

BRINGING ENERGY TO LIFE

TORONTO HYDRO CORPORATION 2014 ANNUAL REPORT





MESSAGE

FROM THE CHAIR OF THE BOARD, AND PRESIDENT AND CHIEF EXECUTIVE OFFICER

When we look back at everything Toronto Hydro accomplished last year, it's obvious that 2014 was an amazing year. Toronto Hydro exceeded nearly all of our Key Performance Indicators (KPIs), resulting in a \$112.5 million net income and a \$60.6 million dividend to the City of Toronto. These are impressive numbers indeed, and they speak to the dedication and determination of our great workforce.

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In addition to our financial strength, there are a number of ways in which we support the City of Toronto. More information about these initiatives and achievements can be found in the Progress section of this report, which covers areas such as Grid Investment and Reliability; Productivity and Efficiency; Customer Service; Community Outreach; Environmental Initiatives; and Emergency Preparedness.

There's a lot of activity taking place around Toronto. Between preparations for the PanAmerican Games and transit expansion, it's safe to say that the city is under construction and we've played a vital role in this development, powering some exciting transformational construction initiatives like the Metrolinx Eglinton Crosstown Light Rail project, Waterfront Revitalization and the York Spadina Subway Extension Project.

We're also proud to be digging into some exciting projects of our own. Projects like the new underground transformer station under construction in the heart of the city are showcasing our engineering prowess and boosting our ability to serve our customer base. The reality is, Toronto Hydro's infrastructure is aging. There's a great need to invest in the grid to better service our customers, not to mention improve our system's resiliency to severe weather. That's why in 2014, we executed the largest capital plan in Toronto Hydro's history, investing \$588.4 million in capital expenditures primarily to improve service reliability and address the need for additional capacity.

The good news is these investments are paying off and we're seeing an improvement in our service reliability. Since 2007, the average number of outages has improved by 31% and the average duration of interruptions has improved by 26%. We're carrying this momentum forward and have embarked on an ambitious five-year rate application with our regulator, the Ontario Energy Board, to help us better plan for infrastructure upgrades.

Our staff is also working hard to help customers stretch their electricity dollars. We continue to offer a suite of Conservation and Demand Management (CDM) programs and tools to help them better manage their bills and advance the energy efficiency of their homes and offices.

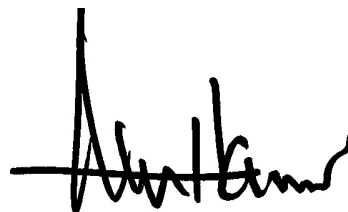
Inside Toronto Hydro's facilities, we're doing all we can to improve our operational efficiency and reduce overhead costs. We're increasing our energy efficiency, and reducing the square footage of our facilities by making better use of our buildings and selling off surplus assets. And we're completing all of this work with our best safety record yet. We've seen a 73% reduction in recordable injuries over the last five years and have one of the lowest averages of absenteeism in the industry.

In short, we're powering growth and innovation in the City of Toronto, while investing half a billion dollars in our essential electricity distribution infrastructure, and creating jobs while we do it. A strong infrastructure is essential to a world-class city like Toronto, and we're unwavering in our commitment.

We're proud of the accomplishments achieved in 2014 and would like to thank you for your support as we report another great year of successes.



David Williams
Chair



Anthony Haines
President and Chief Executive Officer



GOVERNANCE

CORPORATE GOVERNANCE

The Corporation has developed sound corporate governance practices. The Corporation's Board of Directors and management believe that strong corporate governance is essential for creating shareholder value and maintaining investor confidence.

BOARD OF DIRECTORS

The Board of Directors of the Corporation is responsible for supervising management of the business and affairs of the Corporation. The Board of Directors of the Corporation is composed of eight independent directors and three city councillors. All directors are appointed by the sole shareholder of the Corporation. The Board of Directors has four regularly scheduled meetings each year but meets as often as is necessary to fulfill its responsibilities to the Corporation.

The Board of Directors has worked to put in place a system of corporate governance that meets the requirements of applicable provincial legislation and Canadian securities rules. As part of its ongoing commitment to corporate governance, the Board of Directors operates in accordance with a board mandate, and its committees operate in accordance with committee charters, which are all reviewed and approved by the Board of Directors.

The members of the Corporation's Board of Directors as of December 31, 2014 are introduced here. The description indicates committee and subsidiary Boards of Directors' participation.

Effective December 3, 2014, Deputy-Mayor Denzil Minnan-Wong was appointed as a Director of the Corporation and Councillor Stephen Holyday was appointed as the Mayor's Designate. Effective February 10, 2015, Councillor Paul Ainslie was appointed as a Director of the Corporation.

Effective April 15, 2013, David Williams was appointed Chair of the Board of Directors of the Corporation and Colum Bastable, Glenna Carr, Derek Cowbourne, Sara Gelgor, Paulette Kennedy and Isabel Meharry were appointed Directors of the Corporation.

CODE OF BUSINESS CONDUCT AND WHISTLEBLOWER PROCEDURE

All employees, officers and directors of the Corporation and its subsidiaries are required to comply with the principles set out in the Code of Business Conduct and Whistleblower Procedure, which was implemented by the Corporation in 2003 and most recently amended and approved by the Board of Directors on May 15, 2014. The Code provides guidance to all employees in situations of perceived conflict of interest. All employees, officers and directors of the Corporation and its subsidiaries are required to complete training in respect of the Code and attest to compliance with the Code on an annual basis. The Code provides for the appointment of an Ethics Officer and establishes a direct hotline to the Ethics Officer by which perceived violations of the principles set out in the Code may be reported, anonymously or otherwise. The Ethics Officer reports quarterly to the Audit Committee of the Board of Directors 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 Officer is required to report it to the Chair of the Audit Committee, who oversees the investigation of that complaint. A copy of the Corporation's Code of Business Conduct and Whistleblower Procedure is available on our website.

DISCLOSURE

The Board of Directors recognizes the importance of ensuring that communications to the public about the Corporation and its subsidiaries are timely, factual, accurate and are broadly disseminated in accordance with all applicable legal and regulatory requirements. To ensure consistent and appropriate disclosure practices, the Corporation has adopted a Disclosure Policy to govern the disclosure by its employees, officers and directors of material information about the Corporation and has established a Disclosure Policy Committee composed of senior executives to assist the Chief Executive Officer and the Chief Financial Officer in making accurate, complete and timely disclosure. The composition and operation of the Disclosure Policy Committee are established in the Disclosure Policy.

COMMITTEES

The Board of Directors believes that its ability to discharge its responsibilities is enhanced by the active participation of committees in the corporate governance process. Currently, there are three standing committees of the Board of Directors: Corporate Governance, Audit and Human Resources. Each committee meets regularly throughout the year and provides a report at meetings of the Board of Directors on material matters considered by the committee.

AUDIT COMMITTEE

The Audit Committee is responsible for overseeing the adequacy and effectiveness of financial reporting, accounting systems, internal financial control structures and financial risk management systems. The Audit Committee reviews the Corporation's quarterly and the Corporation's and each of its subsidiaries' annual financial statements as well as financial statements prepared in connection with the requirements of applicable regulatory authorities, reviews the audit plans of the external auditors, oversees the internal audit of the Corporation, reviews reports related to reimbursement of business related expenses of officers and directors, and recommends the external auditor to the Board for appointment by the Corporation's sole shareholder.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for considering and making recommendations to the Board of Directors with respect to matters relating to the corporate governance of the Corporation and its subsidiaries, including board and committee composition and mandates, guidelines for assessing the effectiveness of the Board and its committees and procedures to ensure that the Board of Directors functions independently from management. As part of its governance function, the Corporate Governance Committee reviews a skills matrix to identify any gaps in the Board's experience and expertise, which is then forwarded to the Corporation's sole shareholder so that the directors appointed might represent the strongest Board possible. The Corporate Governance Committee also reviews and approves all orientation and education materials and programs for new and current directors undertaken by management.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is responsible for reviewing and assisting the Board of Directors in overseeing the recruitment and assessment of the CEO and the compensation of the CEO, reviewing and approving the compensation of executive officers, reviewing and approving executive compensation disclosure under applicable securities laws, and reviewing and making recommendations to the Board of Directors regarding the compensation structure and benefit plans and programs of the Corporation and its subsidiaries. The Human Resources Committee is also responsible for reviewing and approving the parameters of collective bargaining negotiations, and reviewing and making recommendations to the Board of Directors with respect to environmental and health and safety matters.

BOARD OF DIRECTORS



David Williams (Chair), ICD.D

- Chair, Morrison Lamothe Inc.
- Director, Mitel Networks Corporation
- Lead Director, Mattamy Homes Corporation
- Former Interim President, Chief Executive Officer and Chair, Shoppers Drug Mart Corporation
- Former President and Chief Executive Officer, Workplace Safety and Insurance Board
- Former President, National Grocers Limited
- Former Chief Financial Officer, Loblaw Companies Limited

Committee Memberships and Subsidiary Directorships
Human Resources Committee

BOARD OF DIRECTORS - CONTINUED



Colum P. Bastable

- Chair, Cushman & Wakefield Ltd.
- Member, Independent Review Committee, Brandes Investment Partners & Co.
- Trustee, Brookfield Canada Office Properties REIT
- Chair, Governance and Nominating Committee, Brookfield Canada Office Properties REIT
- Member, Audit Committee, Brookfield Canada Office Properties REIT
- Member, Board of Trustees, Slate Retail REIT
- Chair, Audit Committee, Slate Retail REIT
- Member, Compensation Committee, Slate Retail REIT
- Member, Governance Committee, Slate Retail REIT
- Past Chair, Board of Governors, McMaster University
- Former Member, Compensation Committee, McMaster University
- Former President and Chief Executive Officer, Cushman & Wakefield Ltd.
- Former Chief Financial Officer and Chief Executive Officer, Royal LePage Limited

Committee Memberships and Subsidiary Directorships

Human Resources Committee (Chair)

Toronto Hydro-Electric System Limited (Chair)

BOARD OF DIRECTORS - CONTINUED



Glenna Carr, ICD.D

- Director, AllerGen Inc.
- Director, National Centre of Excellence
- Director, Trinity College Corporation
- Former Board Chair, Atomic Energy of Canada Limited
- Former Board Chair, Independent Electricity System Operator
- Former Board Chair, Technical Standards and Safety Authority
- Former Board Chair, Sounding Boards Inc.
- Former Board Chair, Sheridan College
- Former President, Canadian Council for Public-Private Partnerships
- Former CEO, Carr-Gordon Limited
- Former Vice-President, Laidlaw Inc.
- Former Ontario Deputy Minister, Consumer and Commercial Relations and Management Board of Cabinet

Committee Memberships and Subsidiary Directorships
Corporate Governance Committee

BOARD OF DIRECTORS - CONTINUED



Brian Chu*

- Partner, Bogart Robertson & Chu LLP
- Trustee and Chair, Ontario Science Centre
- Former Director, Toronto Hydro Corporation
- Former Chair, Corporate Governance Committee, Toronto Hydro Corporation
- Former Chair, Audit Committee, Toronto Hydro Corporation
- Former Chair, Audit Committee, Centennial College
- Former Member, Finance Committee, Ontario College of Art and Design
- Former Chair, Finance and Audit Committee, Laidlaw Foundation

Committee Memberships and Subsidiary Directorships

Audit Committee

Toronto Hydro-Electric System Limited (Director)

*Not a member of Toronto Hydro Corporation Board of Directors



Derek Cowbourne, ICD.D

- Former Vice-President, Market and System Operations and Chief Operating Officer, Independent Electricity System Operator
- Former Chair, Operating Committee, North American Electric Reliability Council (NERC)
- Former Chair, Reliability Coordinating Committee, Northeast Power Coordinating Council (NPCC)
- Fellow, Institution of Engineering & Technology
- Member, Professional Engineers of Ontario

Committee Memberships and Subsidiary Directorships

Corporate Governance Committee (Chair)

BOARD OF DIRECTORS - CONTINUED



Sara Gelgor

- Vice-President, Enterprise Programs Compliance and Chief Privacy Officer, Scotiabank
- Former Chief Compliance Officer, ScotiaLife Financial, Scotiabank
- Former Governor, North York General Hospital Foundation
- Former Chair, Audit and Finance Committee, North York General Hospital Foundation
- Former Member of the Executive of the Board of Directors, Canadian National Exhibition
- Former Member, Board of Directors, Humewood House
- Member, Humewood House Advisory Board, Humewood House
- Member, Governing Council Business Board, University of Toronto

Committee Memberships and Subsidiary Directorships

Corporate Governance Committee



Paulette Kennedy

- Member, Governing Council, University of Toronto
- Member, Business Board, University of Toronto
- Member, Pension Committee, University of Toronto
- Chair, Audit Committee, University of Toronto
- Former Commissioner, Ontario Securities Commission
- Former Chief Auditor and Chief Financial Officer, AEGON Canada Inc.
- Former Senior Vice-President and Chief Internal Auditor, Sobeys Inc.
- Former Chief Auditor, Chief Accountant and Vice-President, Finance and Actuarial, Sun Life Financial Inc.
- Former Member, External Stakeholder Advisory Committee, Financial Consumer Agency of Canada

Committee Memberships and Subsidiary Directorships

Audit Committee (Chair)

BOARD OF DIRECTORS - CONTINUED



Isabel Meharry

- Chief Financial Officer, Green Shield Canada
- Former President and Chief Executive Officer, Financial Executive International
- Member, Audit Committee, Department of Foreign Affairs, Trade and Development
- Board Member, Past Chair and Chair of the Nominating Committee, Kerry's Place Autism Services
- Former Board Member and former Chair of Audit Committee, and former Chair of Credit and Risk Committee, Ontario Infrastructure and Lands Corporation
- Former Member, Governing Council, Institute of Chartered Accountants of Ontario
- Board Member, Chair of Audit Committee, APRIO Inc.
- Board Member, Chair of Audit Committee, Hope Air
- Former Executive Consultant, SunLife Financial of Canada
- Former Executive Vice-President, Aviva Insurance Company of Canada

Committee Memberships and Subsidiary Directorships

Audit Committee

Toronto Hydro Energy Services Inc. (Director)



Councillor Paul Ainslie

- City of Toronto Councillor, Ward 43 - Scarborough East
- Chair, Government Management Committee, City of Toronto
- Member, Scarborough Community Council, City of Toronto

BOARD OF DIRECTORS - CONTINUED



Councillor Stephen Holyday, Mayor's Designate

- City of Toronto Councillor, Ward 3 – Etobicoke Centre
- Member, Etobicoke York Community Council, City of Toronto
- Member, Public Works and Infrastructure Committee, City of Toronto
- Member, Audit Committee, City of Toronto
- Member, Employee and Labour Relations Committee, City of Toronto



Deputy Mayor Denzil Minnan-Wong

- City of Toronto Deputy Mayor
- City of Toronto Councillor, Ward 34 - Don Valley East
- Chair, Civic Appointments Committee, City of Toronto
- Chair, Striking Committee, City of Toronto
- Chair, Employee and Labour Relations Committee, City of Toronto
- Member, North York Community Council, City of Toronto
- Member, Committee of Revision, City of Toronto
- Member, Debenture Committee, City of Toronto
- Member, Nominating Panel, Facilities and Finance, City of Toronto
- Board Member, Toronto Transit Commission



SENIOR MANAGEMENT TEAM



Anthony M. Haines^{1,2}
President and Chief Executive Officer



Jean-Sebastien Couillard^{1,2}
Executive Vice-President and Chief Financial Officer



Ben LaPianta²
Executive Vice-President and Chief Electric Operations and
Procurement Officer



Ave Lethbridge²

Executive Vice-President and Chief Human Resources and Safety Officer



Dino Priore²

Executive Vice-President and Chief Engineering and Construction Officer



Chris Tyrrell²

Executive Vice-President and Chief Customer Care and Conservation Officer



Robert Wong²

Executive Vice-President and Chief Information and Risk Officer



Amanda Klein^{1,2}

Vice-President, Regulatory Affairs and General Counsel

¹ Toronto Hydro Corporation

² Toronto Hydro-Electric System Limited



TORONTO HYDRO CORPORATION OVERVIEW

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

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

Services

- Supervises the operations of its subsidiaries
- Provides corporate, management services and strategic direction to its subsidiaries

2014 Achievements

- Named one of Greater Toronto's Top Employers and one of Canada's Greenest Employers by Mediacorp Canada Inc. and featured in *The Globe and Mail*
- Recognized as a Sustainable Electricity Company™, a designation by the Canadian Electricity Association
- Ranked as one of Canada's Future 40 responsible corporate leaders and top sustainability performers by Corporate Knights and featured in *The Globe and Mail*
- Raised \$159,000 for United Way Toronto and was recognized with a United Way Spirit Award

TORONTO HYDRO CORPORATION OVERVIEW - CONTINUED

- Made a contribution of \$305,000 from the company's first annual golf tournament in support of the Ross Tilley Burn Centre at Sunnybrook Hospital
- On September 16, 2014, the Corporation issued \$200.0 million of 4.08% senior unsecured debentures at a price of \$999.48 per \$1,000 principal amount due September 16, 2044
- Paid dividends to the City totalling \$60.6 million in 2014
- As at December 31, 2014, the debentures issued under the Corporation's medium-term note program and the commercial paper issued under the Corporation's commercial paper program were rated "A (high)" and "R-1 (low)", respectively by DBRS Limited, and "A" by Standard & Poor's

2015 Objectives

The Corporation aims to:

- Maintain an engaged, healthy, productive and safe workforce to meet changing business requirements
- Improve reliability through sustainable system management
- Provide value to customers
- Meet financial objectives of the Shareholder



BALANCED SCORECARD

The Corporation measures performance in relation to the achievement of strategic objectives by using a balanced scorecard approach. Key Performance Indicators (KPIs) are monitored throughout the year and appropriate actions are taken as required.

Corporate Key Performance Indicators	Measure	2014 Target
Net Income (\$ millions)	Net Income per the Corporation's Consolidated Financial Statement	\$103.6
Toronto Hydro-Electric System Limited Regulated Capital (\$ millions) ⁽¹⁾	Achievement of Toronto Hydro-Electric System Limited's capital work program as approved by the Board	\$395.0
Productivity — Operating Expenses and other productivity related metrics ⁽²⁾	Consolidated operating expenses excluding some defined costs, and other productivity metrics	\$260.2
Key Account Worst Performing Feeders	Total number of feeders experiencing seven or more outages affecting key account customers, including momentary and sustained interruptions in a 12-month rolling time period	49
System Average Interruption Duration Index (SAIDI) (in minutes)	Measure of the annual system average interruption duration per customer served, not including Major Event Days (MED)	72.5
System Average Interruption Frequency Index (SAIFI) (#)	Measure of the frequency of service interruptions per customer served, not including MED	1.53
Enhanced Customer Engagement (ECE)	Increase in customer self-serve transactions engagements using various self-serve options	214,000
First Call Resolution	Percentage of telephone enquiries resolved within one call, within a 21-day time period	78%
Safety	Number of recordable injuries x 200,000 exposure hours	2.58
Attendance	Average days absent per employee	5.75

(1) This is a non-GAAP measure as it includes all eligible capital expenditures, net of capital contributions related to regulated operations excluding Copeland Station and the facilities consolidation program.

(2) This is a non-GAAP measure as it excludes demand billable operating expenses.

BALANCED SCORECARD - CONTINUED

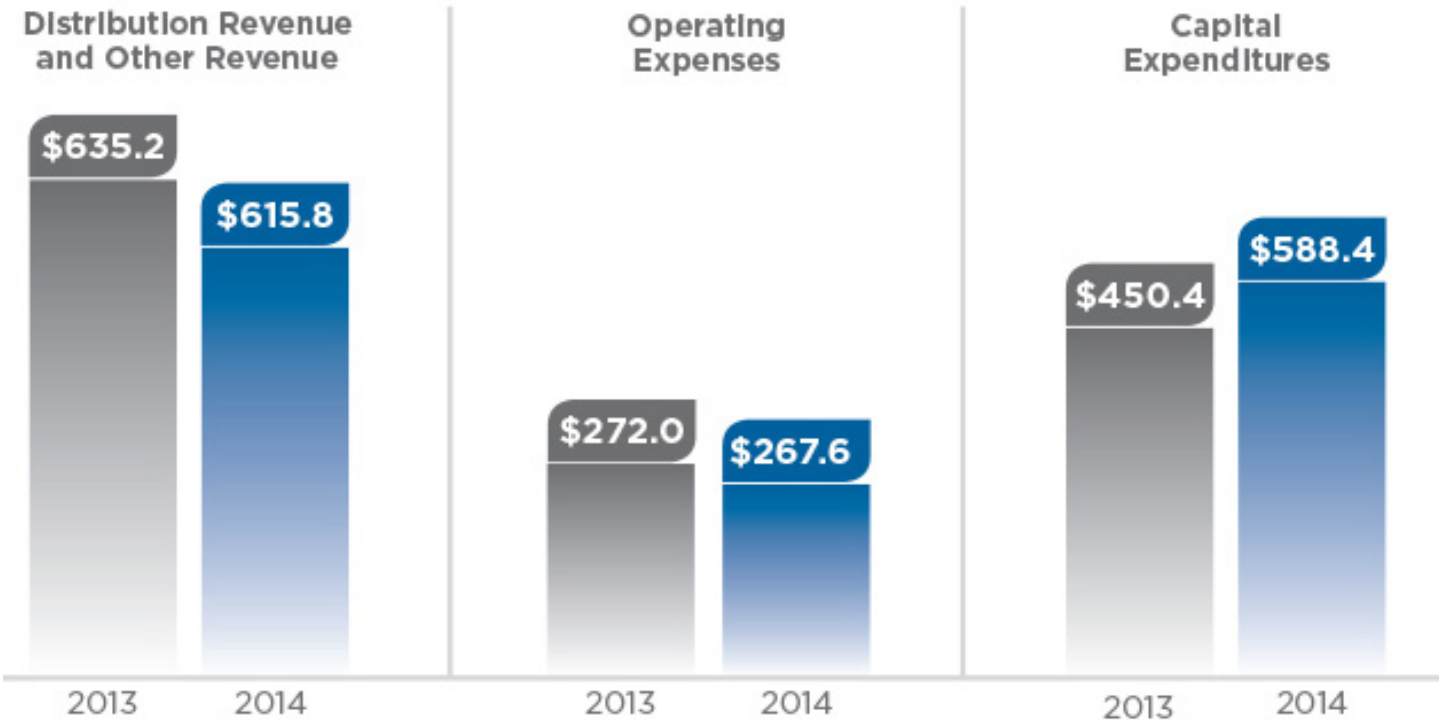
In 2014, the Corporation exceeded all of its corporate targets represented by its KPIs except the key accounts worst performing feeders, primarily due to an under estimation of the impact of uncontrollable momentary outages. Each of the corporate performance targets were reasonably difficult to attain and served to encourage success in the Corporation's financial and operational targets. The Corporation's ability to deliver results in each of the strategic pillars is managed through good governance around the balanced scorecard, short interval control and enterprise risk management.



FACTS AND FIGURES

Toronto Hydro Corporation

(in millions of dollars)



FACTS AND FIGURES - CONTINUED

Toronto Hydro-Electric System Limited

System Average
Interruption
Duration Index

1.00
HOURS

System Average
Interruption
Frequency Index

1.39
INTERRUPTIONS

Customer Average
Interruption
Duration Index

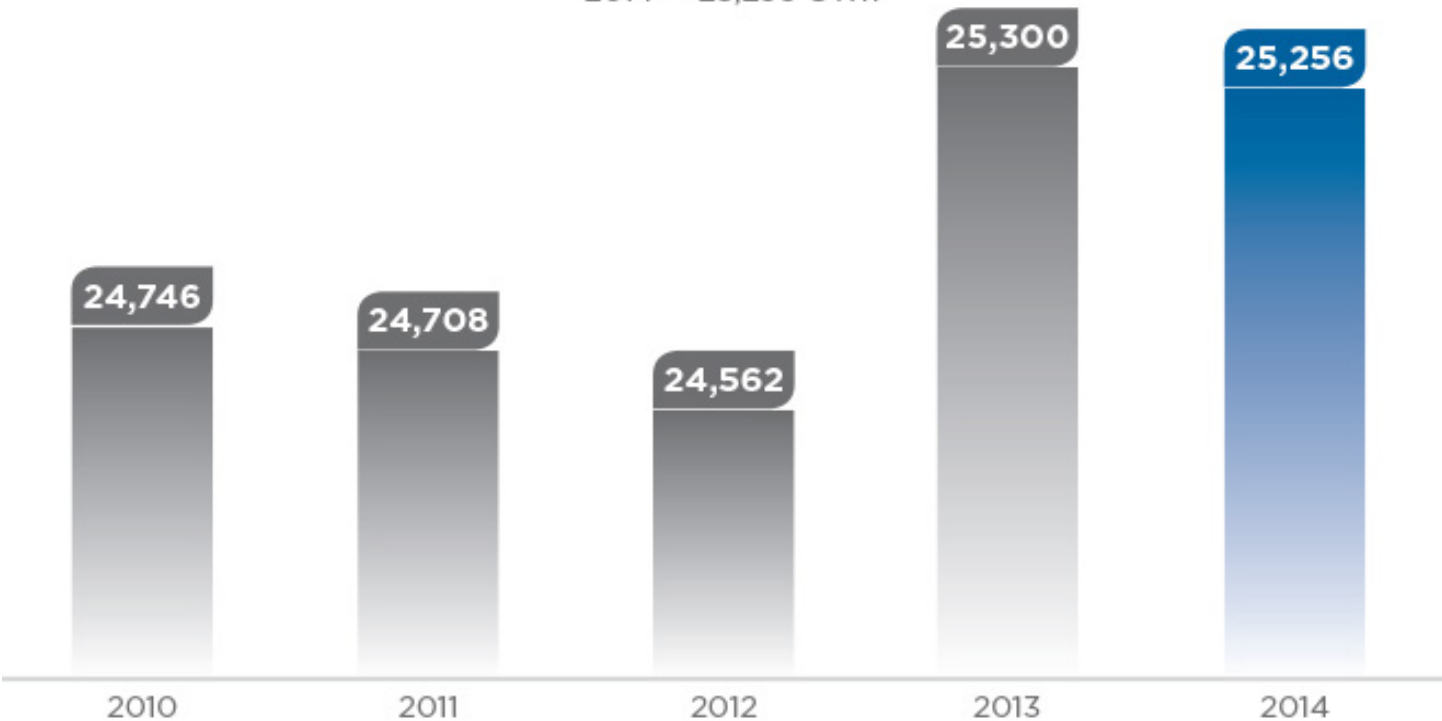
0.72
HOURS

Peak Load
on
September 5, 2014

4,273
MEGAWATTS

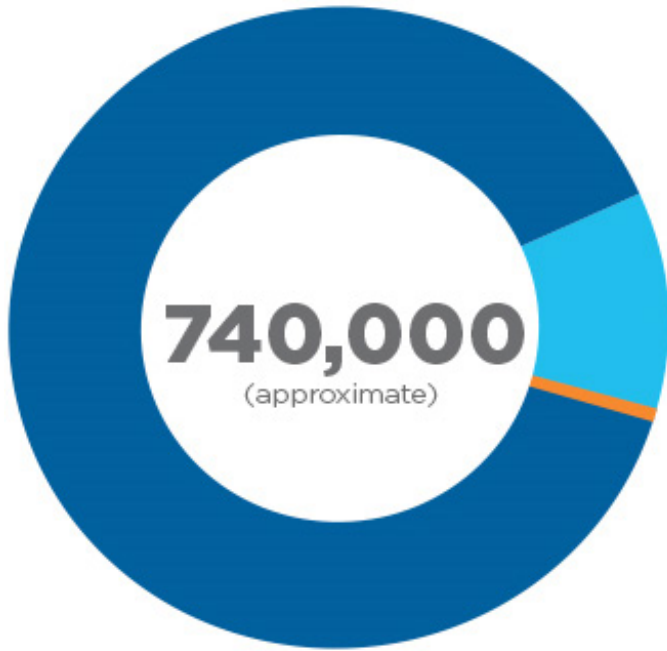
Electricity Delivered

2014 – 25,256 GWh



FACTS AND FIGURES - CONTINUED

Number of Customers



658,371

Residential Service

81,481

General Service with monthly demand of 0-5,000 kW

43

Large Users with monthly demand over 5,000 kW

Electricity Distributed by Class (approximate)



5,182^{GWh}

Residential Service

20%

17,875^{GWh}

General Service

71%

2,199^{GWh}

Large Users

9%

FACTS AND FIGURES - CONTINUED

Number of Employees (as at December 31, 2014)

1,460
(approximate)

Toronto Hydro Corporation 2014 Capital Expenditures

(in millions of dollars)

Regulated Local Distribution Company ¹ Distribution System	
Planned	\$357.6
Reactive	39.0
Copeland Station	82.1
Facilities Consolidation	70.8
Technology assets	18.6
Other ²	17.4
	\$585.5
Other ³	2.9
TOTAL	\$588.4

Distribution System is serviced from:

(approximate)

34	terminal stations
1	transmission system terminal station
20,300	primary switches
60,490	distribution transformers
164	in-service municipal substations
15,460	kilometres of overhead wires supported by
176,300	poles and approximately
12,290	kilometres of underground wires
1	Control Centre
4	Operations Centres

¹ Refers to Toronto Hydro-Electric System Limited

² Includes fleet capital and buildings

³ Includes unregulated capital expenditures primarily related to Toronto Hydro Energy Services Inc. equipment

2014 ANNUAL REPORT GLOSSARY

Conservation and Demand Management (CDM)

Customer Average Interruption Duration Index (CAIDI)

A measure (in hours) of the average duration of interruptions experienced by customers, not including Major Event Days (MED). CAIDI represents the quotient obtained by dividing the System Average Interruption Duration Index (SAIDI) by the System Average Interruption Frequency Index (SAIFI). See below for more explanation.

Gigawatt-Hour (GWh)

A standard unit for measuring electrical energy produced or consumed over time. One GWh is equal to one million kilowatt-hours.

Kilowatt (kW)

A common measure of electrical power equal to 1,000 watts.

Kilowatt-Hour (kWh)

A standard unit for measuring electrical energy produced or consumed over time. One kWh is the amount of electricity consumed by ten - 100 watt light bulbs burning for one hour.

Major Event Days (MED)

Refers to major event days as defined by IEEE Standard 1366-2012, IEEE Guide for Electric Power Distribution Reliability Indices.

Megawatt (MW)

A common measure of electrical power equal to one million watts.

Peak Load

The maximum demand for power, measured in megawatts, that occurs within a stated period of time. Toronto Hydro's peak system load (or peak demand) normally occurs in the summer because of power demands from air conditioning.

System Average Interruption Duration Index (SAIDI)

A measure (in hours) of the annual system average interruption duration for customers served, not including MED. SAIDI represents the quotient obtained by dividing the total customer hours of interruptions longer than one minute by the number of customers served.

2014 ANNUAL REPORT GLOSSARY - CONTINUED

System Average Interruption Frequency Index (SAIFI)

A measure of the frequency of service interruptions for customers served, not including MED. SAIFI represents the quotient obtained by dividing the total number of customer interruptions longer than one minute by the number of customers served.

Watt

A common measure of electrical power. One watt equals the power used when one ampere of current flows through an electrical circuit with a potential of one volt.

Watt-Hour

A measure of energy production or consumption equal to one watt produced or consumed for one hour.



TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

Toronto Hydro-Electric System Limited owns and operates approximately \$3.0 billion of capital assets comprised primarily of an electricity distribution system that delivers electricity to approximately 740,000 customers located in the City of Toronto. It is the largest municipal electricity distribution company in Canada and distributes approximately 18% of the electricity consumed in the province of Ontario.

Services

- Delivers safe, reliable and cost-effective electrical power to approximately 740,000 residential, commercial and industrial customers in the City of Toronto, which has a population base of approximately 2.8 million
- Plans, maintains and operates its electricity distribution infrastructure efficiently and in an environmentally responsible manner
- Provides consistent, high-quality customer service
- Designs and delivers CDM programs

2014 Achievements

- Among the leading local distribution companies in the delivery of CDM programs to help customers conserve energy, save money and help the environment
- One of the first local distribution companies in Ontario to renew its commitment to conservation and demand management in support of the Ministry of Energy's 2015-2020 "Conservation First" framework
- Delivered the largest capital program in our history in the amount of \$585.5 million, primarily to improve service reliability and address the need for additional distribution capacity

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED - CONTINUED

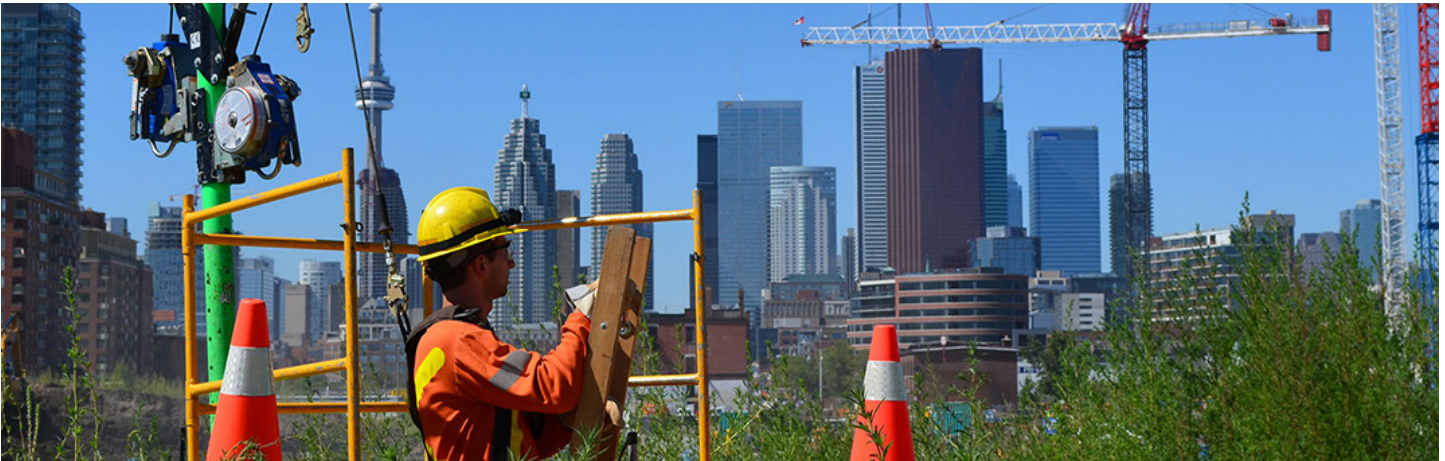
- Construction continued on the new Clare R. Copeland Transformer Station, the first underground station in downtown Toronto, which will help increase our electricity distribution capacity
- Continued improving electronic communication channels with enhancements to MyTorontoHydro®, e-Bills and Time-of-Use portal - all in an effort to help customers access and manage their online services in one place and under one account login
- Introduced a new Outage Centre microsite to communicate important information during major outages and emergencies. The site is mobile-friendly and is available in eight different languages
- Cooperated on transformational construction initiatives such as the Metrolinx Eglinton Crosstown Light Rail Transit System, Waterfront District Redevelopment and the Toronto-York Spadina Subway Extension Project
- Worked together with the Toronto District School Board (TDSB) to launch “Team Up for Green”, an innovative school fundraising program, which encouraged customers to sign up for free green programs and services, while at the same time raising funds for school bike racks
- Supported training programs at Georgian College to help drive recruitment in the electricity industry
- 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
- Continued annual safety campaign to remind public of electrical hazards on the street and around the home



TORONTO HYDRO ENERGY SERVICES INC.

2014 Achievements

- Continued to provide reliable street lighting services to the City of Toronto



PROGRESS

Sound management. Leadership. Commitment. These attributes have helped enhance our corporate performance and the services we offer our customers. In this section, we share with you some of the areas that we've been focusing on and where we're making good progress. We've had some accomplishments that we're very proud of, but there's more to do.

Progress is about getting better every day, and we'll be able to achieve this by listening to feedback and setting clear expectations.

Grid Investment and Reliability

A strong, stable electrical system is an integral part of a world-class city. It helps power growth in Toronto and keeps businesses in business. Our electricity distribution system, however, is aging and is in need of maintenance and renewal. We're addressing a number of operational challenges including aging infrastructure, unprecedented growth in the downtown core and the need to modernize the grid with more efficient technologies that are also more resilient to extreme weather.

Work to improve the electricity distribution system is underway and in 2014 we saw positive results for our customers:

- In 2014, Toronto Hydro-Electric System Limited delivered the largest capital program in its history and invested approximately \$585.5 million primarily to improve service reliability, and address the need for additional distribution capacity. Here are examples of areas we have focused on:
 - Underground and overhead infrastructure: Replaced direct buried cable and air-insulated distribution switchgear, and also replaced aged, deteriorated and non-standard equipment relating to poles, transformers, conductors, switches and porcelain hardware

PROGRESS - CONTINUED

Grid Investment and Reliability - Continued

- Handwell replacement: Legacy handwells were replaced with new standard handwells made from non-conducting composite materials to remove the risk of contact voltage to the public
- Stations power transformers: Replaced power transformers located at municipal stations to mitigate the failure risk of prolonged outages as a result of assets being near end of useful life
- The average number of service interruptions has improved by approximately 31% since 2007, and the average duration of interruptions has improved by approximately 26% during this same time period
- Construction on a new underground transformer station in the downtown core continued this year. This station will help take some of the pressure off of neighbouring stations, and is the first new transformer station to be constructed since 1955 . When completed, it will add the electricity capacity equivalent to powering approximately 70 high rise buildings. Watch how the station is being constructed:

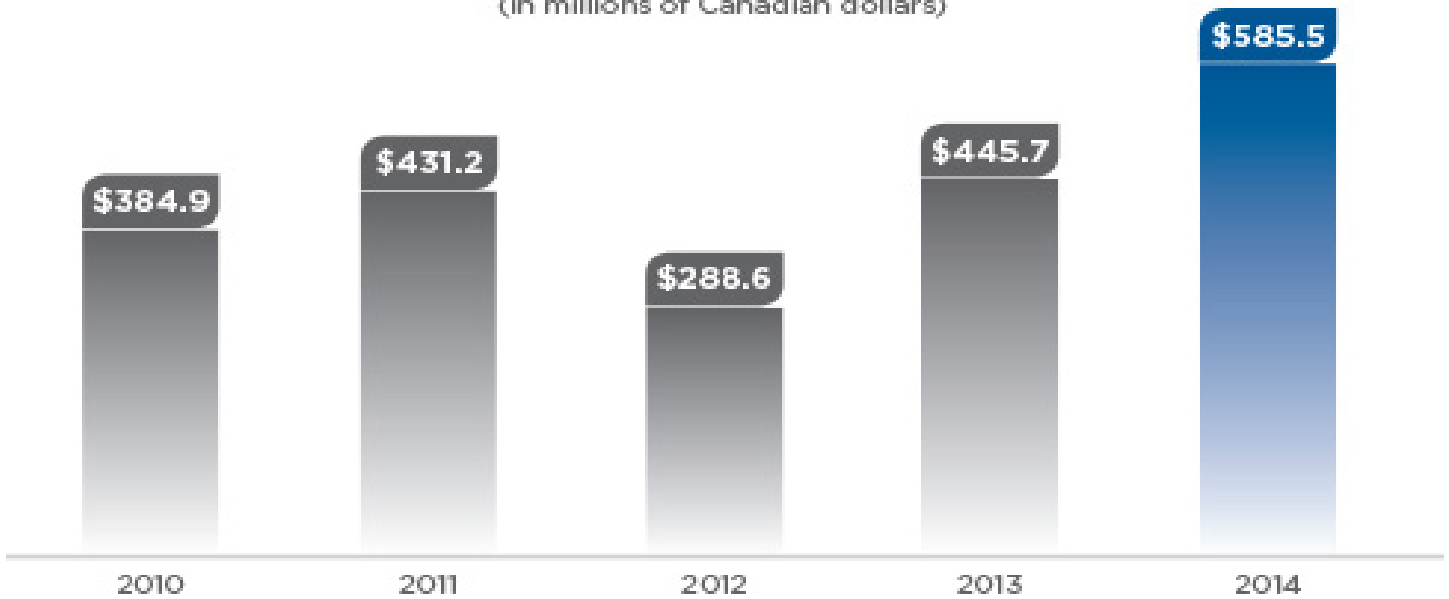


- In July 2014, Toronto Hydro-Electric System Limited submitted an application to the Ontario Energy Board asking for approval of capital expenditures of approximately \$2.5 billion over the 2015 - 2019 period. It is the largest and most comprehensive to date. The goal of this rate application was to establish rates that balance the need for investment while keeping rates for our customers low

PROGRESS - CONTINUED

Toronto Hydro-Electric System Limited capital spending

(in millions of Canadian dollars)



Investing in the electricity distribution grid will be a priority over the next several years. We're committed to allocating funding towards improving reliability and efficiency of our service for our customers.

[Learn More About The Grid.](#)

PROGRESS - CONTINUED

Customer Service

Customer service is a primary focus for us. Whether through face-to-face interactions or social media, a consistent experience across all channels is the key to success.

Our philosophy regarding customer service is simple: We continually engage with our customers in a way that builds trust while providing a high quality of service.

As the number of customers we serve continues to grow, we must look to develop options to better manage their needs. In July 2014, we submitted an application to our regulator, the Ontario Energy Board, asking for funding for important operational upgrades to improve our service offerings.

How we're helping our customers:

- In 2014, we introduced an updated MyTorontoHydro® web portal in an effort to help customers access and manage their online services in one place and under one account login, including paperless billing, pre-authorized payment, online moves and energy conservation tools
- First Call Resolution (FCR) is a powerful customer care metric used to determine how well we're serving our customers. Through an internal software program, we monitor and report on FCR results. We also deploy weekly automated customer telephone surveys to measure FCR, as well as the quality of the call interaction. It's another validation mechanism. Focusing on FCR helps improve quality, reduces costs, and improves customer satisfaction, all at the same time
- Between 2013 and 2014, electronic engagements providing 24/7 access to services for our customers increased by almost 40%
- We introduced a new Outage Centre, outageTO.com, a mobile-friendly microsite that communicates important information in the event of a high volume outage. The site is available in eight different languages
- As more people choose to call Toronto home, we continue to plan for an increased customer base. We're installing more and more unit smart meters relating to individual condos and apartments. We saw more than 15,000 unit smart meter installations in 2014, and expect that number to grow as multi-residential buildings continue to be built throughout the city

PROGRESS - CONTINUED

Emergency Preparedness

It's often during emergency situations when we realize how important it is to be prepared. We've seen first-hand how fierce storms, like the December 2013 ice storm, can quickly cause extended outages. We have been raising awareness about the importance of emergency preparedness in response to the increase in inclement weather coupled with the need for distribution system upgrades.

- We encourage our customers to be prepared for an extended power outage with recommendations on a 72-hour emergency kit
- We work with the City of Toronto during the annual Emergency Preparedness week in May
- For our low-income or senior residents, we offer community-hosted presentations, typically held at libraries and community centres. We offer them the opportunity to learn about how to prepare for outages and what they can do at home
- In 2014, we supplied over 5,000 vulnerable residents with an emergency kit, which included a flashlight, checklist, battery-operated radio and additional resources to help them prepare for emergencies
- Following the December 2013 ice storm, we commissioned an Independent Panel to review our performance during this emergency. In total, 23 recommendations were made, which have either been completed or are in progress
- We also meet regularly with stakeholders, like the Office of Emergency Management, Emergency Management Ontario and the Crisis Management Steering Committee, which is run by the Independent Electricity System Operator. These relationships help us better plan for emergencies and help ensure we're in line with industry standards

[Learn more about being prepared for extended outages.](#)

PROGRESS - CONTINUED

Environmental Initiatives

Our world. Our city. Our responsibility.

Our commitment to sustainability is really a commitment to our community. Our accountability is inherent in the relationships and interactions we have with the City of Toronto, our customers and the environment.

As an overarching driver across our workforce and operations, sustainability plays an important role in our success. On June 17, 2014, the Canadian Electricity Association recognized Toronto Hydro as a Sustainable Electricity Company™. Achieving this designation underscores our commitment to responsible environmental, social and economic practices.

Conservation achievements:

- In 2014, we delivered provincially funded Conservation and Demand Management (CDM) programs to the following market segments:
 - Consumer
 - Business
 - Industrial
 - Low Income
- These programs delivered an aggregate savings of 65.8 MW of peak summer demand and 185.6 GWh of electricity consumption savings. (Please note these savings are unaudited. Final results will be available in September 2015 following an evaluation by the IESO)
- In 2014, we exceeded our paperless billing target by almost 50%, achieving more than 40,000 sign ups
- We also doubled our **peaksaver PLUS®** target, generating approximately 14,650 sign ups. Through this program, we shifted approximately 7.7 MW of peak demand and helped to reduce the strain on the grid

PROGRESS - CONTINUED

In 2014, we completed a number of upgrades to our facilities to help improve energy efficiency and consequently reduced our carbon footprint. These include:

- Installed special doors and air curtains in the fleet garage preventing up to 80% of hot air from escaping, and improving the overall efficiency of the heating system by approximately 80%
- Retrofitted our fuel depot with two above-ground fuel storage tanks, a leak detection system and energy-efficient LED lighting fixtures
- Introduced a new idle management program, designed to decrease the amount of idling of work vehicles. In its first 10 months of implementation, the program reduced idling-related fuel consumption by 18,382 litres, avoiding 49.6 tonnes of CO₂e emissions and approximately \$26,290 of fuel costs
- Installed almost 800 new LED fixtures, which are dimmed to about 70% of their actual capacity. Meeting rooms and closed offices have automated sensors that turn off lighting when rooms are not in use
- Consolidated our data centre from 5800 Yonge Street with the data centre at our 500 Commissioners Street location. This allowed us the opportunity to modernize and utilize cost-effective innovative technologies for energy efficient savings. This resulted in 46 kW and approximately 405,000 kWhs

[Learn more about our sustainability efforts.](#)

PROGRESS - CONTINUED

Productivity and Efficiency

We're committed to enhancing the value we offer our customers and are focused on improving the productivity and efficiency of our overall business.

We continually aim to find opportunities where we can realize efficiencies and better utilize existing resources, assets and technology.

Highlights of our notable achievements include:

- Achieved the best ever performance in safety in 2014, with 20 recordable injuries and a corporate total recordable injury frequency of 1.18 per 200,000 hours worked. We've reduced the number of recordable injuries over the last five years by 73%
- Approximately 31% of our workforce had a perfect record of attendance. Average days absent per employee is 4.94, representing a 50% decrease since 2008. Toronto Hydro was the recipient of Excellence Canada's Certificate of Merit for Healthy Workplace Month® in recognition of initiatives towards creating a healthy and safe workplace
- Reduced facilities by 194,000 sq.ft. through our facilities consolidation program
- Reduced our fleet complement from 644 to 574 vehicles

We remain committed to a culture of improvement, including exploring the use of tools, processes and approaches in order to achieve further efficiencies and productivity for the benefit of the utility and our customers.

PROGRESS - CONTINUED

Community Outreach

As an organization with strong ties to the community, we're dedicated to making our city a better place to live and work. Our community outreach activities include fundraising initiatives, event sponsorships and corporate programs such as Brighter Nights™ and neighbourhood tree planting. In 2014, we embarked on an exciting new collaboration with Sunnybrook Hospital's Ross Tilley Burn Centre, which is the largest and most advanced burn treatment centre in Canada. This collaboration is very important as electrical burns are a workplace hazard for power line workers in our industry.

Community achievements in 2014:

- We co-hosted four Brighter Nights™ community events to help increase safety and energy efficiency in neighbourhoods across the city by replacing lightbulbs with compact fluorescent bulbs, which cost very little to keep on overnight. The program is a joint effort with the City of Toronto's Community Crisis Response Program, Toronto Community Housing, Toronto Police Service and local volunteers
- Held our annual tree planting event at Scarborough's Dean Park where more than 278 employees and their families planted 300 native trees and shrubs
- In September, we hosted a golf tournament for participating Toronto Hydro suppliers who generously donated \$305,000 for the Ross Tilley Burn Centre. Funds from the event will help advance the Centre's stem cell research through to clinical trials
- We support the United Way and in 2014, employees raised more than \$159,000 to assist United Way agencies across the city
- Participated in the CIBC Run for the Cure, raising \$4,195 for the Canadian Breast Cancer Foundation
- Sponsored several community groups and events including: Nuit Blanche, 100th Annual Canadian Helen Keller Centre Award Luncheon, Toronto Kiwanis Boys and Girls Club, and Threads of Life – Safety Reflection Day

[Learn more about our community outreach initiatives.](#)