

Enabling Toronto Hydro's Sustainable Growth

Date: June 4th, 2024

To: Executive Committee

From: City Manager and Chief Financial Officer and Treasurer

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The confidential attachment to this report has been provided to the City of Toronto by Toronto Hydro Corporation in accordance with Section 4.4 of the Shareholder Direction and contains commercial and financial information of Toronto Hydro Corporation supplied in confidence to the City of Toronto which, if disclosed could reasonably be expected to prejudice Toronto Hydro's competitive position or interfere significantly with the contractual or other negotiations of Toronto Hydro and result in undue loss to Toronto Hydro. In addition, any disclosure could give rise to a breach of law, including applicable securities law.

SUMMARY

The purpose of this report is to seek Council's instructions to enable Toronto Hydro's sustainable growth.

RECOMMENDATIONS

The City Manager and Chief Financial Officer and Treasurer recommends that:

1. City Council adopt the confidential instructions to staff in Confidential Attachment 1 to this report from the City Manager and Chief Financial Officer and Treasurer.
2. City Council authorize the public release of Confidential Attachment 1 and Confidential Appendix A to this report from the City Manager and Chief Financial Officer and Treasurer, if Council adopts the confidential instructions to staff in Confidential Attachment 1 and if Confidential Appendix A is adopted by City Council and executed by the City Manager.

3. City Council direct that all information contained in Confidential Appendix B remain confidential as disclosure of this information could reasonably be expected to prejudice Toronto Hydro's competitive position or interfere significantly with the contractual or other negotiations of Toronto Hydro and result in undue loss to Toronto Hydro. In addition, any disclosure could give rise to a breach of law, including applicable securities law.

FINANCIAL IMPACT

Commentary and analysis regarding the financial impacts are contained within the Confidential Attachments.

EQUITY STATEMENT

The impacts of climate change disproportionately affect certain populations, including seniors, people with health conditions, people with low income, those experiencing homelessness, and Indigenous and racialized communities. The recommendations in this report are intended to identify actions that Toronto Hydro, in collaboration with City divisions and agencies, can take to mitigate and adapt to climate change and support community resilience. These actions will lead to a reduction in greenhouse gases while improving equity, economic prosperity, resilience and health.

DECISION HISTORY

On July 19, 2023, City Council adopted the Toronto Hydro Annual General Meeting and 2022 Audited Financial Statements. This included 2023 Climate Action Status Report, including highlights of five Expanded Electricity Distributor and five Climate Advisory Services projects.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX6.19>

On May 10, 2023, City Council received a report containing the Toronto Hydro and City of Toronto Memorandum of Understanding for Toronto Hydro's Climate Advisory Services. The MOU sets out how the two parties will coordinate communications and marketing to customers, align key performance indicators, and develop an implementation plan with timelines and progress reporting. This effort will ensure value-for-money in relation to any future impacts on the Toronto Hydro dividend to the City and achieve climate action at scale.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX4.2>

On July 19, 2022, City Council requested Toronto Hydro and City staff to negotiate and create a Memorandum of Understanding related to Toronto Hydro's Climate Advisory Services - including coordinated communications to customers, alignment of key performance indicators, implementation plan with timelines and progress reporting -- to ensure that the implementation of Climate Advisory Services and TransformTO are coordinated and provide value-for-money, in relation to any future impacts on the

Toronto Hydro dividend to the City and report back to City Council on the Memorandum of Understanding in the first quarter of 2023.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EX34.9#>

On May 11, 2022, City Council received a report on the Accountability and Management Framework for the TransformTO Net Zero Strategy, and requested staff identify any funding enhancements necessary to accelerate the TransformTO Net Zero Strategy to achieve upcoming community-wide greenhouse gas reduction targets.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.IE29.10>

On December 15, 2021, in response to the Toronto Hydro Climate Action Plan, City Council requested additional information from both City staff and Toronto Hydro. Council also directed the City Manager to report to Council on the information submitted by Toronto Hydro, in consultation with Toronto Hydro and relevant divisions and agencies.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX28.1>

On April 7, 2021, City Council requested Toronto Hydro to report to the City Manager by the end of the third quarter of 2021 on current work and an action plan to achieve outcomes regarding electric vehicle-charging infrastructure, modernization of outdoor lighting, renewable energy and energy storage, and attracting revenue through non-rate sources of capital funding. Council also directed the City Manager to report to Council on the information submitted by Toronto Hydro by the end of the fourth quarter of 2021, in consultation with Toronto Hydro and relevant divisions and agencies.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX22.5>

On October 27, 2020, City Council directed the City Manager, in consultation with the Environment and Energy Division and the Toronto Atmospheric Fund, to develop recommendations for Toronto Hydro to achieve greater outcomes for energy efficiency, demand management and renewable energy within the service area, and report back to City Council by the end of 2020 on the proposed recommendations and how to implement them.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX17.1>

COMMENTS

Toronto Hydro

Toronto Hydro was created in its current incorporated form through the Energy Competition Act, 1998 and the Ontario Business Corporations Act (OBCA). It is the successor to five public utility commissions, the oldest of which originated in 1914.

As a local distribution company, Toronto Hydro's mandate is to provide electricity distribution services in the City of Toronto. This mandate is also entrenched in the Toronto Hydro Corporation Shareholder Direction.

Toronto Hydro is a for-profit business corporation owned solely by the City of Toronto. As shareholder, the City is required to appoint a board of directors to oversee and guide

the corporation in accordance with corporate law and a Council-approved Shareholder Direction.

The Toronto Hydro Board

Toronto Hydro's Board of Directors is responsible for supervising the management of the utility in carrying out its mandate and ensuring that it follows the Shareholder Direction. The board also approves the business and financing strategy, approves dividend payments or distribution of capital and appoints the subsidiaries' boards of directors. The Toronto Hydro Board consists of 11 members appointed by City Council. It comprises eight public members and three City Council members, one of whom is the Mayor or Council member-designate.

CONTACT

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SIGNATURE

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Chief Financial Officer and Treasurer

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ATTACHMENTS

Confidential Attachment 1
Confidential Appendix A
Confidential Appendix B