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RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 47:

Reference(s): Exhibit 1C, Tab 2, Schedule 1, pp. 1, 3

- a) Please provide additional information with respect to the work that Toronto Hydro Energy undertakes (Exhibit 1C / Tab 2 / Schedule 1 / p. 1).
- b) Please advise whether Toronto Hydro-Electric System Limited’s Board has 4 members with only the chair also acting as a Board Member on Toronto Hydro Corporation’s Board (Exhibit 1C / Tab 2 / Schedule 1 / p. 3).

RESPONSE:

- a) Toronto Hydro Energy Services Inc.’s (THESI) primary activities is the ownership of certain street and expressway lighting assets in the City of Toronto, and services to the City regarding same. Further information about THESI can be found in Toronto Hydro Corporations’ securities disclosure documents available on SEDAR, including in particular the corporation’s Annual Information Form.
- b) Toronto Hydro-Electric System Limited’s Board is currently made up of 5 members, two of whom (including the Chair), are also Directors of Toronto Hydro Corporation.

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RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 48:

Reference(s): Exhibit 1C, Tab 2, Schedule 1, pp. 7-8
Exhibit 1C, Tab 3, Schedule 10, p. 3
Exhibit 1C, Tab 3, Schedule 3, Appendix C, p. 5
EB-2005-0421, Decision with Reasons, p. 42

Preamble:

Toronto Hydro notes that as the sole shareholder of Toronto Hydro Corporation, the City of Toronto has adopted a shareholder direction, which establishes a number of objectives and principles (and includes a dividend policy) (Exhibit 1C / Tab 2 / Schedule 1 / pp. 7-8).

In its 2017 Annual Report, Toronto Hydro Corporation notes that it approved amendments to its dividend policy whereby 60% of Toronto Hydro’s immediately previous year’s annual consolidated net income will be paid as a dividend to the City of Toronto) (Exhibit 1C / Tab 2 / Schedule 10 / p. 3).

In the OEB’s Decision with Reasons for Toronto Hydro’s 2006 rates proceeding, the OEB states “...the Board believes that it is appropriate that any dividend paid by the utility to the City of Toronto should be approved by a majority of independent directors” (EB-2005-0421 / Decision with Reasons / p. 42).

- a) Please file the current shareholder direction (including the dividend policy) (Exhibit 1C / Tab 2 / Schedule 1 / p. 8).

- 1 b) Please provide the previous dividend policy that was in place prior to the
2 amendment that was made (discussed at Exhibit 1C / Tab 3 / Schedule 10 / p. 3).
3 Please advise who approved the dividend policy amendment.
4
- 5 c) Please explain the disconnect between the dividends paid to Toronto Hydro
6 Corporation and the level of dividends that Toronto Hydro Corporation ultimately
7 pays to the City of Toronto (Exhibit 1C / Tab 3 / Schedule 3 / Appendix C / p. 5 and
8 Exhibit 1C / Tab 3 / Schedule 10 / p. 3).
9
- 10 d) Please provide the dividend checklist used by the Board Members at Toronto
11 Hydro Electric-System Limited (Exhibit 1C / Tab 2 / Schedule 1 / p. 8).
12
- 13 e) Please advise who at Toronto Hydro Electric-System Limited approves the
14 payment of dividends to Toronto Hydro Corporation (Exhibit 1C / Tab 2 / Schedule
15 1 / p. 8).
16
- 17 f) For each year in the 2015-2017 period, please provide the total payment of
18 dividends by Toronto Hydro Electric-System. For each of the same years, please
19 also provide the net income and the total debt.
20
- 21 g) For each year 2015-2017, please provide the percentage of Toronto Hydro
22 Corporations net income that is derived from Toronto Hydro Electric-System
23 Limited's business.
24
- 25 h) For 2017, please explain why a \$250 million equity investment from the City of
26 Toronto led to payment of a \$75 million dividend to the City of Toronto (Exhibit 1C
27 / Tab 3 / Schedule 10 / p. 3).

1 i) Please provide rationale supporting the amended dividend policy that pre-
2 approves the payment of 60% of Toronto Hydro's immediately previous year's
3 annual consolidated net income as a dividend (Exhibit 1C / Tab 3 / Schedule 10 / p.
4 3).

5
6 j) Please discuss how the current dividend policy is in accordance with the OEB's
7 Decision with Reasons for Toronto Hydro's 2006 rates proceeding (EB-2005-0421 /
8 Decision with Reasons / p. 42).

9
10
11 **RESPONSE:**

12 a) Please refer to Appendix A to this response. The City of Toronto is the sole
13 shareholder of Toronto Hydro Corporation (THC), which in turn, is the sole
14 shareholder of Toronto Hydro-Electric System Limited (THESL). The City of Toronto
15 establishes certain expectations and requirements of THC and its subsidiaries through
16 its Shareholder Direction, which also includes a Dividend Policy. This Dividend Policy
17 establishes the City of Toronto's (and the financial market's) expectation about THC's
18 payment of dividends, however ultimately decisions with respect to the declaration of
19 dividends are made by the members of the Boards of Directors of THC and THESL
20 respectively. THC is a reporting issuer (publicly issued debentures) under a
21 prospectus, and accordingly is regulated by the Ontario Securities Commission. THC is
22 also an exempt issuer of short-term promissory notes (commercial paper), a party to
23 certain credit facilities with major Canadian financial institutions, and is rated by the
24 credit rating agencies DBRS and S&P. THESL is not a party to any of the external
25 financial arrangements with lenders or investors which provide financing to THC.

1 b) Please refer to Appendix B to this response. The dividend policy is contained within
2 the Shareholder Direction, and as such, the amendment was made by the City of
3 Toronto. The Dividend Policy sets an expectation, but does not create a legal
4 requirement for the Board of Directors of THC to declare dividends. For example,
5 during the 2015-2016 period, the Board of Directors of THC decided to reduce
6 dividend payments to the City of Toronto to a rate below that set out in the Dividend
7 Policy, in favour of ensuring that its capacity to provide financial support to THESL
8 remained consistent and aligned with THESL's operational needs (including its capital
9 program), and to stabilize its credit ratings to keep its borrowing costs down.

10

11 c) The payment of dividends by THC to the City of Toronto is not directly correlated to
12 the payment of dividends by THESL to THC. Where a dividend is paid by THESL to THC,
13 these funds may be used as part of the payment of dividends to the City of Toronto.
14 Otherwise, dividends paid by THC to the City of Toronto, may be funded by THC
15 through its commercial paper program or credit facilities (which THESL is not a party
16 to). Credit ratings are developed by the independent external rating agencies with
17 assumptions that dividends will be paid in accordance with the Shareholder Direction.

18

19 Dividends are paid by THESL only when its Board of Directors declares it to be in the
20 corporation's best interests, including its independent members, and dividends are
21 paid by THC to the City of Toronto only when its Board of directors declares it to be in
22 the corporation's best interests.

23

24 d) Please refer to Appendix C to this response. This is a tool used by the Board of
25 Directors, among other considerations, in exercising their business judgment to
26 declare dividends.

e) Payments of dividends by the utility to THC are approved by the THESL Board of Directors, including at least a majority of the utility's independent Directors.

f) Please see Table 1.

Table 1: 2015-2017 Dividends, Net income, and total Debt (\$ Millions)

	2015	2016	2017
Dividends paid	\$0	\$0	\$2.1
Net income	\$132.8	\$148.5	\$138.6
Total debt	\$2,132.5	\$2,220.8	\$2,246.6

g) Please see Table 2.

Table 2: THESL net income (\$ Millions)

	2015	2016	2017
THESL net income (A)	\$132.8	\$148.5	\$138.6
Consolidated net income (B)	\$126.7	\$151.4	\$156.5
% (A/B)	104.8%	98.1%	88.6.0%

h) In 2016, the Board of Directors of THC decided to reduce dividend payments to the City of Toronto to a rate below that set out in the Dividend Policy, in favour of ensuring that its capacity to provide financial support to THESL remained consistent and aligned with THESL's operational needs (including its capital program), and to stabilize its credit ratings. THC's ability to maintain favourable credit ratings keeps its borrowing costs down, which in turn drive lower costs for ratepayers. The City of Toronto provided an equity investment to THC in 2017, which in turn restored and improved THC's credit metrics and improved its credit outlook from rating agencies. Following which, THC was able to restore dividends to the City of Toronto and continue to ensure that its financing to THESL remained consistent and aligned with

1 THESL's operational needs (including its capital program). After the completion of the
2 equity investment, the City of Toronto amended the Dividend Policy as part of the
3 Shareholder Direction to a rate of 60% of the immediately previous year's
4 consolidated net income for THC. The \$75 million represented 50% of net income for
5 2016, and was paid to the City of Toronto following its \$250 million equity investment.
6

7 i) There is no such pre-approval of dividends. This increase in the dividend expectations
8 of the Shareholder was in consideration of providing a reasonable return on its large
9 additional investment in THC, and 60% is in line with the industry market benchmark.
10

11 j) The OEB's 2006 Rates Decision provided that "any dividend paid by the utility to the
12 City of Toronto should be approved by a majority of the independent directors".¹
13 Payments of dividends by the utility to THC are approved by the THESL Board of
14 Directors, including at least a majority of the utility's independent Directors. The
15 THESL Board of Directors (as well as the THC Board of Directors), utilize a dividend
16 checklist, which incorporates considerations that arise from the OEB's Decision with
17 Reasons for THESL's 2006 rates proceeding and the subsequent decision of the
18 Ontario Court of Appeal.

¹ EB-2005-0421 Decision with Reasons, p. 42

AMENDMENT TO
THE AMENDED AND RESTATED
SHAREHOLDER DIRECTION
RELATING TO
TORONTO HYDRO CORPORATION

WHEREAS the City of Toronto has issued an Amended and Restated Shareholder Direction Relating to Toronto Hydro Corporation dated July 1, 1999 as amended and restated as of October 3, 2002, as further amended as of October 1, 2004, as further amended and restated as of June 27, 2006; as further amended and restated as of October 23, 2007; and as further amended and restated as of May 7, 8, 9 and 10, 2013;

AND WHEREAS pursuant to section 11.1 thereof the Shareholder Direction may be amended solely at the discretion of the Shareholder;

AND WHEREAS at its meeting of May 24, 25 and 26, 2017 City of Toronto Council authorized the within amendment to the dividend policy contained in the Shareholder Direction;

NOW THEREFORE THE SHAREHOLDER DIRECTION IS HEREBY AMENDED AND WITNESSES AS FOLLOWS:

1. Amendment to Dividend Policy

Effective as of the date hereof, section 10.4 shall be deleted and replaced by the following:

10.4 Dividend Policy

Subject to any restrictions imposed by *Law* and this *Shareholder Direction*, the *Board* of the *Corporation* shall declare the following dividends:

- a) in calendar year 2017, an aggregate amount of \$75 million, consisting of:
 - i) equal quarterly instalments of \$6.25 million payable by the *Corporation* on March 31, 2017, June 30, 2017 and
 - ii) the remainder of the dividend payable in a single instalment within ten (10) days of full receipt by the *Corporation* of a \$250 million equity subscription from the *Shareholder*, as approved by City Council at its meeting of December 13, 14, 15, 2016, Item EX 25.8.
- b) Commencing in 2018, and continuing for subsequent fiscal years, 60% of the *Corporation's* immediately previous fiscal year's annual *Consolidated Net Income*, to be declared quarterly, and payable to the *Shareholder* in four (4) equal instalments on the last business day of each fiscal quarter of the *Corporation*.

Where "*Consolidated Net Income*" means the Corporation's consolidated net income after net movements in regulatory balances set forth in the applicable *Financial Statements* determined in accordance with the accounting policies and procedures adopted and used by the Corporation from time to time.

DATED at Toronto as of this 28th day of June, 2017.

CITY OF TORONTO




Roberto Rossini
Deputy City Manager & Chief Financial Officer



Ulli Watkiss
City Clerk

Marlyn M. Toft
for Ulli S. Watkiss
City Clerk



Authorized by Executive Committee Item
EX25.8 as amended and adopted by City of
Toronto Council at its Meeting on May 24, 25
and 26, 2017.



City Clerk

Marlyn M. Toft
for Ulli S. Watkiss
City Clerk

APPROVED AS TO FORM



For Wendy Walberg, City Solicitor

File # MAS.5000-077-7634.2016

CITY OF TORONTO

**AMENDED AND RESTATED
SHAREHOLDER DIRECTION
RELATING TO
TORONTO HYDRO CORPORATION**

**July 1, 1999 as amended and restated as of October 3, 2002,
as further amended as of October 1, 2004 , as further amended and restated as of June 27,
2006; and as further amended and restated as of October 23, 2007; and as further amended
and restated as of May 7, 8, 9 and 10, 2013**

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SHAREHOLDER DIRECTION

WHEREAS *Toronto Hydro Corporation* (the "**Corporation**") is a corporation existing under the *Business Corporations Act* (Ontario);

AND WHEREAS the *City of Toronto* (the "**Shareholder**") is the beneficial owner of all of the issued shares of the *Corporation*;

AND WHEREAS the *Corporation* and the *Subsidiaries* (together, "*Toronto Hydro*") are the successors to the business of Toronto Hydro Electric Commission;

AND WHEREAS *Toronto Hydro's* business (the "**Business**") is integral to the well-being and infrastructure of the City of Toronto;

AND WHEREAS the *Business* is subject to the provisions of the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998*, as such statutes may be amended or re-enacted from time to time;

AND WHEREAS the *Corporation* is a reporting issuer subject to *Securities Rules* (as herein defined);

AND WHEREAS the *Shareholder* wishes to establish certain principles of governance relating to *Toronto Hydro*;

NOW THEREFORE THIS SHAREHOLDER DIRECTION IS HEREBY AMENDED AND RESTATED AND WITNESSES AS FOLLOWS:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this *Shareholder Direction*, in addition to the terms defined in the recitals, the following terms will have the meanings set out below:

"Affiliate Relationships Code" means the *Ontario Energy Board Affiliate Relationships Code For Electricity Distributors and Transmitters*, as amended from time to time;

"Associate" means a *Person* that is associated with the *Corporation* or any *Subsidiary* as such relationship is defined in the *OBCA*;

"Auditor General" means the *City of Toronto's* Auditor General or his/her designate or any *Person* acting in that capacity;

"Board" means the board of directors of the *Corporation*;

"Body Corporate" means a firm, partnership, unincorporated association, joint venture, body corporate, corporation, bank, trust, pension fund, union, governmental agency, board, tribunal, ministry or commission or other legal entity of any kind whatsoever, but excludes an individual or natural person;

"Business Plan" means the business plan referenced in Section 9.1

"Chair" means the Chair of the *Board*;

"Citizen Directors" means the citizen directors referenced in Section 5.1;

"City Authorized Representative" means the City authorized representative referenced in Section 9.3;

"City CFO" means the *City of Toronto's* Deputy City Manager and Chief Financial Officer or the *Person* acting in that capacity or his/her designate;

"City Chief Corporate Officer" means the *City of Toronto's* Chief Corporate Officer or the *Person* acting in that capacity or his/her designate;

"City Council" means the Council of the *City of Toronto* when exercising its authority in its capacity as a municipal government or as the *Shareholder* of the *Corporation*;

"City Council Directors" means the *City Council* directors as referenced in Section 5.1;

"City Liaison" means the City officer or delegated staff member referenced in Section 8.2;

"City of Toronto" means the municipal corporation continued under the *City of Toronto Act, 2006*;

"City Manager" means the *City of Toronto's* City Manager or the *Person* acting in that capacity or his/her designate;

"Directed by Council" means a direction from *City Council*, acting on behalf of the *City of Toronto* in its capacity as *Shareholder*, to the *Corporation*, which direction shall be in the form of a recommendation or resolution adopted by *City Council* which directs the *Corporation* as it applies to the *Corporation* or any of its *Subsidiaries*, and subject to *Law*, in making any direction *City Council* shall take into consideration the objectives and principles set out in Section 2.2.2 herein;

"Distribution Company" means any one or more *Subsidiaries* licensed to own or operate an electricity distribution system under the *Ontario Energy Board Act, 1998*;

"Energy Services" means Toronto Hydro Energy Services Inc.;

“Executive Compensation Information” means, for all of the officers of the *Corporation*, the same executive compensation information as is required to be disclosed by the *Corporation* for its Named Executive Officers in the Summary Compensation Table of its Annual Information Form pursuant to Form 51-102F6 (Statement of Executive Compensation) issued under the National Instrument 51-102 (Continuous Disclosure Obligations);

“Financial Statements” means, for any particular period, the audited or unaudited (as stipulated in this *Shareholder Direction*), consolidated or unconsolidated (as stipulated in this *Shareholder Direction*), comparative financial statements of the *Corporation* or its *Subsidiaries*, as applicable, consisting of not less than a balance sheet, a statement of income and retained earnings, a statement of changes in financial position, a report or opinion of the auditor (in the case of audited *Financial Statements*) and such other statements, reports, notes and information prepared in accordance with accounting principles as permitted at *Law*;

“Governmental Authority” means a federal, provincial, state, regional, municipal or local government, domestic or foreign, including any entity, *Person*, court or other body or organization exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government;

“Law” means any statute, law, ordinance, rule, regulation, restriction, code, regulatory policy or guideline or order of any *Governmental Authority*, including without limitation all *Securities Rules* and all applicable by-laws or rules of any *Regulator*;

“Lien” means any mortgage, hypothec, assignment, encumbrance, lien or security interest, regardless of form, that secures the payment of any indebtedness or liability or the observance or performance of any obligation;

“OBCA” means the *Business Corporations Act* (Ontario), as amended or re-enacted from time to time;

“Ontario Energy Board” or ***“OEB”*** means the Ontario Energy Board, or its successor;

“Ontario Energy Board Act, 1998” or ***“OEB Act”*** means the *Ontario Energy Board Act, 1998* (Ontario), as amended or re-enacted from time to time;

“Person” means an individual, limited liability company, unincorporated syndicate, unincorporated organization, *Body Corporate* or *Governmental Authority*;

“Receiving Party” means the receiving party as referenced in Sections 4.4 and 6.3;

“Regulator” means the *Ontario Energy Board*, the Ontario Securities Commission and each other *Governmental Authority* having jurisdiction over *Toronto Hydro* or the *Business*, and any successor(s) thereto;

"Securities Rules" means all statutes, laws, ordinances, rules, regulations, restrictions, instruments, codes, regulatory policy or guidelines applicable to the *Corporation* as a reporting issuer under the *Securities Act* (Ontario), as amended from time to time;

"Shareholder" means the *City of Toronto* as the beneficial owner of all of the issued shares of the *Corporation*, exercising its authority as *Shareholder* through *City Council*;

"Shareholder Direction" means this Shareholder Direction Relating to Toronto Hydro Corporation dated as of July 1, 1999, as amended and restated from time to time; and

"Subsidiary" means, with respect to the *Corporation*, any *Body Corporate* of which more than 50% of the outstanding securities of any class carrying exercisable voting rights are beneficially owned, directly or indirectly, by the *Corporation*, and includes any *Body Corporate* in like relation to a *Subsidiary*.

1.2 City Authorized Representative, City Council, City of Toronto and Shareholder

- a) Wherever there is a reference to a *City Authorized Representative* in this *Shareholder Direction*, that reference shall be deemed to include any individual acting in that capacity or any successor *City Authorized Representative* duly appointed or designated by the *City of Toronto* as being responsible for that office.
- b) In this *Shareholder Direction* the use of the terms *City Council*, *City of Toronto* and *Shareholder* shall be interpreted to reflect the actions or authority of the municipal government, municipal corporation or the corporate shareholder as reasonably indicated by the context.

1.3 Calculation of Time

In this *Shareholder Direction*, a period of days will be deemed to begin on the first day after the event which began the period and to end at 5:00 p.m. (Toronto time) on the last day of the period. If, however, the last day of the period does not fall on a business day, the period will terminate at 5:00 p.m. (Toronto time) on the next business day.

1.4 Regulatory Matters

In the event of any conflict between any approval or matter *Directed by Council* or other requirement of the *Shareholder* under this *Shareholder Direction* and any decision, order or policy of any *Regulator*, the decision, order or policy of the *Regulator* shall govern and *Toronto Hydro* will at all times comply with any decision, order or policy of the *Regulator* whether or not an approval or matter *Directed by Council* has first been given in respect thereof by the *Shareholder* under this *Shareholder Direction*. For greater certainty, *Toronto Hydro* will not seek any order from any *Regulator* for any matter that would require the approval of the *Shareholder* under this *Shareholder Direction* without first giving notice of its intention to seek such an order to the *Shareholder*.

ARTICLE 2 OBJECTIVES AND PRINCIPLES

2.1 Purposes

The purposes of this *Shareholder Direction* are as follows:

- a) subject to the *Board's* authority to manage or supervise the management of the business and affairs of the *Corporation*, to provide the *Board* with the *Shareholder's* fundamental principles regarding the *Business*;
- b) to inform the residents of the *City of Toronto* of the *Shareholder's* fundamental principles regarding the *Business*; and
- c) to set out the accountability, responsibility and relationship between the *Board* and the *Shareholder*.

2.2 Shareholder Objectives and Principles

2.2.1 Subject to *Law*, the *Corporation* shall and shall direct its *Subsidiaries* to conduct their affairs and govern their operations in accordance with such rules, policies, directives or objectives as *Directed by Council* from time to time.

2.2.2 The following objectives and principles shall govern the operations of *Toronto Hydro*:

- a) to operate *Toronto Hydro* on an efficient and commercially prudent basis;
- b) to optimize the *Shareholder's* return on equity and operate *Toronto Hydro* with a view to meeting the financial performance objectives of the *Shareholder* as set out in this *Shareholder Direction*;
- c) to provide a reliable, effective and efficient electricity distribution system that supports the electricity demands of residents and businesses in the *City of Toronto*;
- d) to operate *Toronto Hydro* in an environmentally responsible manner consistent with the *City of Toronto's* energy, climate change and urban forestry objectives and, as appropriate, utilizing emerging green technologies;
- e) to ensure that the *Business* is managed in material compliance with all *Law*; and
- f) to engage in recruitment and procurement practices designed to attract employees and suppliers from the *City of Toronto's* diverse community.

- 2.2.3 The *Board* is responsible for determining and implementing the appropriate balance among the objectives and principles in Section 2.2.2 and for causing *Toronto Hydro* to conduct its affairs in accordance with the same.

ARTICLE 3 BUSINESS OF TORONTO HYDRO

3.1 Business of Toronto Hydro

Subject to *Law* and the ongoing ability of the *Corporation* and the *Subsidiaries* to meet the financial objectives of the *Shareholder* set out in this *Shareholder Direction* and the ability of the *Board* to demonstrate the same, the *Corporation* may engage in, and may authorize the *Subsidiaries*, to engage in, any of the business activities permitted by the *Ontario Energy Board Act, 1998*, as may be amended from time to time. Without limiting the foregoing, and for ease of reference, an extract of the relevant provisions of the *Ontario Energy Board Act, 1998* is attached as Appendix A to this *Shareholder Direction*.

ARTICLE 4 BOARD OF DIRECTORS

4.1 Responsibilities of the Board of Directors

Subject to *Law* and any matters requiring approval of the *Shareholder* pursuant to this *Shareholder Direction*, the *Board* is responsible for supervising the management of the business and affairs of the *Corporation*, including the following specific matters:

- a) establishing sound financial principles and performance objectives;
- b) approving any dividend payment or distribution of capital;
- c) appointing the officers of the *Corporation*;
- d) approving the overall business strategy and related *Business Plan*;
- e) approving the financing strategy, including the selection of financial institutions and related banking authorities;
- f) directing labour and employee relations matters; and
- g) approving the financial statements in accordance with the requirements of the *OBCA*.

4.2 Committees of the Board

The *Board* may form committees and delegate such decision making or other responsibilities to the committees, as permitted by *Law*, from time to time.

The committee of the *Board* responsible for compensation related matters shall include at least one *City Council Director*.

4.3 Conflict of Interest Policy

The directors and officers of the *Corporation* will strictly abide by the requirements of the *OBCA* and the *Corporation* in respect of conflicts of interest, including any requirements in respect of disclosure and abstention from voting.

4.4 Confidentiality

The *Shareholder* and the directors and officers of the *Corporation* will ensure that no confidential information of the *Shareholder* or *Toronto Hydro* is disclosed or otherwise made available to any *Person*, except to the extent that:

- a) disclosure to a *Receiving Party's* employees or agents is necessary for the performance of any *Receiving Party's* duties and obligations under this *Shareholder Direction*;
- b) disclosure is required in the course of any legal or regulatory proceedings or actions or pursuant to any *Law*; or
- c) the confidential information becomes part of the public domain (other than through unauthorized disclosure by the *Receiving Party*).

ARTICLE 5 BOARD STRUCTURE

Without restricting the rights of the *Shareholder*, this article provides information regarding *City Council's* "Public Appointments Policy" and "Policy on Board Governance Structures" as amended from time to time.

5.1 Composition of the Board

5.1.1 The *Board* will be composed of eleven (11) directors comprising:

- a) the Mayor of the *City of Toronto* or a member of *City Council* whom the Mayor recommends as his/her designate and who is appointed by *City Council*;

- b) two (2) members of *City Council* (together with the Mayor or Mayor's Designate, the "*City Council Directors*"); and
- c) eight (8) residents of Toronto who are not elected officials or employees of the *City of Toronto* or any of its agencies or corporations ("*Citizen Directors*"), one of whom shall be the *Chair*.

5.1.2 The *Shareholder* shall appoint all members of the *Board* of the *Corporation*.

5.1.3 The *Chair* of the *Board* shall be appointed by the *Board* upon the nomination of the *Shareholder* from time to time.

5.2 Qualifications of Directors

In addition to the general eligibility requirements as set out at *Law* (including without limitation the *OBCA* and *Securities Rules*) and in the *City of Toronto's* "Public Appointments Policy" and "Policy on Board Governance Structures", as amended by *City Council* from time to time, *Board* members should collectively represent a range of expertise including:

- a) experience on a public utility commission or board of a major corporation or other commercial enterprise;
- b) experience or knowledge with respect to:
 - i. corporate finance;
 - ii. corporate governance;
 - iii. market development;
 - iv. large system operation and management;
 - v. urban energy industries;
 - vi. public policy issues and the *Law* relating to Toronto Hydro and the electricity industry;
 - vii. environmental matters;
 - viii. labour relations;
 - ix. occupational health and safety issues
- c) commercial sensitivity and acumen;
- d) independence of judgment;
- e) personal integrity; and
- f) at least three directors with financial management expertise.

5.3 Vacancies

If a member of the *Board* ceases to be a director for any reason, the *Shareholder* will fill the vacancy created thereby as soon as reasonably possible.

5.4 Term

- a) The term for *City Council Directors* shall be two (2) years. Incumbent *City Council Directors* may be reappointed by the *Shareholder*, for such consecutive terms as the *Shareholder* may determine, in its discretion.
- b) The term for *Citizen Directors* shall be two (2) years. Incumbent *Citizen Directors* may be reappointed by the *Shareholder*, at its discretion, for an additional term without a formal *Citizen Director* recruitment process. Where any *Citizen Director* has served for two (2) consecutive terms, or a total of four (4) consecutive years, then the *Shareholder* shall proceed with a formal *Citizen Director* recruitment process prior to reappointing an incumbent director for that position. The maximum number of consecutive two (2) year terms for any *Citizen Director* shall be four (4) terms for a maximum term of eight (8) consecutive years as a *Citizen Director*.
- c) Notwithstanding any of the foregoing, all directors are appointed at the pleasure of the *Shareholder* and the *Shareholder* may elect, in its discretion, to replace any appointed director at any time and for any reason. All directors shall continue to serve on the *Board* past the end of their term until such time as such successors are appointed by the *Shareholder*.

ARTICLE 6 SUBSIDIARIES

6.1 Boards of Directors of Subsidiaries

- a) Subject to *Law* and any matters requiring approval of the *Shareholder* pursuant to this *Shareholder Direction*, the *Corporation* shall cause the business and affairs of the *Subsidiaries* to be managed or supervised by their respective boards of directors.
- b) The *Board* will appoint the directors of the *Subsidiaries* from among the directors of the *Corporation*, provided however that the appointment of the directors of the *Distribution Company* shall be subject to and meet all requirements for independence as may be set out by the *Ontario Energy Board's Affiliate Relationships Code* as amended from time to time. Without limiting the foregoing, and for ease of reference, an extract of the relevant section of the *Affiliate Relationships Code* is attached as Appendix B to this *Shareholder Direction*.
- c) The *Chair* shall notify the *City Manager* of the names of, remuneration to be paid to, and the process used to select, any independent directors as required by the *OEB* from time to time.

6.2 Conflict of Interest Policy

The *Corporation* will cause the directors and officers of each *Subsidiary* to strictly abide by the requirements of the *OBCA* and the *Corporation* in respect of conflicts of interest, including any requirements in respect of disclosure and abstention from voting.

6.3 Confidentiality

The *Corporation* will cause the directors and officers of each *Subsidiary* to ensure (the *Shareholder* and the directors and officers of each *Subsidiary* are hereinafter referred to as a "*Receiving Party*"), that no confidential information of the *Shareholder* or *Toronto Hydro* is disclosed or otherwise made available to any *Person*, except to the extent that:

- a) disclosure to a *Receiving Party's* employees or agents is necessary for the performance of any *Receiving Party's* duties and obligations under this *Shareholder Direction*;
- b) disclosure is required in the course of any legal or regulatory proceedings or actions or pursuant to any *Law*; or
- c) the confidential information becomes part of the public domain (other than through unauthorized disclosure by the *Receiving Party*).

6.4 Vacancies

If a member of the *Board* of directors of any *Subsidiary* ceases to be a director for any reason, the *Corporation* will cause the vacancy to be filled by another director of the *Corporation* as soon as reasonably possible.

ARTICLE 7 BOARD REMUNERATION AND EXPENSE REIMBURSEMENT

7.1 Remuneration

- a) The *Chair* will receive remuneration in the amount of \$75,000 per annum; and
- b) Each director of the *Corporation*, other than the *Chair*, will receive remuneration in the amount of \$12,500 per annum plus:
 - (i) \$1,000 for each meeting of the *Board* attended;
 - (ii) \$1,000 for each meeting of the board of a *Subsidiary* attended, provided the meeting is other than on a day when there is a meeting of the *Board*; and
 - (iii) \$1,000 for each meeting of a committee of the *Board* attended, provided the meeting is other than on a day when there is a meeting of the *Board* and subject to an aggregate annual maximum of \$5,000 for meetings of committees of the *Board*.

- c) Notwithstanding any of the foregoing, *City Council Directors* will receive no remuneration and the maximum aggregate remuneration for a director other than the *Chair* is \$30,000 per annum.
- d) The remuneration of the directors of the *Corporation* for their respective services as directors will be as determined by the *Shareholder* under *City Council's* Board remuneration policy as amended from time to time.

7.2 Reimbursement Policy

The *Board* shall establish an expense reimbursement policy to provide for the reimbursement of out-of-pocket expenses for *Board* members while conducting *Board* business. Such policy shall require that the *Board* pre-approve the amount and reason for all major expenses for directors.

ARTICLE 8 SHAREHOLDER MATTERS

8.1 Decisions of the Shareholder

- a) Where the *Corporation* wishes or is required to obtain an approval or decision from the *Shareholder* pursuant to this *Shareholder Direction* or otherwise, the *Corporation* shall submit a written request to the appropriate *City Liaison* for the approval or decision which includes all information necessary for the *Shareholder* to make an informed decision.
- b) Where possible and permitted by *Law*, the *Corporation* shall submit its request and supporting information in a timely manner that enables the *City Liaison* to comply with deadlines for submission to *City of Toronto* Committees and *City Council*. The *City Manager* or the *City CFO*, as appropriate, shall determine how a particular matter for which approval or decision has been requested will proceed.

8.2 Liaison with the City

- a) For corporate governance matters requiring the *Shareholder's* approval, as set out in this *Shareholder Direction* or pursuant to the *OBCA*, and for all other day-to-day matters with respect to corporate governance, the designated *City Liaison* is the *City Manager*.
- b) For financial matters requiring the *Shareholder's* approval, as set out in Article 9 and Article 10, and for all other day-to-day financial matters, the designated *City Liaison* is the *City CFO*.
- c) For program matters concerning the *Corporation's* operations, and for all other day-to-day operational matters, the designated *City Liaison* is the *City Chief Corporate Officer*.

8.3 Matters Requiring Shareholder Approval under the OBCA

In accordance with the provisions of the *OBCA*, the *Corporation* shall not, and shall ensure that each *Subsidiary* does not, without the approval of the *Shareholder*:

- a) amend its articles or make, amend or repeal any by-law;
- b) amalgamate (except for an amalgamation with one or more *Subsidiaries*), apply to continue as a *Body Corporate* under the *Law* of another jurisdiction, merge, consolidate or reorganize, or approve or effect any plan of arrangement, in each case whether statutory or otherwise;
- c) take or institute proceedings for any winding up, arrangement, reorganization or dissolution;
- d) create new classes of shares or reorganize, consolidate, subdivide or otherwise change its outstanding securities;
- e) sell or otherwise dispose of, by conveyance, transfer, lease, sale and leaseback, or other transaction, all or substantially all of its assets or undertaking;
- f) change the auditor;
- g) make any change to the number of directors comprising the *Board*; or
- h) enter into any transaction or take any action that requires *Shareholder* approval pursuant to the *OBCA*.

8.4 By-Laws

Subject to *Law*:

- a) The *Board* may, by resolution, make, amend, or repeal any of its by-laws and the changes take effect at such time as the *Board* approves.
- b) Where the *Board* makes, amends or repeals a by-law, the *Board* shall submit the by-law, amendment or repeal to the *Shareholder* as soon as possible and by no later than the next *City Council* meeting, and the *Shareholder* may confirm, reject or amend the by-law, amendment or repeal.
- c) Where a by-law is made, amended or repealed by the *Board* under Section 8.4 (a), the by-law, amendment or repeal is effective from the date of the resolution of the *Board* until it is confirmed, confirmed as amended or rejected by the *Shareholder* under Section 8.4 (b) or until it ceases to be effective under Section 8.4 (d) and, where the by-law is confirmed or confirmed as amended, it continues in effect in the form in which it was so confirmed.
- d) If a by-law or an amendment or repeal of a by-law is rejected by the *Shareholder*, or if the *Board* does not submit the by-law, amendment or repeal to the *Shareholder* as required under

Section 8.4 (b), the by-law, amendment or repeal ceases to be effective on the date of such rejection or on the date of the meeting of the *Shareholder* at which it should have been submitted, as the case may be, and no subsequent resolution of the *Board* to make, amend or repeal a by-law having substantially the same purpose or effect is effective until it is confirmed or confirmed as amended by the *Shareholder*.

8.5 Other Matters Requiring Shareholder Approval

- a) Unless the *Shareholder* approves otherwise, the *Corporation* shall ensure that the *Distribution Company* does not:
 - (i) provide any financial assistance, whether by loan, guarantee or otherwise, to any *Person* other than in accordance with this *Shareholder Direction*;
 - (ii) create any *Lien* on its assets other than:
 - (1) any *Lien* in favour of the *Shareholder*;
 - (2) *Liens* securing purchase money obligations, trade debts or other liabilities incurred in the ordinary course of business (other than in relation to the borrowing of money) if the aggregate principal amount of such obligations does not exceed \$10,000,000 at any time;
 - (3) *Liens* securing credit facilities created or incurred for the purpose of providing operating financing for day-to-day working capital requirements of the *Distribution Company* if the aggregate principal amount of such credit facilities does not exceed \$100,000,000 at any time; or
 - (4) *Liens* held by any *Governmental Authority* that have not at the time been filed or registered against the title to the *Distribution Company's* assets or served upon the *Distribution Company* pursuant to *Law* or that relate to obligations of the *Distribution Company* that are not due or delinquent;
- b) unless the *Shareholder* approves otherwise, the *Corporation* shall not, and shall ensure that the *Subsidiaries* do not:
 - (i) provide any financial assistance, whether by loan, guarantee or otherwise, to any director or officer of the *Corporation* or of any *Subsidiary* or *Associate*;
 - (ii) invest funds in publicly-traded securities other than government debt, Canadian chartered bank or Canadian corporate securities rated less than A/R-1 (low) (or its equivalent) by Standard & Poor's, Dominion Bond Rating Service Limited; or Moody's;
 - (iii) acquire any interest in the distribution system, undertaking or securities of a distributor (as defined in the *Electricity Act, 1998*) operating outside of the municipal boundaries

of the *Shareholder* other than in accordance with Section 8.6 of this *Shareholder Direction*; and

- (iv) subject to Section 8.5, enter into any agreement, commitment or investment that provides recourse to the assets of the *Corporation* or the *Distribution Company* in favour of any third party in such assets;
- c) unless the *Shareholder* approves otherwise the *Corporation* shall not, and shall ensure that the *Distribution Company* does not:
 - (i) provide any financial assistance, whether by loan, guarantee or otherwise, to or make any investments, whether by loan, equity or otherwise, in any *Subsidiary* other than the *Distribution Company*, other than:
 - (1) trade payables incurred in the ordinary course of business on customary terms;
 - (2) that portion of any investment in any *Subsidiary* attributable to the value of the assets, property and undertaking of the business of the *Distribution Company* transferred by the *Distribution Company* to the *Subsidiary*;
 - (3) financial assistance to a *Subsidiary* provided to replace financial assistance provided to the *Distribution Company* in respect of a business of the *Distribution Company* transferred by the *Distribution Company* to the *Subsidiary*; and
 - (4) in accordance with this *Shareholder Direction*;

unless, after giving effect to the investment or financial assistance, the aggregate amount of all investments in and financial assistance to such *Subsidiaries* does not exceed 12% of *Shareholder's* equity in the *Distribution Company*, as shown on its most recent *Financial Statements*, and unless the investment or financial assistance is included in the *Business Plan*; provided that, in the case of the *Distribution Company*, the *Distribution Company* does not contravene the *Affiliate Relationships Code*.

For greater certainty, in this Section 8.5, the term "financial assistance" does not include remuneration paid in the normal course of business to directors, officers or employees, including honoraria, wages, salaries or bonuses, or any reimbursement for expenses arising from such *Person's* duties.

8.6 Acquisition of Distributor under Certain Conditions

The *Corporation* is authorized, and shall authorize the *Distribution Company*, to acquire any interest in the distribution system, undertaking or securities of a distributor (as defined in the *Electricity Act, 1998*) operating outside of the municipal boundaries of the *Shareholder*, provided that:

- a) the *Corporation* or the *Distribution Company*, as the case may be, has determined that the proposed acquisition presents a reasonable opportunity to create additional value in *Toronto Hydro* for the *Shareholder*;
- b) the *Shareholder's* dividend will not be adversely affected by the proposed acquisition, either in the immediate or long term;
- c) there is no dilution of the *Shareholder's* shareholding in the *Corporation*;
- d) if it is necessary to place *Liens* on any assets of the *Distribution Company* to effect the acquisition, the *Liens* are placed on the assets or securities of the distributor being acquired;
- e) the *Corporation* provides the *Shareholder* with a quarterly update on its acquisition activity and the acquisition activity of the *Distribution Company*, indicating the bids that have been submitted, commentary on successful bids and commentary on unsuccessful bids indicating any underlying reasons for the lack of success; and
- f) where an acquisition has been successful, the *Corporation* reports to the *Shareholder* at the next meeting of *City Council* after the acquisition with particulars of the acquisition, including financing information which details how each of the conditions set out in Subsections 8.6 (a), (b), (c) and (d) have been satisfied.

8.7 Provision of Financial Assistance

Despite Section 8.5,

- a) the *Corporation* is authorized to provide financial assistance to the *Subsidiaries* by guarantees, letters of credit, direct loans or otherwise, for the purposes of enabling them to carry on their business, including in the case of the *Distribution Company*, for the purposes of satisfying the prudential requirements of the Independent Electricity System Operator (or its successor) which form part of the market rules to ensure the uninterrupted supply and payment of electricity.
- b) subject to the terms and conditions of the *Affiliate Relationships Code*, the *Corporation* shall authorize the *Distribution Company* to provide financial assistance to other *Subsidiaries* by guarantees, letters of credit, direct loans or otherwise for the purposes of enabling them to carry on their business.

provided that such financial assistance does not exceed an aggregate amount of \$500 million. For the purposes of this Section 8.7 only, except in the case of the *Distribution Company*, "*Subsidiary*" means a wholly-owned *Subsidiary* of the *Corporation*.

ARTICLE 9 REPORTING

9.1 Business Plan

Not later than the end of each fiscal year, the *Board* will approve and the *Chair* shall submit to the *City CFO* a business plan for the next three (3) fiscal years (the "*Business Plan*"). The *Business Plan* will be prepared on a consistent basis with the *Business Plan* then in effect. The *Corporation* will carry on its business and operations in accordance with the *Business Plan* which will include, in respect of the period covered by such *Business Plan*.

- a) the strategic direction, key objectives, priorities and business initiatives that the *Corporation* proposes to undertake;
- b) the metrics for monitoring the accomplishments and financial performance of the *Corporation* in the previous fiscal year, including the *Corporation's* liquidity and debt coverage, and the *Corporation's* then current return on equity;
- c) an operating and capital expenditure budget for the *Corporation* and each of the *Subsidiaries* for the next fiscal year and corresponding operating and capital expenditure projections for each fiscal year thereafter, including the anticipated resources necessary to implement the *Business Plan*;
- d) the projected annual revenues and profits for each fiscal year for the *Corporation* and each of the *Subsidiaries*;
- e) projected dividend payments to the *Shareholder*;
- f) an acquisition budget setting forth the nature and type of capital expenditures proposed to be made by the *Corporation* and its *Subsidiaries* in the following fiscal year, supported by explanations, notes and information upon which the budget was based;
- g) energy conservation programmes and environmental plans, including the level of commitment to renewable energy and co-generation;
- h) any material variances in the projected ability of any business activity to meet or continue to meet the financial objectives of the *Shareholder* as set out in this *Shareholder Direction* or as *Directed by Council* from time to time;
- i) any material variances from the *Business Plan* then in effect; and
- j) any such additional information as the *City CFO* may request of the *Chair* in writing from time to time.

9.2 Quarterly Reports

Within 60 days after the end of each fiscal quarter, the *Board* will approve (on a consistent basis with the previous fiscal quarter) and the *Chair* shall submit to the *City CFO* a quarterly report. The quarterly report will include, in respect of the immediately preceding fiscal quarter:

- a) quarterly *Financial Statements*;
- b) such explanations, notes and information as is required to explain and account for any variances between the actual results from operations and the budgeted amounts set forth in the current *Business Plan*, including any material variances in the projected ability of any business activity to meet or continue to meet the financial objectives of the *Shareholder*;
- c) information that is likely to materially affect the *Shareholder's* financial objectives or the *City of Toronto's* energy policies; applicable to the *Corporation*, as *Directed by Council* from time to time;
- d) information that is likely to materially affect customers' perceptions or opinions regarding *Toronto Hydro*;
- e) information regarding any matter, occurrence or other event which is a material breach or violation of any *Law*; and
- f) any such additional information as the *City CFO* may request of the *Chair* in writing from time to time.

9.3 Access to Records

- a) Subject to *Law*, the *Shareholder* may at any time duly appoint, in its discretion, any staff of the *City of Toronto* as one or more *City Authorized Representatives* in addition to the currently appointed *Auditor General*, *City Manager*, *City CFO* and *City Chief Corporate Officer*.
- b) The *Corporation* shall provide any *City Authorized Representative* with access to the books and records of the *Corporation* and its *Subsidiaries* during normal business hours as *Directed by Council*.
- c) The access by the *City Authorized Representative* to the *Corporation's* books and records is limited to situations where the *City Authorized Representative* has been specifically appointed by *City Council* to gain access to the *Corporation's* books and records for a specific purpose or project and where the *City Authorized Representative* has not been able to obtain the necessary information through the *Shareholder Direction* reporting mechanisms, through inquiries to senior management of the *Corporation*, or through a request from *City Council* to the *Chair* of the *Corporation*.

- d) The *City Authorized Representative* shall treat all information of *Toronto Hydro* with the same level of care and confidentiality as any confidential information of the *Shareholder* and shall be deemed to be subject to, and shall at all times comply with all *Law* with respect to such information.

9.4 Audit of Financial Statements

The *Corporation's* consolidated *Financial Statements* and the *Financial Statements* of all active Subsidiaries will be audited.

9.5 Internal Audit

The *Corporation* shall have an internal auditor who is independent of management and reports directly to the *Board* or a committee of the *Board* and who has the authority to undertake financial and performance audits, as may be requested by the *Board* or committee of the *Board* from time to time, and make recommendations to the *Board* or committee of the *Board*, as applicable, concerning all departments, offices, activities and programs of the *Corporation*.

9.6 Accounting

Subject to *Law*, the *Corporation* will, in consultation with its external auditor, adopt and use such accounting policies and procedures which may be approved by the *Board* from time to time.

9.7 Annual Financial Statements

The *Board* will deliver to the *City Manager* and the *City CFO*, as soon as practicable and in any event within three (3) months after the end of each fiscal year, the annual audited consolidated *Financial Statements* of the *Corporation* and its active *Subsidiaries*, and information concerning its *Subsidiaries*, equity interests and joint ventures as *Directed by Council*, for consideration by the *Shareholder*.

9.8 Annual Report

Together with the annual audited consolidated *Financial Statements* noted in Section 9.7 above, the *Board* will deliver to the City Executive Committee through the *City Manager's* office and the *City CFO* an annual report outlining:

- a) the *Corporation's* accomplishments during the fiscal year along with explanations, notes and information required to explain and account for any variances between the *Corporation's* actual results and the *Business Plan* in effect for the year;
- b) the progress made, using quantifiable performance data, towards accomplishing the principles set forth in Section 2.2.2 d);
- c) the *Executive Compensation Information*, as permitted by *Law*, which the *Shareholder* agrees it will receive and use in accordance with all *Law* including all applicable privacy law;

- d) a copy of the *Corporation's* Annual Information Form; and
- e) an annual report detailing the total remuneration and expenses paid by the *Corporation* for each member of the *Board*.

ARTICLE 10 FINANCIAL PERFORMANCE

10.1 Financial Performance

The *Board* will use its best efforts to ensure that *Toronto Hydro* meets the financial performance standards set out in this Article 10.

10.2 Credit Rating

The *Corporation* shall obtain and maintain, and, if necessary for financing purposes, shall cause the *Distribution Company* to obtain and maintain, a rating of A- or higher (or its equivalent rating, depending on the credit rating agency) on its senior debt securities, as rated by two (2) accredited credit rating agencies in Ontario (which credit rating agencies include Standard & Poor's, DBRS and Moody's).

10.3 Debt Financing

The *Corporation* shall optimize, and, if necessary for financing purposes, shall cause its *Subsidiaries* to optimize, its debt financing in accordance with the provisions of this *Shareholder Direction*.

10.4 Dividend Policy

Subject to any restrictions imposed by *Law* and this *Shareholder Direction*, the *Board* of the *Corporation* shall declare aggregate dividends with respect to each fiscal year in the amount of:

- a) 50% of the *Corporation's* prior fiscal year's annual consolidated net income,
- b) with a minimum annual amount of \$25 million, payable to the *Shareholder* in equal instalments of \$6.25 million payable on the last day of each fiscal quarter of the year (March 31, June 30, September 30 and December 31), and
- c) with the balance of the annual dividend, if any, payable within ten (10) days from the date of approval by the *Board* of the *Corporation's* annual audited consolidated *Financial Statements*.

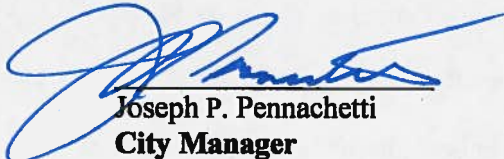
ARTICLE 11 AMENDMENTS



11.1 Amendments

This *Shareholder Direction* may be amended solely at the discretion of the *Shareholder*. The *Shareholder*, if possible, will provide prior written notice to the *Board* of any proposed amendments to this *Shareholder Direction*.


DATED at Toronto as of this 21st day of May, 2013.

CITY OF TORONTO


Joseph P. Pennachetti
City Manager




Marilyn M. Toft
 Ulli Watkiss
City Clerk

Approved as to Form

 For: Anna Kinastowski
City Solicitor

 Authorized by Clause 14 of Policy and Finance Committee Report No. 13, adopted by Council at its meeting on October 1, 2 and 3, 2002, as amended by:

- Clause 24 of Policy and Finance Committee Report No. 7, adopted by Council at its meeting on September 28, 29, 30 and October 1, 2004;
- Clause 7 of Policy and Finance Committee Report No. 4, adopted by Council at its meeting of May 23, 24 and 25, 2006;
- Clause 7 of Policy and Finance Committee Report No. 5, adopted by Council at its meeting on June 27, 28 and 29, 2006;
- Executive Committee Item EX12.3 as amended and adopted by Council at its meeting on October 22 and 23, 2007, and
- Authorized by Executive Committee Item EX 31.7, as amended and adopted by Council at its meeting on May 7, 8, 9 and 10, 2013.


Marilyn M. Toft
 City Clerk

APPENDIX A

Ontario Energy Board Act, 1998 – Permitted Activities

Note: The following extract is being provided as an appendix to this *Shareholder Direction* for reference purposes only and the reader is cautioned to review the *Ontario Energy Board Act, 1998* and its regulations for any updates or revisions, from time to time.

a) Restriction on business activity

71. (1) Subject to subsection 70 (9) and subsection (2) of this section, a transmitter or distributor shall not, except through one or more affiliates, carry on any business activity other than transmitting or distributing electricity. 2004, c. 23, Sched. B, s. 12.

Exception

(2) Subject to section 80 and such rules as may be prescribed by the regulations, a transmitter or distributor may provide services in accordance with section 29.1 of the *Electricity Act, 1998* that would assist the Government of Ontario in achieving its goals in electricity conservation, including services related to,

- (a) the promotion of electricity conservation and the efficient use of electricity;
- (b) electricity load management; or
- (c) the promotion of cleaner energy sources, including alternative energy sources and renewable energy sources. 2004, c. 23, Sched. B, s. 12.

Exception

- (3) Despite subsection (1), a distributor may own and operate,
 - (a) a renewable energy generation facility that does not exceed 10 megawatts or such other capacity as may be prescribed by regulation and that meets any criteria that may be prescribed by the regulations;
 - (b) a generation facility that uses technology that produces power and thermal energy from a single source and that meets any criteria that may be prescribed by the regulations; or
 - (c) a facility that is an energy storage facility and that meets any criteria that may be prescribed by the regulations. 2009, c. 12, Sched. D, s. 11; 2011, c. 1, Sched. 4, s. 1.

b) Municipally-owned distributors

73. (1) If one or more municipal corporations own, directly or indirectly, voting securities carrying more than 50 per cent of the voting rights attached to all voting securities of a corporation that is a distributor, the distributor's affiliates shall not carry on any business activity other than the following:

- 1. Transmitting or distributing electricity.
- 2. Owning or operating a generation facility that was transferred to the distributor pursuant to Part XI of the *Electricity Act, 1998* or for which the approval of the Board was obtained under section 82 or for which the Board did not issue a notice of review in accordance with section 80.
- 3. Retailing electricity.

4. Distributing or retailing gas or any other energy product which is carried through pipes or wires to the user.
5. Business activities that develop or enhance the ability of the distributor or any of its affiliates to carry on any of the activities described in paragraph 1, 3 or 4.
6. Business activities the principal purpose of which is to use more effectively the assets of the distributor or an affiliate of the distributor, including providing meter installation and reading services, providing billing services and carrying on activities authorized under section 42 of the *Electricity Act, 1998*.
7. Managing or operating, on behalf of a municipal corporation which owns shares in the distributor, the provision of a public utility as defined in section 1 of the *Public Utilities Act* or sewage services.
8. Renting or selling hot water heaters.
9. Providing services related to the promotion of energy conservation, energy efficiency, load management or the use of cleaner energy sources, including alternative and renewable energy sources.

Limitation

(2) In acting under paragraph 7 of subsection (1), the distributor's affiliate shall not own or lease any works, pipes or other machinery or equipment used in the manufacture, processing or distribution of a public utility or in the provision of sewage services.

Municipal corporation

(3) Subsection (1) does not restrict the activities of a municipal corporation.

APPENDIX B***Affiliate Relationships Code– Independent Directors***

Note: The following extract of the Affiliate Relationships Code is being provided as an appendix to this *Shareholder Direction* for reference purposes only and the reader is cautioned to review the Affiliate Relationships Code and its regulations for any updates or revisions, from time to time.

2.1.2 A utility shall ensure that at least one-third of its Board of Directors is independent from any affiliate.

**-Toronto Hydro-Electric System Limited Board of Directors -
 Items to Consider Regarding the Declaration, Non-Declaration, Suspension or Reduction of a Dividend**

	Item For Consideration	
1.	Identify the amount of the dividend (the “ THESL Dividend ”) proposed to be paid by THESL	
2.	<p>Are there reasonable grounds for believing that after declaring and paying the THESL dividend, THESL cannot pay its liabilities as they become due?</p> <p><i>If the answer is YES, then the legal threshold test for declaration of the dividend has not been met and a dividend cannot be declared.</i></p>	
3.	<p>Are there reasonable grounds for believing that after declaring and paying the THESL Dividend, the realizable value of THESL’s assets to be less than the aggregate of its liabilities and its stated capital of all classes?</p> <p><i>If the answer is YES, then the legal threshold test for declaration of the dividend has not been met and a dividend cannot be declared.</i></p>	
4.	Is the THESL Dividend in the best interests of the corporation?	
	a) Would the THESL Dividend have (or reasonably be expected to have) a material impact on the ability to fund required capital infrastructure investment and maintenance on a timely basis?	
	b) Any reasonable grounds for believing that the funding of the THESL Dividend would result in increased financing costs?	
5.	Is the funding of the THESL Dividend in the best interests of the corporation’s stakeholders as a whole?	
	a) Is there (or would there reasonably be expected to be) a material impact on the ability to pay employees or other commitments to employees?	
	b) Is there (or would there reasonably be expected to be) a material impact on THESL’s relationship with its creditors or existing indebtedness?	
	c) Is there (or would there reasonably be expected to be) a material impact on reasonable expectations of the shareholder or THESL’s relationship with the shareholder?	
6.	If the answer to either 2(a) or 2 (b) is yes, is the THESL Dividend in the best interests of ratepayers?	
	a) Would the THESL Dividend cause/contribute a need to increase rates or is this reasonably foreseeable?	
	b) Would the THESL Dividend have a negative impact on reliability of the distribution system or is this reasonably foreseeable?	

**-Toronto Hydro-Electric System Limited Board of Directors -
Items to Consider Regarding the Declaration, Non-Declaration, Suspension or Reduction of a Dividend**

	c) Would the THESL Dividend have a negative impact on future ratepayers or is this reasonably foreseeable?
7.	If it is determined that THESL will not pay the THESL Dividend as set out in item 1, then is it appropriate to fund a reduced amount or not provide any funding at all?
8.	If it is determined that THESL will declare a reduced dividend, then what is the amount of that funding?

Note: None of these factors should be treated as determinative (other than items 4 and 5 which constitute legal thresholds for the declaration of a dividend), but rather should be balanced as part of the consideration of whether a dividend should be declared, reduced or suspended. Not all factors will be relevant to each dividend scenario, and factors may be weighed differently depending on the scenario and the business judgment of Directors. Certain information from Management supporting the Directors reviews and determination will be provided. Such information should not be considered conclusive and Directors may, in their discretion, seek further support, clarifications and/or additional information from Management or others. Directors may also, in their discretion, seek independent advice on these or any other points, including independent financial advice.

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RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 49:

Reference(s): Exhibit 1C, Tab 3, Schedule 1, pp. 2-3

Preamble:

Toronto Hydro discusses the implementation of three new International Financial Reporting Standards (IFRS) accounting standards effective January 1, 2018.

- a) In regards to the adoption of IFRS 16 (Exhibit 1C / Tab 3 / Schedule 1 / pp. 2-3), please explain how the regulatory treatment of right of use assets has changed compared to when they were classified as operating leases. Please explain how an operating lease would have been previously recovered in rates compared to how they will be recovered as a result of the accounting change.
- b) Please advise whether the accounting change results in ratepayers paying more for the lease then they otherwise would have under the old accounting policy. Please detail the benefits and drawbacks to ratepayers as a result of the accounting change.
- c) Please discuss whether there is a need to establish a variance account for the 2018-2019 period to capture the impact of operating leases that are still being recovered in rates as part of OM&A in 2018-2019 but have been reclassified to rate base effective January 1, 2018. If Toronto Hydro believes the impact is not material, please explain why that is the case.

1 **RESPONSE:**

2 a) The annual cost of operating leases were previously recorded to OM&A (based on the
3 amortization of costs on a straight-line basis over the lease term) and recovered in
4 rates accordingly.

5
6 As a result of the new accounting standard, lease payments are now recorded as fixed
7 assets, i.e. right-of-use assets recognized as additions to Property, Plant, and
8 Equipment ("PP&E"), and depreciated over the same lease term. This is strictly a
9 presentation difference on the statement of profit or loss. Toronto Hydro proposes
10 that the resulting depreciation be recovered in rates through depreciation.

11
12 b) The accounting change does not have an impact on the total amount of lease
13 payments Toronto Hydro will recover through rates, over the lease term. However,
14 by including the new right of use assets into rate base as permitted under IFRS 16,
15 Toronto Hydro will earn a rate of return on the amount included in rate base. Toronto
16 Hydro notes this is consistent and permitted with the previous treatment for capital
17 leases for rate making purposes.

18
19 c) Toronto Hydro does not consider that there is a need to establish a variance account
20 for the transition to IFRS 16. Toronto Hydro determined the impact to be less than
21 \$0.1 million.

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RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 50:

Reference(s): Exhibit 1C, Tab 3, Schedule 4, Appendix A-C

Preamble:

Toronto Hydro filed its reconciliations between its Reporting and Recordkeeping Requirement (RRR) filings and audited financial statement for the period 2015-2017.

- a) Please confirm that Toronto Hydro intends to file a similar reconciliation of its December 31, 2018 results as part of its application update.
- b) Please confirm that Toronto Hydro intends to file its December 31, 2018 audited financial statements as part of its application update.

RESPONSE:

- a) Toronto Hydro’s annual RRR submission process concludes at the end of April 2019. Toronto Hydro will provide this information as soon as is possible.
- b) Confirmed.

RESPONSES TO ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES

INTERROGATORY 11:

Reference(s): Exhibit 1C, Tab 2, Schedule 1, p. 17

a) Please provide the charter for each the three committees (Audit Committee, Corporate Governance and Nominating Committee, Human Resources and Environment Committee).

b) Please provide the members of each of the three committees.

RESPONSE:

a) Please refer to Appendix A of this response. These are committees of Toronto Hydro Corporation, and the Audit Committee charter is a publicly available document, pursuant to securities disclosure requirements. The remaining document requests are not publicly available, and Toronto Hydro declines to produce them on the basis of relevance, as they provide no probative value to the issues before the OEB in this proceeding.

b) As noted in Toronto Hydro Corporation's public disclosure documents, the current Audit Committee is comprised of Michael Nobrega (Chair), Juliana Lam and Heather Zordel. The Corporate Governance and Nominating Committee is comprised of Tamara Kronis (Chair), Brian Chu, Mary-Ellen Richardson and Paul Ainslie. The Human Resources and Environment Committee is comprised of Brian Chu (Chair), Juliana Lam, Michael Nobrega and Stephen Holyday.

TORONTO HYDRO CORPORATION

Charter – Audit Committee

1. General

- (1) The board of directors (**Board**) of Toronto Hydro Corporation (**Corporation**) has established the Audit Committee (**Committee**) to assist the Board and the boards of directors of the Corporation's subsidiary entities in fulfilling their respective corporate governance and oversight responsibilities with respect to financial reporting, internal financial control structure, financial risk management systems, internal audit and external audit functions.
- (2) The composition, responsibilities and authority of the Committee are set out in this Charter.
- (3) This Charter and the by-laws of the Corporation and such other procedures, not inconsistent therewith, as the Committee may adopt from time to time shall govern the meetings and procedures of the Committee.

2. Composition

- (1) The Committee shall be composed of at least three persons who are directors of the Corporation (**Members**):
 - (a) all Members must be *independent*, (as determined by the Board in accordance with the meaning of "independence", as the context requires, given to it in the Canadian Securities Administrators' National Instrument 52-110 Audit Committees, as the same may be amended and/or replaced from time to time) ; and
 - (b) at least one of whom, including the chair of the Committee (**Chair**) is *financially literate* (ie, have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can reasonably be expected to be raised by the financial statements of the Corporation).
- (2) In addition to the Members, the Committee shall also include at least one director of Toronto Hydro-Electric System Limited who is not also a director of the Corporation (**THESL Members**). The THESL Members shall be invited to all the meetings of the Committee, shall be entitled to receive all Committee materials and to participate in all Committee discussions and deliberations, but shall have no voting rights.
- (3) Members and THESL Members shall be appointed by the Board on the recommendation of the Chair of the Board and the Chair of the THESL Board, respectively, and shall serve until they resign, cease to be a director of the respective board, as applicable, or are removed or replaced by the Board.

- (4) The Board shall designate one of the Members as Chair. The Committee shall periodically review the position description of the Chair and make recommendations to the Board.
- (5) The Executive Vice-President and Chief Financial Officer (***Designated Representative***) shall be appointed from time to time to act as the principal interface between the Committee and other senior management of the Corporation and its subsidiary entities.
- (6) The Secretary of the Corporation shall be secretary of the Committee (***Secretary***).
- (7) The Chair of the Corporation's Board of Directors shall be an *ex-officio* Member of the Committee with all of the responsibilities and privileges thereof, but shall only count towards meeting quorum if he or she is present at the meeting.

3. Responsibilities

The Committee shall assist the Board and the boards of directors of the Corporation's subsidiary entities in fulfilling their corporate governance and oversight responsibilities with respect to financial reporting, internal financial control structure, financial risk management systems, internal audit functions, external audit functions, and the payment of dividends by the Corporation and its subsidiary entities.

The Committee has specifically recognized its responsibilities for overseeing the identification of the principal financial and audit risks of the Corporation and its subsidiary entities and overseeing the implementation of appropriate systems to manage these risks. In particular, the Committee shall have the responsibilities set out below.

(1) *Managing the Relationship between the Corporation and its Subsidiaries and their External Auditors*

The Committee shall be responsible for managing the relationship between the Corporation and its subsidiary entities and their external auditors, including:

- (a) appointing and replacing the external auditors, subject to the Boards of Directors and shareholder approval;
- (b) setting the compensation of the external auditors subject to the approval of the board of directors or shareholder, as applicable;
- (c) overseeing the work of the external auditors, including resolving disagreements between management and the external auditors with respect to financial reporting;
- (d) pre-approving all audit services and permitted non-audit services to be provided to the Corporation and its subsidiary entities by the external auditors in accordance with the "Policy on the Provision of Services by the External Auditors";
- (e) having the external auditors report to the Committee in a timely manner with respect to all required matters, including those set out in paragraph 3(2);

- (f) ensuring the rotation of the audit partner having primary responsibility for the external audits of the Corporation and its subsidiary entities, the audit partner responsible for reviewing the external audit and the external auditors at such intervals as may be required; and
- (g) reviewing and assessing the performance, independence and objectivity of the external auditors.

(2) ***Overseeing the External Audits***

The Committee shall be responsible for overseeing the external audits of the Corporation and its subsidiary entities, including:

- (a) reviewing and approving the engagement letters and the audit plans, including financial risk areas identified by the external auditors and management;
- (b) reviewing and assessing the accounting and reporting practices and principles used by the Corporation and its subsidiary entities in preparing their financial statements, including:
 - (1) all significant accounting policies and practices used, including changes from preceding years and any proposed changes for future years;
 - (2) all significant financial reporting issues, estimates and judgments made;
 - (3) all alternative treatments of financial information discussed by the external auditors and management, the results of such discussions and the treatments preferred by the external auditors;
 - (4) any major issues identified by the external auditors with respect to the adequacy of internal control systems and procedures and any special audit steps adopted in light of material deficiencies and weaknesses;
 - (5) the effect of regulatory and accounting initiatives and off-balance sheet transactions or structures on the financial statements;
 - (6) any errors or omissions in, and any required restatement of, the financial statements for preceding years;
 - (7) all significant tax issues;
 - (8) the reporting of all material contingent liabilities; and
 - (9) any material written communications between the external auditors and management;

- (c) reviewing and assessing the results of the external audit and the external auditors' opinion on the financial statements;
- (d) reviewing and discussing with the external auditors and management any management or internal control letters issued or proposed to be issued by the external auditors;
- (e) reviewing and discussing with the external auditors any problems or difficulties encountered by them in the course of their audit work and management's response (including any restrictions on the scope of activities or access to requested information and any significant disagreements with management); and
- (f) reviewing and discussing with legal counsel any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies of the Corporation and its subsidiary entities and any material reports or enquiries received by the Corporation and its subsidiary entities from regulators or government agencies.

(3) *Overseeing the Internal Audits*

The Committee shall be responsible for overseeing the internal audits of the Corporation and its subsidiary entities, including:

- (a) periodically reviewing the Internal Audit Charter and making recommendations to the Board;
- (b) reviewing and approving the audit plans, including significant risk exposures identified by the internal auditor and management;
- (c) reviewing and discussing with the internal auditor and management the results of any internal audits;
- (d) reviewing and discussing with the internal auditors any problems or difficulties encountered by them in the course of their audit work and management's response (including any restrictions on the scope of activities or access to requested information and any significant disagreements with management);
- (e) appointing and replacing the internal auditor;
- (f) reviewing and assessing the performance of the internal auditor;
- (g) ensuring the Committee is kept informed of emerging trends and successful practices in internal auditing; and
- (h) confirming there is effective and efficient coordination of activities between internal and external auditors.

(4) *Reviewing and Recommending to the Respective Boards for Approval the Financial Statements, MD&A and Interim Reports of the Corporation and its Subsidiaries*

The Committee shall review and recommend to each respective board of directors, as applicable, for approval, the financial statements, management's discussion and analysis of financial condition and results of operations (***MD&A***) and interim financial reports of the Corporation and its subsidiaries, annual information form (***AIF***) (other than executive compensation) of the Corporation and other public disclosure of financial information extracted from the financial statements of the Corporation and its subsidiaries with particular focus on:

- (a) the quality and appropriateness of accounting and reporting practices and principles and any changes thereto;
- (b) major estimates or judgments, including alternative treatments of financial information discussed by management and the external auditors, the results of such discussions and the treatment preferred by the external auditors;
- (c) material financial risks;
- (d) material transactions;
- (e) material adjustments;
- (f) compliance with loan agreements;
- (g) material off-balance sheet transactions and structures;
- (h) compliance with accounting standards;
- (i) compliance with legal and regulatory requirements;
- (j) controls; and
- (k) disagreements with management.

(5) *Overseeing Internal Financial Control Structure and Financial Risk Management Systems*

The Committee shall be responsible for overseeing the internal financial control structure and financial risk management systems of the Corporation and its subsidiary entities, including:

- (a) reviewing and discussing with management and the external auditors the quality and adequacy of internal control over financial reporting structures of the Corporation and its subsidiary entities, including any major deficiencies or

weakness and the steps taken by management to rectify these deficiencies or weaknesses;

- (b) reviewing and discussing with management, the internal auditor and the external auditors the risk assessment and risk management policies of the Corporation and its subsidiary entities, the major financial risk exposures of the Corporation and its subsidiary entities, and the steps taken by management to monitor and control these exposures;
- (c) reviewing and discussing with the Chief Executive Officer and the Chief Financial Officer of the Corporation the procedures undertaken by them in connection with the certifications required to be given by them in connection with annual and other filings required to be made by the Corporation under applicable securities laws; and
- (d) periodically reviewing the Treasury Policy Register and making recommendations to the Board in respect of such policy and reviewing performance under this policy with Management.

(6) ***Establish and Review Certain Procedures and Policies***

The Committee shall establish adequate policies and procedures, or require that adequate policies and procedures are established, with respect to the following, and shall annually, or on such other schedule as stated herein, assess the adequacy of these procedures:

- (a) the review of the public disclosure of financial information extracted from the financial statements of the Corporation;
- (b) the receipt, retention and treatment of complaints received by the Corporation with respect to accounting, internal controls or auditing matters;
- (c) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (d) the approval by the Committee of the hiring policies for any present or former partner or employee of the current and former external auditor into a position of senior management with the Corporation or its subsidiaries; and
- (e) the periodic review of the Policy on the Provision of Services by the External Auditors and Expense Reimbursement Policy, and provision of recommendations to the Board in respect of the same.

(7) ***Review of Policy Reporting***

- (a) The Committee shall be responsible, on a quarterly basis, for reviewing and reporting to the Board in respect of the report of Internal Audit with respect to incidents regarding questionable accounting or auditing matters investigated under

the Code of Business Conduct and Whistleblower Procedure during the previous quarter.

- (b) The Committee shall be responsible for reviewing, on a quarterly basis, the report of Internal Audit concerning executive and Board expense reimbursements made in accordance with the Corporation's Expense Reimbursement Policy for the immediately preceding quarter.

(8) ***Review and Recommendations for Dividend Payment***

- (a) The Committee shall be responsible for reviewing and making recommendations to each respective board of directors, as applicable, with respect to the declaration of dividends or distribution of capital by the Corporation or its subsidiary entities.

4. Authority

- (1) The Committee is authorized to carry out its responsibilities as set out in this Charter and to make recommendations to the Board and the boards of directors of the Corporation's subsidiaries arising therefrom.
- (2) The Committee may delegate by written policy to the Chair and the Executive Vice-President and Chief Financial Officer of the Corporation (**CFO**) the authority, within specified limits, to authorize in advance all engagements of the external auditors to provide pre-approved services to the Corporation and its subsidiary entities. The Chair and the CFO shall report all engagements authorized by them to the Committee at its next meeting.
- (3) The Committee shall have direct and unrestricted access to the external and internal auditors, officers and employees and information and records of the Corporation and its subsidiary entities.
- (4) The Committee is authorized to retain, and to set and pay the compensation of, independent legal counsel and other advisors if it considers this appropriate.
- (5) The Committee is authorized to invite officers and employees of the Corporation and its subsidiaries and outsiders with relevant experience and expertise to attend or participate in its meetings and proceedings if it considers this appropriate.
- (6) The external auditors shall have direct and unrestricted access to the Committee and shall report directly to the Committee.
- (7) The Corporation shall pay directly or reimburse the Committee for the expenses incurred by the Committee in carrying out its responsibilities, in accordance with the Corporation's Expense Reimbursement Policy.

5. Meetings and Proceedings

- (1) The Committee shall meet as frequently as required but not less frequently than four times each year.

- (2) Any Member or THESL Member or the Secretary may call a meeting of the Committee. The external auditors or the CFO may ask a Member to call a meeting of the Committee. The Chair, along with the Designated Representative, is responsible for the agenda of each meeting of the Committee, including input from the officers and employees of the Corporation and its subsidiary entities, external auditors, other Members and THESL Members, and other directors of the Corporation as appropriate. Meetings will include presentations by management and others when appropriate and allow sufficient time to permit a full and open discussion of agenda items.
- (3) Unless waived by all Members and THESL Members, a notice of each meeting of the Committee confirming the date, time, place and agenda of the meeting, together with any supporting materials, shall be forwarded, electronically or otherwise, to each Member and THESL Member at least three days before the date of the meeting.
- (4) The quorum for each meeting of the Committee is at least 50% of the Members. In the absence of the Chair, the other Members may appoint one of their number as chair of a meeting. The Chair of a meeting shall not have a second or casting vote.
- (5) The Chair or a delegate of the Chair shall report to the Board following each meeting of the Committee.
- (6) The Secretary or a delegate of the Secretary shall keep minutes of all meetings of the Committee, including all resolutions passed by the Committee. Minutes of all meetings shall be distributed to the Members and THESL Members. The minutes shall be available for review by the other directors of the Corporation after approval thereof by the Committee.
- (7) An individual who is not a Member may be invited to attend a meeting of the Committee for all or part of the meeting. A standing invitation to all meetings shall be given to the President and Chief Executive Officer of the Corporation and the CFO, except where the meeting, or part of the meeting, is for Members only or a private session with the internal auditor or the external auditors. A standing invitation should be given to the internal auditor and the engagement partners of the external auditors for all meetings where financial information is reviewed and approved.
- (8) The Committee shall meet regularly alone and in private sessions with the Vice President, Audit and Corporate Compliance, the external auditors and management of the Corporation to facilitate full communication.

6. Review

- (1) This Charter shall be reviewed by the Corporate Governance and Nominating Committee of the Corporation every three (3) years and any recommended changes shall be referred first to the Audit Committee for review and comment and second, after consideration of the input from the Audit Committee, to the Board of the Corporation for consideration and disposition.

- (2) In addition to the triennial review, the Audit Committee may at any time review the Charter and make recommendations to the Corporate Governance and Nominating Committee for their review and recommendations to the Board with respect thereto.

**RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

INTERROGATORY 15:

Reference(s): Exhibit 1C, Tab 3, Schedule 6, p. 31

Preamble:

Under “Regulatory Risk” one of the bullet points states “the OEB will allow recovery for revenue lost as a consequence of unanticipated effects of CDM”.

a) What are unanticipated effects of CDM?

b) Has Toronto Hydro ever incurred unanticipated effects of CDM?

c) If the answer is yes, please explain when, what were they, and did the OEB allow recovery?

RESPONSE:

a) Toronto Hydro’s load forecast reflects an anticipated effect that CDM will have in a given period. On that basis, rates are set by the OEB and charged by Toronto Hydro, resulted in anticipated revenues. If there is an unanticipated amount of CDM, it will have the effect (i.e. the “unanticipated effect”) of reducing load and reducing revenue.

As another example, Toronto Hydro’s revenues anticipate that the OEB Lost Revenue Adjustment Mechanism (“LRAM”) will both account for lost revenue resulting from

1 CDM, and be utilized by the OEB to reverse the financial effects of Toronto Hydro's
2 lost load. If either of those do not occur, it would be an unanticipated effect of CDM.

3

4 It would be a mistake to read "unanticipated" as "unexpected". In the financial
5 statements, it has a meaning more similar to "unaccounted for".

6

7 b) One example of the unanticipated effects of CDM occurring is when there is spill-over
8 from CDM initiatives carried out by Toronto Hydro, but for which Toronto Hydro does
9 not get credit, and as a result they are unaccounted for and therefore unanticipated
10 by revenues. Where the unanticipated effects of CDM were to become material,
11 Toronto Hydro would be obligated to publicly report it.

12

13 c) Toronto Hydro has not publicly reported a material concern with respect to the
14 unanticipated effects of CDM.

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 16:

Reference(s): Exhibit 1C, Tab 3, Schedule 6, p. 33

Preamble:

"In addition, as the City, Ontario and the Government of Canada implement policies and programs to respond to climate change, the pressures on Toronto Hydro's system will only increase. Widespread adoption of electric vehicles, fuel switching and changing emissions standards make electricity the comparatively clean energy choice. This drives the need for significant capital expenditures for system upgrades so that the grid can handle such increased load."

a) Please explain the risk faced by Toronto Hydro due to widespread adoption of electric vehicles.

b) What are potential cost consequences of the adoption of electric vehicles?

c) Does Toronto Hydro have a 5 year forecast of the costs and revenues of providing charging services to electric vehicles? If the answer is yes, please provide the forecast. If the answer is no, please explain why.

d) Is Toronto Hydro concerned that the revenue requirement of providing charging services for electric vehicles will exceed the revenues collected from electric vehicle customers resulting in an annual revenue deficiency that the OEB will not

1 allow Toronto hydro to collect from its ratepayers? Please give reasons for your
2 answer.

3
4 e) Is Toronto Hydro willing to make a commitment that it will not seek OEB approval
5 for an ICM in a future application to provide charging facilities for electric
6 vehicles? Please give reasons for your answer.

7
8
9 **RESPONSE:**

10 a) Please refer to Exhibit 3, Tab 1, Schedule 1, section 3.2 at page 10.

11
12 b) Please refer to Exhibit 2B, Section E7.4.3.1, page 10, line 6-7, and Exhibit 3, Tab 1,
13 Schedule 1, Section 3.2, page 10. Please also refer to Toronto Hydro's responses to
14 interrogatories 1B-DRC-4 and 1B-DRC-6.

15
16 c) There is no proposal for EV charging in this Application.

17
18 d) Please see the response to part (c).

19
20 e) Please refer to Toronto Hydro's response to interrogatory 2A-VECC-9 part (b).

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 17:

Reference(s): Exhibit 1C, Tab 3, Schedule 7, Appendix A, p. 20

Why is there no mention of Toronto Hydro's concerns about climate change risk in this document?

RESPONSE:

The prospectus document identifies those risks associated with the debt issue and not those specific to the company. Company risks are disclosed in documents incorporated by reference in the prospectus. These documents include Toronto Hydro's Financial Statements and Management's Discussion and Analysis ("MD&A"). Within the MD&A, under the section titled business interruption risk, Toronto Hydro identifies the risk to operations stemming from weather related events.

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 18:

Reference(s): Exhibit 1C, Tab 3, Schedule 8, Appendix B, p. 6

Why is there no mention of Toronto Hydro's concerns about climate change in this report by S&P? Did Toronto Hydro share its concerns about climate change with S&P?

RESPONSE:

S&P is an independent third-party rating agency which utilizes its own risk and evaluation criteria as reflected in the report.

Yes, Toronto Hydro shared its concerns about climate change with S&P.

**RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

INTERROGATORY 19:

Reference(s): Exhibit 1C, Tab 3, Schedule 10, Original, p. 31

Preamble:

"We collaborated with Metrolinx on plans to build a battery energy storage system for the Eglinton Crosstown light rail transit (LRT) line, which will increase reliability of the line, lower operating costs and reduce emissions. The power system will be capable of providing backup and emergency power to the LRT line in the event of a widespread power outage, and will also benefit local residents by providing additional reliability to customers in the area. The system will have the power capacity of 10 MW – enough to power the equivalent of approximately 11,000 homes – making it the largest battery energy storage project we've been involved with to date."

a) Does Toronto Hydro have a contract with Metrolinx that covers this collaboration for a battery storage system? If the answer is yes, please file it. If the answer is no please explain why?

b) Does Toronto Hydro have a contract with Metrolinx that deals with relocation of Toronto Hydro's facilities to accommodate Metrolinx projects?

c) Does Toronto Hydro consider Metrolinx to be a "road authority" as defined by the Public Service Works on Highways Act? Please provide reasons for your answer.

1 **RESPONSE:**

2 a) Yes, please refer to Appendix A of this response.

3

4 b) No. Toronto Hydro has several contracts with Metrolinx that deal with the relocation
5 of Toronto Hydro's facilities to accommodate Metrolinx projects. For larger projects
6 such as the Eglinton LRT, Toronto Hydro has entered into contracts directly with the
7 Metrolinx's contractor.

8

9 c) Toronto Hydro does not consider Metrolinx to be a "road authority" on the basis of its
10 assessment that Metrolinx does not meet the definition of a "road authority" under
11 the *Public Service Works on Highways Act*. "Road authority" is defined under the
12 legislation to mean "the Ministry of Transportation, a municipal corporation, board,
13 commission, or other body having control of the construction, improvement,
14 alteration, maintenance and repair of a highway and responsible therefore".

December 15, 2017

METROLINX
97 Front Street West
Toronto, Ontario M5J 1E6

Attention: Paul Walkovich

Dear Mr. Walkovich

RE: Toronto Hydro's OFFER TO CONNECT

Metrolinx development of 55 Ray Avenue, Toronto, Ontario, M6M 2A7 as legally described in PIN 10334-0603 (LT) and PIN 10334-0607, 34 Keelesdale Drive, Toronto, Ontario, M6M 4L2 as legally described in PIN 10334-0606, and 3500 Eglinton Avenue West, Toronto, Ontario, M6M 4L2 as legally described in PIN 10334-0604 (LT)

Toronto Hydro Customer Class 5
Toronto Hydro Project No. **P0132301**
Capital Contribution Work Order No. **816866**

Type of Connection: Energy Storage Facility Phase 1

Customer's Request for Connection

Toronto Hydro-Electric System Limited ("Toronto Hydro") has received Metrolinx's (the Customer") written request to design, construct and connect the Energy Storage Facility Phase 1 to Toronto Hydro's distribution system. In response to that request, Toronto Hydro has prepared this letter of agreement, which, together with the schedules attached, is Toronto Hydro's firm Offer to Connect the Project to Toronto Hydro's distribution system.

Summary of the Offer to Connect

This document, including all Schedules attached, is Toronto Hydro's firm Offer to Connect as required by the Distribution System Code established by the Ontario Energy Board.

Schedule A (Definitions and Overview) contains definitions for the terms used in this Offer to Connect.

Schedule B (Connection Work) describes the work required in connection with the Project.

Schedule C (Connection Costs) contains the amounts that the Customer shall pay to Toronto Hydro for the Connection Work, including connection of the Project to Toronto Hydro's main distribution system.

Schedule D (General Terms and Conditions) contains general provisions that apply to this Offer to Connect.

Schedule E (Electrical Drawing) Concept Drawing. Main Substation Connection 10 MW (30 MWh) Energy Storage.

Schedule F (Site Plan Drawing) Drawing Main illustrating Parcel 1 for 10 MW (30 MWh) Energy Storage.

In addition to the obligations contained in this Offer to Connect, the Customer shall be bound by and required to comply with all provisions, as amended from time to time, in Toronto Hydro's Conditions of Service. A copy of the Conditions of Service can be obtained at www.torontohydro.com.

Additional Information

Based on the plans and information provided to Toronto Hydro, as of the date of this Offer to Connect, an easement will be required to connect the Project at the Eglinton Maintenance & Storage Facility Lands. General easement requirements are set out under the heading "Easements" in SCHEDULE D, General Terms & Conditions. A lease will also be required for the Energy Storage Facility Lands.

If the terms and conditions of this Offer to Connect are acceptable to the Customer, a duly authorized officer of the Customer shall sign a duplicate copy and return it to Toronto Hydro within 60 days of the date the Offer to Connect is issued to the Customer. If a signed copy is not returned to Toronto Hydro within that time period, Toronto Hydro reserves the right to revoke this Offer to Connect without further notice to the Customer. The Customer is advised that Toronto Hydro requires a minimum of 105 weeks, if not more lead time to complete the Project, after receiving the signed Offer to Connect from the Customer. The Customer should make arrangements to return the signed Offer to Connect early to accommodate the required lead time.

If the lease for the Energy Storage Facility Lands is not executed within one (1) year from the date set forth above, Toronto Hydro has the right to terminate this Offer to Connect in accordance with its rights of termination as set out herein.

This Offer to Connect, including all of its schedules, was developed in accordance with the Ontario Energy Board's Distribution System Code and Toronto Hydro's Conditions of Service.

Terms used in this Offer to Connect have the meanings provided in the Distribution System Code and the Conditions of Service unless otherwise defined. Terms that are defined are to be interpreted expansively and in harmony with the Ontario Energy Board's Distribution System Code.

If the Offer to Connect needs to be revised after it is issued to the Customer due to information provided by the Customer that is different from what the Customer initially provided to Toronto Hydro, the Customer shall pay a reasonable revision fee to Toronto Hydro to prepare and issue the revised Offer to Connect.

Any notice, communication and inquiry regarding this Offer to Connect must be directed as follows:

To: Toronto Hydro-Electric System Limited
500 Commissioners Street
Toronto, Ontario, M4M 3N7

Attention: Kunal Ajmani, P.Eng., MBA
Supervisor, Engineering & Construction Policy
Telephone: (416) 542-3100 ext. 32204
Email: kajmani@torontohydro.com

To: The Customer at the address set forth below:
METROLINX
97 Front Street West
Toronto, Ontario M5J 1E6

Attention: Paul Walkovich
Telephone: 416-202-0530
Email: Paul.Walkovich@metrolinx.com

Unless otherwise noted in this Offer to Connect, all payments required are due and payable, or deliverable, upon acceptance of this Offer to Connect by the Customer.

Please sign below and return one signed copy, together with all payments, deposits, and security as may be required, to:

To: Toronto Hydro-Electric System Limited
Legal Services Division
14 Carlton Street
Toronto, Ontario, M5B 1K5

Attention: Helen Tseng
Telephone: (416) 542-3368

Yours truly,
Toronto Hydro-Electric System Limited


Per: _____

Name: Dino Priore
Title: Executive Vice-President and
Chief Engineering and Construction Officer

I have authority to bind the Corporation.


Per: _____

Name: Anthony Haines
Title: President and Chief Executive
Officer

I have authority to bind the Corporation.

The Customer acknowledges its understanding of, accepts, agrees to comply with, and be bound by, all of the terms and conditions of this Offer to Connect, which include the provisions set forth above and all of the Schedules attached. The Customer acknowledges that upon accepting this Offer to Connect, a binding and legally valid agreement is created that is enforceable at law in accordance with its terms.

METROLINX

Per: 

Date: 12/13/17

Name: Peter Zuk

Title: Chief Capital Officer

I have authority to bind the Corporation.

METROLINX

Per: 

Date: 12/14/17

Name: Phil Verster

Title: President and Chief Executive Officer

I have authority to bind the Corporation.

Offer to Connect METROLINX 55 Ray Avenue, Toronto, Ontario M6M 2A7
December 15, 2017

SCHEDULE A DEFINITIONS AND OVERVIEW

1. This Offer to Connect, including all of its schedules, was developed in accordance with the Ontario Energy Board's Distribution System Code and Toronto Hydro's Conditions of Service.
2. Terms used in this Offer to Connect have the meanings provided in the Distribution System Code and the Conditions of Service unless otherwise defined. Terms that are defined are to be interpreted expansively and in harmony with the Ontario Energy Board's Distribution System Code.
3. The following is a list of the most common terms found in this Offer to Connect together with their respective meanings. (Terms that are not as common are defined directly in the schedule in which they first appear.)
 - (i) **Connection Assets** is defined in section 1 of Schedule B.
 - (ii) **Connection Work** consists of the work set out in section 2 of Schedule B.
 - (iii) **Customer** means Metrolinx.
 - (iv) **Customer Work** is work that is required to be completed by the Customer.
 - (v) **Distribution System Code** means the code, approved by the Ontario Energy Board and in effect at the relevant time, which, among other things, establishes the obligations of a Distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum technical operating standards of distribution systems.
 - (vi) **Distributor** means a person who owns or operates a distribution system.
 - (vii) **Eglinton Maintenance & Storage Facility Lands** are Customer-owned property located at 34 Keele Road and 3500 Eglinton Avenue West, Toronto, Ontario sufficient to house the Eglinton Maintenance & Storage Facility.
 - (viii) **Eglinton Maintenance & Storage Facility** consists of support infrastructure, maintenance and control systems serving the Eglinton Crosstown Light Rail Transit.
 - (ix) **Energy Storage Facility Lands** are the Customer-owned property located at 55 Ray Avenue, Toronto, Ontario M6M 2A7 sufficient to house the Energy Storage Facility Phase 1.
 - (x) **Energy Storage Facility Phase 1** consists of a 10 MW power converter supported by 30 MWh of Li-Ion battery storage and associated transformation, controls and connection located on the Energy Storage Facility Lands.
 - (xi) **Energy Storage Facility Phase 2** consists of incremental capacity of 10 MW power converter supported by 30-50 MWh of Li-Ion battery storage and associated transformation, controls and connection.
 - (xii) **Offer to Connect** is this agreement including all Schedules attached.

- (xiii) **Project** means the behind the meter project consisting of the Energy Storage Facility Phase 1 together with the associated Connection Work.
- (xiv) **Toronto Hydro** means Toronto Hydro-Electric System Limited.
- (xv) **Useful Project Life** means the Phase 1 Project is required to be operational for a minimum 25 years from the in-service date (December 31, 2043).
- (xvi) **Project Capacity** means the Phase 1 Project will provide a minimum capacity of 10 MW through December 31, 2043 (25 years from the in-service date), minimum energy of 30 MWh on December 31, 2019 (in-service date), minimum energy of 25 MWh through December 31, 2029 (10 years from the in-service date) and minimum energy of 20 MWh through December 31, 2043 (25 years from the in-service date).

- 4. SCHEDULE B contains the **Connection Work**.
- 5. SCHEDULE C contains the **Connection Costs**.
- 6. SCHEDULE D contains the general terms and conditions that apply to this Offer to Connect.
- 7. SCHEDULE E contains the electrical drawing.
- 8. SCHEDULE F contains the site plan drawing.

**SCHEDULE B
CONNECTION WORK**

1. **Connection Assets** are the materials and equipment that are necessary to make the connection between Toronto Hydro's main distribution system and the Customer's ownership demarcation point as defined in Section 5 of Toronto Hydro's Conditions of Service and as described in **Schedule E (Electrical Drawing)**.
2. **Connection Work** is the work required to provide, construct, and install the **Project Connection Work** for the Project is described in the WORK TABLE below.

Description of Work to be Completed By Toronto Hydro
<ul style="list-style-type: none">• All necessary engineering, design, inspection, switching, isolation, and (de) energizing work.• Supply and installation of Energy Storage Facility Phase 1 to support emergency power, power conditioning and demand management for the Eglinton Crosstown Light Rail Transit per the electrical drawing contained in Schedule E.• The Energy Storage Facility Phase 1 consists of a 10 MW power converter supported by 30 MWh initial capacity of Li-Ion battery storage and associated transformation, controls and connection on the Energy Storage Facility Lands provided by the Customer.• Connection of the Project to Customer's Eglinton Maintenance & Storage Facility located on the Eglinton Maintenance & Storage Facility Lands to Toronto Hydro's main distribution system.• Design, approvals and space provision for subsequent Energy Storage Facility Phase 2 capacity.• The supply and installation of any subsequent Energy Storage Facility Phase 2 capacity is not covered under this Offer to Connect.• All necessary plans, specifications, and engineering drawings associated with Energy Storage Facility Phase 1 capacity.• Approval of all electrical, communication and civil drawings for the Eglinton Maintenance & Storage Facility interconnections provided by the Customer.• Obtain the necessary city cut permits and approvals prior to commencing work for Toronto Hydro work related to Toronto Hydro's infrastructure to be constructed within the City of Toronto's road allowance.• Obtain necessary Electrical Safety Authority ("ESA") approvals prior to final connection and energization, as applicable.

Description of Work to be Completed by the Customer

- Supply and installation of electrical, communication and civil infrastructure for the Eglinton Maintenance & Storage Facility interconnections on Eglinton Maintenance & Storage Facility Lands associated with the Energy Storage Facility Phase 1 and Phase 2 per the electrical drawing contained in Schedule E.
- Submit all electrical, communication and civil drawings for the Eglinton Maintenance & Storage Facility interconnections on Eglinton Maintenance & Storage Facility Lands associated with the Energy Storage Facility Phase 1 and Phase 2.
- Supply and install necessary Customer owned switchgear, relays and protection at the Eglinton Maintenance & Storage Facility which enable the interconnection with the Energy Storage Facility Phase 1 and Phase 2.
- Submit all necessary shop drawings for Toronto Hydro approval prior to fabrication of Customer owned switchgear, relays and protection equipment associated with the Energy Storage Facility Phase 1 and Phase 2.
- Submit all necessary plans, specifications, and engineering drawings including electrical room layouts to Toronto Hydro for approval prior to installation.
- Complete civil work associated with the Energy Storage Facility Phase 1 and Phase 2 on Energy Storage Facility Lands in accordance with Toronto Hydro Standards.
- Complete electrical work associated with the Energy Storage Facility Phase 1 and Phase 2 on Energy Storage Facility Lands in accordance with Toronto Hydro Standards and Toronto Hydro's Conditions of Service;
- Obtain necessary Electrical Safety Authority ("ESA") approvals associated with all Customer owned electrical equipment and civil infrastructure associated with the Energy Storage Facility Phase 1 and Phase 2 on Eglinton Maintenance & Storage Facility Lands prior to final connection and energization, as applicable.
- Obtain Toronto Hydro approvals, as applicable, prior to final connection and energization by Toronto Hydro.

Please note that:

All equipment, material and underground plant (as applicable) related to work to be completed by the Customer, and located within the Energy Storage Facility Lands, must be installed to current Toronto Hydro specifications, standards and Toronto Hydro's Conditions of Service and must be inspected and approved by Toronto Hydro's quality assurance / quality control inspection contractor prior to connection to the Toronto Hydro distribution system.

The Customer shall install, maintain, and replace, at its own cost, all electrical, communication and civil infrastructures located on Eglinton Maintenance & Storage Facility Lands that are required to interconnect with the Energy Storage Facility Phase 1.

**SCHEDULE C
CONNECTION COSTS**

1. The table below contains Toronto Hydro's costs to supply the **Connection Assets** and complete the **Connection Work** ("Connection Costs").
2. The Customer shall provide the **TOTAL PAYMENT**, which is non-refundable, to Toronto Hydro for the connection of the Project in accordance with the payment schedule below. Please note that since the work required to connect the Project requires physical contact with, or work in close proximity to, Toronto Hydro's existing main distribution system, the Customer may not obtain an alternative bid to perform the work.
3. Costs include ongoing maintenance and administration for Toronto Hydro assets installed for this Project.
4. The Customer shall pay the **Connection Costs** to Toronto Hydro.

COST TABLE	
Connection Costs (Pre-Tax)	\$32,500,000
Less Basic Connection Cost Allowance	\$0
SUB-TOTAL	\$32,500,000
HST (13%)	\$4,225,000
TOTAL PAYMENT	\$36,725,000

Payment Schedule:

- 1) \$16,500,000 + HST in December 15, 2017 (milestone #1)
- 2) \$16,000,000 + HST in July 1, 2018 (milestone #2)

Note: No design pre-payment or deposit is applicable for this Project.

SCHEDULE D
GENERAL TERMS and CONDITIONS

1. ASSIGNMENT

- 1.1 Neither party may assign this Offer to Connect without the prior written consent of the other party, such consent not to be unreasonably withheld. Notwithstanding this Assignment to an Affiliate of either Party is allowed with the prior written consent of the other Party.

2. EASEMENTS

- 2.1 Upon request by Toronto Hydro, the Customer shall, at its own expense, execute, register and provide a solicitor's opinion on title in a form acceptable to Toronto Hydro, within the time period specified by Toronto Hydro, and subject only to those encumbrances permitted in writing by Toronto Hydro, such easement agreements as Toronto Hydro may require for the installation and continued existence of any electrical or telecommunication plants or access to same for the life of such plant or as otherwise required to perform its responsibility as a distribution company.
- 2.2 The Customer acknowledges that in order for an easement to be registered, it shall be required, at its expense, to arrange for and register any necessary documentation required by the appropriate Land Registry Office, including a Reference Plan, prepared by an Ontario Land Surveyor, describing the extent of the lands required for the easement.

3. FORCE MAJEURE

- 3.1 Force Majeure means any act, event, cause or condition that is beyond Toronto Hydro's reasonable control, including wind, ice, lightning or other storms, earthquakes, landslides, floods, washouts, fires, explosions, contamination, breakage of equipment or machinery, delays in transportation, strikes, lockouts or other labour disturbances, civil disobedience or disturbances, war, acts of sabotage, blockades, insurrections, vandals, riots, epidemics, or loss of any relevant license.
- 3.2 If by reason of Force Majeure, Toronto Hydro is unable, wholly or partially, to perform or comply with any or all of its obligations under this Offer to Connect, it shall be relieved of such obligations, and any liability, including liability for any injury, damage or loss to the Customer caused by such event of Force Majeure, for failing to perform or comply with such obligations, during the continuance of Force Majeure.

4. LIMITATION OF LIABILITY

- 4.1 Toronto Hydro shall not be responsible for the acts or omissions of the Customer or persons for whom the Customer is responsible at law.
- 4.2 Neither Toronto Hydro nor any of its employees, agents, officers, directors or other representatives ("Representatives") shall be liable for any loss, injury or damage to persons or property caused in whole or in part by negligence or fault of the Customer, or any of the Customer's Representatives, contractors or subcontractors.
- 4.3 Notwithstanding any other provision in this Offer to Connect, or any applicable statutory provision, Toronto Hydro and its Representatives shall only be liable for any damages which arise directly out of the willful misconduct or negligence of Toronto Hydro or its Representatives.
- 4.4 Neither Toronto Hydro nor any of its Representatives shall be liable under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential, incidental or special damages, including but not limited to punitive or exemplary damages, arising from any breach of this Offer to Connect, fundamental or otherwise, or from any tortious acts, including the negligence or willful misconduct of it or its Representatives, however arising.
- 4.5 No action arising out of this Offer to Connect, regardless of the form thereof, may be brought by either party more than two (2) years following the date the cause of action arose, provided however that, subject to any applicable law, Toronto Hydro may bring an action for non-payment of amounts, or non-delivery of deposits, required to be paid or delivered by the Customer under this Offer to Connect at any time.

4.6 The Customer shall indemnify and save harmless Toronto Hydro and its Representatives from any action, claim, penalty, damages, losses, judgements, settlements, costs and expenses or other remedy brought by any party or governmental authority, arising out of or resulting from any negligent act or failure to act or any willful misconduct by the Customer or any person for whom the Customer is responsible at law, but only to the extent that such claims arise as a result of the Customer's negligence or willful misconduct. Notwithstanding the last paragraph of Section 1.6 of Toronto Hydro's Conditions of Service, this Section 4.6 shall govern the Customer's indemnification obligations under this Offer to Connect.

4.7 All of the provisions of Sections 4.1, 4.2, 4.3, 4.4, 4.5 and 4.6 shall survive the termination of this Offer to Connect.

5 NOTICE

5.1 Any notice to be given under this Offer to Connect shall be in writing and delivered by prepaid registered mail, hand, courier or facsimile to the contact for the parties as set forth in the Offer to Connect.

5.2 Delivery by facsimile shall be deemed received on the day following transmittal provided the facsimile is received as confirmed by the issuance of a confirmation receipt at the point of transmission.

5.3 Delivery by hand or courier shall be deemed received on the date delivered.

5.4 Delivery by prepaid registered mail shall be deemed received on the 5th business day after mailing.

5.5 Either party may change its address for notice by providing written notice of that change to the other party.

6 REVISED PLANS

6.1 If the Customer submits revised plans or requires additional design work, Toronto Hydro may provide, at a cost, a new offer based on the revised plans or the additional design work.

7 SECURITY INTEREST

7.1 As security for its obligations under this Offer to Connect, the Customer grants to Toronto Hydro a present and continuing security interest in, and lien on (and right of set-off against), and assignment of all money, cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, delivered as a deposit or otherwise pursuant to the terms of this Offer to Connect, or for the benefit of Toronto Hydro.

7.2 The Customer agrees to take such action as Toronto Hydro reasonably requires in order to perfect Toronto Hydro's first-priority security interest in, and lien on (and right of set-off against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof.

7.3 Toronto Hydro shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce Customer's obligations under this Offer to Connect (Customer remaining liable for any amounts owing to Toronto Hydro after such application), subject to Toronto Hydro's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

8 TAXES

8.1 Unless specified, none of the amounts payable or deliverable under the Offer to Connect include harmonized sales taxes or any other taxes that may be payable.

8.2 The Customer shall pay all such taxes in accordance with applicable laws.

9 TERMINATION

9.1 Each of the following shall constitute an event of default ("Event of Default"):

- (i) the Customer fails to make any payment at the time specified for payment in this Offer to Connect and such failure has not been remedied within three (3) days notice of such failure;

- (ii) the Customer fails to deliver any deposit, including additional deposits within the time period specified for delivery in this Offer to Connect;
- (iii) the Customer fails to execute and deliver any agreement, or deliver any other document, within the time period specified for execution and/or delivery;
- (iv) the Customer fails to make ready the Project site for Toronto Hydro to commence the Connection Work or the Expansion Work within 1 year from the date of this Offer to Connect;
- (v) the Customer cancels the Project for any reason;
- (vi) the Customer fails to comply with any other covenant or obligation in this Offer to Connect and such failure has not been remedied (where it is possible to remedy such failure) within 15 days of the initial failure to perform;
- (vii) a resolution has passed, or documents filed at an office of public record, for the merger, amalgamation, dissolution, termination of existence, liquidation or winding-up of the Customer, unless the prior consent of Toronto Hydro has been obtained;
- (viii) a receiver, manager, receiver-manager, liquidator, monitor or trustee in bankruptcy of the Customer or any of its property is appointed by any government authority, and such receiver, manager, receiver-manager, liquidator, monitor or trustee is not discharged within 30 days of appointment; or, if by decree of any government authority, the Customer is adjudicated bankrupt or insolvent, or any substantial part of its property is taken, and such decree is not discharged within 30 days after the entry thereof; or, if a petition to declare bankruptcy or to reorganize such party pursuant to any applicable law is filed against the Customer and is not dismissed within 30 days of such filing;
- (ix) the Customer files, or consents to the filing of, a petition in bankruptcy or seeks, or consents to, an order or other protection under any provision of any legislation relating to insolvency or bankruptcy ("Insolvency Legislation"); or files, or consents to the filing of, a petition, application, answer or consent seeking relief or assistance in respect of itself under provision of any Insolvency Legislation; or files, consents to the filing of, an answer admitting the material allegations of a petition filed against it in any proceeding described herein; or makes an assignment for the benefit of its creditors; or admits in writing its inability to pay its debts generally as they become due; or consents to the appointment of a receiver, trustee, or liquidator over any, or all, of its property.

9.2 Upon the occurrence of an Event of Default, Toronto Hydro may, at its sole discretion, do any one or more of the following:

- (i) exercise any of the rights and remedies of a secured party including any such rights and remedies under law then in effect;
- (ii) exercise its rights of set-off against any and all property, accounts and monies of the Customer in the possession of Toronto Hydro, whether arising under this Offer to Connect, another contract, applicable law or otherwise;
- (iii) declare the full amounts of any fees and costs that are unpaid and unrecovered as due and owing ("Accelerated Amounts");
- (iv) draw on any cash, or draw under any letter of credit, then held by or for the benefit of Toronto Hydro as a deposit or contribution or otherwise, free from any claim or right of any nature whatsoever of the Customer, including any equity or right of purchase or redemption by the Customer, to cover all costs incurred on, or prior to, the date of termination, including costs for materials ordered for the expansion, storage costs and facilities removal costs and any amounts owing under this Offer to Connect, including the Accelerated Amounts; and/or
- (v) terminate this Offer to Connect, provided that, any termination shall not affect any obligations incurred prior to the effective date of termination or any other rights that Toronto Hydro may have arising out of any rights or obligations that are expressed to survive termination of this Offer to Connect.

10 TITLE AND RISK OF LOSS

- 10.1** Title to the Energy Storage Facility Phase 1 and risk of loss shall be assumed by Toronto Hydro
- 10.2** Toronto Hydro shall be entitled to receive reasonable compensation for storing any materials or equipment due to a delay caused by the Customer and such equipment or materials shall be held at the Customer's risk.
- 10.3** If there is damage to the Energy Storage Facility Phase 1 during its Useful Project Life, Toronto Hydro shall repair, restore or otherwise replace the Energy Storage Facility Phase 1 with all reasonable diligence and at its own cost (except where such damage arises directly out of the willful misconduct or negligence of the Customer or others for whom the Customer is responsible at law).

11 WARRANTIES

- 11.1** Except as expressly set forth in this Offer to Connect, Toronto Hydro provides no warranties, for fitness, for purpose, or otherwise, whether statutory or otherwise, to the Customer.

12 MISCELLANEOUS

- 12.1** This Offer to Connect, including all attached Schedules, shall constitute the entire agreement between the parties with respect to the design, development and completion of the Project, and there are no other agreements or understandings, either written or oral, to conflict with, alter or enlarge this Offer to Connect unless agreed to in writing between the parties subsequent to the effective date of this Offer to Connect.
- 12.2** Failure or delay by Toronto Hydro in enforcing any right under, or provision of this Offer to Connect shall not be deemed a waiver of such provision or right with respect to the instant, or any previous, or subsequent, breach.
- 12.3** This Offer to Connect shall be governed by the laws of the Province of Ontario and the laws of Canada as applicable.
- 12.4** The parties irrevocably attorn to the jurisdiction of the courts of Ontario with respect to any matter arising under or related to this Agreement.
- 12.5** Toronto Hydro shall be entitled to access at all reasonable times to any of the Customer's properties to perform the services in this Offer to Connect.
- 12.6** Interest on unpaid amounts shall bear interest at the rate of 1.5 percent calculated and compounded monthly (19.56 percent per annum) at and from the due date up to and including the date of payment in full of such amount, together with all interest accrued to the date of payment.
- 12.7** Toronto Hydro and the Customer agree to execute and deliver such further documents as may be required for either party to fulfill its obligations and enforce its rights under this Offer to Connect.
- 12.8** If any provision of this Offer to Connect is declared illegal, invalid or unenforceable for any reason whatsoever, to the extent permitted by law, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of any of the other provisions.
- 12.9** This Offer to Connect and the obligations of the parties under it are subject to all applicable present and future laws, rules, regulations and orders of any regulatory or legislative body or other duly constituted authority having jurisdiction over Toronto Hydro or the Customer.
- 12.10** Time shall be of the essence.
- 12.11** If there is a conflict between this Offer to Connect and Toronto Hydro's Conditions of Service, this Offer to Connect shall govern.

13 REGULATORY CHANGES

- 13.1** To the extent that there is a change in applicable laws or an order, ruling, judgement or other directive from a governmental authority which impacts either Toronto Hydro's or the Customer's ability to participate in the Project or fulfil any of its obligations hereunder (a "Regulatory Change"), then Toronto Hydro or the Customer, as the case may be, shall notify the other as soon as reasonably possible upon becoming aware of the consequences of such Regulatory Change and the parties shall enter into good faith negotiations to amend this Agreement as may be required by the Regulatory Change.
- 13.2** Toronto Hydro intends to submit an application to the Ontario Energy Board for the addition of Energy Storage Facility Phase 1 to its rate base. In the event any such application is determined to not be feasible or an application is rejected in whole or in part by the Ontario Energy Board, Toronto Hydro shall have no obligation to the Customer in relation to such rejected portion of Energy Storage Facility Phase 1 following expiry of the Useful Project Life and any subsequent refurbishment and replacement would be subject to further agreement by the Parties. In the event the Energy Storage Facility Phase 1 is wholly or partially added to Toronto Hydro's rate base, such portion of the Energy Storage Facility Phase 1 shall be treated as any other distribution asset including with respect to refurbishment and replacement following expiry of the Useful Project Life.
- 13.3** Toronto Hydro may transfer ownership of the Energy Storage Facility Phase 1 to its Affiliate with the Customer's consent, which consent shall not be unreasonably withheld, or to the Customer or another party where necessary or desirable in accordance with applicable law and prudent utility practices (including where Toronto Hydro is not permitted to add the Energy Storage Facility Phase 1 to its rate base).

14 CUSTOMER WORK

- 14.1** The work to be completed by the Customer is specified in Schedule B. The Customer will not commence with the construction of any Customer Work until:
- 14.1.1** The plans and specifications have been approved by Toronto Hydro;
- 14.1.2** At the Customer's own expense the Customer has provided proof of permitting, easement, agreement and/or approval requirements, certificates, and any sign-offs necessary to perform the Customer Work on Eglinton Maintenance & Storage Facility Lands;
- 14.1.3** The Customer has provided such lease agreement for Energy Storage Facility Lands and easement agreement for Eglinton Maintenance & Storage Facility Lands on terms and conditions agreed to by Toronto Hydro and the Customer, both acting reasonably, and as are required to enable the installation and continued existence of the Energy Storage Facility Phase 1 or access to same for the life of such plant or as otherwise required to perform its responsibility as a distribution company.
- 14.2** The Customer-owned electrical, communication and civil infrastructure for the Eglinton Maintenance & Storage Facility interconnections associated with the Energy Storage Facility Phase 1 and Phase 2 shall be supplied and constructed in accordance with applicable laws, meaning in accordance with all (a) applicable federal, provincial or municipal laws, orders-in-council, by-laws, codes, rules, policies, regulations and statutes; (b) applicable orders, decisions, codes, manuals, interpretation bulletins, judgements, injunctions, decrees, awards, and writs of any court tribunal, arbitrator, governmental authority or other person having jurisdiction, including without limitation all applicable Electrical Safety Authority or Ontario Energy Board codes, rules or guidelines; (c) applicable rulings and conditions or any license, permit, certificate, registration, authorization, consent and approval issued by a governmental authority; and/or (d) any requirements under or prescribed by applicable common law.

15 OPERATING AGREEMENT

- 15.1** The Customer shall enter into an operating agreement with Toronto Hydro in a form acceptable to Toronto Hydro and the Customer for the connection and the continued operation and maintenance of the Project.
- 15.2** Toronto Hydro shall maintain the Energy Storage Facility Phase 1 during the Useful Project Life pursuant to an operating agreement which shall be negotiated and entered into by Toronto Hydro and the Customer. The operating agreement shall also set out Toronto Hydro's obligations and rights to manage the operation

of the Energy Storage Facility Phase 1 to ensure safe operation and to prevent damage to life, property and the environment.

16 DISPATCH AGREEMENT

16.1 The Customer shall enter into a dispatch agreement with Toronto Hydro in a form acceptable to Toronto Hydro and the Customer.

16.1 Toronto Hydro shall dispatch the Energy Storage Facility Phase 1 during the Useful Project Life pursuant to a dispatch agreement which shall be negotiated and entered into by Toronto Hydro and the Customer. The dispatch agreement shall also set out criteria to dispatch the Energy Storage Facility Phase 1 for mutual benefit, ensure safe operation and to prevent damage to life, property and the environment.

17 LEASE AGREEMENT

17.1 The Customer shall enter into a lease agreement with Toronto Hydro for the Energy Storage Facility Lands in a form acceptable to Toronto Hydro and the Customer.

17.2 The terms of any insurance arrangements shall be negotiated in the lease agreement for the Energy Storage Facility Lands.

18 INSURANCE

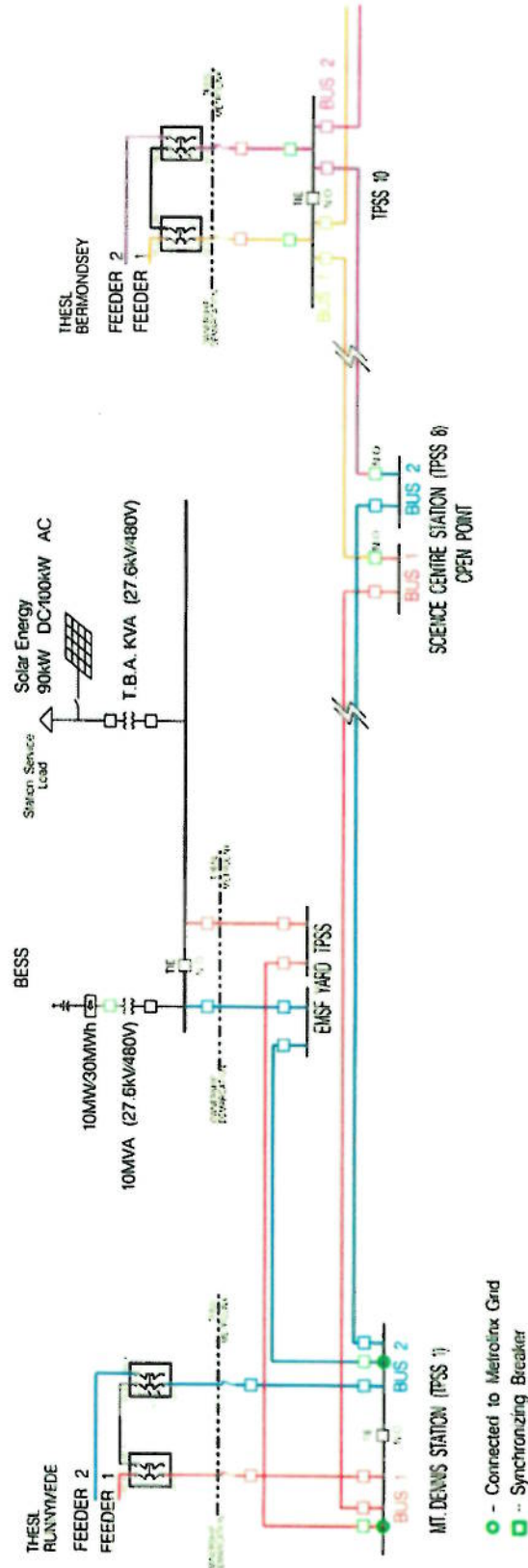
Toronto Hydro and the Customer shall agree to the insurance coverage that is appropriate for Phase 1. Toronto Hydro shall be responsible for the negotiation, approval and (without prejudice to the right to recover the same in rates) cost of insurance arrangements relating to the construction and operation of Phase 1, provided that such insurance coverage is acceptable to both parties, acting reasonably. Toronto Hydro may elect to self-insure with respect to any and all of the insurance coverage required to be maintained by the Customer; however, the election to self-insure shall obligate Toronto Hydro to the same extent as though the required insurance policies were in full force and effect.

19 FUTURE DEVELOPMENT

19.1 This Offer to Connect is for the supply and installation of Energy Storage Facility Phase 1. The supply and installation of any Energy Storage Facility Phase 2 is not covered under this Offer to Connect.

SCHEDULE E: ELECTRICAL DRAWING (10MW/30MWh)

CONCEPT SKETCH MAIN SUBSTATION CONNECTION 10MW (30MWh) ENERGY STORAGE



[illegible]

**RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

INTERROGATORY 20:

Reference(s): Exhibit 1C, Tab 3, Schedule 10, Original, p. 32

This section is titled “Sustainability Initiatives”. Please provide Toronto Hydro’s definition of “sustainability”.

RESPONSE:

Toronto Hydro defines “sustainability” as the elimination of waste. Specifically, through elimination of the following:

- wasted natural resources, through improved process efficiencies and preventing damage to the environment;
- wasted energy, through internal initiatives that impact our fleet and buildings as well as external conservation and demand initiatives with our customers;
- wasted human potential, through discriminatory practices, injuries, and illness;
- wasted time and effort, through improved productivity;
- theft and corruption through ethical decision making; and
- waste caused by non-compliance through education and audits.

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 21:

Reference(s): Exhibit 1C, Tab 3, Schedule 10, p. 33

Preamble:

"Our President and CEO, Anthony Haines, was recognized as a Responsible CEO of the Year Award by Corporate Responsibility (CR) Magazine, which marked the first time a Canadian CEO has been given this prestigious award. The award is presented to CEOs who visibly exceed standards in the areas of employee relations, environmental impact, sustainability, human rights, philanthropy and corporate responsibility practices"

a) Please explain how Mr. Haines exceeded standards in each of the following areas:
employee relations,

- i) environmental impact,
- ii) sustainability,
- iii) human rights,
- iv) philanthropy
- v) corporate responsibility practices.

b) For each area in (a) please list specific standard that Mr. Haines exceeded? Please provide details with supporting numerical information.

c) Considering that the OEB does not allow electricity distributors to recover the costs of charitable donations from ratepayers, please confirm that Toronto Hydro

1 has not recovered from ratepayers the cost of philanthropic activities in the past
2 and is not seeking OEB approval to recover it in this application.

3
4
5 **RESPONSE:**

6 a) Respectfully, this question is not relevant nor material to the application.

7 Nevertheless, the criteria for this award is determined by a third party, and Toronto
8 Hydro does not have insight into how it makes the selections for awards.

9
10 b) Please see the response above.

11
12 c) Toronto Hydro confirms that it is not applying to recover from ratepayers the cost of
13 philanthropic activities. As noted in Exhibit 4A, Tab 2, Schedule 19, page 1, Toronto
14 Hydro's sole rate recoverable charitable contributions for the 2020-2024 period are its
15 payments towards the OEB's Low-Income Energy Assistance Program ("LEAP").

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 22:

Reference(s): Exhibit 1C, Tab 3, Schedule 10, p. 34

Preamble:

"In order to encourage our employees to transition to electric vehicles (EVs), we installed four charging stations at our 500 Commissions Street location in 2017, and there are plans to install charging stations at 71 Rexdale Boulevard and 715 Milner Avenue in 2018. We also initiated a project to replace small cars in our fleet with fully-electric vehicles."

a) Why does Toronto Hydro need to encourage its employees to transition to electric vehicles?

b) Is there a business case for this initiative? If there is, please file it. If not, please explain why.

RESPONSE:

a) As a recognized "Sustainable Electricity Company", Toronto Hydro has undertaken numerous initiatives that helps reduce carbon emissions. Encouraging employees to transition to electric vehicles is one such example. The promotion of EV vehicles is an environmentally responsible goal, as it helps reduce indirect GHG emissions by commuting employees.

- 1 b) A business case was not prepared for this initiative. To be clear, Toronto Hydro is not
- 2 applying to recover the costs of this initiative from ratepayers.

RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 23:

Reference(s): Exhibit 1C, Tab 3, Schedule 10, Original, p. 34

Preamble:

"We sponsored Plug'n Drive, a non-profit organization committed to accelerating the adoption of EVs. We also powered two charging stations in the test drive zone at the Plug'n Drive Electric Vehicle Discovery Centre in Toronto, the world's first experiential learning facility dedicated to EV education and awareness. We contributed to advancing the transition to EVs through participation in various working groups and associations, including the City of Toronto's EV Working Group and the Canadian Urban Transit Research & Innovation Consortium."

- a) Why is Toronto Hydro promoting the use of electric vehicles if it considers widespread adoption of electric vehicles to be a business risk?
- b) Does Toronto Hydro have a contract with Plug'n Drive? If the answer is yes, please file the contract. If the answer is no, please explain why.
- c) Please provide more details of Toronto Hydro's sponsorship of Plug'n Drive including costs.
- d) Is Toronto Hydro providing free public EV charging stations at any location on its system? If the answer is yes, please provide details.

1 **RESPONSE:**

2 a) Toronto Hydro acknowledges the broad public and analyst expectation that electric
3 vehicles are and will continue to be an increasingly appealing option for consumers.
4 Given the potential effects of such adoption on the distribution grid and for electricity
5 customers, participating in activities such as EV associations and pilot projects
6 provides Toronto Hydro technical and customer insights to better enable itself to
7 adapt to the potential evolution in transportation electrification.

8

9 b) Yes. Please see Appendix A to this response.

10

11 c) The Agreement provided in response to part (b), above, contains the sponsorship
12 details of the arrangement.

13

14 d) No, all of Toronto Hydro's EV charging stations are pay-for-use.

SPONSORSHIP AND TRADE- MARK LICENSE AGREEMENT

This Sponsorship Agreement is made as of April 21, 2017, between:

Toronto Hydro-Electric System Limited, a corporation existing under the
Laws of Ontario ("**Sponsor**"),

-and-

Toronto Hydro Corporation, a corporation incorporated pursuant
to the laws of Ontario ("**THC**"),

-and-

PLUG'N DRIVE COALITION OF ONTARIO, a not for profit corporation
doing business as Plug'n Drive ("**PND**")

RECITALS

- (A) Whereas PND is a not for profit corporation that promotes electric vehicles ("**EV**") and has developed a number of programs, including the Electric Vehicle Discovery Centre ("**EVDC**"), and has agreed to grant Sponsor specified sponsorship rights, recognition and value with respect to the EVDC;
- (B) Whereas Sponsor has agreed to provide sponsorship support to PND for the purpose of promoting electric vehicles, charging stations and the electricity that powers them, in a manner that is set out in more detail below;
- (C) Whereas THC, an Affiliate of Sponsor, is the owner of all right, title and interest in and to the Trade-mark(s);
- (D) AND Whereas the parties desire to set out the terms and conditions for the Sponsor's sponsorship and the use of THC's Trade-mark(s);

For value received, the parties agree as follows.

SECTION 1. INTERPRETATION

1.1 Definitions

In this Sponsorship Agreement, the following terms have the respective meanings set out below.

- (a) **Affiliates** shall have the meaning as prescribed in the *Business Corporations Act* (Ontario).
- (b) **Sponsorship Agreement** means this sponsorship and trade-mark license agreement, including any recitals and schedules, as amended, supplemented or restated from time to time.
- (c) **Business Day** means any day except a Saturday, Sunday or any other day on which the banks are closed in Toronto.
- (d) **Term** is defined in section 4.1.

- (e) **Trademarks** are the trade-marks described in SCHEDULE A attached hereto (collectively, the "**Trade-marks**").

1.2 Headings and Table of Contents

The division of this Sponsorship Agreement into sections, the insertion of headings and the provision of a table of contents are for convenience of reference only and are not to affect the construction or interpretation of this Sponsorship Agreement.

1.3 Expanded Definitions

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means, "including without limitation", and the terms "include", "includes" and "included" have similar meanings. Any reference in this Sponsorship Agreement to any other agreement is deemed to include a reference to that other agreement, as amended, supplemented or restated from time to time.

1.4 Time of Day

Unless otherwise specified, reference to time of day or date means the local time or date in Toronto.

1.5 Business Days

If under this Sponsorship Agreement any payment or calculation is to be made, or any other action is to be taken, on or as of a day which is not a Business Day, that payment or calculation is to be made, and that other action is to be taken, as applicable, on or as of the next day that is a Business Day.

1.6 Governing Law

This Sponsorship Agreement is governed by and is to be construed and interpreted in accordance with the laws of Ontario and the laws of Canada applicable in Ontario. Each of the parties irrevocably submits to the jurisdiction of the courts of Ontario.

1.7 Severability

If any term of this Sponsorship Agreement is or becomes illegal, invalid or unenforceable, the illegality, invalidity or unenforceability of that term will not affect the legality, validity or enforceability of the remaining terms of this Sponsorship Agreement.

1.8 Time of Essence

All references in this Sponsorship Agreement to time are intended by the parties to be the actual time designated without the application of any principles of equity.

1.9 Entire Agreement

This Sponsorship Agreement constitutes the entire Sponsorship Agreement between the parties regarding supersedes all prior agreements, negotiations, discussions, undertakings, representations, warranties and understandings whether written or verbal. There are no representations or warranties of any kind whatsoever by either party, except as expressly provided in this Sponsorship Agreement and its Appendices.

SECTION 2. SPONSORSHIP

2.1 PND Obligations

PND confirms that Sponsor shall be identified as a 'Charger Champion of the EVDC'.

For the Term of this Sponsorship Agreement, PND agrees to feature Sponsor's name and Trade-Mark(s) in publications, displays and exhibits, print and promotional materials, online materials, and communications in connection with the EVDC.

Without limiting the generality of the foregoing, PND agrees to:

- (a) within three (3) months of execution of this Sponsorship Agreement, provide all EVDC promotional materials for Sponsor's review and devote resources to developing all platforms for recognition including promotional materials, artwork, media, website, social media, etc.;
- (b) produce and display/distribute promotional materials that include Sponsor's name and Trade-mark(s), including, at a minimum:
 - 10,000 information cards or handouts;
 - 10,000 Electrify Your Ride booklets;
 - digital representation/signage at the EVDC;
- (c) within three (3) months of execution of this Sponsorship Agreement, design and host PND web pages that recognize Sponsor as a 'Charger Champion' and incorporate Sponsor's name and Trade-mark(s);
- (d) promote the EVDC and provide EVDC program updates through various media outlets, including social media platforms;
- (e) Provide opportunity and all co-operation necessary for Sponsor to host one exclusive event at the EVDC for approximately 25 people, excluding food and drinks; and
- (f) At no cost, include Sponsor as a member of Charge My Car during the Term of this Sponsorship Agreement.

2.2 Right of First Refusal

PND grants Sponsor the right of first refusal with respect to continuing as a Sponsor at the end of the term for future years under the same terms as in this Sponsorship Agreement, subject to any amendments that Sponsor and PND consider appropriate.

Sponsor will provide notice of its intention to exercise its right of first refusal no later than 30 days before the expiration or termination of the Term.

2.3 Sponsor's Obligations and Payment

In consideration for the sponsorship rights set out above, Sponsor will make payments to PND as follows:

PND may issue invoices on or after the dates outlined below. Within thirty (30) days of receipt of invoice, Sponsor will issue the applicable sponsorship payment as set out in the schedule below:

Year 1, \$49,999.98 (Invoice date shall be on or after signing of this Sponsorship Agreement)

Year 2, \$49,999.98 (Invoice date shall be on or after March 31, 2018).

Year 3, \$49,999.98 (Invoice date shall be on or after March 31, 2019).

Sponsor, at its option, may provide its own promotional materials to be displayed/distributed at the EVDC. Sponsor will make reasonable efforts to promote the EVDC through its own customer channels, which may include website, newsletters and/or bills. Sponsor agrees to make reasonable efforts to refer customers interested in EV or home charging stations to PND or the EVDC.

2.4 Reporting

No later than April 30 of each year, PND shall deliver to Sponsor an annual report setting out the status of and summarizing the fulfillment of PND's obligations in accordance with this Sponsorship Agreement and such other information requested by Sponsor in connection with this Sponsorship Agreement.

SECTION 3. PUBLIC RELATIONS

3.1 Grant of License

- a) THC is the owner of all right, title and interest in and to the Trade-marks.
- b) THC hereby grants to PND a limited non-exclusive, royalty free, license to use the Trade-marks on promotional materials relating to the EVDC as detailed in Section 2.1 below (the "License").
- c) PND undertakes and agrees to use the Trade-mark(s) only in relation to the EVDC and not for any other purpose without the prior written consent of THC.
- d) PND must clearly identify the use of the Trade-mark(s) as licensed use and identify THC as the owner of the Trade-mark(s).
- e) PND undertakes to use the Trade-mark(s) strictly in accordance with the Brand Guidelines attached hereto as SCHEDULE B, and to use the Trade-mark(s) only in a manner and form approved by THC.
- f) PND agrees not to use any other trade-mark or trade name in combination with the Trade-mark(s) without the prior written approval of THC. PND agrees it will not alter, modify or otherwise misuse the Trade-mark(s).

SECTION 4. TERM

4.1 Term of Agreement

This Sponsorship Agreement shall commence as of **April 21, 2017** and, unless terminated earlier under section 7, shall continue in full force and effect for a period of three (3) years thereafter (the "Term").

SECTION 5. INDEMNIFICATION

5.1 Indemnification

PND shall defend and hold harmless Sponsor and THC, their Affiliates, and each of their respective officers, directors, employees, agents and shareholders, from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses arising out of or in any way connected with this Sponsorship Agreement, including any breach thereof by PND, unless due to the negligence of Sponsor or any of its officers, directors, employees or agents at the exclusive event referenced in section 2.1 (e).

5.2 No Liability

In no event will Sponsor be liable for any damages, costs or claims, whether in tort, contract, or equity, arising out of or in any way connected with this Sponsorship Agreement or the performance of Sponsor's obligations hereunder, unless due to the negligence of Sponsor or any of its officers, directors, employees or agents at the exclusive event referenced in section 2.1 (e).

SECTION 6. INSURANCE

6.1 Insurance

PND shall obtain and maintain commercial general liability on an occurrence basis having a minimum inclusive coverage limit, including personal injury and property damage, of not less than five million dollars (\$5,000,000.00) per occurrence, and excess liability insurance, for the duration of the Term. Sponsor, THC and their Affiliates will be named as additional insured on all insurance coverage. At the request of Sponsor, PND will provide an original insurance certificate(s) confirming that the insurance coverage required under this section 6.1 is in good standing.

SECTION 7. DEFAULT AND TERMINATION

7.1 Termination

THC or Sponsor may terminate this Sponsorship Agreement and demand the refund of any amounts paid to PND less expenses incurred or committed to as of the date of notice pursuant to this section:

- i. Immediately upon written notice if PND fails to perform any obligation under this Sponsorship Agreement (and such failure was not a result of a failure by Sponsor to perform any of its obligations under this Sponsorship Agreement) and such failure by PND is not corrected to the reasonable satisfaction of Sponsor within five (5) days after receipt of written notice of the failure; or
- ii. Immediately if PND enters into liquidation, whether compulsory or voluntarily, or where a proceeding in receivership, bankruptcy or insolvency has been instituted by or against such party or its property.

7.2 Trade-mark(s)

- i. The License conferred on PND by this Sponsorship Agreement may, at the option of THC, and for whatever reason, be terminated upon written notice to PND.
- ii. Upon termination of the License or this Agreement, PND agrees and undertakes that it will cease and desist from using the Trade-mark(s) in any way, and furthermore agrees and undertakes that it will at no time adopt or use a trade-mark or trade name which consists of or contain the Trade-mark(s), or is likely to be similar to or confusing with the Trade-mark(s) without the written approval of THC.

SECTIONS. -GENERAL

8.1 Further Assurances

Each party will from time to time and promptly upon request, sign and deliver all further

documents and take all further action reasonably necessary to give effect to the terms of this Sponsorship Agreement.

8.2 * Notice

Unless otherwise provided in this Sponsorship Agreement, every notice or other communication required or permitted under this Sponsorship Agreement must be in writing and may be delivered in person, by prepaid courier or by email to the applicable party, as follows:

if to Sponsor or THC, to:

14 Carlton Street
Toronto, Ontario M5B 1K5
Canada

Attention: Brian Buchan, Director Media
Communications, and Municipal
Stakeholder Relations
Telephone: 416-542-3550
Email: bbuchan@torontohydro.com

if to PND, to:

Plug'n Drive
1126 Finch Avenue West, Unit 1
Toronto, Ontario, M3J 3J6
Canada

Attention: Cara Clairman
Office phone: (647) 717-6941
cara@plugndrive.ca

with copy to: Executive Vice President,
Regulatory Affairs and General Counsel
Telephone: (416) 542-3000
Facsimile: (416) 542-2602
Email: legal@torontohydro.com

Any notice or other communication under this Sponsorship Agreement:

- (a) if delivered personally or by courier will be deemed to have been given when actually received;
- (b) if delivered by email, before 3 p.m. on a Business Day will be deemed to have been delivered on that Business day; and
- (c) if delivered by email, after 3 p.m. on a Business Day or on a day which is not a Business Day will be deemed to be delivered on the next Business Day.

8.3 Amendments

Except as expressly provided in this Sponsorship Agreement, no amendment, supplement, restatement or termination of this Sponsorship Agreement in whole or in part is binding unless it is in writing and signed by each party.

8.4 Waiver

No waiver of any term of this Sponsorship Agreement is binding unless it is in writing and signed by the party entitled to grant the waiver. No failure to exercise, and no delay in exercising, any right or remedy, under this Sponsorship Agreement will be deemed to be a waiver of that right or remedy. No waiver of any breach of any term of this Sponsorship

Agreement will be deemed to be a waiver of any subsequent breach of that term.

8.5 Benefit and Assignment

This Sponsorship Agreement enures to the benefit of and binds the parties and their respective successors and permitted assigns. Neither party may assign this Sponsorship Agreement without the written consent of the other party.

8.6 No Joint Venture

This Sponsorship Agreement is not intended nor does it create a joint venture or Sponsorship between any or all of the parties to it. No party is, or will be considered to be, an agent or representative of the other.

8.7 Confidential Information

The parties agree and acknowledge that, subject to applicable laws or court order,

- a) each party (the "Receiving Party") shall maintain in strict confidence the terms of this Sponsorship Agreement and any and all proprietary and confidential information about the business, operations or customers of the other party or any of their Affiliates, which it acquires in any form from the other party (the "Disclosing Party") by virtue of this Sponsorship Agreement ("Confidential Information") and will not disclose to any third party or make use of such Confidential Information for itself or any third party without the prior written consent of the Disclosing Party;
- b) the Receiving Party may disclose such Confidential Information to any of the representatives of the Receiving Party or any of its Affiliates who agree to be bound by the obligations of confidentiality herein and who have a reasonable need to know such Confidential Information in the course of their duties for the Receiving party but only for the purposes of the Receiving Party exercising its rights and obligations under this Sponsorship Agreement;
- c) Sponsor and THC are subject to the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario) ("MFIPPA") and the regulations thereunder, each, as amended and are governed by governmental authorities such as the Independent Electricity Systems Operator ("IESO") and the Ontario Energy Board ("OEB") and shall have the right to disclose Confidential Information in accordance with the provisions of MFIPPA or as required by the IESO or the OEB;
- d) a party shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with any breach of obligations pursuant to this section;
- e) the Receiving Party shall be responsible for any breach of this Sponsorship Agreement by it and its Representatives and by any other person to whom it discloses any Confidential Information. The Parties agree that the Disclosing Party would be irreparably injured by a breach of this Sponsorship Agreement by the Receiving Party, or by any person to whom it discloses any Confidential Information, and that monetary damages would not be a sufficient remedy. Therefore, in such event, the Disclosing Party shall be entitled to all available equitable relief, including injunctive relief without proof of actual damages, as well as specific performance. Such remedies shall not be deemed to be exclusive remedies for a breach of this Sponsorship Agreement but shall be in addition to all other remedies available at law or equity;
- f) upon termination of this Sponsorship Agreement, or upon ten (10) days' prior written notice from the Disclosing Party requesting return of any or all Confidential Information, the

Receiving Party shall forthwith return to the Disclosing Party all Confidential Information, including without limitation all copies of any form of the Confidential Information, the Receiving Party has received and, at the option of the Disclosing Party, deliver to the Disclosing Party, or destroy or have destroyed, any copies or other reproductions of the Confidential Information together with all notes, analyses, reports and other written material whatsoever prepared by, or on behalf of, the Receiving Party, from, or in respect of, the Confidential Information; provided that the Receiving Party shall be entitled to keep, subject always to all the provisions of this Sponsorship Agreement, one copy of such notes, analyses, reports or other written material prepared by, or on behalf, the Receiving Party for its records. The Receiving Party shall provide to the Disclosing Party, upon request, a certificate of an officer of the Receiving Party certifying such destruction; and

- g) notwithstanding section 8.7 (a), in the event that the Receiving Party believes it is required by law to disclose, or is requested by a governmental authority to disclose, any Confidential Information to a governmental authority, the Receiving Party may so disclose; provided that it shall, to the extent permitted by law, first inform the Disclosing Party of the request or requirement for disclosure to allow an opportunity for the Disclosing Party to apply for an order to prohibit or restrict such disclosure.

The parties have duly executed this Sponsorship Agreement.

**TORONTO HYDRO-ELECTRIC SYSTEM
LIMITED**



I have authority to bind the corporation

Name: Chris Tyrell

Title: EVP, Customer Care

Date

TORONTO HYDRO CORPORATION



I have authority to bind the corporation

Name: Sean Boringdon

Title: EVP and Chief Financial Officer

PLUG'N DRIVE COALITION OF ONTARIO



I have authority to bind the corporation

Name: Cara Clairman




Title: President & CEO

May 1, 2017

Date

SCHEDULE A
TRADE-MARK(S)
(ATTACHED)

**SCHEDULE A
TRADE-MARK(S)**

TRADE-MARK	TRADE-MARK APPLICATION NUMBER /REGISTRATION NUMBER
 <p>The star design is a trade-mark of Toronto Hydro Corporation used under licence.</p> <p>'Toronto Hydro' means Toronto Hydro-Electric System Limited.</p>	1,553,656
 <p>The star design is a trade-mark of Toronto Hydro Corporation used under licence.</p> <p>'Toronto Hydro' means Toronto Hydro-Electric System Limited.</p>	1,553,653
 <p>The star design is a trade-mark of Toronto Hydro Corporation used under licence.</p> <p>'Toronto Hydro' means Toronto Hydro-Electric System Limited.</p>	1,553,652



The star design is a trade-mark of Toronto Hydro Corporation used under licence.

'Toronto Hydro' means Toronto Hydro-Electric System Limited.

TORONTO HYDRO

TMA437,077

SCHEDULE B
BRAND GUIDELINES
(ATTACHED)



BRANDING

Typography

The Gotham family of fonts is the primary typeface used for the body copy in all communications. Clean, modern and confident, the Gotham font complements the Toronto Hydro logo and reflects the attributes of the brand. Use on all printed materials such as brochures, business cards, advertising, letterheads, etc.

Primary Typeface (Used in all printed materials)

Gotham

AaBbCc123
GOTHAM REGULAR

AaBbCc123
GOTHAM MEDIUM

AaBbCc123
GOTHAM MEDIUM

AaBbCc123
GOTHAM THIN

AaBbCc123
GOTHAM LIGHT

AaBbCc123
GOTHAM BLACK

AaBbCc123
GOTHAM BOOK

AaBbCc123
GOTHAM ULTRA

Secondary Typeface (Used for body copy in printed materials)

Swift

AaBbCc123
SWIFT REGULAR

AaBbCc123
SWIFT BOLD

AaBbCc123
SWIFT REGULAR

AaBbCc123
SWIFT EXTRA BOLD

In electronic communications such as emails, letters, memos, Powerpoint presentations and websites, Arial is substituted as the main typeface for all text.

Secondary Typeface (Used in all digital materials)

Arial

The Master Brand

The Toronto Hydro master brand is composed of two elements: the starburst icon and the wordmark. Together they form our brand identity. Remember, our brand is our ambassador. Presenting the Toronto Hydro master brand in a consistent, professional way to all audiences will reinforce the importance of our message. That's why it's extremely important that these standards are respected and adhered to.



Trademark Information

In order to protect Toronto Hydro's intellectual property rights in its trademarks, the above legal line should appear on all the printed materials. It should appear in black (or white when reversed out of a colour or image) in the lower right corner on all the printed pieces listed here: collateral, bill inserts, user manuals, media kits and advertising. Ideally, it should be typeset in Gotham Book at a minimum size of 5 point. If Gotham is not available, then Arial can be used as a substitute.

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

5pt Gotham Book

Clear Space

The master brand must be surrounded on all sides by a visual clear space. This space is to be kept free of type and other graphics elements. The clear space area is defined by the height of the letters and is equal on all sides.



Minimum Size

To maintain clarity and readability, the master brand must never be less than 0.5 inches or 80 pixels in height. When reproduced on promotional materials (e.g. pens) use your discretion to ensure each element of the logo appears and retains its identity.



Colours

The primary colour palette is derived from the Toronto Hydro master brand and should be used in most communications.

Primary Colours



PMS #3292 R:0 G:93 B:85 C:100 M:11 Y:48 K:50 HTML #005D55



PMS #143 R:238 G:175 B:48 C:0 M:32 Y:86 K:0 HTML #EEAF30



PMS #361 R:52 G:178 B:51 C:75 M:0 Y:100 K:0 HTML #34B233

Logo Usage

To leverage the brand to its fullest, it's critical that all applications of the brand are consistent and correct. The Toronto Hydro master brand should never be altered, distorted or recreated in any way. The examples below illustrate what NOT TO DO with the master brand.



DON'T alter the size relationship between the wordmark and starburst



DON'T rotate or skew the logo



DON'T rearrange logo elements



DON'T place logo on complex backgrounds



DON'T alter the background colour of reverse logos

Logo Variations

A consistent use of colour in all forms of communication conveys a unified look, which reinforces the brand. The master brand may only appear in the colour breakdowns shown below. The Toronto Hydro master brand may also appear reversed out in white when placed over a black or coloured background. Logos can be found on **Plugged In**.



RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

INTERROGATORY 24:

Reference(s): Exhibit 1C, Tab 3, Schedule 10, p. 36

Preamble:

According to the document, energy saved through CDM programs increased from 273.2 GWh in 2016 to 353.0 GWh in 2017, a 29% increase.

Please provide the average cost of CDM per GWh saved in 2016 and 2017.

RESPONSE:

The information requested is not within the scope of this proceeding because the cost of CDM programs are not included in the application.

**RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

INTERROGATORY 25:

Reference(s): Exhibit 1C, Tab 3, Schedule 10, Financial Report, December 31,
2017, p. 27

Preamble:

"Among other things, there can be no assurance that: ...the OEB will allow recovery for revenue lost as a consequence of unanticipated effects of CDM."

a) What are the unanticipated effects of CDM?

b) Has the OEB ever denied recovery of such effects? If the answer is yes, please provide details of each event.

c) Why is Toronto Hydro promoting CDM if it poses a business risk?

RESPONSE:

a) Please refer to Toronto Hydro's response to interrogatory 1C-EP-15.

b) In this Application, Toronto Hydro is not proposing funding for unanticipated risks of CDM.

c) Toronto Hydro customers have demonstrated their interest in CDM. From 2015-2017, customers worked with Toronto Hydro to save 981,950,525 kWh of electricity. CDM

1 provides customers with the ability to exert control over their electricity bills, which
2 they have acted on now for over a decade. From 2007 to 2017, Toronto Hydro's CDM
3 programs have helped to reduce residential household monthly consumption down
4 from an average of 732 kWh to 581 kWh. Because most of the bill is charged on a
5 volumetric basis, when customers save electricity through CDM, they save money.

**RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

INTERROGATORY 26:

Reference(s): Exhibit 1C, Tab 3, Schedule 10, Financial Report, December 31,
2017, p. 28

Preamble:

“One of LDC’s largest capital initiatives currently in progress is the construction of Copeland Station, which is also one of the most complex projects ever undertaken by the Corporation. Due to unforeseen delays, the expected completion date for the Copeland Station project has been extended to 2018 and it is currently anticipated that the total expenditure required to complete the project will increase from \$195.0 million to approximately \$200.0 million, plus capitalized borrowing costs as applicable. There may be additional unforeseen delays and expenditures prior to the completion of the project. On January 25, 2017, the Corporation was informed that Carillion Construction Inc., the general contractor for the Copeland Station Project, filed for creditor protection under the Companies’ Creditors Arrangement Act after its affiliate, Carillion plc, went into compulsory liquidation in the United Kingdom.”

- a) What is the current status of the Copeland Station Project? Please provide the costs to date, the expected date of completion, and the total costs at completion.
- b) What were the “unforeseen delays” that caused the completion date to be extended?

1 c) Have there been any other unforeseen delays since the December 31, 2017 date
2 of the referenced document? If the answer is yes, please provide details of each
3 one including its impact on cost and schedule.

4
5 d) Please file a table that compares the original OEB approved cost and schedule for
6 the Copeland Station Project and the current forecast of cost and schedule.

7
8 e) What was the impact of the bankruptcy of Carillion Construction Inc. on the cost
9 and schedule of the project?

10
11 f) What was the amount of Carillion's performance bond?

12
13 g) Is Carillion still the project contractor or has Toronto Hydro engaged another
14 contractor to do the work?

15
16 h) The bankruptcy of Carillion raises questions about the due diligence performed
17 Toronto Hydro on potential bidders at the time of contract award. Please describe
18 the due diligence work of Toronto Hydro on Carillion prior to the award of the
19 contract to the company.

20
21
22 **RESPONSE:**

23 a) Toronto Hydro forecasts total costs for this project at completion to be \$204 million.
24 Please refer to Toronto Hydro's response to interrogatory 2B-Staff-95 part (a).

25
26 b) Please refer to Toronto Hydro's response to interrogatory 2B-Staff-95 part (b).

- 1 c) Please refer to Toronto Hydro's response to interrogatory 2B-Staff-95 part (b).
2
- 3 d) Please refer to Toronto Hydro's response to interrogatory 2B-Staff-95 (a).
4
- 5 e) Carillion Construction Inc. entered into creditor protection under the *Companies'*
6 *Creditor Arrangement Act* in January 2017, with its parent company having previously
7 entered into compulsory liquidation in the United Kingdom. The contractor's pace of
8 work was thereafter significantly curtailed, which adversely impacted the project
9 schedule, requiring Toronto Hydro to mobilize another general contractor to complete
10 the required work at additional cost and time. For further discussion of the impact of
11 Carillion's insolvency, please refer to Toronto Hydro's responses to interrogatories 2B-
12 Staff-95 parts (b) and (c).
13
- 14 f) Carillion Construction Inc. has a performance bond in respect of Copeland TS – Phase
15 1 in the amount of \$28,351,305.
16
- 17 g) Carillion Construction Inc. is no longer the general contractor on the project and
18 Toronto Hydro has engaged another general contractor to oversee completion of the
19 remaining work.
20
- 21 h) Toronto Hydro executed a competitive contractor selection process for Copeland TS –
22 Phase 1, requiring that bidders provide a number of documents demonstrating their
23 financial suitability for the project, including annual reports, financial statements,
24 credit rating agency reports, and agreements to bond the project from a bonding
25 company. Carillion Construction Inc., whose parent company was one of the largest
26 construction firms in the world at the time, provided these documents and there was
27 no suggestion of any concern with the company's creditworthiness.

RESPONSES TO DISTRIBUTED RESOURCE COALITION INTERROGATORIES

INTERROGATORY 6:

Reference(s): **Exhibit 1C, Tab 3, Schedule 5**

Preamble:

THESL's financial disclosure describes "asset integrity risk" as one of the risks to maintaining operations. An excerpt follows:

[THESL-Electric System Limited (**LDC**)] estimates that approximately one-third of its electricity distribution assets have already exceeded or will reach the end of their expected useful lives within the next 5-year period. At the same time, Toronto is a growing city, and LDC must make system upgrades to expand its capacity to keep pace with urban intensification and electrification. In addition, as the City, Ontario and the Government of Canada implement policies and programs to respond to climate change, the pressures on the Corporation's system will only increase. Widespread adoption of electric vehicles, fuel switching and changing emissions standards make electricity the comparatively clean energy choice. This drives the need for significant capital expenditures for system upgrades so that the grid can handle such increased load. LDC's ability to continue to provide a safe work environment for its employees and a reliable and safe distribution service to its customers and the general public will depend on, among other things, the ability of the Corporation to fund additional infrastructure, and the OEB allowing recovery of costs in respect of LDC's maintenance program and capital expenditure requirements for distribution plant refurbishment and replacement.

- a) Please provide any and all data and studies related to EVs and EV-related load relied upon in the above-quoted disclosure. Specifically, please provide the

1 quantitative assessment of what "widespread adoption of electric vehicles" means
2 in terms of number of vehicles and kilowatt-hours increase in load.

3
4 b) What capital expenditures has THESL identified to address the system upgrades so
5 that the electricity grid can handle the increased load referenced above?

6
7 c) How, in THESL's assessment, may EV charging, batteries, and infrastructure assist
8 and/or mitigate "asset integrity risk" and otherwise affect the nature and timing of
9 both capital and operations and maintenance expenditures?

10
11
12 **RESPONSE:**

13 a) Toronto Hydro's approach to incorporating EV-related load into its load forecast is set
14 out at Exhibit 3, Tab 1, Schedule 1, Section 3.2, at page 10.

15
16 b) In the normal course, Toronto Hydro considers the load profile served by its
17 infrastructure, including forecasted changes in load, when developing capital plans
18 and designing corresponding infrastructure. Accordingly, capital expenditures
19 throughout the Distribution System Plan ("DSP") will be right-sized having regard to
20 EV loading considerations. Please see, for example:

- 21 • Exhibit 2B, Section D3.3, which addresses Asset Utilization Policies and
22 Practices.
- 23 • Exhibit 2B, Section 7.4, the Stations Expansion Program, which describes
24 capital expenditures required to ensure Toronto Hydro's distribution system
25 can handle increased load such as that related to electrification.
- 26 • Exhibit 2B, Section E8.1, the Control Operations Reinforcement Program,
27 which is necessary in part to address "more complex operations and greater

1 responsibility for reliability,” including on account of “industry trends such as
2 distributed energy resources, smart grids, and electric vehicles... necessitating
3 more active involvement in forecasting intermittent generation, energy
4 scheduling or dispatching generation to manage outages.”
5

6 c) The evidence at Exhibit 2B, Section E7.2 outlines the ways in which Toronto Hydro
7 proposes to deploy Energy Storage System (ESS) technology over the plan to help
8 address the asset integrity risk identified above. The evidence talks about making
9 targeted ESS investments to enable the connection of renewable energy generation
10 (REG), and installing ESS on feeders that are experiencing reliability issues such as
11 momentary outages, voltage sags and sustained interruptions. These are both
12 examples of how the ESS technology is being used as an alternative to traditional
13 wires investments, where it is feasible and cost-effective to do so.
14

15 The Stations Expansion Program, in particular the Local Demand Response segment
16 (Exhibit 2B, Section E7.4.3), also relies on ESS technology to defer capacity-related
17 upgrades. The investments involve installing battery storage, and offering demand
18 response incentives, to reduce peak demand by 10 MW, allowing the utility to defer
19 an estimated \$135 million of expansion investments at Cecil TS and Basin TS.
20

21 With respect to EVs, Toronto Hydro continues to monitor the technology and the
22 effect of EVs on the safety and reliability of the distribution system. Toronto Hydro’s
23 plans in this Application do not include deploying EV technology in the operation and
24 management of the distribution system.