

POWERING THROUGH

2019 Annual Report

Attachment 2a

EX16.18



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POWERING THROUGH

Message from the Chair of the Board, and President and Chief Executive Officer

We're pleased to present Toronto Hydro's 2019 Annual Report: *Powering Through*. In 2019, we focused on what matters most: providing our customers with affordable, reliable and safe electricity, while continuing to invest in the grid to ensure we'll be able to power our city today, tomorrow and into the future.

As we do our part to power our customers through the COVID-19 pandemic, we know that during uncertain times, customers are more focused than ever on the bottom line. That's why we were proud to recently announce the Ontario Energy Board's approval of our 2020-2024 rates application, which has allowed us to lower rates for most customers. The application – which was developed through comprehensive public consultation with more than 11,000 of our customers – has resulted in a 17.4% reduction on the distribution portion of residential bills. As a result, a typical residential customer will experience an average decrease of \$5.60 on their total monthly bill in 2020.

This rate reduction was enabled in part by our strong and proven track record of efficiency, which includes more than \$2 billion of productivity savings over the last two decades. We recently completed our operational centres consolidation project, which reduced the company's footprint, lowered our operating costs and reduced our square footage per employee by more than 40%. This allowed us to credit more than \$150 million back to customers through the proceeds of property sales.

Our customers are also seeing the benefit of improved performance after a decade's worth of strategic investments in the renewal and modernization of our electricity distribution system. These investments have improved system reliability and reduced the average frequency and duration of service interruptions. Our goal is to maintain these improvements, and further modernize the grid to meet the needs of our customers, through the investment of an additional \$3.8 billion in capital and operating expenditures over the next five years.

We also recognize the need to keep up with the record pace of growth in Toronto. In 2019, we energized and brought into service our new Copeland Transformer Station – only the second underground transformer station of its kind in Canada – to help relieve concentrated development in the downtown core. The station adds the capacity equivalent of 70 skyscrapers to the grid, helping to ensure that new and existing customers in the area can continue to expect safe and reliable electricity.

Finally, we continue to work closely with our transit partners to support the electrification of public transit throughout Toronto. In 2019, our work helped enable progress on major public transit projects across the city, including the Eglinton Crosstown light rail transit (LRT) line, the Finch West LRT line and the GO Expansion program. Through this work, we're doing our part to keep people moving and improve the lives of Torontonians.

Company overview

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

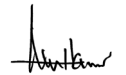
- Toronto Hydro-Electric System Limited – distributes electricity; and
- Toronto Hydro Energy Services Inc. – provides street lighting and expressway lighting services in the City of Toronto

To learn more about our corporate performance, visit torontohydro.com/reports

On behalf of Toronto Hydro, we thank our customers and stakeholders for their continued support, as well as our employees for their contributions over the past year. Together, we remain committed as an organization to working tirelessly to serve our customers and power through whatever is to come in the future.



David McFadden
Chair



Anthony Haines
President and Chief
Executive Officer



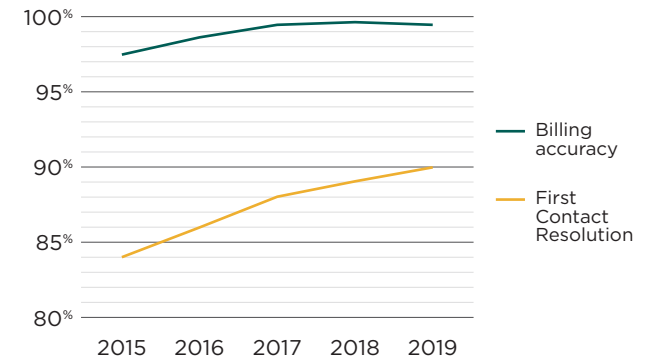
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Our focus on customer service

2019 HIGHLIGHTS

- Received the Ontario Energy Board's approval for our 2020-2024 rates application, enabling us to decrease the distribution portion of residential bills by 17.4% in 2020
- We're also forecasting that distribution rates for residential customers will remain below 2019 levels through the end of 2024, enabling us to provide customers with the certainty of affordable electricity for the next five years
- Connected new customers to the grid on time and generated accurate bills for customers more than 99% of the time
- Successfully resolved customer issues on the first try 90% of the time
- Launched our redesigned website – after extensive consultation with our customers – with mobile-responsive design and compliance with standards set out in the *Accessibility for Ontarians with Disabilities Act*
- Continued to drive increased customer and public safety awareness, including through education campaigns about powerline safety, fraud prevention and emergency preparedness

Customer service improvement



Did you know that Toronto Hydro serves both smaller and larger customers, including:

695,117 Residential service customers

including houses, apartments and condominiums

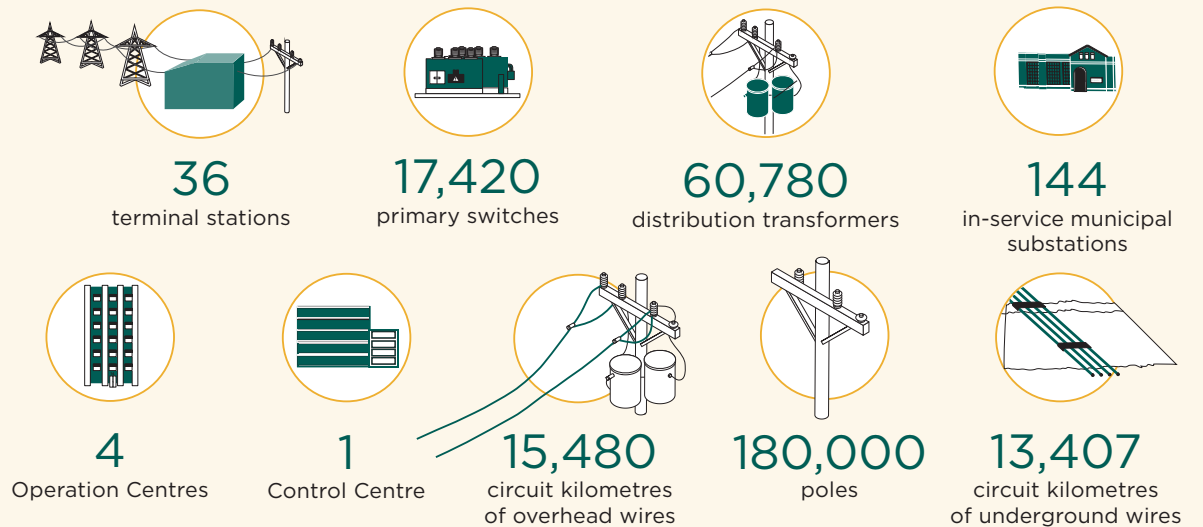
82,538 General service customers

including schools, restaurants and shopping malls

42 Large users

including hospitals, universities and essential services (e.g. water treatment plants)

Our customers are serviced from:



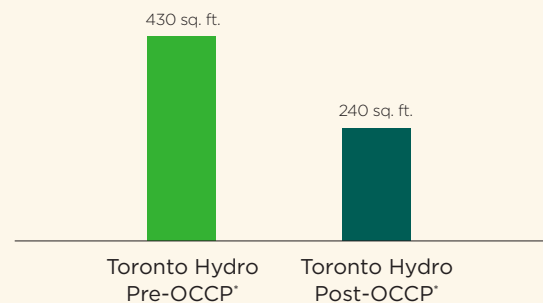
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Our performance and productivity

2019 HIGHLIGHTS

- Invested approximately \$587.1 million primarily in our grid to improve safety and reliability, support our growing city, and meet customer service needs
- Paid dividends totalling \$100.4 million to our sole shareholder, the City of Toronto, which can be used to fund essential city services for the benefit of Toronto residents
- Improved system reliability for our customers by reducing the average frequency and duration of service interruptions compared to 2018
- Continued our efforts to harden the grid to help make it more resilient to extreme weather events caused by climate change
- Continued to develop our disaster readiness program, including completing DisasterLAN system integration with the City of Toronto to enable the exchange of real-time emergency information
- Completed our operational centres consolidation project, resulting in lower operational costs from higher space utilization, which allowed us to credit more than \$150 million in proceeds from property sales back to our customers
- Achieved more than \$2 billion in productivity savings since amalgamation, including from facility operating cost savings, investment recovery savings and other efficiency savings
- Successfully advanced our information technology and operational technology systems to help support our modernization and productivity strategies
- Achieved a number of productivity improvements in our Control Centre, including optimizing communications between system controllers and field workers, which has helped lead to shorter wait times for our crews
- Decreased our vehicle fleet size by approximately 10% and undertook initiatives to help extend the life cycle of our vehicles in order to increase value to our shareholder and customers
- Exceeded our Conservation and Demand Management (CDM) program target by 10% and successfully executed our CDM wind-down plan
- Enrolled an additional 33,000 customers for paperless billing, a convenient, sustainable and cost-effective way for customers to receive their bills

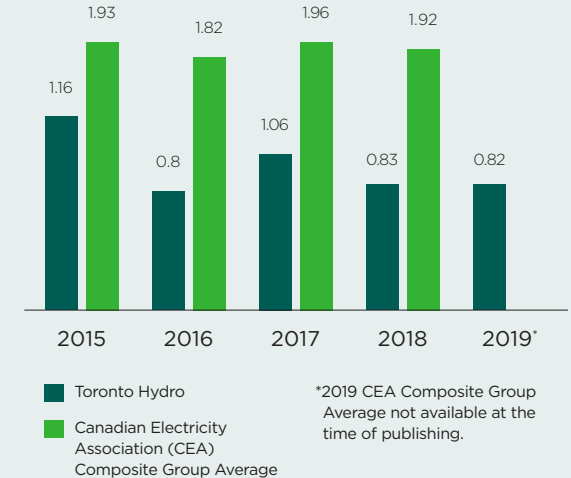
Space utilization per employee (2015-19)



*OCCP refers to our Operating Centres Consolidating Program.

Our injury rate in the last several years has been nearly half that of the industry average:

Total Injury Frequency Rate (TRIF)



We continue to invest in our grid to help improve reliability for our customers:

	2019	2018
SAIDI	0.82	0.98
SAIFI	1.30	1.48

“SAIDI” means System Average Interruption Duration Index and is a measure (in hours) of the annual system average interruption duration for customers served, not including Major Event Days (MED).

“SAIFI” means System Average Interruption Frequency Index and is a measure of the frequency of service interruptions for customers served, not including MED.