ATTACHMENT 1
COMMERCIAL TERMS OF SOLAR PHOTOVOLTAIC INSTALLATION AGREEMENT
ON CITY OF TORONTO FACILITIES

1. **Parties:** The City of Toronto (City) and Toronto Hydro-Electric System Limited (THESL), collectively the Parties, wish to enter into agreements to jointly own solar photovoltaic systems (PV System) on the roof of specified City-owned facilities (Facility).

2. **Agreement:** Each individual Facility will have an individual Joint Venture agreement concerning the PV System and an associated Rooftop Licence.

3. **Term:** Each agreement will have a term (Term) of approximately 21 years.

4. **Facilities Selection:** The City and THESL will jointly review potential Facilities and jointly select suitable Facilities. Suitable Facilities which pass this initial screen will proceed to feasibility study.

5. **Feasibility Studies:** Feasibility studies for suitable Facilities will review roof age, structural capacity, electrical interconnection and general suitability for PV Systems at each Facility. The feasibility studies will include a preliminary construction schedule, electrical design, structural design, estimated energy yield, estimated construction costs and estimated maintenance costs for a 20 year lifecycle analysis. The Parties will complete the feasibility studies jointly. Third party engineering costs and each Party's associated internal labour costs will be tracked and included in development costs at market rates, in accordance with a jointly approved budget for feasibility studies. Each Party's internal labour costs will be capped at a percentage of total project costs to be agreed upon by both parties.

6. **Electricity Contract:** The City will submit applications to Ontario Power Authority (OPA) for Feed-in Tariff (FIT) electricity contract for each Facility PV System. THESL will co-operate with the City in submitting FIT applications. The FIT contract electrical revenue will be shared between the Parties in accordance with each Party's pro-rata investment share.

7. **Engineering and Construction:** THESL will be responsible to engineer and construct each PV System in a professional manner following City's requirements and obtaining all necessary permits and approvals. Third party engineering costs and each party's associated internal labour costs will be tracked and included in engineering and construction management costs at market rates, in accordance with a jointly approved budget for engineering and construction. Each Party's internal labour costs will be capped at a percentage of total project costs to be agreed upon by both parties. The City will review PV System engineering specifications and construction plans prepared by THESL within 20 business days of receipt and provide comments. Comments and modifications approved by both Parties will be incorporated into the PV System engineering specifications and construction plans by THESL. The PV System engineering specifications and construction plans will be deemed accepted as-is if the City has not provided comments within the initial 10 business days. Construction of PV Systems on each Facility will be scheduled to be completed within 18 months of the Contract Date as defined by the FIT contract or earlier, subject to obtaining all necessary permits and approvals. The City will co-operate with THESL in submitting related permits and obtaining approvals. Should the OPA cancel the City's FIT contract due to THESL's failure to meet the FIT deadlines, THESL will reimburse the City for any security forfeited to the OPA and the City's reasonable labour costs incurred in respect of a particular Facility.

8. **Operation and Maintenance:** THESL will be responsible to operate and maintain each PV System at each Facility over the Term, in accordance with a jointly approved budget for operation and maintenance. THESL will remotely monitor the health, availability and performance of the PV System at each Facility in real time, provide real time data access to the City and report status to the City monthly. THESL will provide the City with an annual report on energy produced, revenue received, operation and maintenance costs incurred for the PV System at each Facility. Any external services subcontracted by THESL for operation and maintenance will be obtained through competitive bid process every 5 years or earlier.

9. **Management Committee:** The Parties will jointly manage the development, engineering, construction, operation and maintenance of the PV Systems at each Facility. The management committee will meet quarterly, or at the request of either Party as required, to review safety, energy performance, financial results and other matters associated with the PV Systems at each Facility. Each Party will appoint two members to the Management Committee.

10. **Co-investment:** Each Party's investment is subject to their respective Council and Board Approvals. The City and THESL will share in the PV System investment, revenue, operation costs, maintenance costs and removal costs on a pro-rata basis at each Facility. The Parties will share in the PV System liability and damages on a pro-rata basis at each Facility. The City's investment share of each PV System will be between 51% and 100% and THESL's investment share will be between 0% and 49%. PV System investment costs will include costs for feasibility studies, engineering, construction costs and construction interest for each Facility PV System. The City will be responsible for providing THESL with a milestone payment for each Facility PV System on the commercial operation date (COD) for that specific Facility PV System's in accordance with the City's investment share.

11. **Roof Payment:** THESL will pay the City a market value licence fee for each Facility PV System proportional to its pro-rata investment share.

12. **Taxes and Insurance:** Any taxes, assessments and suitable insurance associated with the PV System at each Facility will be shared between the Parties in accordance with each Party's pro-rata investment share.

13. **Buy-out Option:** The City may offer to buy-out THESL's share of a specific Facility PV System after COD and prior to end o**f Term. The City** will prepare a proposal for THESL's consideration based on remaining contract value and remaining asset value provided however that THESL shall be under no obligation to accept such offer

14. **End of Term Options:** At the City's sole discretion the City will elect one of the following options for each specific Facility PV System and associated end of Term:
    a) the Facility PV System will be removed by THESL within 6 months of the end of Term and the remaining salvage value distributed according to each Party's pro-rata investment share.
    b) 6 months prior to end of Term the City may elect to purchase THESL's pro-rata investment share at end of Term for the Facility PV System at Market Value and the PV System remains at that specific Facility. The Market Value for the PV System at end of term will be determined by the Parties.

15. **Assignment:** Neither Party shall assign or transfer any or all of its rights or obligations under this Agreement without having first obtained the written consent of the other Party, such consent not to be unreasonably withheld. Either Party may assign this agreement to a 100%-owned Affiliate without the consent of the other Party, provided however that the requesting Party is not in breach of this agreement and the Affiliate agrees to all obligations of the agreement. In the event THESL is sold, the City will have the right to purchase THESL's pro-rata share based on remaining contract value and remaining asset value which are jointly agreed by the Parties.

16. **Project Structure:** The Parties will jointly agree on a suitable structure for the PV Systems at each Facility which incorporates reasonable tax-efficiency, suitable risk management and appropriate governance to the financial benefit of both Parties.

17. **Dispute Resolution:** The Parties agree to resolve disputes via Management Committee first and if unresolved in 30 days, the dispute will be referred to the City's Chief Corporate Officer and the Vice-President, Finance, of THESL. If the dispute remains unresolved after a further 30 days, either Party may then seek resolution via binding arbitration.

18. **Each Party's Separate Responsibilities:** Both Parties have statutory or regulatory obligations with respect to permits, approvals, interconnections and metering which will remain unaffected by this project.

19. **Additional Terms:** Such other terms (Definitions, Schedules, Liability, Indemnity, Default, Cure, etc.) as may be required to finalize definitive agreements which are satisfactory to both Parties.

20. **Feed In Tariff Rules:** All terms and conditions of the joint venture will be subject to the FIT rules as they may be amended from time to time.