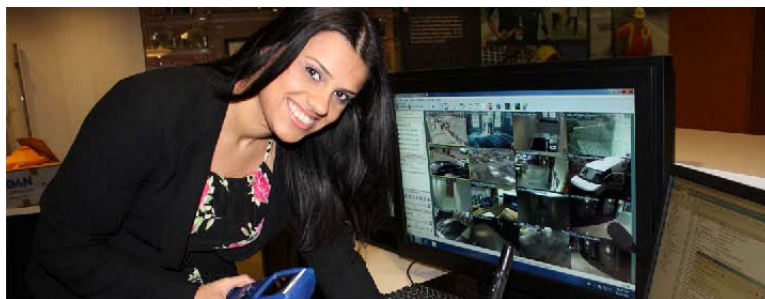
Toronto Hydro employees receive the Canadian Electricity Association's Life Saving Award

On October 4, 2011, three of our staff received the prestigious Canadian Electricity Association's Life Saving Award for their actions following a car accident in March 2010. Employees George Knapp, Pat Knox and Scott Leslie were stopped on highway 427 in Toronto when they observed a major motor vehicle accident and pulled over to help. Our employees administered immediate first aid to the injured motorists, and called for emergency medical services while the flashing lights of the Toronto Hydro vehicle warned others of hazard. We are proud to have these individuals on our Toronto Hydro team and commend them for their swift action and good citizenship.

Pursuing International Environmental, Health, and Safety Standards

We are currently pursuing registration for Occupational Health and Safety Assessment Series (OHSAS) 18001 and ISO 14001 standards. These standards help organizations define the framework for managing their environmental, health and safety risks. ISO 14001 provides an environmental management system and OHSAS 18001 offers an occupational health and safety management system that outlines health and safety practices.

We believe that these elements are critical to improving workplace safety. We believe that adherence to these international standards will help improve the environmental, health and safety performance of our organization.



In 2011, Toronto Hydro made a commitment to pursue registration to the internationally recognized standards (ISO 14001 and OHSAS 18001) for its Environment, Health and Safety Management System. This type of certification provides organizations the tools necessary to improve their EHS performance continually and implement a systematic approach to setting and achieving objectives and targets. To be part of a company that has demonstrably established EHS as a core pillar makes me proud to work for Toronto Hydro.

- Tehzin Dhanani, Safety & Environmental Consultant, Toronto Hydro



OUR ENVIRONMENTAL INITIATIVES

Toronto Hydro is committed to reducing our impact on the environment.

In 2011, we continued to green our fleet of vehicles and champion conservation.

Conservation and Demand Management

As a condition of our distribution licence, Toronto Hydro is working to achieve 1,304 GWh of energy savings and 286 MW of summer peak demand savings, over the period beginning January 1, 2011 through to December 31, 2014.

We aim to achieve this target by delivering meaningful conservation and demand management programs while creating a culture of conservation through public awareness and education.

The Ontario Power Authority was issued a directive to design, deliver and fund conservation and demand management programs (also known as **saveONenergy** programs) within the province of Ontario. These programs are made available for participation by licenced electricity distributors, including Toronto Hydro. As a registered participant, Toronto Hydro receives funding from the Ontario Power Authority to deliver conservation and demand management programs within Toronto Hydro's distribution system.

In 2011, Toronto Hydro invested approximately \$19.2 million in conservation and demand management programs achieving approximately 101,300 MWh in energy savings and an estimated total electricity reduction of 42.8 MW through the implementation of a broad portfolio of conservation and demand management programs for both residential and business customers.

The following table describes Toronto Hydro's conservation and demand management program achievements in 2011:

Actions	SaveONenergy Program	Reporting Period	MW Saved*	MWh Saved*
716 project applications	2010 Transition Business Programs	Jan. – Dec.	15.4	73,261
139 project applications	RETROFIT PROGRAM	Jan. – Dec.	1.8	5,325
3,808 lighting retrofits (small business customers)	SMALL BUSINESS LIGHTING	Jan. – Dec.	2.2	13,195
1,316 installations (mostly residential customers)	<i>peaksaver</i> [®]	Jan. – Dec.	1.0	0
Collected 3,657 refrigerators and freezers	FRIDGE & FREEZER PICKUP	Jan. – Sept.	0.3	1,877
9,587 participants received an incentive for installing an ENERGY STAR [®] qualified central heating or cooling system	HEATING & COOLING INCENTIVE	Jan. – Sept.	2.2	3,480
Bi-annual customer events and coupons	COUPONS	Jan. – Sept.	0.1	2206
Contracted 44 commercial & industrial customers to reduce energy use at specific times	DEMAND RESPONSE CONTRACTUAL DR3	Jan. – Nov.	19.8	1,981
*Please note: Figures provided are unverified. Final results will be available in September 2012 following an audit by the Ontario Power Authority.				

Starting Conservation Conversations at Community Events

As part of our customer education strategy, Toronto Hydro attended 57 community events last year to spread the word about conservation. Providing a platform for an open dialogue, our knowledgeable staff talked about conservation and demand management programs, provided tips to save energy and money, handed out coupons for energy-saving products and answered questions about electricity consumption and hydro bills. Throughout the year, our street team interacted with more than 45,000 people, handed out more than 26,000 coupon booklets and generated more than 370 *peaksave* sign-ups.



“Energy conservation is a win-win for all; customers can enjoy the financial savings associated with reduced electricity consumption and help preserve our environment for the future generations. For the last seven years, I’ve enjoyed the challenge of marketing diverse and technical conservation

programs and simplifying the messages for the average residential and business customer. It’s been an extremely rewarding experience to teach our customers about ways to incorporate conservation into their home and work lives.”

- Florence Shum Gabriel, Marketing Consultant, Toronto Hydro

Knowledge is Power – Teaching Businesses about the Benefits of Conservation and Demand Management

We understand that navigating through the conservation and demand management programs available for commercial and industrial customers can be overwhelming. We hosted six information sessions last year to provide an easy-to-understand overview of the Ontario Power Authority’s incentive programs available for businesses. We also explained the registration and application process, project input worksheets and measurement and verification process. A total of 178 people from commercial, institutional, multi-residential, academic and hospitality markets participated in the sessions.

In November we hosted the second annual *Energy into Action Toronto* event to talk about business incentive programs available for large commercial, institutional and industrial businesses. A total of 61 customers attended to hear about why these programs are good for their business’s bottom line.

Collaborating with Industry Experts

Since 2010, Toronto Hydro has participated in a working group comprised of representation from the Electricity Distributors Association, the Ontario Power Authority, the Ministry of Energy and other local distribution companies. The group has ongoing discussions about the design, implementation and results of the Ontario Power Authority’s conservation and demand management program portfolio.

It's Easy to Conserve

To help raise awareness about the conservation programs available to residential and business customers, last summer Toronto Hydro launched an online video campaign.

Our "It's Easy to Conserve" campaign features some of our well-known customers including Toronto Police Chief Bill Blair, eco-entrepreneur Tom Rand, culinary superstar Brad Long, contractor and television celebrity Jim Caruk, MP for Scarborough Southwest, Dan Harris and City Councillor Shelley Carroll. See how they conserve at [youtube.com/torontohydro](https://www.youtube.com/torontohydro)



Waste Recovery – Breathing new life into old transformers, streetlights and poles

Investment recovery is an important way that our utility demonstrates environmental responsibility. When old or damaged equipment is removed from our distribution system, it is brought back to our Investment Recovery Centre and disassembled, separated and recycled for sale back into the marketplace as scrap material.

We recover everything from poles, transformers and streetlights, to cable wire and transformer oil. Any material found to contain hazardous waste is disposed of in a safe and responsible manner by certified professionals.

In 2011, through our investment recovery program, we recovered more than 3,500 metric tonnes of materials and earned approximately \$5.7 million through the sale of these items back into the marketplace.

In 2011 we recovered:

- 697 metric tonnes of copper and aluminum wire/cable
- 99 metric tonnes of lead
- 424 metric tonnes of steel
- 906 metric tonnes of sundry non ferrous materials
- 1,211 metric tonnes of environmental materials (includes transformer oil, batteries, motor oil, asbestos, paints and solvents, PCBs, etc.)
- 49 metric tonnes of meters
- 375 metric tonnes of transformers

Vegetation Management

Toronto Hydro is committed to minimizing the impact of our operations on the City's urban canopy.

We do our best to limit tree contact with our power lines through our vegetation management program.

Crews carefully prune tree limbs so branches grow away from power lines. To help prevent outages caused by tree contacts, we also use covered power cables to protect overhead wires.

Clean Air Commute

Since 2004, Toronto Hydro has participated in the Pollution Probe's Clean Air Commute® to encourage our employees to use more environmentally friendly means of travelling to work. With a record participation of 257 employees, we collectively saved approximately 9 million grams of pollutants from entering the atmosphere.

Tree Planting

In 2011, employees, and our friends and family gathered at Earl Bales Park in North York for our annual tree planting event in celebration of Earth Week. Throughout the day, we planted 500 trees and shrubs including witch hazel, pussy willows, American beeches, yellow birches, service berries and dogwood species. These trees and shrubs will grow to provide food and shelter for a variety of wildlife and help promote biodiversity within the park.



"Trees make our city liveable. They produce oxygen, improve our air quality and lower household energy costs by casting cool shade in the summer blocking cold winter winds. Since 1998, Toronto Hydro has enabled LEAF to replenish Toronto's urban forest canopy by supporting our Backyard Tree Planting

Program. And every year, Toronto Hydro employees and their families demonstrate their commitment to improving the environment by volunteering their time to plant trees during Earth week. We couldn't do it without you, Toronto Hydro!"

- **Amanda Gomm**, Manager of Volunteer & Community Engagement, LEAF
- Local Enhancement and Appreciation of Forests

Saving Paper, Saving Trees

In 2011, we changed the settings in our warehouse management system so that purchase orders are no longer printed automatically in the supply chain. From this change alone, we are saving an estimated 240,000 sheets of paper annually— that's about 24 trees or a stack of paper approximately seven stories tall.

In addition to the environmental benefits, the change has also resulted in productivity efficiencies as the 260 hours spent filing these documents over the course of the year are now allotted to other tasks. We estimate that this simple change has provided an annual savings of approximately \$58,000.



Our Carbon Footprint

Our environmental footprint continues to be a priority and we are assessing our carbon footprint strategy and our reduction targets. Since 2007, we have reduced our total greenhouse gas (GHG) emissions by 44 per cent.

Toronto Hydro reports GHG emissions through Scope 1 and Scope 2 definitions outlined by the Greenhouse Gas Protocol. Scope 1 GHG emissions are generated by sources that we own or control. Scope 2 GHG emissions result from the generation of our purchased electricity, and physically occur at the facility where they are generated.

In 2011, we generated 87,000 tonnes of carbon dioxide equivalent (tCO₂e) GHG emissions. We are currently reassessing how we manage our carbon footprint and intend to integrate our processes to the standards outlined in ISO 14001.

Why Toronto Hydro's GHG Emissions are Calculated Using an Emission Factor

Toronto Hydro calculates our GHG emissions using the carbon dioxide intensity figure for the Province of Ontario, as published in Environment Canada's *National Inventory Report 1990-2010: Greenhouse Gas Sources and Sinks in Canada*. Emission intensity figures are based on the supply mix used to generate electricity and are measured in tonnes of carbon dioxide equivalent emissions per gigawatt-hour.

Electricity generation methods include coal, refined petroleum products, natural gas, nuclear, hydro, biomass, and renewables. The more environmentally friendly the method of generation, the lower the emission intensity. Over the years, the Province of Ontario has replaced its use of coal-fired generation with wind, solar, natural gas and hydroelectric resources. As a result of the improvements in Ontario's supply mix, the emission intensity figure used to calculate our GHG emissions dropped from 1.6 to 1.0.

Our Total Reportable GHG Emissions (t CO₂e) *

	2007	2008	2009	2010	2011
Facilities – Natural Gas 3,200	3,000	2,700	2,600	3,300	
Fleet	4,500	4,500	4,500	4,500	4,400
Total Scope 1 =	7,700	7,500	7,300	7,100	7,800
(Sources Toronto Hydro Owns and Controls)					
Facilities – Electricity	4,600	4,100	4,700	3,500	2,200
Line Loss	144,000	140,600	166,400	123,800	77,000
Total Scope 2 =	148,600	144,700	171,000	127,200	79,200
(Emissions generated from purchased electricity Toronto Hydro distributes to our service territory)					
Total GHG Emissions	156,300	152,200	178,300	134,300	87,000

Please note, the figures above have been rounded. Transmission Stations are not included in this inventory.

Our GHG emissions are generated from three key sources: our fleet, our facilities and line losses.

Line Loss

Line loss is defined as electricity lost while travelling across power lines, through transmission or distribution systems. This occurs in varying amounts regardless of how the systems are engineered. In 2011, line loss emissions decreased by approximately 38 per cent compared to 2010. This variance is attributed to the lower emission factor used for 2011 calculations.

Facilities

We measure GHG emissions from the consumption of electricity and natural gas at Toronto Hydro's facilities. In 2011, our natural gas emissions increased by approximately 27 per cent while our electricity emissions decreased by approximately 37 per cent compared to 2010. The reduction in electricity emissions is attributed to the lower emission factor used for 2011 calculations.

Sulfur Hexafluoride (SF6) Gas*

SF6 gas is used to insulate and de-ionize our electrical transformers, compact electrical switchgear and switch interrupting devices. The gas helps prevent electrical arcs that can damage our equipment. We are currently reassessing SF6 on our system and developing a program to manage and report these emissions.

Fleet

We measure our GHG emissions from fuel consumed by our fleet. Our emissions have remained consistent over the years.

In 2011, we introduced 153 new vehicles including 10 hybrid vehicles and one electric car. These vehicles have better air quality control, are more fuel-efficient and are more economical to maintain. Since 2003, we have introduced 64 hybrids and three electric vehicles.

In 2011, Toronto Hydro introduced 11 new environmentally friendly vehicles to our fleet which include:

- 2 40-foot hybrid squirt bucket trucks for street lighting
- 1 42-foot hybrid single bucket truck
- 7 hybrid cars
- 1 fully-electric car



Did you know? Whenever possible, Toronto Hydro uses B20 biodiesel fuel in our fleet because it generates fewer greenhouse gas emissions and reduces tailpipe emissions. We took advantage of the mild temperatures in 2011 and filled up our vehicles with more than 100,000 litres of B20 fuel, increasing our biodiesel consumption by 18,517 litres compared to 2010.

2011 Biodiesel consumption: 100, 248 L

2010 Biodiesel consumption: 81,731 L



Many Toronto Hydro employees are committed to giving back to the communities where they live and work. In 2011, we continued to give to the United Way Toronto, support disadvantaged youth, and invest in a brighter tomorrow.

We donated more \$375,242 for United Way Toronto

Toronto Hydro is a proud supporter of United Way Toronto. Each year we organize a United Way Campaign and encourage our employees and key suppliers to support this important organization. In 2011, approximately 120 employees volunteered as campaign ambassadors to canvas their colleagues about the importance of giving. Thanks to our dedicated workforce, 2011 was the most successful campaign to date. Our employees and business associates raised \$375,242 for the cause. Since 2005, we have raised more than \$1.3 million for United Way Toronto.

Donations to United Way Toronto

2005 - \$76,966
 2006 - \$141,221
 2007 - \$143,309
 2008 - \$151,943
 2009 - \$213,333
 2010 - \$289,511
 2011- \$375,242



“Toronto Hydro’s commitment to our city goes beyond delivering reliable electricity. Each year, their employees come together to ensure that people have help when they need it most. But their contribution to United Way does more than that – it helps develop long-term solutions to social problems as well. Through their tremendous generosity, Toronto Hydro

is working to create sustainable, positive social change throughout our community.”

- **Julia Gorman**, Vice President of Resource Development, United Way Toronto

Assisting Low Income Families

Toronto Hydro delivers the Low-Income Energy Assistance Program (LEAP) developed by the Ontario Energy Board. This grant program helps families and individuals living below the poverty line with their electricity bills. Last year, LEAP helped more than 900 Toronto Hydro customers pay their electricity bills. For more information, please visit torontohydro.com/leap

Remembrance Day - Lest we Forget

Toronto Hydro has a long history of supporting the Canadian Forces. During World Wars I and II, many employees were called for duty and served our country overseas and at home.

In WWI, 171 employees served in the war. Fifteen were killed and 17 were wounded.

In WWII, 126 of Toronto Hydro’s employees enlisted for battle. Two died in battle and two were prisoners of war for varying periods of time. One of our former employees, Corporal Frederick Topham was awarded the Victoria Cross for his efforts in World War II. He is one of only 13 Canadians to receive the Victoria Cross during the Second World War.

Paying respect and tribute to our armed forces is an important part of our corporate culture. Every year Toronto Hydro hosts Remembrance Day ceremonies at each of our buildings. The events are led by employee volunteers. In 2011, Toronto Hydro also participated in seven public Remembrance Day ceremonies at cenotaphs across the City.

Take Our Kids to Work

We believe in the power of education and fostering the development of students – the leaders of tomorrow. That is why we put together a robust program for the annual national Take Our Kids to Work event which invites grade nine students to join their parents at work. In 2011, 87 students participated in a tour of our facilities to learn about our call centre, machine shop, meter testing lab, warehouse, legal and corporate communications departments. We also hosted information sessions about electrical awareness and job preparation. For our efforts, Toronto Hydro won a Canada’s Outstanding Employer Award from the Learning Partnership, which champions Take Our Kids To Work. We were one of only 10 organizations in Canada to receive this award.



“I have had the privilege of being a part of the organizing committee for the award-winning *Take Our Kids to Work* program for three years. This year’s program was extra special for me because my son had the opportunity to participate and I had the chance to showcase what I do for a living. It takes a large group of dedicated volunteers to run this unique program and I’m honoured to be a part of the learning experience.”

- **Gerry Murphy** - Field Supervisor, Construction and Maintenance, Toronto Hydro

Matching Program

We believe that good corporate citizenship is achieved through an engaged workforce. At Toronto Hydro, we encourage our employees to give back to the community and support the social causes they believe in. In 2011, we offered a corporate donation program that matched our employees’ individual donations and fundraising efforts for charitable organizations to a maximum of \$200 annually.

Running for a Cause

Toronto Hydro employees participated in the Canadian Breast Cancer Foundation CIBC Run for the Cure. Approximately 62 people – comprised of employees, family and friends – together raised approximately \$7,000 for the cause. Through Toronto Hydro’s matching program, the corporation donated approximately \$5,000. In total, we donated more than \$12,000 to the Canadian Breast Cancer Foundation for research and education.

Our employees have also participated in YMCA’s Relay for Strong Kids to raise funds for disadvantaged youth. In 2011, 102 employees registered for the five kilometre run or walk. Through employee donations and Toronto Hydro’s matching program, we raised more than \$7,000 dollars for the YMCA of Greater Toronto.

A Century in Review

To commemorate our 100th anniversary, we transformed our lobby at 14 Carlton into an exhibit to showcase Toronto Hydro’s progression from a small utility servicing almost 4,000 customers in 1911 to one of the largest municipal electrical distribution companies in Canada. The exhibit illustrates our journey from horses and buggies to hydraulic trucks and electric vehicles.

On May 28 and May 29, 2011, we participated in a public Doors Open Toronto event and invited Torontonians to tour the lobby and learn about our history. More than 200 pedestrians visited our lobby over the weekend.

The City of Toronto Archives also held an exhibit called “Turning on Toronto: A History of Toronto Hydro” to showcase our history. The display ran from April to October 2011, and through a series of photographs, documents and artefacts, took visitors back in time to show how the introduction of public electricity in our homes, businesses and industries helped our city grow and prosper.

Our Economic Performance

Toronto Hydro is committed to delivering consistent financial performance while pursuing efficiency and productivity improvements, investing in programs and initiatives, and continuing to renew our infrastructure.

Highlights of our Financial Performance:

- Net income was \$95.9 million in 2011 compared to \$66.1 million in 2010.
 - Net revenues were \$570.8 million in 2011 compared to \$549.4 million in 2010.
 - Capital expenditures were \$437.1 million compared to \$390.8 million in 2010.
-

The increase in net income was primarily due to higher net revenues, lower depreciation expense and lower provision for payments in lieu of corporate taxes. These favourable variances were partially offset by higher operating expenses, higher net financing charges and a gain recognized in 2010 in relation with the disposition of the Corporation's long-term investments.

Our Strong Financial Performance Positively Impacts our City

In 2011, the Corporation declared and paid dividends totalling \$33.1 million to the City of Toronto, our sole shareholder. In 2010, the City received \$25.0 million in dividends and in 2009, it received \$25.2 million. From 1991 to 2011, the Corporation's cash contributions (including dividends and debt repayments) to the City totalled \$2.2 billion.

Investing in Electricity Distribution Infrastructure Results in Job Creation

In its report, *Shedding Light on the Economic Impact of Investing in Electricity Infrastructure*, The Conference Board of Canada reported that for every \$100 million (inflation adjusted) invested in electricity generation, transmission and distribution, real GDP is boosted by \$85.6 million and 1,200 jobs are created.

On the basis of this calculation, Toronto Hydro's PowerUp capital program resulted in the creation of approximately 5,000 direct and indirect person-years of employment in Ontario in 2011.

Listed in the Globe and Mail's *Report on Business Magazine*

In the July/August 2011 issue of the Globe and Mail's *Report on Business Magazine*, Toronto Hydro was listed as one of the Top 200 Largest Private Companies. We were ranked number 31 on the list based on our annual revenues. This demonstrates the financial strength of our company.

Our Rate Application

In August 2011, we filed a three-year cost of service application to the OEB for 2012, 2013 and 2014 electricity distribution rates. Toronto Hydro put forward the application to secure funding required to continue our renewal of the distribution system, invest in a sufficient level of infrastructure maintenance and renew our aging workforce. Following a preliminary hearing, the OEB declined to hear the application and subsequently in 2012, Toronto Hydro filed a new 2012 to 2014 application under the incentive regulation mechanism framework.

Our Governance, Compliance and Business Conduct

Toronto Hydro Corporation's Board of Directors

Our Board of Directors is responsible for supervising Toronto Hydro Corporation's business and affairs, and provides strategic guidance to our executive team. Composed of seven independent directors and three city councillors, all members of our Board of Directors are appointed by the Corporation's sole shareholder, the City of Toronto. Five regularly scheduled meetings are held each year, however, the Board of Directors meets as often as is necessary to fulfill its responsibilities.

The Board has established four standing committees:

Audit Committee

The Audit Committee is responsible for overseeing the adequacy and effectiveness of financial reporting, accounting systems and internal controls.

Corporate Governance Committee

The Corporate Governance Committee is responsible for considering and making recommendations to the Board with respect to matters relating to the corporate governance of the Corporation, including board and committee composition and mandates, and guidelines for assessing the effectiveness of the Board and its committees and procedures to ensure that the Board functions independently from management.

Our Board of Directors

- Clare R. Copeland, Chairman
- Patricia Callon
- Brian Chu
- Derek Cowbourne
- Paulette Kennedy
- Shoba Khetrupal
- David Williams
- Shelley Carroll, Councillor, City of Toronto
- Josh Colle, Councillor, City of Toronto
- Ron Moeser, Councillor, City of Toronto
- Colum P. Bastable*
- Janet Beed*

*Member of Board of Directors,
Toronto Hydro-Electric System Limited

Compensation Committee

The Compensation Committee is responsible for reviewing and assisting the Board in overseeing our compensation program.

Health and Safety Committee

The Health and Safety Committee is responsible for considering and making recommendations to the Board with respect to matters of health and safety.

For more information about the Board of Directors and its committees, please see the 2011 Annual Report.

Code of Business Conduct

All employees, officers and directors of Toronto Hydro are required to comply with the principles set out in the Code of Business Conduct, which was implemented by the Corporation in 2004. The Code provides for the appointment of an Ethics and Compliance Officer and establishes a direct hotline to the Ethics and Compliance Officer by which perceived violations of the principles set out in the Code may be reported, anonymously or otherwise. The Ethics and Compliance Officer reports quarterly to the Audit Committee of the Board on the nature of complaints received including those related to audit and accounting matters. Where the complaint involves the conduct of a director or officer of the Corporation, the Ethics and Compliance Officer is required to report it to the Chair of the Audit Committee, who oversees the investigation of that complaint. A copy of Toronto Hydro's Code of Business Conduct is available on our website.

Our Executive Team

*Anthony M. Haines¹

President and Chief
Executive Officer

Jean-Sebastien Couillard^{1,2}

Chief Financial Officer

Ivano Labricciosa²

Vice-President, Asset Management

Ben LaPianta²

Vice-President, Distribution Grid
Management

Ave Lethbridge²

Vice-President, Organizational
Effectiveness and Environment,
Health & Safety

Blair H. Peberdy²

Vice-President, Marketing,
Communications and Public Affairs

Dino Priore²

Vice-President, Distribution Services

Chris Tyrrell²

Vice-President, Customer Care
and Chief Conservation Officer

Robert Wong²

Vice-President, Information
Technology and Strategic
Management

* Also President of

Toronto Hydro-Electric System Limited

¹ Toronto Hydro Corporation

² Toronto Hydro-Electric System Limited

Regulatory Framework and Legislation

The Ontario Energy Board has regulatory oversight of electricity matters in Ontario. The *Ontario Energy Board Act, 1998* sets out the Ontario Energy Board's authority to issue distribution licences which must be obtained by owners or operators of a distribution system in Ontario. The Ontario Energy Board prescribes licence requirements and conditions including, among other things, specified accounting records, regulatory accounting principles, separation of accounts for separate businesses and filing process requirements for rate-setting purposes.

The Ontario Energy Board's authority and responsibilities include the power to approve and set rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity customers and the responsibility for ensuring that electricity distribution companies fulfill their obligations to connect and service customers.

Protecting the Environment

Toronto Hydro is subject to extensive federal, provincial, and local regulation relating to the protection of the environment. The principal federal legislation is the *Canadian Environmental Protection Act, 1999* that regulates the use, import, export and storage of toxic substances, including PCBs and ozone-depleting substances. Toronto Hydro is also subject to the federal *Transportation of Dangerous Goods Act, 1992* which prescribes safety standards and requirements for the handling and transportation of hazardous goods including PCBs, and sets reporting, training and inspection requirements relating to them.

The principal provincial legislation is the *Environmental Protection Act*, which regulates releases and spills of contaminants, including PCBs, ozone-depleting substances and other halocarbons, contaminated sites, waste management, and the monitoring and reporting of airborne contaminant discharge. The provincial *Technical Standards and Safety Act, 2000* also applies to Toronto Hydro's operations with respect to the handling of and training related to compressed gas, propane and liquid fuels. The provincial *Fire Protection and Prevention Act, 1997* requires Toronto Hydro to incorporate procedures and training for dealing with any spills of flammable or combustible liquids. The provincial *Dangerous Goods Transportation Act* prescribes safety standards and requirements for the transportation of dangerous goods on provincial highways and sets out inspection requirements related to them.

Finally, municipal by-laws regulate discharges of industrial sewage and storm water run-off to the municipal sewer system and the reporting of the release of certain toxic substances into the atmosphere.

Environmental Policy and Oversight

Toronto Hydro's environmental policy establishes specific commitments to continuously monitor and improve our management of environmental protection requirements. The environmental policy is monitored and administered by our Vice-President, Organizational Effectiveness, Environment, Health and Safety and its implementation is overseen by our Environmental, Health and Safety department. The content and compliance with the environmental policy is reviewed annually by the Board. Pursuant to this annual review, the Board approved a revision to the environmental policy on November 22, 2011 in order to align the policy with the requirements of ISO 1001, an international environmental standard.

Under the direction of our Vice-President, Organizational Effectiveness, Environment, Health and Safety, we also established various programs designed to identify and manage environmental impacts associated with the distribution of electricity and to aid in the improvement of environmental performance. Our environmental initiatives include, Total Recycled Waste program (i.e. copper, aluminum, sundry nonferrous, steel); PCB Cable Disposal Program; Spill Response; Waste Management Program (i.e., oils, gas etc.); and Recycling and Conservation at Work Program (i.e., paper, office blue bin). Quarterly updates are presented to the Board regarding current environmental risks, mitigation strategies and other material environmental matters.

Managing Organizational Risks through Enterprise Risk Management

Toronto Hydro operates in a complex and diverse industry that touches many stakeholders. We are taking the appropriate measures to manage strategic, operational, financial, employee, health and safety, environment and external risks to effectively achieve our business objectives. In 2011, we continued our Enterprise Risk Management program to help create a corporate culture synonymous with risk management. The program follows industry best practices and adopts a rigorous top-down and bottom-up approach to integrate risk management into our strategic plan.

The Enterprise Risk Management program is administered under the supervision of our Vice-President, Strategic Management and Information Technology, and reports and makes recommendations to an executive Risk Oversight Committee consisting of all executive officers of the Corporation and utility. The Risk Oversight Committee provides quarterly reports to the Board regarding material risks, and the Board is ultimately responsible for the oversight and management of the Corporation's risks.

Legal Disclaimer

The information in these materials is based on information currently available to Toronto Hydro Corporation and its affiliates (together hereinafter referred to as "Toronto Hydro"), and is provided for information purposes only. Toronto Hydro does not warrant the accuracy, reliability, completeness or timeliness of the information and undertakes no obligation to revise or update these materials. Toronto Hydro (including its directors, officers, employees, agents and subcontractors) hereby waives any and all liability for damages of whatever kind and nature which may occur or be suffered as a result of the use of these materials or reliance on the information therein. These materials may also contain forward-looking information within the meaning of applicable securities laws in Canada ("Forward-Looking Information"). The purpose of the Forward-Looking Information is to provide Toronto Hydro's expectations about future results of operations, performance, business prospects and opportunities and may not be appropriate for other purposes. All Forward-Looking Information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify Forward-Looking Information, although not all Forward-Looking Information contains these identifying words. The Forward-Looking Information reflects the current beliefs of, and is based on information currently available to, Toronto Hydro's management. The Forward-Looking Information in these materials includes, but is not limited to, statements regarding Toronto Hydro's future results of operations, performance, business prospects and opportunities. The statements that make up the Forward-Looking Information are based on assumptions that include, but are not limited to, the future course of the economy and financial markets, the receipt of applicable regulatory approvals and requested rate orders, the receipt of favourable judgments, the level of interest rates, Toronto Hydro's ability to borrow, and the fair market value of Toronto Hydro's investments. The Forward-Looking Information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the Forward-Looking Information. The factors which could cause results or events to differ from current expectations include, but are not limited to, the timing and amount of future cash flows generated by Toronto Hydro's investments, market liquidity and the quality of the underlying assets and financial instruments, the timing and extent of changes in prevailing interest rates, inflation levels, legislative, judicial and regulatory developments that could affect revenues, and the results of borrowing efforts. Toronto Hydro cautions that this list of factors is not exclusive. All Forward-Looking Information in these materials is qualified in its entirety by the above cautionary statements and, except as required by law, Toronto Hydro undertakes no obligation to revise or update any Forward-Looking Information as a result of new information, future events or otherwise after the date hereof.