



**STAFF REPORT  
ACTION REQUIRED  
with Confidential Attachments**

**Toronto Hydro Corporation – Annual General Meeting  
and 2015 Annual Report and 2015 Annual Audited  
Financial Statements**

<b>Date:</b>	June 14, 2016
<b>To:</b>	Executive Committee
<b>From:</b>	City Manager Deputy City Manager & Chief Financial Officer
<b>Wards:</b>	City-wide
<b>Reason for Confidential Information</b>	This report relates to the security of property of the municipality or one of its agencies and corporations and includes personal information about identifiable individuals.

**SUMMARY**

This report contains recommendations for actions necessary to comply with the requirements of the *Business Corporations Act* (Ontario), R.S.O. 1990, c.B.16 ("OBCA") for holding the Annual General Meeting of the Shareholder of Toronto Hydro Corporation ("THC") including receipt of THC's audited annual consolidated financial statements for 2015 and appointment of the auditor for THC for 2016.

This report also contains recommendations for receipt at the Annual General Meeting of the Shareholder of THC, other reports provided by THC as required by the Amended and Restated Shareholder Direction Relating to THC ("Shareholder Direction") which, in addition to the OBCA requirements, include:

- THC's annual report and THC's report on environmental performance;
- THC's report to the Shareholder, consolidated financial statements and financial statements for its subsidiaries. Note that THC has advised the City that Attachments 7, 8, 9 and 10 are confidential due to: the security of the property of the City; and securities requirements arising from THC's status as an offering corporation under the OBCA, THC's status as a reporting issuer under the *Securities Act* (Ontario), R.S.O. 1990, c.S.5, and the application by the Ontario Securities Commission of National Instrument 51-102;
- THC's Annual Information Form, a public document published annually as required by the Ontario Securities Commission from THC as a public debt issuer; and

- THC's disclosure of executive compensation in two parts, with the part in Attachment 11(b) being confidential as it includes personal information about identifiable individuals.

## **RECOMMENDATIONS**

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**The City Manager and Deputy City Manager & Chief Financial Officer recommend that:**

1. City Council treat that portion of the Council meeting at which this Report is being considered as the Annual General Meeting of the Shareholder for Toronto Hydro Corporation by:
  - a. adopting the recommendations of the "Toronto Hydro Corporation Report" dated May 24, 2016 in Attachment 1 to this report in order to re-appoint KPMG LLP, Chartered Professional Accountants, as the auditor for Toronto Hydro Corporation for 2016 and until a successor is appointed, to authorize the Corporation's Board of Directors to fix the auditor's remuneration, and to approve the amended By-law No. 1.1 of the Corporation as approved by the Board of Directors of Toronto Hydro Corporation at its March 2, 2016 meeting, forming Appendices A and B to Attachment 1 to the Corporation's report;
  - b. receiving the "Toronto Hydro Corporation 2015 Annual Report, "Powering Progress", the "Toronto Hydro Corporation 2015 Annual Financial Report December 31, 2015" including "Toronto Hydro Corporation Consolidated Financial Statements December 31, 2015 and 2014", the "Toronto Hydro Corporation Annual Information Form for the Year Ended December 31, 2015", the "Toronto Hydro 2015 Environmental Performance Report", the "Toronto Hydro Corporation CEO and CFO Certification of Annual Filings" and the "Toronto Hydro Corporation First Quarter Report March 31, 2016", forming Attachments 2, 3, 4, 5, 6 and 12 respectively to this Report;
  - c. receiving the "Toronto Hydro Corporation Report to the Shareholder for the year ended December 31, 2015", the "Toronto Hydro Corporation Consolidated Financial Statements December 31, 2015", the "Financial Statements Toronto Hydro-Electric System Limited December 31, 2015 and 2014", and the "Financial Statements Toronto Hydro Energy Services Inc. December 31, 2015 and 2014", forming Confidential Attachments 7, 8, 9 and 10 respectively to this Report; and
  - d. receiving the two-part report "Executive Compensation Disclosure Toronto Hydro Corporation 2015", forming Attachment 11(a) and Confidential Attachment 11(b) to this Report.
2. City Council direct that Confidential Attachments 7, 8, 9 and 10 remain confidential in their entirety due to the security of the property of the City and securities requirements arising from Toronto Hydro Corporation's status as an offering corporation under the *Business Corporations Act* (Ontario), R.S.O. 1990, c.B.16, Toronto Hydro Corporation's

status as a reporting issuer under the *Securities Act* (Ontario), R.S.O. 1990, c.S.5, and the application by the Ontario Securities Commission of National Instrument 51-102.

3. City Council direct that Confidential Attachment 11(b) remain confidential in its entirety as it deals with personal information about identifiable individuals.
4. City Council refer the "Toronto Hydro Corporation Consolidated Financial Statements December 31, 2015 and 2014", included as part of Attachment 3 to this Report, to the Audit Committee for information.
5. City Council authorize and direct the appropriate City Officials to take the necessary actions to give effect thereto.

### **Financial Impact**

THC paid the City \$56.25 million in dividends in 2015 and, in accordance with the City's Shareholder Direction to THC, and is expected to pay the City dividends of \$63.35 million in 2016.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

### **DECISION HISTORY**

That portion of the City Council meeting of June 10-12, 2015, where Item EX6.4 was approved by Council with amendments, was considered the previous Annual General Meeting of the Shareholder for Toronto Hydro Corporation:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX6.4> .

At its meeting of May 7-10, 2013, City Council in EX31.7 approved the Amended and Restated Shareholder Direction Relating to THC:

[http://www1.toronto.ca/City%20of%20Toronto/City%20Manager's%20Office/Agencies%20and%20Corporations/Files/THC%20Amended%20Restated%20Shareholder%20Direction\\_Final%20May%202013.pdf](http://www1.toronto.ca/City%20of%20Toronto/City%20Manager's%20Office/Agencies%20and%20Corporations/Files/THC%20Amended%20Restated%20Shareholder%20Direction_Final%20May%202013.pdf)

At its meeting of November 27-29, 2012, City Council in EX25.4 received for information the THC report regarding executive compensation policies and practices:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX25.4>

At the Annual General Meeting of the Shareholder of THC on July 11-13, 2012, City Council in EX21.2 requested the THC Board of Directors to report on options for capping executive salaries, bonuses, retirement allowances and other perquisites of office and requested the Chair of the THC Board of Directors to present the current policy for executive compensation:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.2>

Also at its meeting of July 11-13, 2012, City Council in EX21.19 adopted recommendations that among other things requested that individual variable pay remuneration (one-time lump sums) not exceed 25% of an executive employee's base salary:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.19>

At the Annual General Meeting of the Shareholder of THC on April 12-13, 2011, City Council in EX4.8 requested THC to circulate its Annual Information Form, detailing senior executive compensation, to Council each year with its annual financial statements:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX4.8>

## **ISSUE BACKGROUND**

Subsection 154 (1) of the OBCA requires that the Shareholder receive THC's audited annual financial statements and the report of the auditor at the annual meeting of the Shareholder. Subsection 94 (1) requires that the directors of THC call an annual meeting of its Shareholder by no later than fifteen months after holding the last preceding annual meeting, which was held by City Council at its meeting of June 10, 11, and 12, 2015.

Section 149 (2) of the OBCA requires that THC's Shareholder at each annual meeting appoint one or more auditors to hold office until the close of the next annual meeting, and allows the Shareholder to authorize the directors to fix the auditor's remuneration.

Section 9.7 of the THC Shareholder Direction requires THC to deliver its audited consolidated annual financial statements for THC and its active Subsidiaries to the Shareholder within three months after the end of each fiscal year.

Section 9.8 of the THC Shareholder Direction requires THC to deliver an annual report detailing THC's accomplishments, Business Plan status, environmental performance data, executive compensation information, and the financial statements noted above.

THC's audited consolidated annual financial statements for 2015 are included as part of Attachment 3 to this report and are filed with the City Clerk's office, posted on THC's website and posted on the SEDAR website for Canadian public securities documents. The consolidated financial statements are public documents upon their release.

<http://www.torontohydro.com/sites/corporate/InvestorRelations/FinancialReports/Pages/FinancialReports.aspx>

The Annual Information Form ("AIF") is a public document published annually by THC as a public debt issuer in accordance with Ontario Securities Commission requirements. The 2015 AIF is filed with the City Clerk's office, posted on THC's website and posted on the SEDAR website for Canadian public securities documents.

<http://www.sedar.com/>

## **COMMENTS**

## **1. Appointment Of Auditor**

The auditor is selected by THC based on a competitive process, subject to Shareholder approval. Under the OBCA the auditor must be appointed annually by the Shareholder at the annual general meeting of the corporation. The auditor so appointed holds office until the close of the next annual general meeting of the Shareholder, or until a successor is appointed.

KPMG LLP, Chartered Professional Accountants, has been selected by THC as external auditor for the 2016 calendar year and for completion of the 2016 year-end audit in 2017. It is recommended that City Council, acting as Shareholder, approve the Toronto Hydro Corporation Report forming Attachment 1 to this Report, which includes the Shareholder Resolution to appoint KPMG LLP, Chartered Professional Accountants, as the auditor for THC for 2016 and to authorize the Board of Directors of THC to fix the auditor's remuneration.

## **2. Key Toronto Hydro Corporation Achievements In 2015**

THC's 2015 Annual Report, Powering Progress (Attachment 2 to this Report), provides information on THC's corporate governance and contains highlights on THC's operational performance in 2015. Key achievements by THC in 2015 include the following:

- Served approximately 756,000 residential, commercial and industrial customers.
- For the year ended December 31, 2015, THC generated a consolidated net income after net movements in regulatory balances of \$126.7 million as compared to \$111.7 million in 2014, an increase of \$15.0 million (or 13.4%).
- Paid \$56.25 million in dividends to the City of Toronto.
- Maintained strong credit rating with ratings of its debentures of "A" by DBRS Limited and "A" by Standard & Poor's.
- For improved emergency preparedness, THC worked externally with stakeholders to be prepared and respond more efficiently, as well as internally to prepare for emergencies, including the establishment of a Grid Emergency Management project to address recommendations by the Independent Review Panel that investigated THC's response to the 2013 Ice Storm. By the end of 2015, THC had documented the processes, roles and analytic tools needed to improve grid emergency preparedness response and customer communications, as well as providing staff training.
- Among the leading local distribution companies in the delivery of conservation and demand management (CDM) programs to help customers conserve energy, save money and help the environment.
- Secured over \$2 billion in capital funding for 2015-2019, and invested \$537.2 million primarily to improve system reliability and address the need for additional distribution capacity.

- With Hydrostor, THC unveiled the world's first underwater compressed air energy storage system, located three kilometres off Toronto Island. This "underwater battery" stores electricity when the demand is low and can be released when the grid needs a boost. It also extends the life of aging equipment.
- Completed the tunnel connecting Clare R. Copeland Transformer Station to Hydro One equipment. This is a major milestone in the construction of this new underground station – the second of its kind in Canada.
- Since 2009, the average number of service interruptions has improved by 12% and the average duration of interruptions has improved by 23%.
- Participated in the Centre for Urban Energy at Ryerson University, a research and technology demonstration centre devoted to the discovery and commercialization of innovative solutions to urban energy issues.
- Developed new online self-serve options resulting in improved outage communications, a 30% increase in usage between 2014 and 2015, and a reduction in call volumes.
- Supported the Toronto Pan / Parapan American Games by relocating and upgrading infrastructure to help with additional electricity demand.
- Regarding social responsibility programs, community outreach included: co-hosting of four Brighter Nights™ community events to help improve safety and energy efficiency; raised \$165,000 for United Way Toronto; raised \$700,000 for the Ross Tilley Burn Centre at Sunnybrook Hospital; and supported key City of Toronto community events including Cavalcade of Lights and Nuit Blanche.

## **Grid Investment and Reliability**

City Council at its meeting of July 7, 8 and 9, 2015 in its capacity as Shareholder, requested that Toronto Hydro enhance the resiliency of the electrical supply in Toronto through storm hardening, targeted conversion of overhead lines to underground, and conducting a climate change adaptation study. THC in the same Council direction was requested to report annually with an update on the allocation and related impacts of funds used to improve resiliency and reduce power disruptions in Toronto.

- THC in 2015 invested approximately \$537.2 million primarily to improve service reliability and address the need for additional distribution capacity.
- THC's energy security and supply initiatives in 2015 included information gathering to enable planning of transformer replacements for future years and proactively replacing transformers that were in poor condition and posed environmental risk.
- With over one-third of assets reaching end-of-life by 2020, the Ontario Energy Board recognized THC's need for grid investment in the recently approved 2015-2019 rates application. Over this five-year period, THC has secured more than \$2 billion in capital funding that will be used to meet the growing demand for electricity, safeguard against extreme weather events and upgrade aging infrastructure.

- Since 2009, the average number of service interruptions has improved by 12% and the average duration of interruptions has improved by 23%.

Section 6 of this report under Toronto Hydro Environmental Performance provides a summary of THC's climate change mitigation and adaptation measures, and the results of the initiatives, and is detailed in the Toronto Hydro 2015 Environmental Performance Report in Attachment 5 to this report.

### **3. Summary – Toronto Hydro Corporation 2015 Audited Consolidated Financial Statements**

THC's financial statements have been prepared to consolidate the operations of the following two wholly-owned subsidiaries: Toronto Hydro-Electric System Limited ("THESL"), and Toronto Hydro Energy Services Inc. ("TH Energy"). The principal business of THC is the distribution of electricity by THESL. TH Energy provides street lighting services to the City of Toronto and has only a minor impact on the consolidated figures.

The publicly reported "Toronto Hydro Corporation Consolidated Financial Statements December 31, 2015 and 2014" are included as part of the "Toronto Hydro Corporation Financial Report December 31, 2015" forming Attachment 3 to this Report. Attachment 6 to this Report contains Ontario Security Commission forms certifying THC filings. THC's 2015 Report to the Shareholder, confidential financial statements, including financial statements of its subsidiary companies, are included in Confidential Attachments 7, 8, 9 and 10 to this Report.

Capital expenditures were primarily related to the renewal of THESL's electricity infrastructure. During 2015, all construction work related to the tunnel for Copeland Station was completed, and the placement of roof concrete and the reconstruction of the machine shop on top of the underground transformer station was partially completed.

As at December 31, 2015, cumulative spending on this project has totalled \$167 million of a total budget of \$195 million with \$24 million spent in 2015. The most significant regulated capital spending in 2015 included \$123 million for underground infrastructure, \$117 million for overhead infrastructure, \$62 million for customer connections, \$36 million in reactive spending, and \$31 million for facilities consolidations.

Below is a Table providing a summary of comparable public financial data for 2015 and 2014. THC converted to International Financial Reporting Standards (IFRS) in 2015. (Note that previously US GAAP was used).

## THC Audited Consolidated Key Financial Results

(\$millions)

	2015	2014	Year over Year Change	% Change
<b>Consolidated Balance Sheet Data as at December 31</b>				
Total Assets and Regulatory Balances	4,686.9	4,328.3	358.6	8.3
Debentures	1,885.1	1,641.3	243.8	14.9
Total Equity	1,340.9	1,270.5	70.4	5.5
<b>Consolidated Statement of Income Data for the year ended December 31</b>				
Revenues	3,539.9	3,272.8	267.1	8.2
<b>Less/(add):</b>				
Energy Purchases	2,898.5	2,700.4	(198.1)	7.3
<b>Gross Margin</b>	<b>641.4</b>	<b>572.4</b>	<b>69.0</b>	<b>12.1</b>
<b>Less:</b>				
Operating Expenses	274.6	267.9	(6.7)	2.5
Depreciation & Amortization	194.3	184.9	(9.4)	5.1
Finance Costs	70.4	61.3	(9.1)	14.8
Gain on Disposals of Property, Plant and Equipment	(10.1)	(1.5)	8.6	573.3
Income Tax Expense	31.5	15.0	(16.5)	110.0
Net Movements In Regulatory Balances, net of tax	46.0	66.9	(20.9)	(31.2)
<b>Net Income after Net Movements in Regulatory Balances</b>	<b>126.7</b>	<b>111.7</b>	<b>15.0</b>	<b>13.4</b>
<b>Other Consolidated Data for the year ended December 31</b>				
Capital Expenditures	537.2	626.0	(88.8)	(14.2)
Dividends Paid	56.3	60.6	(4.3)	(7.1)

Revenues include energy sales, distribution revenue and other revenue. Energy sales arise from charges to customers for electricity consumed, based on regulated rates. Distribution revenue is recorded based on Ontario Energy Board (“OEB”)-approved distribution rate to recover the costs incurred by THESL in delivering electricity to customers.

For the year ended December 31, 2015, THC generated a consolidated net income after net movements in regulatory balances of \$126.7 million as compared with \$111.7 million in 2014, an increase of \$15.0 million (or 13.4%).

#### 4. Highlights – 2015 Annual Information Form

THC's Annual Information Form for the year ended December 31, 2015, forms Attachment 4 to this Report. The AIF is published annually by THC as a public debt issuer according to Ontario Securities Commission requirements.

#### Employees

At December 31, 2015, Toronto Hydro had approximately 1,480 employees. Included in Toronto Hydro's employees are 873 members of bargaining units represented by the Canadian



Union of Public Employees, Local One (“CUPE One”), and 52 engineers represented by the Society of Energy Professionals.

On February 13, 2014, CUPE One ratified collective agreements governing inside and outside employees for a four-year period expiring January 31, 2018. The collective agreements implemented a wage increase of 1.5% on February 1, 2014 and provide for general wage increases of 1.75%, effective on each of February 1, 2015 and February 1, 2016, respectively, and 2% effective February 1, 2017. The collective agreements also contain cost of living escalator clauses that provide for wage adjustments corresponding to the percentage change in the Consumer Price Index. The escalator clauses only become effective if certain prescribed thresholds are exceeded.

On April 12, 2012, the Society of Energy Professionals ratified a collective agreement for a four-year period expiring December 31, 2015. Bargaining for a new collective agreement between the Society of Energy Professionals and THC began in December of 2015.

## **Executive Compensation**

The principal components of compensation for Named Executive Officers (“NEOs”) includes base salary, performance-based incentive compensation, personal benefits and perquisites, pension plan, retirement benefits, retirement allowances and termination payments. The compensation of NEOs is set out in the AIF in Attachment 4 (table at page 63 of AIF).

In addition to the executive compensation reported through the AIF, City Council as the Shareholder has also directed that executive compensation, including compensation for executives other than NEOs, be disclosed annually to City Council as permitted by law.

This information is provided in two parts in Attachment 11(a) and Confidential Attachment 11(b) to this Report to present public and confidential information separately. The compensation disclosure for NEOs, which is already public information through the AIF, forms Attachment 11(a) to this Report. Reporting of additional executive compensation information includes personal information about identifiable individuals and this information is contained in Confidential Attachment 11(b) to this Report.

## **2015 Rate Application**

On July 31, 2014, THESL filed a rate application with the OEB under the Custom Incentive Rate-setting (“CIR”) mechanism, to set electricity distribution rates effective May 1, 2015 with subsequent annual rate adjustments based on a custom index specific to THESL for the period commencing on January 1, 2016 and ending on December 31, 2019. The rate application included requests for approval of capital expenditures of approximately \$2,500.0 million over the 2015-2019 period.

On April 28, 2015, the OEB declared THESL’s existing rates as interim rates, effective May 1, 2015, pending a final CIR decision and rate order. On December 29, 2015, the OEB issued its CIR decision and on March 1, 2016, the OEB issued its CIR rate order, both in relation to

the rate application filed on July 31, 2014. The CIR decision and rate order approved a rate base of \$3,232.0 million and revenue requirement of \$633.1 million for 2015, and rates calculated on that basis. The timing of the rate decision allowed THC to recognize the impact of the 2015 increase in its 2015 financial results.

The CIR decision and rate order also approved subsequent annual rate adjustments based on a custom index for the period commencing on January 1, 2016 and ending on December 31, 2019. The OEB-approved revenue requirement generates over \$2,000.0 million in funded capital, an increase in capital expenditures over the last rate period (2012-2014).

## **Risk Factors**

Toronto Hydro faces various risks that could impact the achievement of its strategic objectives. It adopts an enterprise wide approach to risk management, achieved through a process of consolidating and aligning the various views of risk across the enterprise via a risk governance structure. Enterprise Risk Management (ERM) is an integral part of the strategic management of Toronto Hydro and is routinely considered in forecasting, planning and executing all aspects of the business.

## **Conservation and Demand Management (CDM)**

Toronto Hydro operates in a manner consistent with the City's Sustainable Energy Strategy, including targets to reduce electricity consumption by 550 MW and increase renewable generation by 550 MW by 2020. These targets are achieved through a variety of programs involving municipal and provincial partners, regulatory partners, industry partners and customers.

On November 13, 2014, THESL entered into an energy conservation agreement with the Ontario Power Authority (now the Independent Electricity System Operator (“IESO”)) for the delivery of Conservation Demand Management programs over the 2015-2020 period with funding of approximately \$400.0 million that includes participant incentives and program administration costs. THESL provided to the IESO its plan for achieving its CDM target and received conditional approval as of March 26, 2015. On April 30, 2015, THESL submitted a joint CDM plan with Oakville Hydro Electricity Distribution Inc. for the delivery of CDM programs over the 2015-2020 period, to replace the CDM plan that had been conditionally approved as of March 26, 2015, and received approval from the IESO, with combined funding of approximately \$425.0 million and an energy savings target of approximately 1,668 GWh.

Since 2009, through its CDM initiative, THESL has helped its customers reduce electricity consumption by 1,176 GWh which equates to an approximate reduction in GHG emissions of 90,556 tCO<sub>2</sub>e.

## **5. Governance**

### **Toronto Hydro Corporation By-Law No. 1.1**

THC recommends that City Council approve THC's amended By-law No. 1.1, by adopting the Toronto Hydro Corporation Report dated May 24, 2016, Attachment 1 to this report, which contains the Shareholder Resolution in Appendix B to approve the By-law. By-law No.1.1 relates generally to the transaction of the business and affairs of the Toronto Hydro Corporation. Approval of the By-law is required by Sections 8.3 and 8.4 of the Shareholder Direction and mandated by Subsection 116(2) of the *OBCA*. Council as the Shareholder may confirm, reject or amend a by-law, amendment or repeal.

The amendments to THC's By-law No.1.1 adopted by THC's Board at its March 2, 2016 meeting brings it into conformity with Council directions such as: the requirement that a full recruitment process for citizen directors be conducted every two years in accordance with the request of City Council on May 5, 2015; to make an exception to the requirement that citizen directors be appointed for two-year terms to permit City Council's appointment of certain citizen directors for one-year terms on December 9, 2015; and to incorporate Board policies that provide specific internal controls and administrative authorities to THC officers. THC's amended By-law is submitted to Council as Shareholder for approval in accordance with the THC Shareholder Directions, and should be approved by City Council.

### **Toronto Hydro Corporation Code of Business Conduct and Whistleblower Procedure**

City Council at its June 10, 11, 12 and 13, 2014 meeting approved a Public Service By-law for Toronto in EX42.3, and in so doing, Council as Shareholder directed City corporations to adopt policies related to conflict of interest, political activity and disclosure of wrongdoing and reprisal protection.

On May 11, 2016, THC approved revisions to its Code of Business Conduct and Whistleblower Procedure and provided the policy to the City, including provisions for political activity, disclosure of wrongdoing and reprisal protection, conflict of interest and appointment of the Executive Vice-President & Chief Human Resources and Safety Officer as the Ethics Officer for the Corporation. The Code of Business Conduct and Whistleblower Procedure, which was originally implemented in 2003, sets out the basic principles of business conduct that THC employees, officers and directors are expected to follow, and includes application to its subsidiaries.

### **Public Appointments**

City Council on December 9 and 10, 2015 appointed eight public members to the Toronto Hydro Corporation Board, including the Chair of the Board, and subsequently at its meeting of May 3, 4 and 5, 2016, appointed a replacement public member to fill a vacancy on the Board.

## 6. Toronto Hydro Corporation 2015 Environmental Performance

Attachment 5 to this Report contains THC's 2015 Environmental Performance Report. Highlights for 2015 include:

- THC operates in an integrated Environment, Health and Safety (EHS) Management System. Overall, Toronto Hydro continues to strive to achieve zero injuries and to remain a sustainable electricity company.
- THC continued to work with residential, small business, industrial and commercial customers to implement energy-efficient projects. THC's 2015 CDM programs led to an estimated energy savings of 214.5 gigawatt hours (equivalent to taking 28,429 homes off the grid), reduced summer peak demand by 32.5 MW, and helped reduce greenhouse gas (“GHG”) emissions by 16,516 tCO<sub>2</sub>e.
- In December 2015, THC underwent its first re-certification audit for the ISO 14001 and OHSAS 18001 certificates. The audit was conducted by an independent third-party auditor accredited by the Standards Council of Canada that verified that Toronto Hydro's EHS Management System met the requirements of the standards. The auditor commented on THC's tremendous improvements and recognized the maturity of its EHS Management system.
- THC's total GHG emissions were 64,119 tCO<sub>2</sub>e, a decrease of 24% relative to 2014. The make-up of the carbon footprint is similar to 2014 with 85% of emissions attributed to line losses.
- In 2015, THC reduced its energy usage and GHG emissions from building operations through office consolidations (closing of a facility and better use of space at existing work centres) and renovations (roof replacement for better insulation).
- Fleet related initiatives, which resulted in reduced fuel consumption by 19% and decrease in GHG emissions of 16%, included fleet downsizing, maintenance of a green fleet of approximately 60 hybrid and electricity vehicles, and new vehicles with the GRIP Idle Management System that lowers idle time of vehicles while keeping auxiliary functions of a vehicle in operation.
- THC provides engineering support, pre-assessments and Connection Impact Assessments for renewable generation resources. Since 2009, under the Feed-in Tariff (“FIT”) program, 834 microFIT interconnections (each under 10 kW capacity) and 377 FIT interconnections (each greater than 10 kW capacity) have been enabled, totalling more than 5.1 MW and 59.5 MW of generation, respectively. Overall, THC has enabled over 1,280 renewable generation interconnections totalling approximately 66.9MW between 2009 and 2015, representing 12% of the City's 2020 renewable energy generation goal.
- THC has jointly invested with the City of Toronto in solar photovoltaic projects on City-owned facilities. The first group of 10 projects with an installed capacity totalling 1 MW generated 1,360 MWh and displaced 104 tCO<sub>2</sub>e in 2015.

- Under the FIT 3.0 program, THC and the City secured additional contracts and are moving forward with an additional 10 projects.
- THC previously invested in three other renewable generation projects (Exhibition Place Wind Turbine, Better Living Centre Solar and 500 Commissioner Street Solar) which have an installed capacity of 1.2 MW, generated 1,740 MWh and displaced 134 tCO<sub>2</sub>e in 2015.
- Energy security and supply initiatives in 2015 included information gathering to enable planning transformer replacements for future years and proactively replacing transformers that were in poor condition and posed environmental risk.

## CONTACTS

Fiona Murray, Director, Corporate Intergovernmental & Agency Relations  
Tel: 416-397-5214; Email: [FMurray@toronto.ca](mailto:FMurray@toronto.ca)

Lorraine Searles-Kelly, Solicitor, Legal Services Division  
Tel: (416) 392-7240; Email: [lsearles@toronto.ca](mailto:lsearles@toronto.ca)

Rob Hatton, Director, Strategic Initiatives & Intergovernmental Finance  
Tel: (416) 392-9149; E-mail: [rhatton@toronto.ca](mailto:rhatton@toronto.ca)

## SIGNATURE

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Peter Wallace  
City Manager

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Roberto Rossini  
Deputy City Manager & Chief Financial Officer

## ATTACHMENTS

Attachment 1	Toronto Hydro Corporation 2015 Annual Shareholder Meeting, Resolution of the Sole Shareholder – City of Toronto, 1(a): Re-appointing Auditor; 1(b): Toronto Hydro Corporation By-law No.1.1
Attachment 2	Toronto Hydro Corporation 2015 Annual Report, POWERING PROGRESS
Attachment 3	Toronto Hydro Corporation Financial Report December 31, 2015 Including: Toronto Hydro Corporation Consolidated Financial Statements December 31, 2015 and 2014
Attachment 4	Toronto Hydro Corporation Annual Information Form for the Year Ended December 31, 2015
Attachment 5	Toronto Hydro 2015 Environmental Performance Report
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Attachment 11(a)	Executive Compensation Disclosure Toronto Hydro Corporation 2015
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Attachment 12	Toronto Hydro Corporation First Quarter Financial Report March 31, 2016