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December 7, 2016

Ulli S. Watkiss
City Clerk
City Hall, 13th Floor, West Tower
100 Queen Street West
Toronto, ON M5H 2N2

Dear Madam Clerk,

Re: Administrative Inquiry Regarding Toronto Hydro's Hired Consulting Firms

I am writing further to the Administrative Inquiry submitted by Councillor Gord Perks and Councillor Janet Davis to the City Clerk, dated October 27, 2016. The Administrative Inquiry requested answers to a number of questions related to the nature of the working relationships of two consultancy firms, Edelman Canada and Campaign Research, with Toronto Hydro Corporation.

I previously provided a letter for the November 8-9, 2016 Council meeting with an attached letter dated November 4, 2016 from Anthony Haines, President and CEO, advising that Toronto Hydro Corporation would endeavour to provide the requested information to Council in time for its next scheduled meeting on December 13-15, 2016.

The requested response from Toronto Hydro Corporation was provided to my office on December 6, 2016 and is attached for information.

Sincerely,

Peter Wallace
City Manager

cc: Anthony Haines, President and CEO, Toronto Hydro Corporation

Enclosure

Response – Administrative Inquiry

December 6, 2016

Introduction

Toronto Hydro's priorities are to provide a safe and reliable electricity grid for our customers and to maintain our financial strength, including the sustainable health of our capital structure.

Accordingly, we took steps approximately 18 months ago to ensure the company and its board would have the benefit of expert insight and advice on the company's capital structure and options for addressing a gap in capital. A variety of external experts were engaged to assist us with comprehensive research, analysis and investigation to verify Toronto Hydro's circumstances and consider various options for addressing those circumstances.

Administrative Inquiry

1. What is the scope of work and requested deliverables that Edelman Canada and Campaign Research have been contracted to provide to Toronto Hydro?

Toronto Hydro has engaged a variety of external experts — including Edelman Canada and Campaign Research — to assist us in a process of examining growing pressures on our capital structure and options for easing those pressures. This work has included comprehensive research, analysis and investigation to verify Toronto Hydro's circumstances and consider various options for addressing those circumstances.

It is not our practice to disclose further details of contractual or professional relationships with specific suppliers. Information about specific contracts is commercially sensitive and legally privileged.

2. When was each firm retained by Toronto Hydro?

External professional service providers were retained over approximately the last 18 months to assist with the investigation described above.

3. What information and material support is Toronto Hydro providing to each firm?

Toronto Hydro discusses relevant aspects of its business with its strategic advisors in order to enable them to provide the services outlined above.

4. What was the amount agreed upon for compensation of their services?

For professional services and support, Toronto Hydro pays competitive market rates to ensure we have access to specialized, professional expertise. As noted above, it is not our policy or practice to disclose the financial terms of contractual or professional relationships with suppliers. Information about specific contracts is commercially sensitive and legally privileged.

Response – Administrative Inquiry

December 6, 2016

5. Which body or individuals decided that Toronto Hydro would retain consultants to deliver this work?

Toronto Hydro identified a need to investigate pressures on our capital structure and options for easing those pressures. As with many corporate processes of validation and analysis, Toronto Hydro undertook due diligence efforts, including making use of a variety of external experts. These steps were taken by Toronto Hydro's Executive Leadership Team and the Board of Directors.

6. When was the decision to retain these consultants made?

These decisions were part of the above-noted investigation over approximately the last 18 months.

7. What process was undertaken to recruit these consultants?

External professional service providers are selected either through a competitive bidding process or on the basis of their unique specialized expertise.

8. Was the Board of Directors of Toronto Hydro informed of the decision to seek contractors to provide these services?

Toronto Hydro's Board of Directors participated in decisions to retain professional service providers as part of a company due diligence process (as discussed above).

9. Was the Board of Directors informed of the hiring of these specific firms?

Please see the above response to question #8.

10. Did Toronto Hydro consult with any member of the Toronto Public Service or Member of Council on either the decision to seek external expertise or in the choice of which consultant would be retained, and if so who?

As an arms-length commercial entity, Toronto Hydro is not required to consult with the Toronto Public Service or a member of council prior to retaining external professional service providers. Toronto Hydro's directors and officers have a fiduciary duty to act in the best interests of the corporation and a duty of care, which includes undertaking due diligence processes. See also answer to question 5 above.