INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 1:

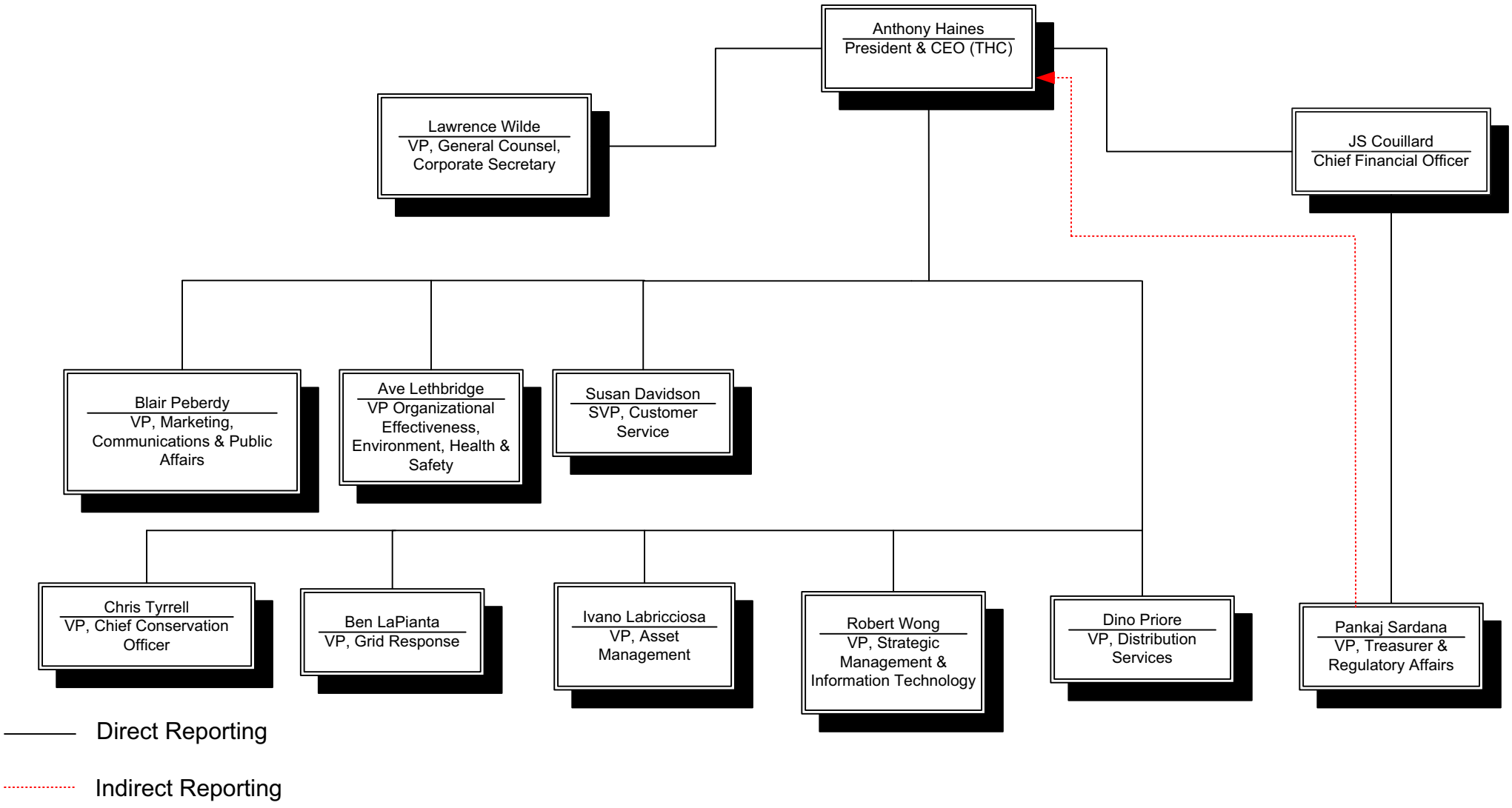
Reference(s): B1-T4-S2

THESL included a Corporate Organization Chart for Toronto Hydro Corporation. Please provide an organizational chart for THESL.

RESPONSE:

An organization chart for THESL is attached as Appendix A to this Schedule.

Toronto Hydro-Electric System Limited
Organization Chart



INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 2:

Reference(s): C1-T4-S1, Appendix A, Page 3

Under Engagement and Communication, THESL indicates that the Board-approved strategic goals and objectives are communicated to employees. What methods does THESL use to communicate its goals and objectives to employees?

RESPONSE:

This information is communicated to employees at corporate employee events, cascaded to employees through departmental objectives and corporate publications.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 3:

Reference(s): B1-T13-S1, Table 1

The Emergency Response Measure shows a decrease from 86% in 2008 to 79.5% in 2009, which is below the 80% OEB Standard. Please provide an explanation for the decrease.

RESPONSE:

Please see the response to Board Staff interrogatory 5.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 4:

Reference(s): C2-T2-S1, Page 4

THESL indicates that in support of its environmental strategy to be carbon neutral by 2020, Facilities and Asset Management has initiated in its purchasing strategy, plans necessary to reduce carbon emissions that may represent an upfront premium to capital purchase expense.

a) Please provide a copy of THESL's environmental strategy referred to above.

b) Please provide the reference in THESL's purchasing strategy that speaks to reducing carbon emissions.

RESPONSE:

a) THESL's environmental strategy is embodied within the Environmental Responsibility portion (Chapter 3) of the 2009 Toronto Hydro Corporate Responsibility Report. A copy of this Report is attached as Appendix A.

b) THESL's Facilities & Asset Management purchasing strategy ensures that as building components are replaced, consideration is given to optimizing energy and resource use. In 2011 THESL will replace HVAC and electrical facilities that are nearing or beyond their normal working lives. Improvements such as variable speed motors along with improved control system will allow for better control of heating and cooling loads. Mechanical and water distribution systems will also be replaced to conserve water. Lighting systems will be replaced to improve indoor light quality and reduce energy use.

Toronto Hydro-Electric System Limited
EB-2010-0142
Exhibit R1
Tab 2
Schedule 4
Appendix A
Filed: 2010 Dec 6
(40 pages)

OUR WORLD. OUR CITY. OUR RESPONSIBILITY.

THE MEASURE OF OUR COMMITMENT

toronto hydro corporation

INTRODUCTION AND CORPORATE PROFILE

Anthony M. Haines
President and Chief Executive Officer

Clare R. Copeland
Chairman

Letter from the Chairman of the Board, and the President and Chief Executive Officer

In 2009 Toronto Hydro Corporation ("the Corporation") had a strong balance sheet, an effective workforce renewal strategy, and, for the fifth year in a row, recognition from the Top 100 Employers organization for being one of the Top 100 Employers in Canada.

In each of the traditional areas of corporate responsibility reporting – economic, environmental and social – the Corporation achieved good results. Thanks to the largest infrastructure renewal undertaking in our history, the frequency of power outages, as well as their duration, has decreased and we will continue to make prudent investments to help ensure this trend continues.

The electricity system that we are building today should help to support Toronto's economic development for years to come. And the employees who are working to bring our vision of a modernized grid to life are part of a long tradition of skilled tradespeople sharing a commitment to public safety. We would like to thank all of the Corporation's employees for their commitment and hard work last year; we look forward to their contributions to our company in the years to come.

We are also very pleased to note that the Corporation moved a step closer to being carbon neutral last year, while at the same time supporting the City of Toronto and the Province of Ontario in their sustainability efforts. The conservation and demand management programs that we started to implement in 2005 have been very successful, and we are leading all Ontario agencies in bringing these programs to consumers, delivering total energy savings of approximately 658,000 megawatt-hours, or the annual equivalent energy consumed by 73,000 homes, in just five short years.

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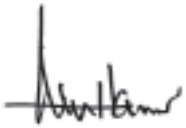
INTRODUCTION AND CORPORATE PROFILE

From the vantage point of Toronto Hydro-Electric System Limited ("Toronto Hydro"), one of the largest electricity distribution companies in Canada, we have also been privileged to be part of Ontario's efforts to shift the public's mindset towards energy conservation. The challenge that lies before us now is to continue persuading our customers to take an active interest in conserving a commodity that many have taken for granted. We see the introduction of time-of-use ("TOU") rates and the launch of Feed-In Tariffs as tremendous opportunities to become even more engaged with our customers. Indeed, Toronto Hydro's rollout of TOU rates is now the largest of its kind in North America, and we believe we have a greater opportunity than ever to help our customers understand the benefits of electricity management and new green electricity generation technologies, such as solar PV panels.

Customer service has taken on an even greater importance within the Corporation. It is integral to our overall performance and business strategy. Our corporate responsibility demands no less than that we engage our customers in compelling and meaningful ways, working to provide high levels of customer service every day. This is a priority that is being developed within the company in tandem with the renewal of our electricity grid.

We would like to thank the Board of Directors and, in particular, former Toronto Hydro Corporation President and Chief Executive Officer David O'Brien, for their guidance and support during the past year. Special thanks also go to the internal subject matter experts who helped to shape our corporate responsibility efforts. With their assistance, we are moving gradually towards a more comprehensive and balanced Corporate Responsibility Report, one that we believe is a true reflection of our strengths, and of the challenges and achievements that we experienced last year.

Clare R. Copeland
Chairman



Anthony M. Haines
President and Chief Executive Officer

> "We are also very pleased to note that the Corporation moved a step closer to being carbon neutral last year, while at the same time supporting the City of Toronto and the Province of Ontario in their sustainability efforts."

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Independent Reviewers' Report

To the Board of Directors and Management of Toronto Hydro Corporation ("the Corporation").

We have reviewed selected quantitative performance indicators presented in the Corporation's Corporate Responsibility Report (the "Report") for the year ended December 31, 2009. We did not review all information included in the Report. The Corporation's management is responsible for collection and presentation of the indicators and information set out in the Report. Our responsibility is to review the selected quantitative performance indicators and assess whether anything comes to our attention that suggests that it has not been prepared in accordance with the relevant criteria. A review does not constitute an audit and consequently we do not express an audit opinion on the selected quantitative performance indicators.

Scope

We reviewed the following 2009 quantitative performance indicators set out in the Report:

- Average Duration of Customer Power Interruptions ("SAIDI")
- Average Number of Customer Power Interruptions ("SAIFI")
- Community Involvement Expenditures
- Customer Electricity Conservation and Demand Management
- Energy Consumption
- Greenhouse Gas Emissions (Scope 1 and 2)

The selected quantitative performance indicators were chosen by the Corporation primarily on the basis of perceived external stakeholder interest. We did not review the narrative sections of the Report except where they incorporated the selected quantitative performance indicators.

Methodology

We conducted our review in accordance with the International Standard on Assurance Engagements ("ISAE") 3000 developed by the International Federation of Accountants. As such, we planned and performed our work in order to provide limited assurance with respect to the selected quantitative performance indicators that we reviewed. Our review criteria were based on the Global Reporting Initiative Sustainability Reporting Guidelines, relevant regulations, the Corporation management definitions as set out in the Report and accepted industry standards. Our procedures included obtaining and evaluating evidence related to the selected quantitative performance indicators.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the selected quantitative performance indicators listed above are not, in all material respects, reported in accordance with the relevant criteria.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Toronto, Ontario, Canada
April 28, 2010

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INTRODUCTION AND CORPORATE PROFILE

About This Report and Our Approach to Corporate Responsibility

In 2009, the Corporation continued to refine its approach to corporate responsibility, based on a desire to achieve closer alignment with its four strategic business priorities:

Customer Service | Modernization of the Utility | Employee Health and Safety | Consistent Financial Performance

This Report adheres to the structure that is common in many corporate responsibility reports, insofar as it is divided into three main sections: Economic Performance, Environmental Responsibility and Social Responsibility. Information about the Corporation's four strategic priorities is woven into these sections; some topics, such as conservation and demand management ("CDM"), are discussed in more than one section.

In keeping with the process of continuous refinement, which is a best practice of corporate responsibility reporting, this year's Report includes several new features:

- A more comprehensive "Stakeholder Engagement" section identifies key stakeholder groups, and a chart outlines the ways in which the Corporation interacts with stakeholders and responds to their issues.
- A new sub-section in the Social Responsibility chapter is devoted to issues of customer engagement and communications. With the advent of new technologies, including smart meters, and also in consideration of the Corporation's commitment to support both the Province of Ontario's new *Green Energy and Green Economy Act, 2009* and the City of Toronto's *Climate Change and Sustainability Action Plan*, it is critical that customers understand how these new technologies work and what their impacts and benefits will be. The focus on customer engagement signals the Corporation's commitment to emphasize service to, and communications with, consumers.

Customers are a key stakeholder group for other reasons: if the lights go out, they clearly are affected. If electrical loads are too high on hot summer days and the province is obliged to import base load energy, which typically is generated from coal sources, then air quality can suffer, and again, we all feel the effects. Torontonians feel the effects of using less electricity because it may impact their electricity bills, and they also feel the benefits of decreasing their individual carbon footprint because there is less pollution. All of these explain the focus on the customer experience in this year's Report.

- Without solid financial management, however, it would be difficult to deliver on our commitments. That's why this 2009 Report provides a more detailed discussion of the links between the Corporation's achievements and its strategic business goals. Toronto Hydro, for example, is a major employer in the City of Toronto. It provides a steady revenue stream to its sole shareholder, the City of Toronto; and, by virtue of an ambitious long-term capital plan to upgrade its aging electricity distribution system, it is laying a new foundation for economic growth in the City of Toronto.

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INTRODUCTION AND CORPORATE PROFILE

About This Report and Our Approach to Corporate Responsibility (continued)

All of these activities have significant benefits for City residents and for the local economy. As a result, with this Report, the Economic Performance section goes beyond merely reporting on operating expenses and annual revenues, zeroing in more specifically on the broader impacts of the Corporation's financial performance.

- Also new for 2009 is the Corporation's decision to present its Corporate Responsibility Report in online format only, with a downloadable PDF for readers wishing to view the complete report in print. This decision aligns the Corporation with industry best practices in Corporate Social Responsibility reporting.

As in previous years, selected indicators presented in this Report were reviewed by PricewaterhouseCoopers LLP. Six quantitative performance indicators, identified by an internal cross-functional team of subject matter experts, were assured; the two remaining indicators were audited by Ernst & Young LLP.

This Report does not use Global Reporting Initiative ("GRI") indicators as a framework, rather it uses a hybrid model that incorporates the GRI framework and benchmarking process, as well as the issues/opportunities structure. Assured indicators were selected based on their materiality and also on their relevance, given the Corporation's scope of activities.

> "Toronto Hydro provides a steady revenue stream to its sole shareholder, the City of Toronto; and, by virtue of an ambitious long-term capital plan to upgrade its aging electricity distribution system, it is laying a new foundation for economic growth in the City of Toronto."

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Company Description and Operating Companies

toronto hydro corporation

The Corporation is a holding company, which conducts the following businesses through its principal subsidiaries:

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

The principal business of Toronto Hydro is the distribution of electricity. Toronto Hydro owns and operates $1.9 billion of capital assets comprised primarily of an electricity distribution system that delivers electricity to approximately 690,000 customers located in the City of Toronto. It is the largest municipal electricity distribution company in Canada and distributes approximately 18 per cent of the electricity consumed in Ontario.

TORONTO HYDRO ENERGY SERVICES INC.

Toronto Hydro Energy Services owns and operates street lighting assets located in the City of Toronto.

The Corporation supervises the operations of, and provides corporate and management services and strategic direction to, its subsidiaries. The sole shareholder of the Corporation is the City of Toronto.

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Corporate Overview

Assets

Electricity delivered (GWh)	24,354
Peak load (MW)	4,607
Control centre	1
Operations centres	6
Municipal substations	171
Poles	140,800
Underground vaults	15,330
Cable chambers	10,772
Length of overhead wires (km)	13,700
Length of underground wires (km)	9,800
Primary switches	23,800
Distribution transformers	60,600
Street lighting poles	160,000
Vehicles in fleet	615
Smart meters	631,000

People

Approximate number of customers	690,000
Employees	1,703
Labour unions	CUPE Local One, Society of Energy Professionals

Performance

Average duration of customer power interruptions (hours)	1.38
Average number of customer power interruptions	1.6
Community involvement expenditures	$670,000
Net revenues ($ millions)	$508
Operating expenses ($ millions)	$211
Conservation and demand management ("CDM")	
Reduction (MW)	41
Savings (MWh)	120,100
Greenhouse gas emissions (Scope 1 and 2; tCO_2e)	178,800
Energy consumption	
Total electricity consumed (MWh)	777,400
Total fuel consumed (GJ)	121,500

10th Anniversary Edition: 2000-2010 Canada's Top 100 Employers 2010

Canada's Top 25 Family Friendly Employers As featured in Today's Parent 2010

Greater Toronto's Top 90 Employers As featured in the Toronto Star 2010

2010 Canada's Greenest Employers

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INTRODUCTION AND CORPORATE PROFILE

Governance, Compliance and Business Conduct

Board of Directors

The Board of Directors of the Corporation consists of 10 directors, all of whom are appointed by the sole shareholder of the Corporation, the City of Toronto. Three of the directors are Councillors of the City of Toronto, but none of the other directors has a direct or indirect material relationship with the Corporation and are independent. No members of management sit on the Board. The Board meets regularly in the absence of management to discuss the management of the Corporation.

Code of Business Conduct

All employees, officers and directors of Toronto Hydro are required to comply with the principles set out in the Code of Business Conduct, which was implemented by Toronto Hydro in 2004. The Code provides for the appointment of an Ethics and Compliance Officer and establishes a direct hotline to the Ethics and Compliance Officer by which perceived violations of the principles set out in the Code may be reported, anonymously or otherwise. The Ethics and Compliance Officer reports quarterly to the Audit Committee on the nature and status of complaints received including those related to audit and accounting matters.

Regulatory Framework and Legislation

The business of Toronto Hydro is regulated by the Ontario Energy Board ("OEB"), which has broad powers relating to licensing and standards of conduct and service and the regulation of rates charged by Toronto Hydro and other electricity distributors.

Environmental Framework and Legislation

Toronto Hydro is subject to extensive Canadian federal, provincial and local regulation relating to the protection of the environment. The principal federal legislation is the *Canadian Environmental Protection Act, 1999* that regulates the use, import, export and storage of toxic substances, including PCBs and ozone-depleting substances. The principal provincial legislation is the *Environmental Protection Act*, which regulates releases and spills of contaminants, including PCBs and ozone-depleting substances and waste management. Municipal by-laws regulate discharges of industrial sewage and storm water run-off to the municipal sewer system. In addition, both the provincial and federal governments have environmental assessment legislation that is designed to foster better planning and the identification and mitigation of potential environmental impacts of projects or undertakings prior to their commencement.

Toronto Hydro has established various programs designed to identify and manage environmental impacts associated with the distribution of electricity and to aid in the improvement of environmental performance. Toronto Hydro's environmental programs include: Total Recycled Waste Program (i.e. copper, aluminum, sundry nonferrous, steel); PCB Cable Disposal Program; Spill Response; Waste Management Program (i.e. oils, gas, etc.) and Recycling and Conservation at Work Program (i.e. paper, office blue bin). Toronto Hydro's environmental health and safety programs are reviewed and updated periodically by the Health and Safety Committee of the Board.

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INTRODUCTION AND CORPORATE PROFILE

Governance, Compliance and Business Conduct (continued)

On May 14, 2009, the Government of Ontario's *Green Energy Act* received Royal Assent. The *Green Energy Act*, among other things: permits local distribution companies ("LDC") to own renewable energy generation facilities; obligates LDCs to provide priority connection access for renewable energy generation facilities; empowers the Ontario Energy Board to set CDM targets for LDCs as a condition of license; and requires LDCs to accommodate the development and implementation of a smart grid in relation to their systems. The legislation was largely enabling and provided that much of the implementation detail would be defined in subsequent regulations. The Corporation expects that the full implementation of the *Green Energy Act* will affect the manner and framework under which many of its business operations are currently conducted.

In May 2007, Toronto Hydro entered into agreements with the Ontario Power Authority ("OPA") to deliver OPA-funded CDM programs in the amount of approximately $60 million during the years from 2007 to 2010. All programs are fully funded by OPA.

In support of the Province of Ontario's decision to install smart meters throughout Ontario by 2010, Toronto Hydro launched its smart meter project in 2006. The project objective is to install smart meters and the supporting infrastructure by the end of 2010 for all residential and commercial customers. As at December 31, 2009, Toronto Hydro had installed approximately 631,000 smart meters.

Emergency Response

All emergency management and Business Continuity Planning plans and programs comply with Ontario's *Emergency Management and Civil Protection Act*, as well as the Canadian Standard Association's ("CSA") Z1600 Standard.

> "The Corporation expects that the full implementation of the *Green Energy Act* will affect the manner and framework under which many of its business operations are currently conducted."

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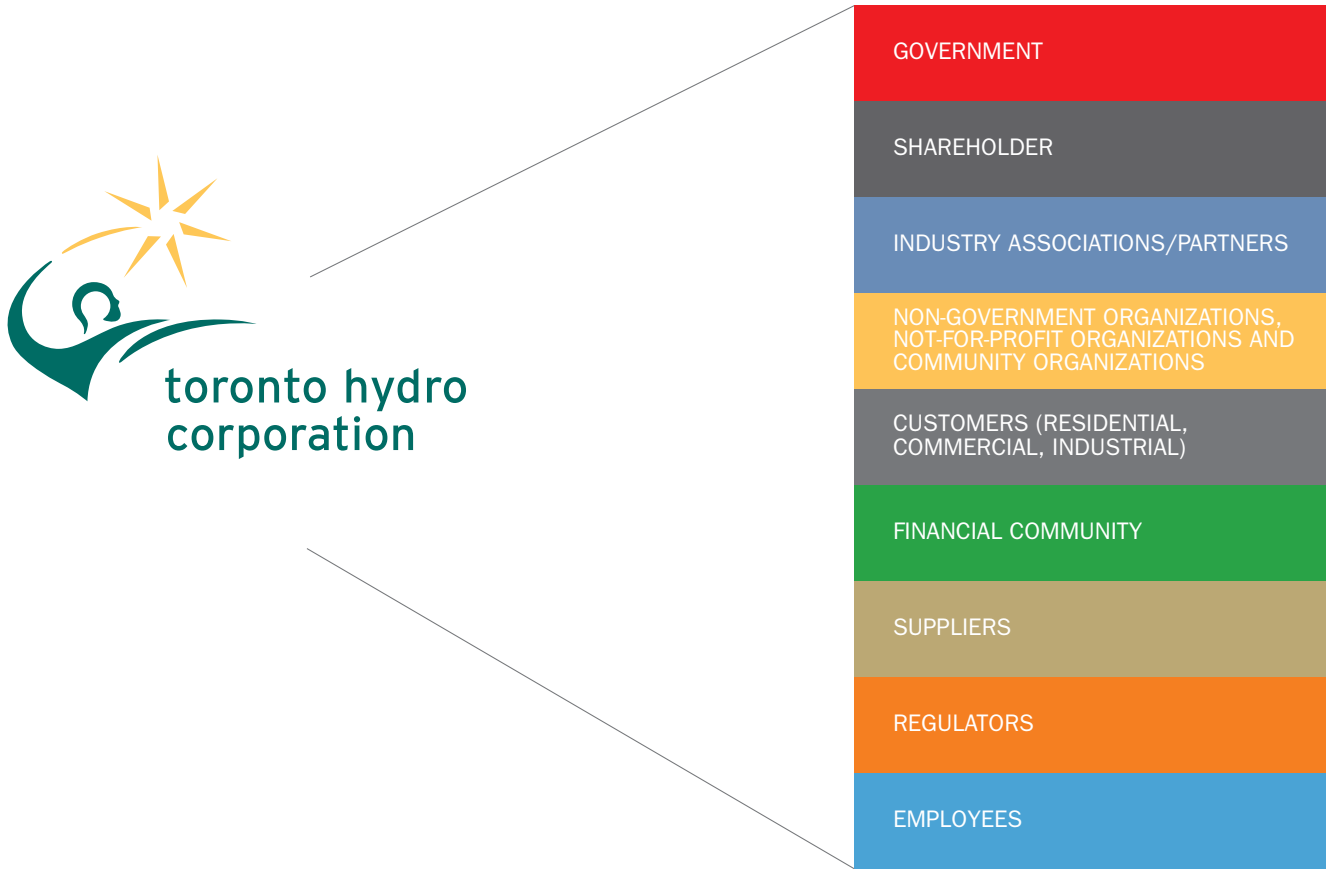
Stakeholder Engagement

The Corporation is directly engaged, on a daily basis, with several key stakeholders, including those in the following broad categories:



Engagement with these stakeholders can take many forms, and the Corporation engages with them on a broad range of issues. The accompanying chart illustrates the nature of these relationships and identifies some of the key issues that representatives of the Corporation helped to address last year. Throughout the Report, 'impact statements' from select stakeholders have been included as a way of helping readers to gauge the significance of the Corporation's engagement process.

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Stakeholder Engagement (continued)

Key Stakeholders

Canadian Electricity Association
Canadian Wind Energy Association
Canadian Solar Industries Association
City of Toronto's Council and Mayor's Office (Shareholder)
City of Toronto's Office of Emergency Management
City of Toronto's Office of Energy Efficiency
City of Toronto's Planning Department
City of Toronto's Public Health Department
City of Toronto's Environment Office
City of Toronto's Urban Forestry Department
Coalition of Large Distributors
Conference Board of Canada
– National Council on Emergency Management
– National Pandemic Working Group
Electric Mobility Canada
Electrical & Utilities Safety Authority
Electricity Distributors Association
Environment Canada
Hydro One
Independent Electricity System Operator
Issues Media Group
Ministry of Energy and Infrastructure
Ministry of Environment
Ministry of Labour
Ministry of Natural Resources
Office of the Premier of Ontario
Ontario Energy Association
Ontario Energy Board
Ontario Energy Network
Ontario Power Authority
Ontario Restaurant Hotel & Motel Association
Ontario Securities Commission
Ontario Sustainable Energy Association
Retail Council of Canada
Social Housing Services Corporation
Toronto Atmospheric Fund
Toronto City Summit Alliance
Toronto Community Housing Corporation
Toronto Environmental Alliance
Toronto Renewable Energy Co-operative
United Way of Greater Toronto
– Winter Warmth Fund
Workplace Safety and Insurance Board

Community Partners

Altruvest Performance Improvement for Charities
Canadian Centre for Ethics and Corporate Policy
City of Toronto Tree Advocacy Program
Clean Air Partnership
Duke of Edinburgh's Award
Earth Day Canada
Eva's Phoenix Print Shop
Fatal Light Awareness Program ("FLAP")
First Robotics Fair
Local Enhancement and Appreciation of Forests ("LEAF")
The Learning Partnership
Ontario Forestry Association
Pollution Probe
Toronto Association of Business Improvement Areas ("TABIA")
Toronto Board of Trade
Toronto Parks and Trees Foundation
Toronto Sci-Tech Fair
White Ribbon Campaign
WindShare
World Wildlife Fund

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Stakeholder Engagement Matrix

Stakeholder	Tools and Processes	Impact and Benefits
Shareholder	Executive Environment Team, City of Toronto	Aligned with City of Toronto's Climate Change Plan
	One-on-one meetings with 28 Councillors	Enhanced community relations
	Annual briefing to City Council	Enhanced community relations
	Mayor's Office	Developed City of Toronto "500/500 Plan"
	E-newsletter	Enhanced community relations
	Shareholder direction	$25.2 million paid in dividends in 2009 $1.6 billion paid in dividends since 1999
Regulators	Regulatory filings and submissions	Approval for funding of conservation and demand management programs; PowerUp infrastructure renewal plan
		Greater awareness of energy conservation
		Improved system reliability scores
Ontario Government, Ministries and Agencies	Environmental assessment process	Approval for anemometer
	Public meetings	Positive community feedback; awaiting environmental assessment for mid-town project
	Conservation and demand management working group	Leadership role in program development
Residential Customers	PowerUp, direct-to-consumer communications	8,300 notification letters to customers and Business Improvement Area representatives
		Majority of customer issues solved within 24 hours
	Smart meter consumer communications	Award of Excellence from the Association of Energy Services Providers
	Conservation and demand management programs	120,100 MWh saved in 2009 658,000 MWh saved since 2005
	Brand surveys 2004 vs 2008	Laid foundation for new 'voice of customer' initiative
	Public meetings to communicate plans for anemometer construction as part of Lake Ontario windfarm project	Potential to reduce GHG emissions and smog
Commercial Customers	Worked with PowerStream Inc. and other Local Distribution Companies	Developed Data Centre Incentive Program and Power Savings Blitz program; communications materials and strategy for TOU rates

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Stakeholder Engagement Matrix (continued)

Stakeholder	Tools and Processes	Impact and Benefits
NGOs		
Local Enhancement & Appreciation of Forests ("LEAF")	Newsletter	26% of respondents said awareness of LEAF grew because of newsletter *Source: Janet McKay, Executive Director, LEAF*
Ontario Sustainable Energy Association ("OSEA")	Sponsorship	Ongoing support for *Green Energy Act*, Feed-in-Tariff program
Parks and Trees Foundation	Sponsorship	14,000 trees and shrubs planted in 12 years
Retail Council of Canada	Business to business communications	Marketing support for Power Savings Blitz and ***peaksaver***® programs
Toronto Association of Business Improvement Areas	Community outreach	28 Festive Lighting Exchanges; energy savings of approximately 365 MWh
Toronto Atmospheric Fund	Sponsorship	Support for conservation and renewable energy deployment; electric vehicle strategy
Toronto City Summit Alliance	Sponsorship	Support for conservation and demand management strategy
Toronto Environmental Alliance	Sponsorship	Support for conservation and renewable energy deployment; electric vehicle strategy
United Way	Employee engagement, volunteerism	Raised a record $256,714 for United Way of Greater Toronto Exceeded fundraising target by 21%
Winter Warmth Fund	Customer newsletter, website	$226,000 donated to 500 families in need
Local Community	Worked with Social Housing and Services Corporation and Green Light on a Better Environment ("GLOBE")	Train-the-trainer initiative; trained 80 Community Champions, educated 170 community volunteers; 2.8 MW reduction in demand
	Job fairs and recruitment drives	Jobs for 115 people in 2009
	Earth Day Canada sponsorship	Electricity use in City of Toronto dropped by 15 MW for one hour on March 29
Employees	ZeroQuest program	95% of employees had a perfect safety record in 2009 vs 94% in 2008
	Toronto Hydro TV	76% of respondents said they watch the daily THTV News, and 77% of respondents said they found THTV informative *Employee engagement survey – December 2009*

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Key Performance Indicators

Following is a list of performance indicators that are referred to throughout this report.

2.0 ECONOMIC

Revenues
Consolidated annual revenues, as reported in the Corporation's Audited Consolidated Statement of Income

Operating Expenses
Consolidated annual operating costs, as reported in the Corporation's Audited Consolidated Statement of Income

3.0 ENVIRONMENTAL

Greenhouse Gas Emissions
Greenhouse gas emissions (Scope 1 and 2) that occur within the boundaries of the Corporation. Emissions are measured in CO_2 equivalents ("CO_2e").

Energy Consumption
Includes electricity and natural gas consumed by facilities, fuels consumed by vehicles and equipment and line losses per year. It does not include propane or electricity generated from onsite sources such as solar panels.

Conservation and Demand Management
Total kilowatt-hours and kilowatts saved by customers due to conservation and demand management programs implemented by Toronto Hydro-Electric System Limited.

4.0 SOCIAL

Community Involvement Expenditures
Charitable donations made to community-based organizations, including expenditures and donations. This indicator does not include in-kind contributions and department operational costs. It does include memberships and support activities.

Average Duration of Customer Power Interruptions ("SAIDI")

Average Number of Customer Power Interruptions ("SAIFI")

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INTRODUCTION AND CORPORATE PROFILE

Corporate Responsibility Goals

As noted, the Corporation's sustainability strategy is built on four pillars:

Customer Service

Modernization of the Utility

Employee Health and Safety

Consistent Financial Performance

Under each pillar, there is a series of key performance indicators that allow the Corporation to measure its progress relative to specific goals. Some, but not all, of these indicators were selected for assurance by an external reviewer for this Report.

As a regulated entity, Toronto Hydro is required by the Ontario Energy Board to meet certain targets in terms of the time taken to answer customer calls ("Call Centre Service Index"). In 2009, the Corporation began an initiative to explore ways in which to broaden its customer service focus, and in 2010, it is expected that a new key performance indicator related to "Customer Satisfaction" will be developed for internal use.

Every year, all Toronto Hydro employees participate in an information session where the Corporation's strategic plan for the following year is presented. Corporate responsibility is on the agenda at this meeting. The intent is to develop corporate responsibility into a 'mindset', so that it becomes more completely enshrined in our business strategies.

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INTRODUCTION AND CORPORATE PROFILE

Corporate Responsibility Management

The corporate responsibility function is managed jointly by the Corporation's Communications and Public Affairs team and the Enterprise Project Management/Strategic Management Office, in keeping with the Board of Directors' desire that corporate responsibility be operationalized as a strategic imperative. The annual Corporate Responsibility Report is reviewed by the Corporation's Board of Directors prior to release.

The link between the Communications and Public Affairs team and the Enterprise Project Management Office is new. Responsibility for collecting data, reviewing it and overseeing its assurance is the responsibility of the Enterprise Project Management Office; responsibility for developing content, producing the Report and communicating the year's highlights to the broader stakeholder community falls to the Communications and Public Affairs team.

Targets for the Corporation's strategic business objectives are set annually. Targets for the assured performance indicators, each of which falls under the umbrella of one of these business objectives, are established at the end of the external assurance process for the year prior, based on input from the assurance process as well as from the Corporation's executive team.

In 2008, the Corporation set fixed targets for GHG emissions reduction and it continues to make progress towards reaching these goals. In 2009, it also continued mapping out the criteria for performance improvement in the area of customer satisfaction ("voice of the customer").

A number of key performance indicators included in this Report are scrutinized as part of the Corporation's obligations to various regulators (for example, the Ontario Energy Board) and/or in the context of reports submitted to government agencies (for example, the Ontario Power Authority).

The Corporation welcomes input from the public about this Report, and to that end, maintains an electronic mailbox at sustainability@torontohydro.com. Inquiries can also be directed to:

Blair Peberdy
Vice-President
Marketing, Communications and Public Affairs
Toronto Hydro-Electric System Limited
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toronto hydro corporation

In 2009, the Corporation had revenues of $2.46 billion and operating expenses of $211 million. For the Corporation's Audited Consolidated Statement of Income and the Corporation's 2009 Annual Report, visit the 2009 online Annual Report

2.0 ECONOMIC PERFORMANCE

PERFORMANCE INDICATORS

Revenues
Consolidated annual revenues, as reported in the Corporation's Audited Consolidated Statement of Income

NET REVENUES (in millions of dollars)

Operating Expenses
Consolidated annual operating costs, as reported in the Corporation's Audited Consolidated Statement of Income

OPERATING EXPENSES (in millions of dollars)

ECONOMIC PERFORMANCE

Financial Performance

The Corporation has a strong credit rating. DBRS upgraded the Corporation to 'A (high)' in November, and Standard & Poor's continues to rate the Corporation 'A', based on a steady revenue stream and solid financial management.

In addition to the economic impact such stability has on the local labour force, the Corporation's financial performance has the benefit of providing a predictable source of revenue for its sole shareholder, the City of Toronto. In 2009, the Corporation declared and paid dividends to the City totalling $25.2 million. Since 1999, the Corporation has made total cash contributions to the shareholder of $1.6 billion. This includes $68 million in 2006, $46.2 million in 2007, and $116.4 million in 2008, as well as a $75 million special dividend payment related to the sale of all shares of Toronto Hydro Telecom.

Economic Context

The City of Toronto is the largest city in Canada – home to approximately 2.5 million people. It is Canada's financial capital and home to North America's third largest financial services centre after New York and Chicago. What happens in Toronto's financial services sector in particular shapes Canada's economy and sets the pace for business across the country.

Impact of Capital Investment

In 2007, Toronto Hydro announced the launch of Project Rebuild – the largest infrastructure renewal plan in its history – with a goal of modernizing sections of the City's electricity distribution system in certain neighbourhoods and also of preparing its workforce to deal with significant retirements of 'baby boom' generation employees. In 2008, Toronto Hydro expanded the scope of the renewal plan (now referred to as "PowerUp") to include modernization of more assets across a broader range of the electricity grid. In 2009, work on the distribution system above ground, and below, proceeded as scheduled; details of some of the milestones that were reached are outlined here.

When Project Rebuild began, over one-third of Toronto Hydro's assets were identified as being beyond their life expectancy. A complete description of its assets is included in the Annual Information Form.

In 2009, Toronto Hydro invested approximately $181 million to continue modernizing the utility, bringing its total capital investment to date to approximately $709 million. As part of its strategy, Toronto Hydro launched a community-focused public awareness program to help customers understand how the work is intended to improve reliability and also to help minimize the impacts associated with construction, such as planned power interruptions and road closures. The campaign includes intensive community relations, media relations, community newspaper ads, customer and city councillor notification, as well as on-site signage.

Capital investments made in 2009 included: circuit breaker replacements, submersible transformers, vault transformers, pole replacement, underground cable, overhead systems, network vaults, transformer stations' and new customer connections. Additional capital was invested in grid modernization operations, capacity growth, network expansion and stations' system enhancements.

Investments made to improve system reliability (i.e. reduce outages) started to produce positive results in 2008, and the trend in improved performance continued in 2009. For more detailed information about these improvements and the specific strategies undertaken to achieve them, see the Social Responsibility section.

Toronto Hydro intends for its investment in Toronto's electricity grid to yield several benefits, not the least of which is a smaller environmental footprint: its intent is to be emissions neutral. For more information about initiatives being taken to reduce the

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ECONOMIC PERFORMANCE

Corporation's environmental footprint, as well as that of the City of Toronto, see the Environmental Responsibility section.

Equally important are the impacts that PowerUp – and a modernized electricity grid – will have on the local economy, several of which are highlighted in the sections that follow.

Job Creation

According to the Ministry of Finance for the Province of Ontario, a $1 million incremental capital investment in the power distribution system in Ontario (specifically Toronto) supports an average of five to six direct plus indirect person-years of employment in Ontario. This compares to approximately eight to nine person-year jobs per $1 million in residential construction and four to five jobs per $1 million in manufacturing.[1]

On the basis of this calculation, PowerUp has so far resulted in the creation of approximately 1,000 plus indirect person-years of employment in Ontario.

Organizational Renewal

In 2008, the average unemployment rate in the City of Toronto was 7.5 per cent, compared to a rate in December 2009 of 9.4 per cent.[2]

Despite the challenges of the global recession, with the approval of the Ontario Energy Board, Toronto Hydro continued to add to its workforce in order to deliver on its goal of modernizing the utility and also to replace 'baby boom' generation employees, 600 of whom are expected to retire in the coming nine years. Over 40 per cent of the potential retirements will occur in supervisory, engineering, skilled electrical trades and technical system planning positions.

To fill this gap, approximately 115 new hires were made in 2009, and approximately 100 more new employees are expected to be recruited in 2010. Since 2003, approximately 120 trades workers have been hired and are part of a four- to five-year apprentice training program.

To attract new employees last year, Toronto Hydro participated in job/career fairs at schools, universities and colleges, community outreach programs, and executed a media outreach campaign such as the profile of the Trades School in local media. Partnerships within the educational system have also helped to build awareness of apprenticeships and technical job opportunities. Unique among partnerships is Toronto Hydro's sponsorship of Ryerson University's Centre for Urban Energy, part of a five-year research and development initiative that will begin in 2010.

Employee Safety

In 2009, over 95 per cent of Toronto Hydro employees had a perfect safety record, compared to approximately 94 per cent in 2008. The Corporation passed the Electrical & Utilities Safety Association ("E&USA") of Ontario's 'Effort Level' Audit for ZeroQuest® and conducted Internal Responsibility System ("IRS") education and behaviour change workshops for operations leaders.

Employee Productivity

A recent "Communication Return on Investment" study conducted by Watson Wyatt Worldwide[3] found that effective employee communication is a leading indicator of financial performance. It also found that companies with effective communications are four times as likely to report high levels of employee engagement as those that do not.

In 2009, over 95 per cent of Toronto Hydro employees had a perfect safety record, compared to approximately 94 per cent in 2008.

1 Source: Statistics Canada Input-Output tables for the year 2005
2 Source: Economic Indicators, City of Toronto's Economic Development Office, December 2009
3 Source: Watson Wyatt Worldwide study, "Communication Return on Investment," 2007/2008

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ECONOMIC PERFORMANCE

With over 70 per cent of its employees working in the field, the Corporation last year approved the development and implementation of Toronto Hydro TV ("THTV") in several key locations as a way of reaching more employees with news and corporate updates and of minimizing the expense and clutter of traditional print media. Launched in July, THTV serves as a quick and easy medium to relay information in an engaging manner. The new channel features video and audio messaging. One of its most important technical features is its ability to issue company-wide broadcasts in real time, which is expected to be especially useful during times of crisis.

Employee engagement surveys conducted in December 2009 indicated that 76 per cent of respondents said they watch the daily THTV News, and 77 per cent of respondents said they found THTV informative.

Emergency Preparedness

In 2009, Toronto Hydro took the following steps to enhance its emergency preparedness and disaster response:

- In September, a Manager of Emergency Management (new position) was hired with responsibility for pandemic planning, business continuity planning and emergency management.
- In the final months of the year, Toronto Hydro's pandemic plan was reviewed and revised based on lessons learned from the global response to H1N1.
- Toronto Hydro also completed 100 per cent of Pandemic Employee education sessions. A follow-up drill is planned for the summer of 2010.
- In addition, a decision was made to revise Toronto Hydro's Power System Emergency Plan so that it includes a Level IV preparedness and response strategy. A Level IV event is defined by the Corporation as a large-scale emergency that has a significant impact on safety, customers, operations, and/or the environment and is expected to have a duration of at least five days. During a large-scale and widespread emergency, extraordinary organizational support or multi-level agency and government involvement is usually required to restore services to a normal state. This enhancement to Toronto Hydro's existing Power System Emergency Plan is expected to enable Toronto Hydro to prepare and respond effectively in the event of extended emergencies such as ice storms. Toronto Hydro intends to exercise the plan during a test by mid-2011.

In terms of stakeholder engagement, several key external partnerships were forged last year, including relations with the City of Toronto's Office of Emergency Management, Emergency Management Ontario, Independent Electricity System Operator, Hydro One, the Electricity Safety Authority and the Conference Board of Canada's Council of Emergency Management. Participation in working groups and information sharing with these partners is intended to help ensure that Toronto Hydro is part of a coordinated approach in the event of a high-level emergency.

Enterprise Risk Management

In 2009, Toronto Hydro formally adopted Enterprise Risk Management ("ERM") as a key strategic process. The ERM implementation and sustainment is performed by a full-time dedicated team within the Strategic Management business unit. ERM will provide a consistent, disciplined methodology for the sustainable identification, assessment, monitoring and reporting of risks to the Corporation. A risk assessment methodology was also created for the executive team to formally evaluate and score risks, and to produce an overall risk profile.

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ECONOMIC PERFORMANCE

To ensure strong oversight for the risk management process, a risk governance structure was developed, consisting of regular reporting to the Corporation's Board of Directors, the creation of an Executive Risk Oversight Committee, and a number of Risk Forums at the business unit level (made up of related cross-functional teams).

Raising employee awareness of the importance of managing risk will be a key communications objective in 2010.

Economic Impact of Conservation and Demand Management ("CDM") Programs

According to the David Suzuki Foundation, there are direct links between energy conservation programs and positive economic impacts.[4] It is significantly cheaper, for example, to invest in energy efficiency than to build, or even maintain, polluting sources of electricity supply. High deployment of CDM measures plays a vital role in raising overall economic productivity and efficiency by eliminating the need for increasingly expensive supply resources; they also contribute to the maintenance of the resource base for the future.

In 2009, the Corporation continued to play a lead role in helping to reduce the City's overall environmental footprint by aligning itself with the City of Toronto's *Climate Change and Sustainability Action Plan*. One of the main thrusts of the plan is to reduce energy consumption, and also to start introducing renewable energy generation as a replacement for more expensive, and more polluting, forms of energy (in particular, fossil-fuel based electricity). To that end, Toronto Hydro invested a total of approximately $29.7 million in various CDM programs and achieved energy savings of approximately 120,100 MWh in 2009, bringing total energy savings since the start of its CDM programs in 2005 to approximately 658,000 MWh – or the annual equivalent consumed by 73,000 homes. These programs, which also provided employment for several local agencies hired to develop, implement and communicate their benefits to the public, are described in detail in the 'Environmental Responsibility' section of this Report.

The purpose of the City of Toronto's ***Power to Live Green Sustainability Energy Plan*** *is to encourage economic and environmental sustainability through energy conservation and renewable energy generation.*

4 Source: http://www.davidsuzuki.org/Climate_Change/Energy/conservationefficiency.asp

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toronto hydro corporation

In 2009, the Corporation continued to support the Province of Ontario's strategy to create a culture of conservation. Toronto Hydro achieved energy savings of approximately 120,100 megawatt-hours in 2009.

3.0 ENVIRONMENTAL RESPONSIBILITY

ASSURED INDICATORS

Conservation and Demand Management
Total kilowatt-hours and kilowatts saved by customers due to conservation and demand management programs implemented by Toronto Hydro.

Greenhouse Gas Emissions
Greenhouse gas emissions (Scope 1 and 2) that occur within the boundaries of the Corporation. Emissions are measured in CO_2 equivalents ("CO_2e").

Energy Consumption
Includes electricity and natural gas consumed by facilities, fuels consumed by vehicles and equipment and line losses per year. It does not include propane or electricity generated from onsite sources such as solar panels.

ELECTRICITY USED (MWh)*

2009	21,200
2008	22,870
2007 Baseline	25,580

LINE LOSSES (MWh)

2009	756,200
2008	781,190
2007 Baseline	800,090

TOTAL ELECTRICITY CONSUMED (MWh)

2009	777,400
2008	804,050
2007 Baseline	825,670

TOTAL FUEL CONSUMED (GJ)

2009	121,500
2008	126,000
2007 Baseline	129,000

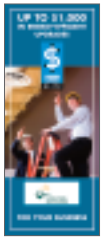
* 2007 and 2008 data includes some estimates.

ENVIRONMENTAL RESPONSIBILITY

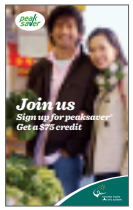
CDM Programs

Tried-and-true CDM programs, such as the Business Incentive Program and ***peaksaver***®, continued to achieve strong results. Following are highlights from these and other programs throughout the year:

Achieved approximately 22,100 MWh of energy savings through approximately 180 **Business Incentive Program** project applications (large commercial customers).



Completed approximately 16,000 lighting retrofits for the **Power Savings Blitz** program (small business customers) and achieved approximately 85,700 MWh in energy savings, more than double the annual target set by Ontario Power Authority.



Completed approximately 10,700 ***peaksaver***®, installations (residential customers) for a potential incremental reduction of approximately 12 MW of peak demand capacity from the grid.

Distributed approximately 40,200 specialty compact fluorescent lights ("CFL") through the **Spring Turn On** campaign for a reduction of approximately 1,300 MWh from the grid.

Collected approximately 5,900 inefficient room air conditioners and approximately 1,300 old dehumidifiers through the **Keep Cool** program, which resulted in a reduction of approximately 1,500 MWh.

The **Low Income Program** installed approximately 58,200 CFLs in approximately 10,700 social housing units across Toronto, achieving energy savings of approximately 2,800 MWh.

Completed 28 **Festive Light Exchange** events, collected approximately 22,400 strings of old Christmas lights, distributed approximately 10,400 LED strings and achieved energy savings of approximately 365 MWh.

The **Great Refrigerator Roundup** program collected approximately 5,700 appliances for a reduction of approximately 5,400 MWh from the grid.

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ENVIRONMENTAL RESPONSIBILITY

Community CDM Programs

Toronto Hydro continued a conservation and demand management program with Social Housing and Services Corporation ("SHSC") and Green Light on a Better Environment ("GLOBE") with an aim of furthering innovative ways to approach and nurture conservation and sustainability in the social housing community. The program consists of two main components: an in-suite light replacement program and the Community Champion program.

The Community Champion program was built on the understanding that peer-led education can be a low-cost solution, as well as being a very effective way to change tenant habits. It provides volunteer residents with the training and resources necessary to engage their neighbours and to help develop an understanding about why conservation is important in their community. In 2008 – the Community Champion program's inaugural year – 13 individuals attended 14 hours of training sessions led by two instructors committed to sustainability at Toronto-based Seneca College's Centre for Built Environment. By the end of 2009, 80 Community Champions and 170 individuals, including housing providers, board members and staff, were trained on how to conserve energy and engage their peers. The classes have proven so popular that they are subscribed a year in advance.

The in-suite light bulb replacement aspect of the partnership, called "Light Up", was also a success. In 2009, a "jobs for youth" component was added, building on the commitment of all the participating organizations to support low income households in Toronto by offering temporary employment to young people. GLOBE worked with Woodgreen Community Centre to provide life skills and job training for 10 youth in priority neighbourhoods. In addition to on-the-job training for the emerging green economy, this program gave young people an opportunity to build their resumes and their self-confidence by helping other low-income families in some of their own neighbourhoods.

Toronto Hydro uses a wide variety of channels to engage residential and business customers in the challenge of energy conservation, including public relations, promotion and sponsorship. One of the high profile initiatives undertaken to increase awareness for energy conservation was the Earth Hour program sponsored by World Wildlife Fund, during which citizens from around the world were asked to reduce their electricity consumption for one hour on March 28, 2009.

Toronto Hydro supported the organizers' goal and mounted a local awareness and publicity campaign which resulted in a drop of approximately 15 per cent (approximately 450 MW) in electricity use during Earth Hour, relative to consumption on a typical Saturday night in the month of March in the City of Toronto. Hundreds of households participated in the event, which resulted in the equivalent of approximately 750,000 60-watt light bulbs being turned off city wide.

Also noteworthy was Toronto Hydro's sponsorship, in conjunction with the Ontario Power Authority, of a special online and print section in the *Financial Post* and the *National Post* on green energy. Launched during the month of June as electricity demand typically peaks, the series was designed to generate awareness for Toronto Hydro's many conservation programs and to encourage trial by customers who might not have participated thus far.

Toronto Hydro also sponsored the Green Living Show together with the Ontario Forestry Association, Forest Stewardship Council and Local Enhancement and Appreciation of Forests.

For its achievements in changing consumer behaviour, Toronto Hydro received numerous awards last year, including an international Gold Quill Award from the International Association of Business Communicators ("IABC"), eight national awards from both the IABC and the Canadian Public Relations Society ("CPRS"), and seven awards from the CPRS' Toronto chapter.

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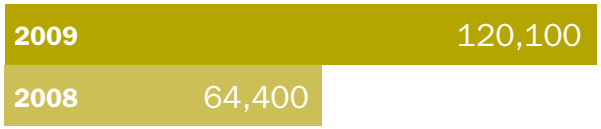
ENVIRONMENTAL RESPONSIBILITY

Power Savings Blitz *program video of kids and Tanya at Keep Cool launch.*

In TH's video library

Conservation and Demand Management

SAVINGS (MWh)



REDUCTION (MW)

Greenhouse Gas Emissions

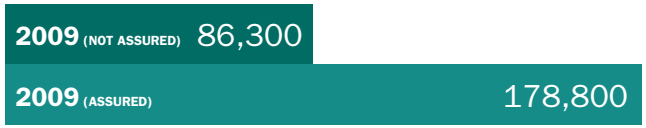
The Corporation is targeting an 87 per cent reduction in greenhouse gas emissions ("GHG") by 2014 (relative to its 2007 baseline), through a combination of fleet innovation, asset modernization and facilities efficiencies, as well as through the Ontario government's decision to close coal-fired generation plants.

Based on the emission factors reported in Environment Canada's latest National Inventory Report: Greenhouse Gas Sources and Sinks in Canada 1990–2007 (April 2009), the Corporation is reporting a slight increase (152,700 to 178,800 tCO_2e) in total GHG emissions, mainly due to the increase of emissions generated from electricity consumed.

TOTAL REPORTABLE GHG EMISSIONS (tCO_2e) (Scope 1 and 2)

However, as the generation supply mix in 2009 in Ontario included significantly less coal-fired generation than in 2007, the Corporation has also calculated GHG emissions based on the generation supply mix data supplied by the IESO for 2009. The Corporation's GHG emissions resulting from this calculation are 86,300 tCO_2e (this value was not assured).

GHG EMISSIONS (tCO_2e) (Scope 1 and 2)



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ENVIRONMENTAL RESPONSIBILITY

GHGs from sulphur hexafluoride (SF6) gas were also reported, compared to the 2007 baseline. A total of approximately 500 tCO_2e from SF6 gas was measured. GHG emissions from the Corporation's fleet remained stable at 4,500 tCO_2e.

In 2009, the Corporation purchased 20 new hybrid vehicles including one heavy-duty bucket truck that will be in service in 2010. A new Global Positioning System ("GPS") monitoring system installed in vehicles includes an alarm that is intended to help decrease vehicle idling, as well as a comprehensive 'engine diagnostics' system that allows fleet mechanics to perform timely repairs. Lastly, the Corporation enforces a systematic vehicle replacement program. Vehicles that are between five and 10 years old are decommissioned and replaced with more fuel-efficient models. In 2009, approximately 106 such vehicles were replaced.

Definitions

Greenhouse gases ("GHG"): The atmospheric gases responsible for causing global warming and climate change. The major GHGs are carbon dioxide (CO_2), methane (CH4) and nitrous oxide (N_2O). Less prevalent – but very powerful – greenhouse gases are hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF6).
Source: United Nations Framework Convention on Climate Change ("UNFCCC")

Scope 1 GHG emissions: A reporting company's emissions generated by sources that are owned or controlled by the reporting company.
Source: The Greenhouse Gas Protocol, Corporate Standard

Scope 2 GHG emissions: Accounts for GHG emissions from the generation of purchased electricity consumed by the company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated.
Source: The Greenhouse Gas Protocol, Corporate Standard

Scope 3 GHG emissions: An optional reporting category that allows for the treatment of all other indirect emissions. Scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by the company.
Source: The Greenhouse Gas Protocol, Corporate Standard

Colin Gage
Chair of GLOBE and Vice-Chair of SHSC

"This is about investing in communities. The Community Champion program gives residents an opportunity to learn and truly participate in the sustainability of their community. They get the tools and resources to be part of the solution."

Frances Sanderson
Nishnawbe Homes Inc.

"GLOBE has been instrumental in the re-education of all those who turn on a light switch. Teaching our tenants to re-think something as simple as turning off the light will eventually result in financial and environmental savings for our grandchildren."

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ENVIRONMENTAL RESPONSIBILITY

Process Map: GHG Emissions – Line Losses

START

Daily statements are downloaded from Independent Electricity System Operator's (IESO) website and summarized into monthly "kWh Purchased"*. It includes electricity purchased from IESO and non-utility generation (NUGS). Load transfer from/to another Local Distribution Company (LDC) and the Supply Facilities Loss Factor (SSLF) are subtracted. The SSLF is calculated by Hydro One.

Value of monthly "kWh Sold"** is obtained by dividing "kWh purchased" by Distribution Loss Factor (DLF). DFL is an average of THESL's previous years' losses.

Monthly values are added to obtain annual "kWh Purchased" and "kWh Sold" respectively.

Annual Line Losses are determined by subtracting "kWh sold" from "kWh purchased".

kWh

GHG emissions are calculated using Environment Canada's Emission Factors.

TONNES OF CO_2e

GHG emissions from annual line losses are recorded in the carbon inventory.

END

* kWh Purchased: electricity received by THESL
** kWh Sold: electricity delivered to THESL customers

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ENVIRONMENTAL RESPONSIBILITY

As noted in the 2008 Corporate Responsibility Report, the Corporation has adopted the following targets in order to reduce its environmental footprint:

- Fleet – 50% reduction in GHG emissions from fleet by 2020
- Facilities – 80% reduction in GHG emissions from facilities by 2020
- SF6 – Employ cost-effective techniques to reduce leaks of SF6 gas from switchgear
- Line Loss – Employ cost-effective techniques to reduce line losses

FLEET GHG Emission (Scope 1) (tCO_2e)

2009	4,500
2008	4,500
2007 Baseline	4,500

FACILITIES Natural Gas GHG Emission (Scope 1) (tCO_2e)

2009	2,700
2008	3,000
2007 Baseline	3,200

FACILITIES Electricity GHG Emission (Scope 2) (tCO_2e)*

2009	4,700
2008	4,100
2007 Baseline	4,600

SF6 GHG Emission (Scope 1) (tCO_2e)

2009	500
2008	500
2007 Baseline	500

LINE LOSS GHG Emission (Scope 2) (tCO_2e)

2009	166,400
2008	140,600
2007 Baseline	144,000

GHG INVENTORY: TOTAL GHGS (Scope 1) (tCO_2e)**

2009	7,800
2008	8,000
2007 Baseline	8,200

GHG INVENTORY: TOTAL GHGS (Scope 2) (tCO_2e)**

2009	171,000
2008	144,700
2007 Baseline	148,600

GHG EMISSIONS (tCO_2e) (Scope 1 and 2)

2009 (NOT ASSURED)	86,300
2009 (ASSURED)	178,800

As stated in section 3.3, the generation supply mix in 2009 in Ontario included significantly less coal-fired generation than in 2007, so the Corporation has calculated GHG emissions based on the generation supply mix data supplied by the IESO for 2009. The Corporation's GHG emissions resulting from this calculation are 86,300 tCO_2e (this value was not assured).

* 2007 and 2008 data includes some estimates.
** Numbers may not add to total due to rounding.

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ENVIRONMENTAL RESPONSIBILITY

Renewable Energy

Toronto Hydro Energy Services made its first inroads into renewable energy generation in 2003, with the deployment of North America's first urban wind turbine at Exhibition Place.

The turbine was a joint venture between Toronto Hydro Energy Services and TREC Windpower Co-Operative (No. 1) Incorporated. Since that time, Toronto Hydro Energy Services has continued to pursue renewable energy generation projects, and to that end, the following milestones should be noted:

- Toronto Hydro Energy Services held a series of community consultations last year in order to obtain feedback on the construction of an anemometer to test the winds in Lake Ontario. The anemometer will be installed in 2010 and will monitor offshore wind conditions for approximately two years. In 2009, the base plate for the anemometer was successfully installed on the lake bed of Lake Ontario.
- Toronto Hydro Energy Services also continued to explore ways in which to support the City of Toronto's *Climate Change and Sustainability Action Plan*. In 2009, it received approval from City Council to build, own and operate a 10 MW co-generation plant on a parcel of land in Toronto's Portlands area. The co-generation plant, which would utilize biogas from the Ashbridges Bay Treatment Plant ("ABTP") to produce both electricity and thermal energy or heat, is intended to provide renewable electricity to the grid under the Ontario Power Authority's Feed-In Tariff program, if approved, using the biogas from the sewage treatment plant. The co-generation plant is expected to be in operation in 2011, subject to the acquisition of a Feed-In Tariff contract. Construction will commence in the summer of 2010, pending various approvals and permits.
- Toronto Hydro Energy Services also received approval from City Council to design, construct and operate a 500 kW photovoltaic array to be installed on the roof of the Better Living Centre at Exhibition Place. It is now assessing a number of factors related to the economic viability of the project.

Grade 5/6 teacher

Chief Dan George PS, 2009 after the Kids' World of Energy Festival, sponsored by Toronto Hydro Corporation

"Our class was kept active and interested by the variety of displays, workshops and hands-on activities throughout the day. During our discussion after the excursion, it was clear that our class both learned a considerable amount about energy and that they clearly enjoyed the entire day."

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ENVIRONMENTAL RESPONSIBILITY

Waste Management and Investment Recovery

Reclaiming materials as they are taken out of service from Toronto Hydro's distribution system is an important part of the Corporation's approach to environmental responsibility.

The following chart represents materials that were reclaimed during the past three years. (Not all items that were reclaimed are included.)

Investment Recovery Volumes (kg)

Material	**2009**	2008	2007
Copper	**354,714**	345,302	313,332
Aluminum	**145,603**	222,628	242,510
Lead	**162,552**	116,476	71,499
Sundry Nonferrous	**535,748**	384,222	518,260
Steel	**236,165**	297,248	259,037
Meters	**108,188**	238,494	249,995
	1,542,970	1,604,370	1,654,633

In 2009, the Corporation diverted approximately 85 per cent of waste from operations (roughly 4,900 tonnes). With these results, the Corporation exceeded the target of 70 per cent of waste diversion for operations set by the Waste Diversion Committee of the City of Toronto. Waste diversion for offices was approximately 57 per cent.

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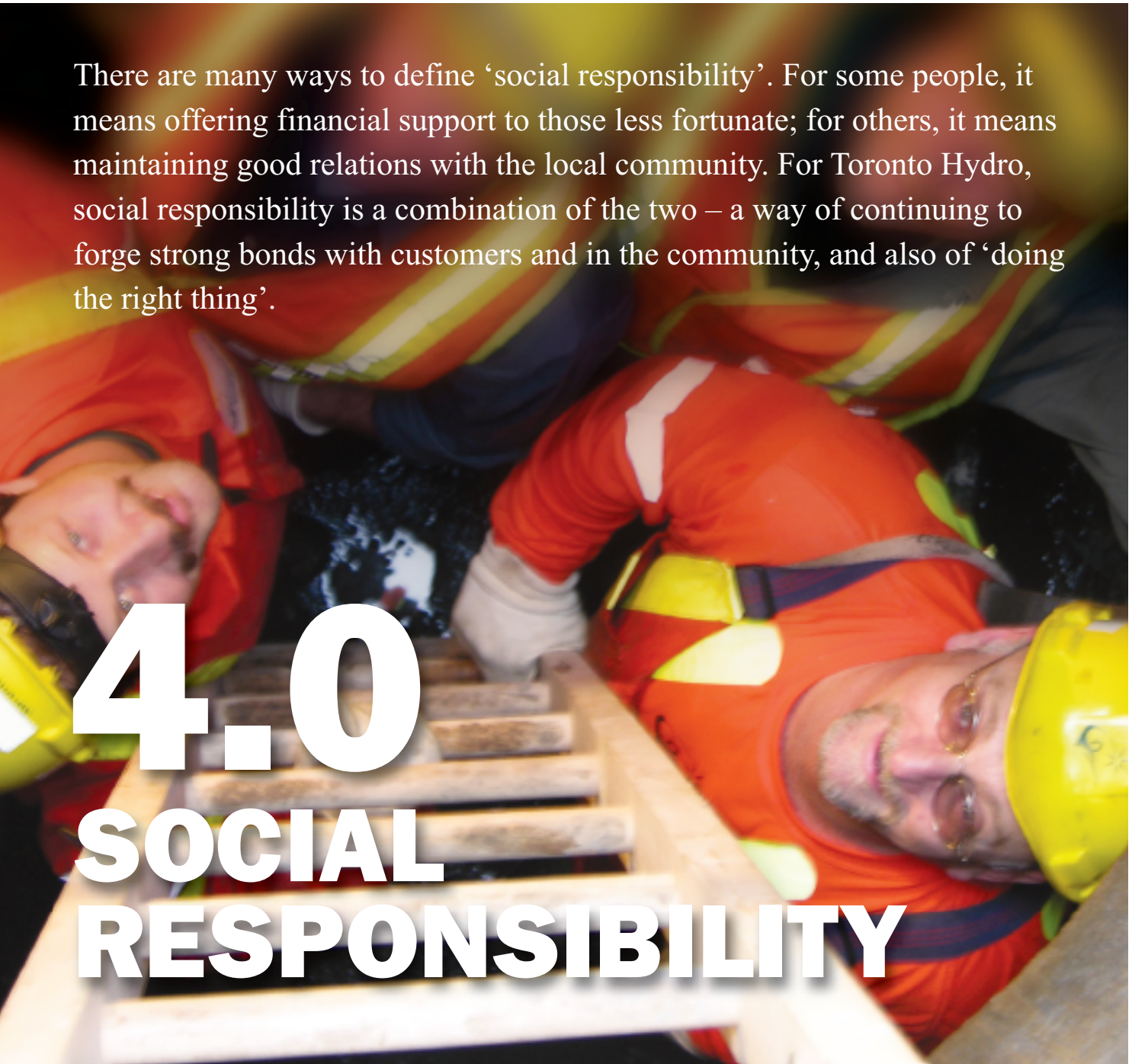


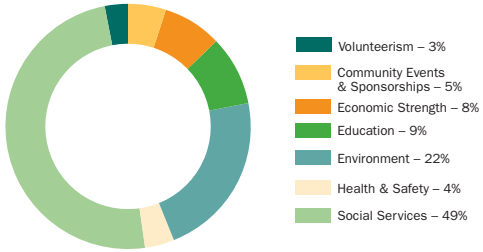
There are many ways to define ‘social responsibility’. For some people, it means offering financial support to those less fortunate; for others, it means maintaining good relations with the local community. For Toronto Hydro, social responsibility is a combination of the two – a way of continuing to forge strong bonds with customers and in the community, and also of ‘doing the right thing’.

4.0 SOCIAL RESPONSIBILITY

ASSURED INDICATORS

Community Involvement Expenditures
Charitable donations made to community-based organizations, including expenditures and donations. This indicator does not include in-kind contributions and department operational costs. It does include memberships and support activities.

Community Involvement Expenditures January–December 2009



Average Duration of Customer Power Interruptions (“SAIDI”)

Average Number of Customer Power Interruptions (“SAIFI”)

	SAIDI*	SAIFI*
2009	82.60 min.	1.6
2008	74.52 min.	1.8
2007	80.95 min.	2.0

*Excludes Major Event Days

SOCIAL RESPONSIBILITY

Brighter Days

The annual United Way/Charity Trust campaign is one of the most visible ways in which the Corporation engages its employees to offer assistance to those in the community who have fallen on hard times.

Every year, as part of the Brighter Days initiative, the Corporation's employees take part in various fundraising activities and also assume leadership roles in terms of advocacy. The 2009 campaign was particularly successful: employee participation increased to 45 per cent, resulting in a record $256,714 in employee contributions – a total that surpassed the initial goal of $212,000 by 21 per cent. Since 2007, employees have raised and contributed approximately $660,000 for this worthy cause.

The Corporation also participated in sponsored community events, including: First Robotics, YMCA Corporate Challenge, Clean Air Commute Week, CIBC Run/Walk for the Cure, Remembrance Day Tribute, Earth Hour and Earth Day tree planting celebrations. Since it began sponsoring tree planting initiatives over 10 years ago, Toronto Hydro has helped plant approximately 39,000 trees, including approximately 14,000 trees and shrubs planted through the Local Enhancement and Appreciation of Forests ("LEAF") initiative and another 10,000 trees on City of Toronto properties through a two-year agreement with the Ontario Forestry Association. In 2009 alone, over 3,100 trees were planted by Toronto Hydro employees.

Other highlights of the Brighter Days initiative included sponsorship of a rowing competition at Bayside Rowing Club, whose goal was to raise money to help inner-city children learn to row, and of the Toronto Sci-Tech Fair. The Corporation's funding enabled students to attend the fair in Toronto and also those who were selected to compete at the Canada-Wide Sci-Tech Fair. Last year, the Corporation also provided financial support of approximately $226,000 to over 500 families in need of one-time financial support to pay their winter electricity bills – an increase of 73 per cent over 2008 – as part of the Winter Warmth program.

COMMUNITY INVOLVEMENT EXPENDITURES ($)

2009	670,000
2008	536,400

Janet McKay
Executive Director, LEAF

"Toronto Hydro has been a supporting partner of LEAF's Backyard Planting Program since its inception in 1997. During the past 13 years, LEAF has served over 6,600 clients in Toronto, providing them with personal, hands-on service that has helped them plant over 12,000 native trees and shrubs in their backyards. Energy conservation through shade and increasing biodiversity through habitat creation are the main goals of the program. Toronto Hydro's customer newsletter has been an incredibly important way to spread the word that this fabulous, subsidized program exists. When asked where they heard about the program, over 30 per cent of program participants replied 'Toronto Hydro'. The Toronto Hydro customer newsletter continues to be the single most successful avenue for marketing the program!"

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Customer Satisfaction Program

One of the Corporation's key strategic objectives is to deliver excellent customer service, for reasons that may range from bill enquiries to outages to new connections to programs.

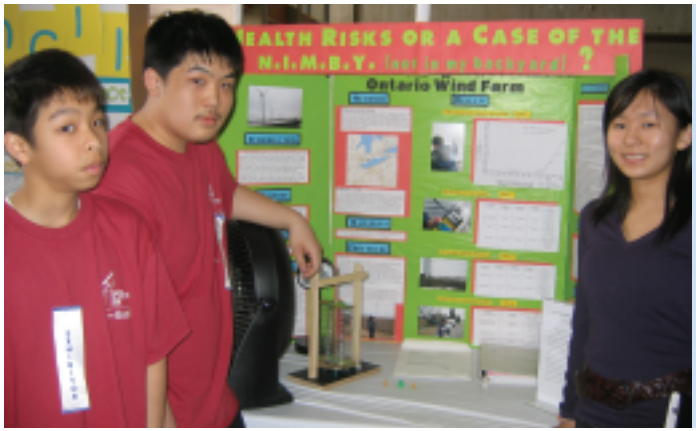
In 2004, the Corporation undertook extensive research into customers' perceptions and attitudes towards Toronto Hydro on a wide range of attributes, including customer service. In 2008, follow-up research was conducted, with the following results:

- General attitudes towards customers' electrical utility have become more favourable, up 11 points in 2008 to 82 per cent from 71 per cent in 2004.
- Satisfaction with the way Toronto Hydro is performing on all service attributes has either remained consistent or increased over time. Some notable increases include:

	2004	2008
The speed of restoring power when outages occur	78	84
Being safety conscious	82	87
The ease of accessing the call centre	61	66
Keeping appointments at the date and time booked	72	78

- Perceptions of communications have improved over time, with 71 per cent of customers indicating they are satisfied with Toronto Hydro's ability to provide regular and useful information to consumers, up six points from 65 per cent in 2004.
- Overall satisfaction with the quality of customer service that is received from Toronto Hydro has increased slightly among the general customer base, up two points to 73 per cent in 2008.

Based on this research, the Corporation's Board of Directors supported Management's recommendation in 2009 to develop a strategy that aims to address customers' issues ("voice of the customer" focus) and improve overall customer satisfaction scores. In late 2009, four areas for improvement were identified including Capital Plan, Outage Management, Customer Connections and Customer Care. Project teams were established and in 2010 the teams are expected to identify areas for specific improvement.



Rosie

Team Toronto, Toronto Sci-Tech Fair

"Yesterday, I was fortunate to view herds of bison and arctic birds. This has not only been an amazing scientific opportunity but also one from which I was able to gain new friends and see new places. All this would not have happened without your support. Thank you."

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Customer Communications

Smart Meters

Education and advocacy are critical components of the Province's desire to create a new "culture of energy conservation". As the largest municipal electricity distribution company in Ontario, Toronto Hydro is playing a key role in this historic shift.

As background, by year-end 2009, Toronto Hydro had installed approximately 631,000 smart meters and, further, had notified approximately 500,000 customers that they were transitioning to new provincially regulated time-of-use ("TOU") rates. In addition, Toronto Hydro installed approximately 5,500 smart meters in local condominiums ("suite meters"), bringing the total number of suite meters installed to date to approximately 10,700.

Implementation of time-of-use rates is seen as a key strategy in helping reduce energy consumption in Ontario because it will encourage consumers to switch their energy use to off-peak periods. To help customers understand how the smart meters – and new time-of-use rates – work, as well as what the impact may be on their electricity bills, Toronto Hydro mounted an extensive consumer communications campaign last year. The outreach included advertising and direct mail, and also a comprehensive section on the Corporation's website that allows customers to see how much electricity they use, how much it costs and how much they may be able to save by consuming energy during off-peak periods. The website also identifies energy saving tips that may result in lower electricity bills. In recognition of its successful "Get Smart Toronto" campaign, Toronto Hydro received an Award of Excellence from the Association of Energy Services Providers and recognition from Metering International.

Scott Lavery
United Way/Winter Warmth

"Over the past year, Ellen's family has been helping her daughter cope with serious mental health issues. The experience has been both financially and emotionally difficult. Ellen's daughter was in and out of hospitals for almost the entire year and Ellen stopped working full time to take care of her daughter. Eventually the family fell into arrears with both their rent and electricity payments. Ellen came to the Winter Warmth program and received $450 to pay off their arrears. At the same time, she was able to negotiate a repayment plan with her landlord to have her rental arrears paid off. The Winter Warmth grant kept her family warm and also helped put the family's financial situation back on track."

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SOCIAL RESPONSIBILITY

PowerUp

As noted in the Economic Performance section, PowerUp is a long-term capital investment plan that will upgrade, replace and rehabilitate Toronto Hydro's electricity distribution system.

Its primary goal is to ensure customers continue to receive the safe and reliable source of power they expect from their local distribution utility.

Toronto Hydro has made direct-to-consumer communications a top priority. Customers want to know, for example, why the work is being done on their property, how long it will take, and they may also have issues about the quality of workmanship on their property. Proactive communications is a critical aspect of maintaining good relations with the community. To that end, Toronto Hydro sent approximately 8,300 notification letters to customers and Business Improvement Area representatives about upcoming work and also provided monthly updates to City Councillors, in order to ensure they stayed abreast of work being performed in their areas.

As noted earlier, Toronto Hydro is building awareness of its investment and impacts on customers through direct mail as well as proactive public relations, community relations and community advertising.

Grid Modernization

Work continued last year in support of the development of Toronto's grid modernization.

The benefit of the modern grid is its ability to relay power outage information back to the main control room quickly and also to communicate information about outages and power remediation to customers quickly. Toronto Hydro installed 1,000 "smart" transformers in a community in northwest Toronto as part of a pilot project. This is one of the largest deployments of smart transformers globally to date. Toronto Hydro began testing the transformers' ability to "self-register" with the grid and the speed with which they can alert the company to outage problems. In 2010, an additional 725 smart transformers may be installed.

Andrew Macdonald
General Manager, Eva's Phoenix

"Toronto Hydro's support of Eva's Phoenix has been outstanding and has made a major difference in our capacity to help many of Toronto's at-risk youth break the cycle of homelessness."

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SOCIAL RESPONSIBILITY

System Reliability

A reliable source of electricity is a key ingredient of vibrant community life. When the power goes out, social and community life – to say nothing of the local economy – can come to a standstill.

As the largest city in Canada, the City of Toronto requires power that is both reliable and safe, and in 2009, the Corporation delivered on both aspects of this commitment. The average number of customer power interruptions ("SAIFI") excluding Major Event Days decreased, reaching 1.6, compared to scores of 1.8 in 2008 and 2.0 in 2007. The improvements are a reflection of the priorities identified in the Corporation's PowerUp capital plan (see above), which last year called for the replacement of direct-buried and 'in duct' cable, as well as upgrades to switchgear, transformers and feeders. Excluding Major Event Days, Toronto Hydro's system reliability "score" ("SAIDI") was 1.38 hours (82.60 minutes).

Toronto Hydro plans to replace and rehabilitate assets as they reach the end of their useful lives, using prudent approaches to maximize the benefits and reduce costs. Since a large number of assets are approaching end of life, Toronto Hydro plans to continue to focus its capital investments on critical assets for the foreseeable future in order to maintain acceptable levels of reliability and public safety.

It is noteworthy that approximately 17 per cent of the power outages that occurred in Toronto in 2009 were caused by "foreign objects", including tree canopies that come into contact with overhead wires. To address this issue, Toronto Hydro uses sophisticated software to track, prioritize and schedule needed pruning. Pruning is typically prioritized based on the performance of the grid's main feeders. In 2009, Toronto Hydro pruned around 296 feeders, compared to 287 in 2008, and also increased the number of crews performing scheduled pruning from 10 to 14. In addition, it continued to install Hendrix tree cable where possible – a preventive measure to protect overhead wires from accidental tree contact.

Brian Magee

President, CyberSynth.com

"I wanted to send a note to commend Toronto Hydro on the online TOU website. This is fabulous tool that impacts directly into the individual home. We have just signed up recently and our nine-year-old son Kieran is a now a fanatic waste hunter. In just two days he has helped reduce usage in our household by being more aware of his power usage as well as his parents. He helped decide cooking times for meals, hunted down the small power leaks and the larger ones as well. Kieran then sits the next morning before school, awaiting the results of his work, and is excited when he sees the positive results. This is now Kieran's Earth Day project and is trying to get his teacher to make it the school project for his class. Hence the reason for this thank you to you, it is a fantastic use of technology that affects not just our energy consumption but also provides a tool that is a natural for our children. Well done."

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***Tree trimming**, interview with Gord Hunter.*

In TH's video library

Also noteworthy, in 2009, approximately 465,000 kilograms of wood chips from trees that were pruned to improve system reliability were recycled by the City of Toronto, which uses the chips for nature trails. Toronto Hydro's forestry team also worked with representatives from LEAF and City of Toronto arborists to encourage residents to plant "hydro friendly" trees (with a height at maturity not greater than 30 feet).

Outage Remediation and Efficiency

To help remediate power outages even more efficiently going forward, Toronto Hydro introduced two new initiatives last year. The first is called "Mobile Planned Work" and its purpose is to improve the tracking of the utility's assets, as well as the status of those assets through the use of mobile handsets.

The system also is expected to help increase the quality, accuracy and timeliness of asset inspection and maintenance data collected in the field by crews and to reduce the operating expenses associated with paper forms.

Toronto Hydro also completed a pilot test of new Grid Response laptops, which use Global Positioning Systems to help ensure the right vehicle is dispatched to the right location at the right time. This is expected to improve emergency response times and fuel efficiency.

Contact Voltage

In its 2008 Corporate Responsibility Report, the Corporation reported on contact voltage. Since that time, the Corporation has taken the following steps:

- In February 2009, over 600 employees were re-deployed to check all of the City's handwells.
- A scanning company was hired to conduct night-time voltage scans of Toronto Hydro equipment located on city streets.
- A full-scale public awareness and safety campaign was launched with advertisements in major Toronto daily newspapers, ethnic and community papers, notices to school boards, veterinarians and Business Improvement Areas, as well as a customer bill insert.
- Toronto Hydro is currently developing a new handwell made of non-conductive composite material as a potential replacement for existing handwells.

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INTRODUCTION AND CORPORATE PROFILE

Forward-looking Information

Certain information included in this Report contains “forward-looking information”. Forward-looking information means disclosure regarding possible events, conditions or results that is based on assumptions about future economic conditions and courses of action or attributable to third parties. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “plan” and similar expressions or the negative of these terms or other comparable terminology. Although the Corporation believes that is has a reasonable basis for the forward-looking information included in this Report, such information is subject to a number of risks, uncertainties and assumptions that may cause actual events, conditions or results to differ materially from those contemplated by the forward-looking information. Some of the factors that could cause such differences include social, legislative or regulatory developments, financial market conditions and general economic conditions. Except to the extent required by applicable laws and regulations, the Corporation does not undertake any obligation to update publicly or to revise any of the forward-looking information included in this Report after the date thereof, whether as a result of new information, future events or circumstances or otherwise.

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INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 5:

Reference(s): C2-T2-S2, Page 3

The evidence indicates that spending on office furniture declines from $1.5 million to $0.8 million from 2009 to 2010 and increases by $0.6 million from 2010 to 2011.

Please explain why spending on office furniture declined from 2009 to 2010.

RESPONSE:

Spending declined in 2010 because there was no significant addition to office space in that year. Changes to address the normal replacement of outdated or broken items including the replacement of 200 obsolete workstations at 500 Commissioners accounted for the bulk of 2010 spending. The planned increase for 2011 over 2010 covers the additional furniture cost for 28 Underwriters Road.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 6:

Reference(s): Exhibit F2/Tab 9/Schedule 1, page 6

The evidence indicates that projects at 5800 Yonge include replacement of the roof at a cost of $0.8 million. Under the Environmental Initiatives listed at the second reference, the evidence states that THESL is investigating the installation of a green roof at 500 Commissioners that may represent an upfront premium to capital purchase expense.

a) Was a green roof considered or included as part of the roof replacement at 5800 Yonge and if not why not?
b) For the environmental initiatives listed at C2-T2-S1, Page 4, has THESL undertaken a cost/benefit analysis?

RESPONSE:

a) A green roof was not investigated. At the time the roof was replaced, THESL's plan was to exit the site. The roof needed to be replaced because it had deteriorated to an unsafe condition.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

1 b)

Project	Cost/Benefit	Explanation
Introducing "greener" technology and energy management to THESL buildings, for example, LEED certification for 500 Commissioners for 2011;	NO	LEED certification under the LEED EB standard is intended to recognize the significant green and conservation elements of 500 commissioners. Preliminary assessments indicate that 500 Commissioner will achieve a LEED accreditation with minimum investment.
Investigating the installation of a green roof at 500 Commissioners;	NO	The current roof condition and an estimated remaining life of 10 years does not support pursuing this initiative at this time.
Ongoing conversion to energy efficient lighting, heating and cooling systems; and	YES	See Below, Sample provided for 28 Underwriters, which is the the location of THESL's Trouble Operations and thus operates around the clock.
Investigating additional PV systems at 500 Commissioners.	YES	Project is currently being completed. Business case was prepared by THESI.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

ENERGY SAVINGS ANALYSIS
"Real Savings....Better Light"

Project Reference: Toronto Hydro - 28 Underwriters (High Bays)

COMPARISON:

EXISTING:	67	Fixtures at	400	Watts draw a total of	475	Watts
UPGRADE TO:	67	Fixtures at	250	Watts draw a total of	288	Watts

A POWER (kW) SAVED BY UPGRADING TO ENERGY SAVINGS FIXTURES:

Original Watts	-	Replacement Watts	=	Watts Saved per Fixture	x	No. of Fixtures to Replace	=	TOTAL WATTS SAVED PER HOUR!	=	TOTAL kW SAVED
475		288		187		67		**12,529**		**12.5**

B ENERGY (kWh, kilowatt hours) SAVED EACH YEAR FROM UPGRADE:

Total kW Saved	x	Hours of Use Per Day	x	Days of Use Per Week	x	Weeks of Use Per Year	=	TOTAL kWh's SAVED PER YEAR!
12.5		24		7		52		**109,453**

C TOTAL ENERGY COST SAVINGS EACH YEAR:

Total kWh's Saved per Year	x	Current Avg. Energy Cost per kWh	=	TOTAL ENERGY COST SAVINGS PER YEAR!
109,453		$0.12	→	**$13,134.40**

D SIMPLE PAYBACK AND RATE OF RETURN (ROR):

Cost of Upgrade per Fixture	x	No. of Fixtures to Replace	=	COST OF LIGHTING UPGRADE
$480.38		67	→	**$32,185.46**

Cost of Upgrade	÷	Total Energy Cost Savings	=	SIMPLE PAYBACK (IN YEARS)	
$32,185.46		$13,134.40	→	**2.45**	(approx)

RATE OF RETURN				RATE OF RETURN	
100	÷	2.45	= →	**40.8**	%

"STINGRAY" fixtures have a 5-year ballast warranty and 2-year lamp warranty

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 7:

Reference(s): C2-T2-S2, Page 3

The evidence states "This work totals an additional $5.3 million for administrative offices and operations centers compared to 2009", whereas the projects individually listed total $5.2 million.

Please confirm that $5.2 million is the correct number.

RESPONSE:

The individually listed projects are rounded to one decimal place. Rounding each of the six projects to two decimal places and summing them would yield the $5.3 million total.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 8:

Reference(s): C2-T4-S1, Page 3

The evidence indicates that THESL purchased approximately 30 hybrid vehicles in 2010.

Please provide a breakdown of the type of vehicles purchased, costs and premium paid per vehicle.

RESPONSE:

Table 1: Vehicles purchased, costs and premiums paid in 2010

Vehicle Type	Number	Average Hybrid Price less taxes	Price of Comparable Conventional	Premium
Car	11	$ 30,900	$ 20,000	$ 10,100
Pickup	13	$ 42,763	$ 32,000	$ 10,763
HSUV	10	$ 41,649	$ 32,000	$ 9,649
Bucket	1	$ 252,929	$ 213,279	$ 39,650

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 9:

Reference(s): C2-T1-S1, Page 3

As part of the Compensation Policy, under Section 4.2 Pay Competitiveness, THESL states that "Toronto Hydro will conduct a compensation benchmarking study at least every 3 years to determine the external competiveness of compensation programs".

When was the last benchmarking study undertaken and when will the next study be undertaken?

RESPONSE:

Mercer Human Resources Consulting completed an external benchmarking study for THESL in May 2007. In accordance with the compensation policy, THESL anticipates undertaking formal external benchmarking study in 2011.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 10:

Reference(s): C2-T1-S2, Page 1

The evidence states "GEA implementation requires technical and engineering expertise that continues to evolve and is expected to be in high demand and short supply in the coming years".

a) Please describe the specific technical and engineering expertise THESL requires to deliver the *Green Energy and Green Economy Act, 2009* ("GEA")?
b) Does THESL currently have this expertise on staff? Please explain. How many existing FTEs are undertaking GEA related work?
c) How many employees within the headcount increase projected in 2011 will be undertaking GEA work; what percentage of each FTE will be dedicated to GEA work; and what will they be doing?"

RESPONSE:

a) Areas of specific technical and engineering expertise that THESL requires to deliver the GEA include:
    - Smart Metering infrastructure
    - Advanced sensors and controls
    - Distributed generation
    - Distributed energy storage
    - Distributed intelligence and processing
    - Advanced information and communication systems
    - Advanced automation systems

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

- Cyber security and information privacy
- Advanced system protection
- Electric vehicle and smart charging infrastructure
- Enable interconnection of renewables including MicroFIT/FIT

b) Approximately seven FTEs are undertaking Smart Grid-related work under the GEA framework.

c) In 2011, approximately seven to ten employees within the increased headcount are projected to undertake GEA-specific work on Smart Grid and customer MicroFIT/FIT connections.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 11:

Reference(s): C2-T1-S2, Appendix A

Table 1 (Employee Compensation) indicates that THESL has not hired part-time employees from 2008 to 2010 and does not plan to in 2011.

Please explain why THESL does not hire part-time employees on a contract/temporary basis as part of the staffing strategy.

RESPONSE:

The jobs that are THESL's greatest need, such as supervisory, trades and technical positions, are not appropriately filled on a part-time or contract basis. Furthermore, the Collective Agreement with CUPE Local No. 1 restricts the hiring of part-time employees to lower level positions in Customer Service only.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 12:

Reference(s): C2-T1-S5, Page 2

THESL indicates that replacing departing employees has proven to be a challenge and employers responding to the survey reported unfilled vacancies for Managers and Supervisors, Engineers and Technicians and Trades. Please complete the following Table to show the number of unfilled (FTE) vacancies for THESL by position category at year end.

# of Unfilled Vacancies	2008 Actual at Dec 31	2009 Actual at Dec 2009	2010 Bridge at Dec 31	2011 Test Projected at Dec 31
Executive	0	0	2	
Managerial	6	4	2	
Management/Non-Union	19	8	27	
Union	92	45	58	
Total	117	57	89	
Total number of employees* *Ref: C2-1-2, Appendix A	1546	1574	1684	1944

RESPONSE:

Each year THESL creates a budget that includes a combination of capital and operating programs that together meet the expected organizational requirements for the test year. Labour requirements are a significant component of the budget. Any specific combination of programs requires a labour component consistent with the mix of in-house delivered programs and contracted programs. When the Board, in its Decision in a cost of service rate application, makes a reduction to THESL's proposed capital and/or

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

operating budgets, there is most likely a required reduction in proposed hiring. This has been the case in THESL's two previous cost of service rate applications. This explains the difference between THESL's proposed compliment and the actual compliment for 2008, 2009 and 2010. THESL has argued that reductions to its proposed capital programs does not alleviate the need for those programs since its distribution plant requires substantial renewal which is not discretionary if it expects to maintain safe, reliable electricity service. One effect of the deferral of capital spending and/or reductions to OM&A, and the subsequent deferral of hiring, is the requirement to include part, if not all of the deferred spending and hiring in a later application. This affect is apparent in the current rate application.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 13:

Reference(s): C2-T1-S3, Page 1

The increase in costs related to the OMERS defined benefit pension plan is "due to the increase in FTE between 2009 and 2011 (based on the reorganization and expected hiring)….."

Please provide a brief overview and status report on the reorganization referred to above.

RESPONSE:

Effective January 1, 2010, 33 employees from THC joined THESL. This reorganization has been completed.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 14:

Reference(s): C2-T1-S5, Page 4

In 2011, THESL continues to upgrade its distribution infrastructure. In terms of the labour necessary for plan implementation, THESL projects a shortfall based on current staffing levels of approximately 320 full-time employees ("FTEs") in 2011.

Please explain how the 320 FTE's is calculated.

RESPONSE:

The 320 FTEs are not additional full-time employees, but rather represent a capacity gap between current staffing levels and what is needed to:

- Deliver the expanded distribution system infrastructure upgrade program, and,
- Mentor new staff brought in to replace experienced employees nearing retirement.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 15:

Reference(s): C2-T1-S5, Page 4

THESL indicates that to support the capital plan, THESL has adopted a variety of options including hiring new workers, ramping up the apprenticeship program and using contractors.

Please explain the process THESL undertakes and the criteria used to determine which option is followed.

RESPONSE:

To support the capital plan, THESL considers factors such as the skills required to deliver the capital plan, retirement projections and the impact with respect to those skills in the current workforce, and the duration of the need for the skills. New workers are hired to address retirements or fill new skills gaps. In the absence of sufficient, fully competent trades people in the labour market, apprenticeship programs enable THESL to train workers to meet its requirements. Contractors provide the flexibility to complete specific capital work projects without incurring long-term payroll costs.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 16:

Reference(s): C2-T1-S5, Page 6

"Leveraging productivity efforts to improve and sustain efficiencies" is listed as one of the key components of THESL's workforce strategy.

Please explain this component and provide examples of how it has been implemented.

RESPONSE:

THESL has embarked on a number of initiatives to secure productivity gains and sustain efficiencies. They include:

- Job harmonization which has enabled THESL to replace numerous job classifications with consolidated jobs of greater scope. This initiative results in efficiency gains to work processes, distribution of work, training and safety.
- Continuous advancement of performance management systems that tie individual performance to THESL goals and targets and embed accountability. Crew Leaders and System Response Representatives in the bargaining unit participate in a Gain Sharing program with Key Performance targets aligned with productivity improvements.
- Standardization of equipment, nomenclature, materials and work procedures to enable employees to work across the distribution system.
- Direct to work site reporting by employees to reduce travel time.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 17:

Reference(s): C2-T1-S5, Page 7

C2-1-2, Appendix A

On page 7 of the first reference, the evidence states that "In 2011, over 90 new employees will be hired into leadership, trades and technical positions, along with engaging contractors." Table 1: Employee Compensation at the second reference shows an increase of 171 FTEs from the 2010 Bridge Year to the 2011 Test Year.

Please explain the difference between the two numbers.

RESPONSE:

New hires in other job categories to support THESL distribution system renewal program were not included on page 7 of the first reference on the evidence. Table 1: Employee Compensation included new hires in all job categories.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 18:

Reference(s): D1-T2-S1, Page 1, Table 1

Please provide an explanation of TS Primary Above 50 and Other Distribution Assets shown on the Continuity of Gross Fixed Assets in Table 1.

RESPONSE:

TS Primary Above 50 relates to legacy Transmission station equipment still owned by THESL. Other Distribution Assets consists of Load Management controls and Supervisory Equipment.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 19:

Reference(s): D1-T3-S1, Page 4

The evidence states that increased recruiting costs associated with the workforce staffing plan are also expected to increase the administrative and general expenses for the test year.

Please provide the recruiting costs for the past three historical years, the bridge year and the test year.

RESPONSE:

Year	Recruiting Fees TOTAL
2006	$67,704
2007	$128,222
2008	$622,412
2009	$1,189,816
2010*	$1,411,545

*Year end forecast

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 20:

Reference(s): D1-T6-S2

For the 2011 Test Year, the capital expenditures (net of in-service transfers) is shown as $99.7 million for Construction Work In Progress ("CWIP").

Please show how this amount was calculated including a list of the projects contained in CWIP.

RESPONSE:

The amount of capital expenditures (net of in-service transfers) is calculated as per the following table.

Table 1:

Capital Expenditures (D1/T7/S1)	$498.0 million
Less: Transit City Deferral	$(1.4) million
Rounding	$0.2 million
Adjusted Additions to CWIP	$496.8 million
Less: Transfers to FA (D1/T2/S1)	$(397.1) million
D1/T6/S2	$99.7 million

Please refer to EB-2010-0142 for projects contained in CWIP.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 21:

Reference(s): D1-7-1, Page 16, Table 1

a) Please provide the calculation for the AFUDC costs for each year.
b) Please provide a breakdown and explanation by year of the costs included in "Other" under Sustaining Capital.
c) Under General Plant, please provide a breakdown and explanation of the costs by year in "Other".
d) Under Emerging Requirements, $12.2 million is shown for Externally Initiated Plant Relocations. Please show how this figure was derived. Please explain why it is different the amount shown at D1-T8-S9, Table 1.

RESPONSE:

a) THESL calculates AFUDC costs on eligible CWIP projects using the OEB prescribed rates. For the historical years 2008 and 2009, AFUDC was calculated quarterly based on actual eligible CWIP available (excluding previously applied AFUDC), multiplied by ¼ of the OEB prescribed annual rate. THESL has determined that only certain CWIP projects are AFUDC eligible, and particularly those projects that take longer than 6 months to construct/execute. While the first half of 2010 Bridge is based on actuals, the second half of 2010 Bridge and the full 2011 Test year AFUDC costs are derived using the same methodology as described above, calculated on the forecast amounts of additions to AFUDC eligible CWIP. The OEB prescribed rate used for 2010 Bridge Q3 and Q4, as well as 2011 Test is 4.66% (being the Q3 2010 published rate).

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

b) "Other" in this context refers to the change in pre-capitalized Inventory from the preceding year end.

c) "Other" costs include major tools and facilities capital expenditures.

d) The $12.2 million figure was derived by totalling amounts in THESL's Externally Initiated Plant Relocations evidence filed at Exhibit D1, Tab 9, Schedules 5-1 and 5-2. The $12.2 million figure is exclusive of amounts shown in Exhibit D1, Tab 8, Schedules 9-1 to 9-10, which Schedules provide a breakdown of Operational Investment Projects $500 k and over.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 22:

Reference(s): **D1-T8-S5, Page 1, Table 1**
D1-T8-S10, Page 5, Table 1
D1-7-1, Page 16, Table 1

Table 1 at the first reference shows Engineering Capital as $39.4 million in the 2011 Test Year. At the second reference, Table 1 shows $43.3 million for Engineering Capital.

a) Please explain the difference between the two numbers.

RESPONSE:

a) THESL's Long Term Electrical Distribution Plan is to be used as a guiding document only when comparing it to the 2011 Test year budget. During the process of finalizing the budget, there can be adjustments to portfolios and allocations which result in differences between these documents. The intent is for the 2011 Test year budget to be aligned with the direction provided in the Long Term Plan, and not necessarily be exactly the same.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 23:

Reference(s): D1-T8-S1, Page 11

D1-T8-S9-S1, Table 1

Table 5 at the first reference shows a total budget of $62.6 million in 2011 for Underground Direct Buried Cable.

Table 1 at the second reference provides a list of Projects $500K and over for 2011 for Underground Direct Buried Cable Projects that total $45.6 million.

Please provide a breakdown of the remaining $17 million in costs.

RESPONSE:

The list of 2011 projects $500k and over for Underground Direct Buried Cable Projects totals $48.9 million (not $45.6 million as stated by AMPCO) as shown in Exhibit D1, Tab 8, Schedule 9-1, pg 3.

The remaining $13.7 million (not $17 million as stated by AMPCO) in costs is comprised of the following:

	Number of Projects	Total Values of Projects
Projects over $500k that do not appear in Exhibit D1, Tab 8, Schedule 9-1	11	$10.7 M
Projects under $500K	20	$3.0 M

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

1 The following projects should have been included in Exhibit D1, Tab 8, Schedule 9-1:

Project Description	Estimated Cost ($ millions)
E12215 Morningside Casebridge SCNT47M1 - Civil	0.73
E12195 - Mammoth Hall SCNT471 - Civil	2.04
E12212 - Venture Drive UG SCNT47M1 - Civil	0.61
W11295 Shalom-Milkwood ETMGF3 UG VC	0.51
E11368 Brenyon Way SCNT47M3 UG Rebuild (Civil)	0.78
E11191 McLevin Ave - Alford SCNT47M3 UG Civil	0.83
W11614 Ladyshot/Eldorado DB Cable Replacement	0.57
E12310 Scunthorpe - Invergordon H9M26 UG Rebuild 3 Phase - Civil SCNAH9M26	1.12
E12312 Scunthorpe - Invergordon H9M26 UG Rebuild 1 Phase - Civil SCNAH9M26	1.21
E12348 H9M30 UG Rebuild Muir Dr - Golf Club - Civil SCNAH9M30	0.81
W12367 Lateral Cable Replacement - Jane St (phase 2)	1.49

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 24:

Reference(s): D1-T8-S1, Page 28

D1-T8-S1, Page 29, Table18

Under Municipal Substations, the evidence indicates that "Eight power transformers will be changed out in 2011…" Table 18 at the second reference shows 7 Station Transformer units requiring rehabilitation in 2011.

Please reconcile the two numbers.

RESPONSE:

The second reference is correct. Line 14 on page 28 of Exhibit D1, Tab 8, Schedule 1 should read "Seven power transformers will be changed out in 2011…"

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 25:

Reference(s): D1-T8-S5, Page 1

THESL states that a portion of the costs associated with engineering, design, and operations is expensed.

What portion of these costs will be expensed?

Please reconcile the two numbers.

RESPONSE:

Total costs associated with the engineering, design, construction and operation of the distribution system are forecast to total $46.7 million. Exhibit D1, Tab 8, Schedule 5, page 1, provided the capital portion of engineering capital. The table below shows total costs associated with engineering, design, construction and operations broken out by operating and capital components.

Engineering Capital	39.4
Engineering Expensed	7.3
Total Engineering	**46.7**

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 26:

Reference(s): D1-T8-S6-1, Page 2, Table 1
C2-T4-S2, Page 2, Table 2

Table1 at the first reference shows the Total Fleet and Equipment Services budget as $9.9 million in the 2010 Bridge Year and $13.3 million in the 2011 Test Year. At the second reference, Table 2 shows the Fleet and Equipment Services budget as $11.6 million in the 2010 Bridge Year and $13.5 million in the 2011 Test Year.

Please explain the difference between the two sets of numbers.

RESPONSE:

The differences represent errors in the pre-filed evidence. The correct numbers are:

2010 Bridge: $9.9 million
2011 Test: $13.5 million

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 27:

Reference(s): M1-T1-S1, Page 5

The evidence indicates that THESL has "maintained the fixed/variable split at 2010 approved levels for the purposes of designing the fixed and variable components of rates except for the GS 1000-4999KW and the Large User class. For these two classes, the fixed component was lowered since the fixed rate for these two classes is well above the ceiling rate as suggested in the Board Cost Allocation Model. The variable rate was adjusted upwards for these two classes to compensate and ensure the revenue recovery was maintained at the proposed revenue-cost ratios".

a) Please provide the floor and ceiling calculations for each rate class as suggested in the Board Cost Allocation model.
b) Please provide the variable rate for the Large User class if the fixed rate is maintained at the 2010 approved level for the 2011 rate year.

RESPONSE:

a) These calculations are shown in Exhibit L1, Tab 2, Schedule 1, page 25.

b) If the Large Users fixed rate is maintained at the 2010 level for 2011 then the 2011 variable rate would be 4.7212 per kVA per 30 days.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 28:

Reference(s): M1-T1-S1, Page 5

The Distribution Volumetric Rate for 2011 is shown as $4.7083/kVA for the Large Use customer.

Please provide the Distribution Volumetric Rate for the Large Use class using the units $/kWh.

RESPONSE:

The variable distribution rate for Large Use customers is based on kVA, not on kWh. A dollar per kWh variable distribution rate is meaningless.

INTERROGATORIES OF ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

INTERROGATORY 29:

Reference(s): M1-T1-S1, Page 5

Please provide a sample bill for a typical Large User customer.

RESPONSE:

Please see Exhibit O1, Tab 1, Schedule 1, page 5 for a comparison of the 2011 proposed bill components vs 2010 approved bill components.