



POWERING FORWARD, TOGETHER

2023 Annual Report



POWERING FORWARD, TOGETHER

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

We're pleased to present Toronto Hydro's 2023 Annual Report: *Powering Forward, Together*. This year's theme highlights our commitment to working together with our customers, stakeholders and community to ensure we can meet the evolving electricity needs of our city — now and into the future.

This past year, we continued to serve our essential role of providing Toronto with safe, reliable and clean electricity while setting the stage for Toronto Hydro to power an increasingly growing, electrified and decarbonized city in the years ahead.

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In 2023, we delivered the largest capital investment program in our company's history to renew and modernize our grid. We achieved this while maintaining our portion of the electricity bill below 2019 levels for residential customers

and delivering dividends that can help fund City services. We also maintained our unwavering commitment to employee health and safety throughout the year, achieving our best-ever safety performance for the second straight year.

To ensure we can continue powering Canada's largest city safely and reliably for years to come, we prepared a comprehensive grid and operations investment plan for 2025 to 2029 to expand, modernize and sustain the local electricity grid so that power continues to be safely and reliably available as more and more customers electrify their homes and businesses. To ensure alignment with customer needs and preferences, we developed our plan in consultation with over 33,000 of our customers (a record number for Toronto Hydro), 84 per cent of whom on average support our plan.

As we chart a course forward, we continued to make progress towards achieving key outcomes that provide value to customers. Building on the progress we've made in grid renewal, we achieved our best-ever performance with respect to the number and frequency of outages caused by defective equipment. We continued to enhance and modernize our distribution system to improve the reliability, efficiency and safety of our grid. And we connected more than 5,500 new

services to the grid throughout the year — on time more than 99 per cent of the time — demonstrating our commitment to getting customers power when they need it.

With increased electrification expected in the coming years, part of Toronto Hydro's transformative role will include facilitating decarbonization and actively contributing to the reduction of greenhouse gas emissions in Toronto. In 2021, we developed a Climate Action Plan to support the City's net-zero vision, and we were proud to receive our mandate and then a Memorandum of Understanding for expanded climate action from Toronto City Council in May 2023 to help us facilitate a coordinated, collaborative approach to advance decarbonization aligned with the City of Toronto's goals. For more on how we've turned that mandate into action, please refer to our Climate Action: 2023 Year-End Status Report.

Our climate action work builds on our corporate sustainability achievements, which in 2023, included becoming one of the first utilities in Ontario to introduce a fully electric bucket truck to our fleet — an important step forward for our commitment to fleet electrification and achieving net-zero emissions in our operations by 2040. We were also pleased to be one of the first utilities to offer the Ultra-Low Overnight price plan to customers, providing customers more flexibility and helping prepare the grid for increased electrification.

On behalf of Toronto Hydro, we thank all of our employees for their hard work and dedication throughout the year. As we look forward to the year ahead, a period that will mark a transition in leadership at Toronto Hydro, we remain committed to working side-by-side with our customers, stakeholders and community to power our city forward in 2024 and beyond.



David McFadden
Chair, Board of Directors



Anthony Haines
President and
Chief Executive Officer

POWERING FORWARD, TOGETHER

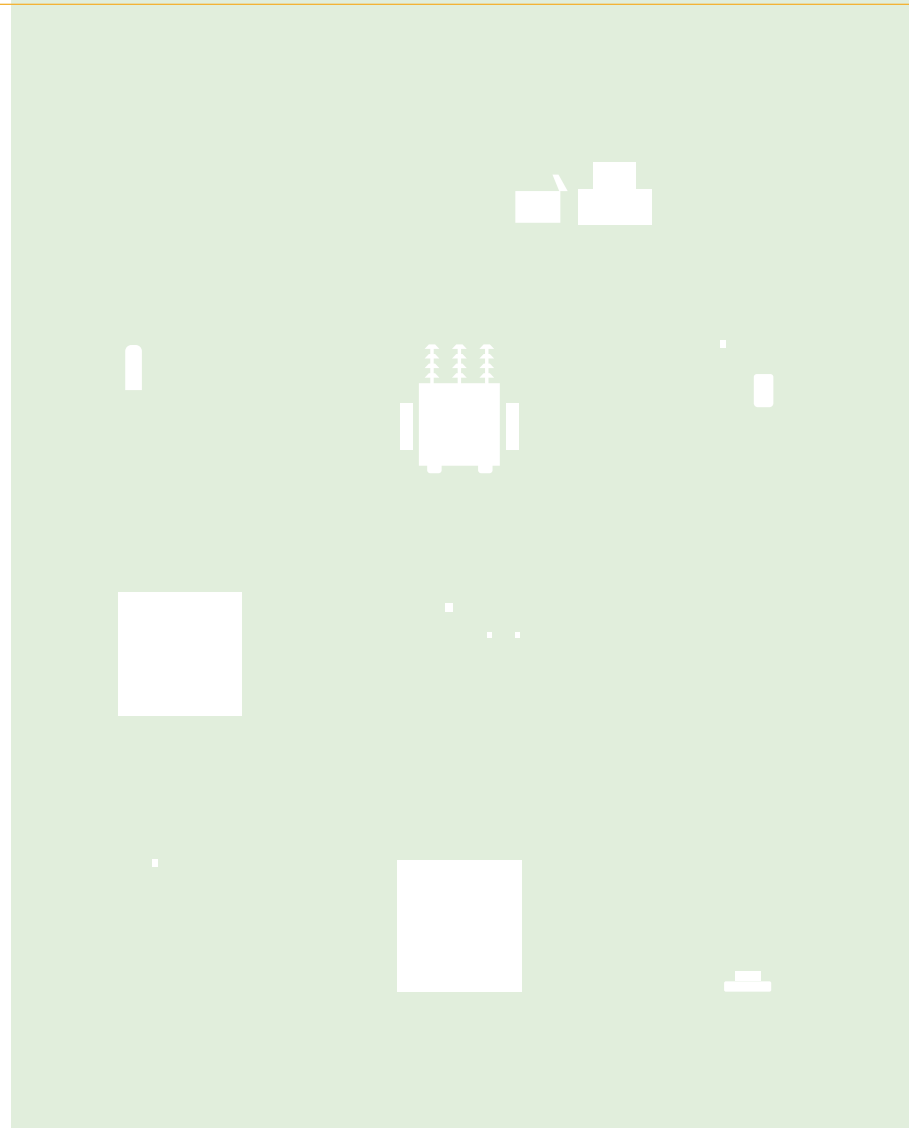


COMPANY OVERVIEW

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 streetlighting and expressway lighting services in the city of Toronto

To learn more about our company, including our leadership, governance and sustainability performance, visit

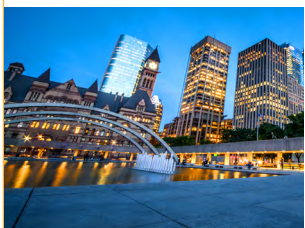


POWERING FORWARD, TOGETHER

OUR 2025-2029 INVESTMENT PLAN

Investment needs and challenges

To ensure we can continue powering Canada's largest city safely and reliably for years to come, we filed our 2025-2029 rate application and investment plan with the Ontario Energy Board in November 2023. Our plan is focused on responding to the needs and challenges of delivering safe, reliable and clean electricity in Toronto, including:



Powering a mature and growing urban city:

We serve Canada's largest and North America's second-fastest growing city (by population). We also operate in a dense urban environment, which makes it more complicated and more expensive for us to plan and build infrastructure. As Toronto continues to grow, we need to prepare the grid to power new condo towers, residential communities and businesses.



Fixing and replacing equipment in poor condition:

A large percentage of our grid was installed in the 1950s and 60s. We need to continue monitoring the condition of our grid and replace equipment most at risk to keep it safe and reliable for customers.



Keeping up with how customers use electricity:

Customers are increasingly adopting electrified technologies like electric vehicles and heat pumps for their day-to-day energy needs, and using new technologies like solar panels and battery storage to manage their energy usage. We need to upgrade our equipment and modernize our grid to keep up with these changes.



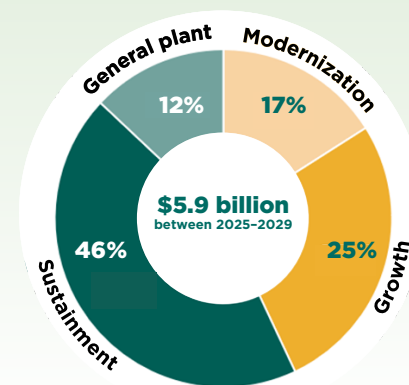
Responding to extreme weather and cybersecurity threats:

Extreme weather events such as high heat, high winds, flooding and ice storms are becoming more common due to climate change. In addition, cybercrime is on the rise across Canada. We need to invest in making our grid and operations more resilient against these emerging threats.

Strategic priorities

In order to help ensure the delivery of safe, reliable and clean electricity now and into the future, we need to focus on four strategic priorities:

- 1 Modernization:** Develop advanced technological capabilities to make the system and our operations more reliable, resilient and efficient over time.
- 2 Growth:** Connect customers on time and get the grid ready to serve the city's growing need for electricity.
- 3 Sustainment:** Upkeep and renew aging, deteriorating and outdated equipment to maintain reliability, reduce safety risks and enhance our grid's capacity to serve customers.
- 4 General plant:** Keep our business running efficiently with safe and reliable vehicles, work centres and IT equipment, and reduce our emissions.



OUR 2025–2029 INVESTMENT PLAN

How customer feedback shaped our plan

Customer engagement is an essential part of our investment planning and rate application process. Before we prepared our plan, we asked our customers for feedback about their needs and priorities for electricity services.

Customer engagement process

- ✓ **1 Identify customer needs, preferences and priorities.** 
- ✓ **2 Use customer feedback to guide development of draft plan.** 
- ✓ **3 Collect customer feedback on draft plan.** 
- ✓ **4 Use customer feedback to finalize plan.** 
- ✓ **5 Submit plan to the Ontario Energy Board (OEB).** 

Customer feedback

The feedback from customers centred around three core areas:

- 1 Price and reliability**
- 2 New technology to reduce costs and improve the system**
- 3 System capacity to serve high-growth areas**

Our draft plan was developed with these needs and priorities in mind and put back to customers through an interactive online survey.

CUSTOMER TYPE	SURVEY PARTICIPATION	SUPPORT FOR OUR DRAFT PLAN*
Residential	32,187	80%
Small business	695	77%
Commercial and industrial	264	82%
Key accounts	52	96%
TOTAL	33,198	84%

*Includes customers who supported a plan that does even more to improve services.

ADVANCING UTILITY PERFORMANCE AND PRODUCTIVITY

2023 highlights

- Completed the fourth year of our five-year investment plan for 2020–2024 by investing \$755.0 million primarily in our grid to maintain safety and reliability, support a growing city, enable clean energy, and prepare for and respond to extreme weather
- Paid dividends totalling \$98.3 million to our sole shareholder, the City of Toronto, which can be used to fund essential City services for the benefit of Toronto residents
- Connected over 5,500 new services to the grid on time more than 99% of the time
- Achieved our best-ever reliability performance with respect to the average duration and frequency of outages caused by defective equipment
- Met our accuracy and timeliness target for estimated times of restoration for power outages 96% of the time
- Continued to pursue system enhancements — including the use of monitoring and control and grid automation technologies — to help improve the reliability, efficiency and safety of the grid
- Developed and submitted a fully integrated grid modernization strategy as part of our 2025–2029 rate application, laying the groundwork for our transition towards a more integrated, intelligent and self-healing grid
- Completed the second year of our pilot project with Power Advisory LLC and Toronto Metropolitan University's Centre for Urban Energy to explore how demand response can be used to address overlapping distribution and transmission system level needs
- Continued to support transit electrification across the city, including light rail transit, priority subway lines (including the Ontario Line, Scarborough Subway Extension and Yonge North Subway Extension) and the GO Expansion program

Additional highlights



Completed more than **300** planned capital projects as part of our grid investment initiatives and more than **5,600** reactive projects that supported our distribution system health



Achieved a **99%** response rate to nearly **20,000** service requests for streetlight outages



Achieved a Total Recordable Injury Frequency (TRIF) rate of **0.30**, our best record to date (and nearly **80%** better than the Electricity Canada composite average)¹

¹TRIF, which is sometimes termed "total recordable injury rate" or simply "total recordable rate," is the ratio of injuries of a certain severity (termed "recordable injuries") to hours worked. Toronto Hydro's 2023 result was compared to the latest available composite average for Electricity Canada member utilities (2022).

SUPPORTING OUR COMMUNITY

People are at the heart of what we do, and Toronto Hydro is proud to support a number of initiatives in our community.

2023 highlights

- Raised over \$167,000 for the United Way and its partner agencies through our annual employee campaign
- Built on the success of our previous fundraising efforts for Sunnybrook's Ross Tilley Burn Centre by raising over \$1.5 million in 2022 and 2023 for the Canadian Ukrainian Immigrant Aid Society to help vulnerable families settle into our community
- Invested \$50,000 with Georgian College to launch a series of new bursaries for students displaced by war and other political unrest, and donated \$10,000 to be awarded to Ukrainian newcomers enrolled in the Power and Control program at George Brown College
- Continued sponsoring several community groups and events to support local organizations, including: Tree Canada, Cavalcade of Lights, CycleTO, Relay Education, the First Nations Energy Symposium and Plug'n Drive



EMPOWERING OUR CUSTOMERS TO SERVE THEM BETTER

2023 highlights

- Expanded customer choice by becoming one of the first utilities in the province to offer Ontario's Ultra-Low Overnight price plan to customers (in addition to Time-of-Use and Tiered options) — providing customers more flexibility to help manage their electricity costs
- Launched Green Button *Connect My Data*® (complementing our existing Green Button *Download My Data*® service) — a simple and secure way for customers to access their electricity usage data and share it with authorized third-party companies
- Continued to offer improved online engagement options for customers, including through our mobile app, online chat tools for outage and account-related inquiries, and email and text (SMS) outage notifications
- Introduced online customer connection guides and developer manuals to help customers and general contractors plan updates, installations or replacements of their electricity services — ensuring alignment with customers' electrification needs
- Published new clearance guides to help keep customers and contractors safe and ensure they're maintaining a safe distance from our electrical equipment
- Promoted tips and programs available to help customers save money, conserve energy and increase their home comfort
- Worked directly with customers to provide more flexible payment options and additional support through various financial assistance programs, including the Ontario Electricity Support Program, the Low-income Energy Assistance Program and the Energy Affordability Program
- Continued to drive increased customer and public safety awareness through education campaigns about electrical safety, fraud prevention and emergency preparedness

Additional highlights



Issued accurate bills more than **99%** of the time¹ and resolved customer inquiries on first contact **92%** of the time



Surpassed **50%** customer enrollment for eBilling — a convenient, sustainable and cost-effective way for customers to receive their bills



Collected feedback from more than **33,000** customers across the city to help guide the development of our 2025–2029 investment plan

¹ The remaining 0.8% represents applicable factors affecting the bill accuracy calculation, such as billing estimates and billing adjustments and cancellations.

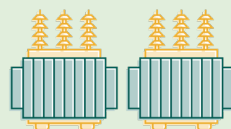
* GREEN BUTTON CONNECT MY DATA and GREEN BUTTON DOWNLOAD MY DATA are registered trademarks owned by the U.S. Department of Energy.

BUILDING A GREENER CITY THROUGH CLIMATE ACTION

2023 highlights

- Began executing on our City Council-approved mandate for expanded climate action — in support of the City's net-zero 2040 vision — by achieving early climate action wins, establishing a permanent Climate Action team and developing programs to support customers with their own climate action initiatives
- Surpassed our internal targets for Building Emissions Reduction and Fleet Electrification — two performance metrics for monitoring our progress towards achieving net-zero emissions in our operations by 2040
- Certified to stringent, internationally recognized standards for environmental (ISO 14001:2015) and occupational safety (ISO 45001:2018) management systems by independent third-party auditors for the 11th consecutive year
- Became one of the first utilities in Ontario to add a fully electric bucket truck to our fleet — a historic addition to our electric fleet (consisting of 15 fully battery electric vehicles and 58 hybrid vehicles) and a critical step in our fleet electrification journey
- Supported the Toronto Parking Authority with the installation of 193 off-street and 50 on-street electric vehicle (EV) charging stations around the city — helping remove barriers to EV ownership for the residents of Toronto
- Continued to champion renewable energy by: incorporating energy storage into our distribution system planning; removing solar and storage size restrictions for most customers; and proposing investments to help address current and anticipated grid constraints for solar and storage connections
- Continued efforts to increase the physical resiliency of the grid to the impacts of extreme weather events, develop our Disaster Preparedness Management program, and collaborate on climate change resilience with the City and its agencies
- Recognized as one of Canada's top 20 corporate citizens by Corporate Knights and was named a 5-Star Energy and Resource Company by Canadian Occupational Safety
- Honoured as a sustainability leader by Canada's 2024 Clean50, and earned a spot on Canada's Clean16 list as a top contributor in the category of Traditional Energy, in recognition of our Climate Action Plan and other sustainability achievements

Additional highlights



Repaired over **300** units of major equipment (e.g., transformers, switches and network protectors) for seamless reintroduction into the system



Achieved a **21%** reduction in building emissions over the past five years (i.e., since 2019)



Completed tree pruning on more than **73,000** trees to help safeguard the system against adverse weather conditions

FINANCIAL PERFORMANCE

2023 highlights

- Throughout 2023, the Corporation continued with critical work in its grid investment plan to maintain safety and reliability, support a growing city, enable clean energy, and prepare for and respond to extreme weather
- Net income after net movements in regulatory balances for the year ended December 31, 2023, was \$139.9 million, compared to \$163.9 million for the comparable period in 2022
- Capital expenditures were primarily related to the renewal of the electricity infrastructure of Toronto Hydro-Electric System Limited and were \$755.0 million for the year ended December 31, 2023, compared to \$722.7 million for the comparable period in 2022

Selected annual consolidated financial information (in millions of Canadian dollars)¹

YEAR ENDED DECEMBER 31	2023 \$	2022 \$
Total revenues	3,645.5	3,601.7
Net income after net movements in regulatory balances	139.9	163.9
AS AT DECEMBER 31		
Total assets and regulatory balances	7,594.5	6,947.0
Total debentures and other non-current financial liabilities ²	2,982.6	2,750.7
Total equity	2,103.6	2,062.0
Dividends	98.3	84.6

¹ Derived from Toronto Hydro's consolidated financial statements based on extracts of selected information only and do not represent the full set of consolidated financial statements.

² Total debentures include current and long-term debentures. Other non-current financial liabilities include primarily non-current obligations under finance lease and non-current customer deposits. Under International Financial Reporting Standards, deposits that are due or will be due on demand within one year from the end of the reporting period have been reclassified to other current financial liabilities.

FINANCIAL PERFORMANCE

Consolidated statements of income — year ended December 31 (in millions of Canadian dollars)

REVENUES	2023 \$	2022 \$	CHANGE \$
Energy sales	2,687.3	2,737.8	(50.5)
Distribution revenue	839.5	754.2	85.3
Other	118.7	109.7	9.0
	3,645.5	3,601.7	43.8
EXPENSES			
Energy purchases	2,735.7	2,846.7	(111.0)
Operating expenses	352.2	322.5	29.7
Depreciation and amortization	283.3	311.4	(28.1)
	3,371.2	3,480.6	(109.4)
Finance costs	(121.5)	(87.6)	(33.9)
Other gains	36.3	—	36.3
Income before income taxes	189.1	33.5	155.6
Income tax expense	(37.7)	(8.5)	(29.2)
Net income	151.4	25.0	126.4
Net movements in regulatory balances	(42.3)	136.5	(178.8)
Net movements in regulatory balances arising from deferred taxes	30.8	2.4	28.4
Net income after net movements in regulatory balances	139.9	163.9	(24.0)

Additional information with respect to the Corporation (including its 2023 Annual Information Form and 2023 Fourth Quarter Financial Report) is available at torontohydro.com/reports.

FORWARD-LOOKING INFORMATION

Certain information included in this report constitutes “forward-looking information” within the meaning of applicable securities legislation. All information, other than statements of historical fact, which address activities, events or developments that we expect or anticipate may or will occur in the future, are forward-looking information. The words “anticipates,” “believes,” “budgets,” “can,” “committed,” “continue,” “could,” “estimates,” “expects,” “focus,” “forecasts,” “further notice,” “future,” “impact,” “increasingly,” “intends,” “may,” “might,” “objective,” “once,” “outlook,” “plans,” “propose,” “projects,” “should,” “trend,” “will,” “would,” or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The purpose of the forward-looking information (including any financial outlook) contained herein is to provide Toronto Hydro’s current expectations regarding its future results of operations, performance, business prospects and opportunities, and readers are cautioned that such information may not be appropriate for other purposes. All forward-looking information is given pursuant to the “safe harbour” provisions of applicable Canadian securities legislation.

Specific forward-looking information in this report includes, but is not limited to, statements regarding: the impact on Toronto Hydro’s operating results and financial position in the future due to uncertain economic factors, including macroeconomic factors and local market forces such as indeterminate levels of customer consumption; the impact on Toronto Hydro’s financial health and performance due to changes in economic, policy, customer preference or technological conditions that may reduce the demand for distribution-grid electricity; Toronto Hydro’s proposed 2025–2029 investment plan; and Toronto Hydro’s potential role in facilitating decarbonization and actively contributing to the reduction of greenhouse gas emissions in Toronto.

The forward-looking information reflects Toronto Hydro’s current beliefs and is based on information currently available to Toronto Hydro. The forward-looking information is based on estimates and assumptions made by Toronto Hydro’s management in light of past experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes to be reasonable in the circumstances, including, but not limited to: the amount of indebtedness of Toronto Hydro; the future course of the economy and financial markets; no unforeseen changes in electricity distribution rate orders or rate-setting methodologies; and assumptions regarding general business and economic conditions.

Forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: risks associated with the execution of Toronto Hydro’s capital and maintenance programs necessary to maintain the performance of aging distribution assets and make required infrastructure improvements, including to deliver a modernized grid and meet electrification requirements to achieve government net-zero greenhouse gas emissions targets; risks associated with capital projects; risks associated with changing weather patterns due to climate change and resultant impacts to electricity consumption based on historical seasonal trends; risks of municipal government activity, including the risk that the City could introduce rules, policies or directives, including those relating to net-zero greenhouse gas emissions targets, that could potentially limit Toronto Hydro’s ability to meet its business objectives as laid out in its Shareholder Direction principles; risk that Toronto Hydro is unable to maintain its financial health and performance at acceptable levels; and risk associated with Toronto Hydro failing to meet its material compliance obligations under legal and regulatory instruments.

The Corporation cautions the reader that the above list of factors is not exhaustive, and there may be other factors that cause actual events or results to differ materially from those described in forward-looking information. Some of the other factors are discussed more fully under the heading “Risk Factors” in Toronto Hydro’s Annual Information Form for the year ended December 31, 2023.

All forward-looking information in this document is qualified in its entirety by the above cautionary statements. Furthermore, unless otherwise stated, all forward-looking information contained herein is made as of the date hereof, and Toronto Hydro undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise, except as required by law.



*A registered trademark of Toronto Hydro Corporation used under licence. "Toronto Hydro" means Toronto Hydro-Electric System Limited.