

Services Agreement Amendments

- Enhanced Streetlighting Investment -

This document sets forth the proposed amendments to the 866 Street and Expressway Lighting Service Agreement (“SLA”), between the City of Toronto and Toronto Hydro. These amendments revise and build on the existing SLA framework and are intended to support an enhanced investment by the City to enable Toronto Hydro to deliver a comprehensive streetlighting asset management approach that maintains, renews and modernizes the streetlighting system in Toronto, including State of Good Repair (SOGR) renewal and full LED conversion.

1. Streetlighting Program Plan

1.1 Requirement and Purpose

Toronto Hydro will prepare a 10-Year Streetlighting Program Plan (2026-2035) to be presented to the City (through Transportation Services (TS)). The plan will outline the proposed program of work and investment approach, with a more detailed plan for the upcoming year, and will be developed to support City assurance of program scope, sequencing, coordination, and alignment with the approved funding framework.

The plan will be developed and presented in Q3 for the subsequent year. For 2026, recognizing the condensed timing, a simplified plan will be developed with the City (through TS) in May 2026.

The Streetlighting Program Plan may be refined from time to time by Toronto Hydro and the City, acting collaboratively and within timelines agreed by the parties, to account for specific issues around events and coordination and other project scope adjustments necessary to accomplish the program goals. The plan will be developed based on the funding profile agreed upon.

Each annual update to the Streetlighting Program Plan will be prepared to align with, and remain within, the annual caps and overall approved funding envelope of \$577 million from 2026 to 2035, as set out in Table 1, and incorporated into TS’ 10-Year Capital Budget and Plan. Updates will be confirmed through the City’s annual budget process for Council consideration. Updates will also consider longer-term program needs beyond the current capital plan horizon, including the period after 2035, to inform future planning and decision-making.

Toronto Hydro will provide supporting documentation reasonably required by the City to facilitate assurance and understanding of proposed works.

1.2 Minimum Content

Each Streetlighting Program Plan shall include the following, at a minimum:

- High-level description of proposed work in relation to four categories: Routine Operations and Maintenance, Capital Renewal and Rehabilitation (SOGR), LED Conversion, and Special Services;
- Proposed schedule and cash flow for the year and remaining term (until 2035);
- Confirmation of coordination with the City, including TS and relevant capital coordination and congestion management frameworks; and
- Rationale for prioritization (e.g. asset condition, reliability risk, safety).

Additional details of the Streetlighting Program Plan will be discussed and confirmed by both parties.

2. Funding Framework

2.1 Integrated Funding Framework

The City’s funding under this Agreement constitutes a single integrated funding envelope, subject to Council-adopted annual and total funding limits, as presented in Table 1, and is intended to support the delivery of the comprehensive streetlighting asset management approach over the term of this Agreement.

Table 1

Enhanced Streetlighting Investment Budget (\$ millions)											
Year	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
City Funding*	60.0	74.0	74.0	69.0	55.0	55.0	50.0	50.0	45.0	45.0	577.0

*Includes HST (net of HST recoveries)

In the event that excess funding becomes available at the City level, the City may revisit the level and timing of funding for streetlighting investments through its established budget processes, subject to Council approval.

Funding under this Agreement will be organized into the following categories, as reflected in the Streetlighting Program Plan:

- a) Routine Operations and Maintenance**
Covers ongoing streetlighting operations and maintenance activities required to operate the system safely and reliably in accordance with this Agreement. Funding for Routine Operations and Maintenance is generally provided on a scheduled basis, as set out in the Streetlighting Program Plan.
- b) Capital Renewal and Rehabilitation (SOGR)**
Covers capital investments related to the renewal, rehabilitation, replacement, and reactive capital work for the streetlighting system. Funding is provided on a reimbursement basis for approved work completed, in accordance with the Streetlighting Program Plan.
- c) LED Conversion**
Covers capital investments associated with the conversion of streetlighting assets to LED technology, including associated design and installation activities. Funding is provided on a reimbursement basis for approved work completed, in accordance with the Streetlighting Program Plan.
- d) Special Services**
Covers City approved services or projects that are distinct from core operations, maintenance, and capital programs, including Pedestrian Scale Lighting and other City-directed initiatives. Funding, expected to be approximately \$4.2 million annually, is allocated at the City’s discretion, including decisions on annual planning, delivery by Toronto Hydro, and use of funds.

Any unspent funding within the annual allocation may be carried forward or, subject to City approval, reallocated to LED conversion or SOGR activities. Funding and payment terms for Special Services are established on a project-specific basis.

The City retains discretion to determine whether Special Services, including Pedestrian Scale Lighting, are delivered under this Agreement or through other arrangements.

Payment is subject to City review and may be subject to verification of work completed, costs incurred, and compliance with the Streetlighting Program Plan and the terms of this Agreement.

2.2 Flexibility

Toronto Hydro may propose reallocations of funding among the categories of the Streetlighting Program Plan, provided such reallocations:

- remain within the approved annual limits and overall funding envelope; and
- are approved by the Chief Financial Office and Treasurer and all other required authorities.

Subject to obtaining the written consent of the Chief Financial Office and Treasurer and all other required authorities (which will require the City having all necessary budget approvals in place, including any approvals required through the City's variance reporting processes), Toronto Hydro may:

- carry forward unspent funding from one year to a subsequent year; and/or
- accelerate future-year funding into the current year where it has demonstrated sufficient capacity to deliver work earlier.

3. Invoicing and Verification

3.1 Invoicing Requirements

Toronto Hydro will submit invoices in accordance with the applicable payment mechanism for each funding bucket, as set out in this Agreement and the approved Streetlighting Program Plan.

Invoicing for Routine Operations and Maintenance will follow section 6.1 in the current Agreement.

Invoices for the remaining funding buckets (Capital Renewal and Rehabilitation, LED Conversion, and Special Services) must, at a minimum:

- clearly tie costs to approved scope and line items in the applicable Streetlighting Program Plan;
- be specific to job, location, and activity (or project and milestone, if applicable);
- include a clear description of the scope of work performed during the invoicing period;
- provide a detailed breakdown of costs by activity or cost component; and include sufficient supporting documentation, to the satisfaction of the City, to substantiate work performed and costs incurred.

Draft invoices will be submitted to the City's designated program area (Transportation Electrical Construction & Maintenance (TECM)) for technical review and approval prior to submission for payment processing.

3.2 Verification and Audit

All work performed and costs invoiced under the Agreement may be subject to City review and verification to confirm that the work:

- has been completed as invoiced;
- is consistent with the Streetlighting Program Plan;
- reflects eligible, reasonable, and properly supported costs; and
- complies with the terms of this Agreement.

Work performed and costs invoiced under this Agreement are subject to City verification and audit, at the discretion of the City. The scope and method of review may vary based on the nature of the work and associated risk.

The City reserves the right to conduct an audit or require independent third-party verification, where necessary and may withhold, adjust, or recover payments where verification or audit identifies deficiencies or non-compliance.

The cost of any third-party verification will be borne by the City or Toronto Hydro, or shared between the parties, depending on the purpose and outcome of the verification, including whether deficiencies or non-compliance are identified.

4. Ineligible Costs and Elimination of Adjustments

4.1 Ineligible costs

Costs not included in, not consistent with, or that cannot be satisfactorily verified against the approved Streetlighting Program Plan are not eligible for payment.

Any costs for streetlighting assets solely serving provincially owned highways (including the Gardiner Expressway and Don Valley Parkway after they have been uploaded to the province) are excluded from eligibility under the enhanced investment funding (LED Conversion and Capital Renewal and Rehabilitation (SOGR)), unless otherwise directed by the City.

4.2 Elimination of Legacy Adjustment Mechanisms

The funding under this Agreement is not subject to any adjustments not specifically contemplated in these proposed key terms for amendment, including:

- annual CPI-based adjustments;
- adjustments tied to Toronto Hydro's collective agreements;
- periodic service fee reviews, including five-year reviews; or
- extraordinary, retrospective, or true-up adjustment mechanisms.

5. Delivery Expectations, Standards and Reporting

5.1 LED Conversion and SOGR Expectations

This Agreement will include program level delivery expectations for the streetlighting program, while preserving flexibility to determine annual scope and sequencing through the Streetlighting Program Plan.

- **LED Conversion:**
Toronto Hydro will plan, prioritize, and deliver the full conversion of the City's streetlighting system to LED technology by December 31, 2035.
- **State-of-Good-Repair (SOGR):**
Toronto Hydro will plan and deliver SOGR renewal of the City's streetlighting assets over the term of this Agreement, consistent with the Streetlighting Program Plan.

For planning and performance measurement purposes, the parties acknowledge that Toronto Hydro will make best efforts to achieve an asset base with an overall Assets Past Useful Life (APUL) of approximately 25% by the end of this Agreement term, acknowledging that at the proposed funding level, APUL for underground distribution assets will remain over 50% by the end of this Agreement term.

The parties further acknowledge that, notwithstanding progress achieved during the term, residual SOGR needs may remain beyond the end of this Agreement and may require consideration through future planning and funding decisions.

The City and Toronto Hydro may, prior to 2035, mutually agree to revisit the Services Agreement to address ongoing SOGR requirements, including consideration of additional funding, subject to Council approval.

5.2 Standards and Reporting

Toronto Hydro shall deliver the streetlighting program in compliance with all applicable laws, codes, and generally accepted industry and municipal standards relevant to streetlighting design, construction, operation, and maintenance, as reflected in the Streetlighting Program Plan.

Toronto Hydro must provide regular quarterly reports, or more frequently if agreed to in writing by both parties, covering:

- work completed versus plan;
- financial status versus approved budget;
- performance metrics, including outages and service levels; and
- capital works delivered and asset condition improvements.

6. Protection Against Contributions Towards Regulated Assets

6.1 Non-duplication of Regulated Asset Cost Recovery

Toronto Hydro warrants and represents that the amounts paid by the City to Toronto Hydro through this Agreement do not duplicate any amounts recovered by Toronto Hydro by way of the monthly electricity bill (e.g. regulated distribution rates), nor the amount recovered through regulated rates.

Amounts paid under this Agreement shall only be used to fund streetlighting and related City-directed investments and initiatives set out in this Agreement, and Toronto Hydro agrees not to cross-subsidize other ratepayers.

At the City's request, Toronto Hydro shall provide reasonable assurance, in a form acceptable to the City, that City funding has not duplicated regulated cost recovery. The City may, at its discretion, undertake or require independent review for this purpose, and Toronto Hydro shall cooperate with such review.

The cost of any independent review may be borne by the City, Toronto Hydro, or shared between the parties, having regard to the nature and outcome of the review, including whether duplication or non-compliance is identified.

Toronto Hydro shall promptly repay the duplicated amount or provide an equivalent credit, as established through the independent review, in the form of repayment or credit as selected by the City.

7. Buyback, Rights, and Restrictions

7.1 Nominal-Value Repurchase Option

The City has the option to assume ownership of any unregulated streetlighting assets at the end of the useful life of those assets for nominal consideration.

7.2 Rights and Restrictions

Toronto Hydro acknowledges the City's funding of streetlighting assets whether that funding is/was through this Agreement or through other direct or indirect funding mechanisms.

Toronto Hydro shall not sell, transfer, assign, or otherwise dispose of any streetlighting assets, or any interest in them, without the City's prior written consent, which consent may include such conditions as the City considers reasonable. Any permitted transfer, sale, or change in ownership or control shall not limit or impair the City's rights or protections under this Agreement.

8. Other Amendments

The following are largely technical amendments intended to update the agreement.

1. Night patrol (delete)

Section 2.17 (Night Patrol) will be deleted in its entirety, with no replacement provision. Night patrol activities remain provincially regulated and are not being discontinued; the proposed deletion relates solely to an outdated software licensing requirement that is no longer in use.

2. Existing contracts (delete)

Section 2.21 (Existing Contracts) will be deleted in its entirety, with no replacement provision.

3. Update ward references and other amendments

- a) All references to City wards in this Agreement will be updated to reflect the current Council adopted ward boundaries, and any obsolete ward references will be deemed amended accordingly.
- b) The City and Toronto Hydro acknowledge that service priorities set out in Schedule D may be reviewed and updated from time to time to reflect changes in asset types, including LED specific service issues. Any such updates will be subject to agreement between the parties in accordance with this Agreement.
- c) Timing for investigation under the spot improvements procedure will be extended to 45 days.
- d) For the purposes of undertaking any of its own construction or maintenance work, the City may relocate SL assets if the parties agree to it. This is simply reflective of how the parties are conducting themselves through the implementation of the Coordination Agreement.

4. Free standing and new joint use pedestrian scale lighting

Clarify that these assets are owned by the City.