



# The Power of **Action**

2022 Annual Report



# The Power of Action



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

We're pleased to present Toronto Hydro's 2022 Annual Report: *The Power of Action*. This year's theme highlights our commitment to purposeful, strategic action, which in 2022 resulted in another successful year safely and reliably powering Canada's largest city. Through the power of action, we successfully navigated external challenges including the COVID-19 pandemic, global supply chain issues and climate change in order to deliver results for our customers and shareholder.

In 2022, we delivered the largest capital investment program in our company's history to renew and modernize our grid. We achieved this while maintaining our portion of the electricity bill below 2019 levels and delivering dividends that can help fund City services. We also maintained our unwavering commitment to employee health and safety throughout the year, achieving our best safety performance on record.

While we continue to be a utility that serves our customers and keeps the lights on, the way we do it is evolving. As we enter a future that will see continued city growth, increased electrification, more frequent extreme weather due to climate change, and changes in grid technology, we recognize that there are difficult challenges ahead, but we're committed to being part of the solution. We also know we can't do it alone, which is why we're committed to pursuing strategic partnerships to harness the power of collective action.

In 2022, we were proud to receive unanimous approval from Toronto City Council to begin implementing our Climate Action Plan, which we developed to support the City of Toronto's Net Zero 2040 Strategy. Our plan includes investing in the local grid to make increased electrification a possibility for all Torontonians and a new climate advisory services offering that will help mobilize climate action by making it easier, faster and more affordable for Toronto residents and businesses to adopt clean-energy technologies.

We also worked to further our role as a green city builder. Last year, we continued to work with the City of Toronto, City agencies and local start-up companies to support electrified transportation in the city, including by installing more on-street

electric vehicle (EV) charging stations across Toronto and piloting an EV smart charging program for customers. We also continued to collaborate on climate change adaptation with the City and its agencies to help reduce the impacts of climate change on the residents of Toronto.

As we continue to invest in the upkeep of our grid, we're simultaneously modernizing and innovating to address system needs. In 2022, we developed a 10-year grid modernization roadmap to help enhance the value we provide to customers and prepare the grid for a decarbonized and electrified energy system. We also partnered to launch an innovative non-wires alternatives pilot project. With support from the Independent Electricity System Operator and the Ontario Energy Board, we're exploring how demand-side resources can be used to help defer or avoid costly distribution system and bulk system infrastructure upgrades, to the benefit of ratepayers.

To help ensure we're able to meet our customers' needs and expectations now and into the future, in 2022, we also began work on our next five-year investment plan for 2025 to 2029. We asked customers from across the city about their needs and priorities for electricity distribution service, and we used their feedback to guide the development of our plan.

On behalf of Toronto Hydro, we thank all of our employees for their hard work and commitment throughout the year. Together with our customers, partners and stakeholders, we look forward to powering transformative action across our city for years to come.

**As we enter a future that will see continued city growth, increased electrification, more frequent extreme weather due to climate change, and changes in grid technology, we recognize that there are difficult challenges ahead, but we're committed to being part of the solution.**

**David McFadden**  
Chair



**Anthony Haines**  
President and  
Chief Executive Officer

# The Power of Action



## COMPANY OVERVIEW

Toronto Hydro Corporation is a holding company which wholly owns two subsidiaries:

- **Toronto Hydro-Electric System Limited** distributes electricity; and
- **Toronto Hydro Energy Services Inc.** provides streetlighting and expressway lighting services in the city of Toronto

To learn more about our company, including our leadership, governance and sustainability performance, visit [torontohydro.com/about-us](https://torontohydro.com/about-us).

**Did you know that Toronto Hydro serves both smaller and larger customers, including:**



**707,178**

**Residential Service customers** (includes houses, apartments and condominiums)



**82,820**

**General Service customers with monthly peak demand of less than 5,000 kW\*** (includes schools, restaurants and most shopping malls)



**42**

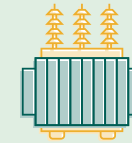
**Large Users with monthly peak demand of 5,000 kW or greater<sup>1</sup>** (includes hospitals, universities and large manufacturers)

<sup>1</sup> Averaged over a 12-month period.

## Our customers are serviced from:



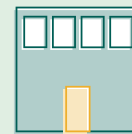
**37**  
terminal stations



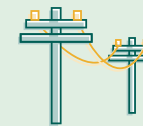
**17,060\***  
primary switches



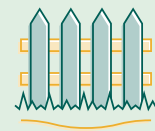
**61,300\***  
distribution transformers



**139**  
in-service municipal substations



**15,393\***  
circuit kilometres of overhead wires



**13,765\***  
circuit kilometres of underground wires



**183,620\***  
poles



**4**  
operation centres



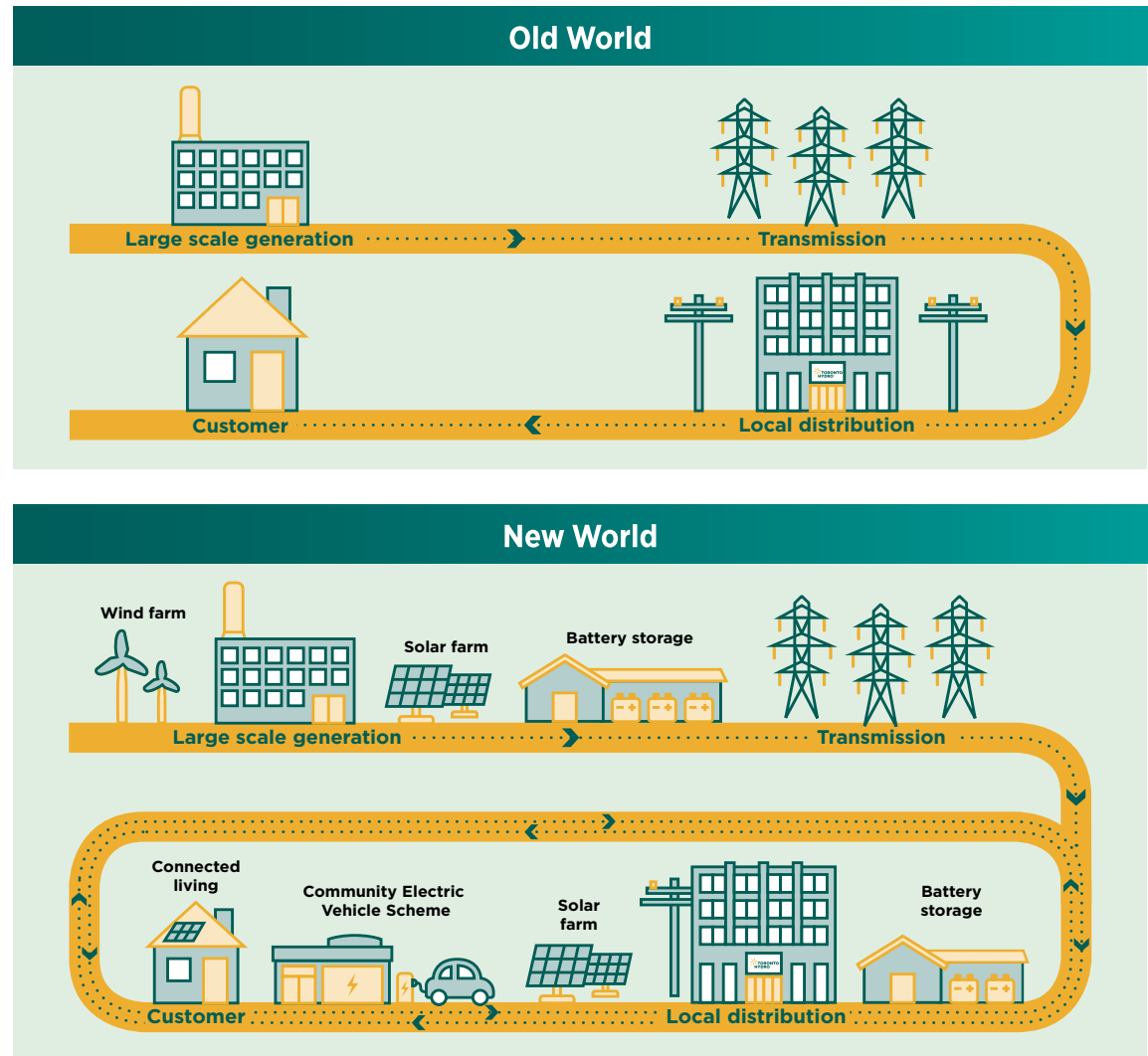
**1**  
control centre

\*Figures are approximate.



## THE CHANGING WORLD OF ELECTRICITY

For over 100 years, Toronto Hydro has owned and maintained a physical grid of poles and wires that delivers one-way power flow across the city: from the grid to customers. While we'll continue to fulfill our fundamental role of serving our customers and keeping the lights on, our role as the owner and operator of the local grid is also evolving, as it's now possible for electricity to flow both from the grid to customers and from customers back to the grid.



*Adapted from UK Power Networks' "Changing world of electricity" (FutureSmart Consultation Report, 2019).*

Our next five-year investment plan — for 2025 to 2029 — is focused in part on keeping pace with changes to the electricity system and evolving customer needs. To learn more, visit [torontohydro.com/investmentplan](https://torontohydro.com/investmentplan).

# Our Climate Action Plan

As a clean energy leader in the city and nationally, Toronto Hydro is committed to bold, practical and equitable climate action. To help do our part in building a greener city, we developed a Climate Action Plan that supports the City of Toronto's Net Zero 2040 vision. Together with our customers, local cleantech companies, governments and stakeholders, we're committed to:



**1. Delivering nationally significant emissions reductions.**



**2. Stimulating and facilitating the local cleantech economy.**



**3. Advancing social equity in Toronto.**

## Our climate action focus areas

### Expanded electricity distribution

To support customers through their energy transition — one in which they start to use electricity for more of their day-to-day energy needs — Toronto Hydro must first expand its existing, provincially regulated electricity distribution business to build a grid that's capable of supporting a net-zero future.

This is about building the backbone of the electricity grid to help ensure that electrification is an option for everyone in the city. This significant investment in the grid will enable increased electrification of major sectors, such as transportation and buildings, which is an essential step for getting Toronto to net zero.

### Climate advisory services

The second part of our Climate Action Plan is building a new climate advisory services offering through which Toronto Hydro will work directly with customers — free of charge — to help them find personalized, sustainable energy solutions tailored to their needs.

Through this new service, Toronto Hydro will act as a trusted partner with customers, local cleantech companies, governments and other stakeholders to help make it easier, faster and more affordable for Toronto residents and businesses to adopt clean-energy technologies.

TECHNOLOGY	PROGRAM SIZE		IMPACT 2040
	2023-2040	UNITS	
Building electrification	60,000+	Air source heat pumps + electric hot water heaters	15% of all buildings
Electric vehicles	50,000	Chargers	Serving 1 million+ EVs
Renewables + energy storage	300	Megawatts (MW) of local generation	300,000 projects

To learn more about our Climate Action Plan, visit [torontohydro.com/climateaction](https://torontohydro.com/climateaction).



# BUILDING A GREENER CITY THROUGH CLIMATE ACTION

## 2022 highlights

- Received a formal mandate from Toronto City Council to begin implementing our Climate Action Plan, including the establishment of a new climate advisory services offering that will help reduce greenhouse gas (GHG) emissions in the city by mobilizing increased climate action by Toronto residents and businesses
- Continued our commitment to achieving net-zero emissions in our own operations by 2040, including by establishing and exceeding internal targets for two new environmental performance metrics: Building Emissions Reduction and Fleet Electrification
- Certified to stringent, internationally recognized standards for environmental (ISO 14001:2015) and occupational safety (ISO 45001:2018) management systems by independent third-party auditors for the tenth consecutive year
- Ranked in the top 10 on Corporate Knights' list of the Best 50 Corporate Citizens in Canada and first overall among electricity transmission and distribution companies
- Continued to partner with Elocity (a start-up company associated with Toronto Metropolitan University's Centre for Urban Energy) on an EV charging pilot project offering smart charging monitoring and controls for participating customers, as well as a voluntary demand response program capable of helping reduce aggregate load on the grid
- Continued to support renewable generation in Toronto by connecting customers' renewable energy projects and through direct project investments in renewable generation and energy storage projects across the city
- Continued to invest in and learn from innovative battery energy storage projects, including our Bulwer Battery Energy Storage System in downtown Toronto, three energy management and energy storage projects at TTC facilities and the Eglinton Crosstown LRT battery energy storage system
- Continued to improve the system's resiliency to extreme weather events and collaborate on climate change adaptation with the City and its agencies to help reduce the impacts of climate change on the residents of Toronto

## Additional highlights



Named a **5-Star Energy and Resource Company** by Canadian Occupational Safety for our strong Environmental, Social and Governance (ESG) program, measurable environmental and social impact, and consistent health and safety policy



Reduced our GHG emissions by **40%** over the last five years (i.e. since 2018)



Enabled the planting of **5,000** trees through our tree planting eBills promotional program with Tree Canada



# DRIVING STRONG UTILITY PERFORMANCE AND PRODUCTIVITY

## 2022 highlights

- Completed the third year of our five-year investment plan for 2020–2024 by investing \$722.7 million primarily in our grid to maintain safety and reliability, support a growing city, enable clean energy, and prepare for and respond to extreme weather
- Paid dividends totalling \$84.6 million to our sole shareholder, the City of Toronto, which can be used to fund essential City services for the benefit of Toronto residents
- Connected new services to the grid on time more than 99% of the time
- Met our target for estimated times of restoration for power outages 94% of the time
- Developed a refreshed grid modernization roadmap to prepare the grid for a decarbonized and electrified energy system, and to help enable the transition towards a more integrated, intelligent and self-healing grid
- Launched a non-wires alternatives pilot project in partnership with Power Advisory LLC and Toronto Metropolitan University’s Centre for Urban Energy to explore how demand-side resources can be used to help defer or avoid costly distribution system and bulk system infrastructure upgrades
- Continued to support Metrolinx’s regional transit expansion and priority transit programs (including *Building Transit Faster Act* projects, the GO Expansion program and light rail transit lines)
- Continued to enhance our Disaster Preparedness Management program to help improve our disaster and emergency response outcomes
- Completed tree pruning on more than 70,000 trees that were adjacent to distribution lines in order to help protect the system against damage from inclement weather
- Responded safely and effectively to two extreme weather events throughout the year and provided mutual aid to Hydro Ottawa to help restore power following a major windstorm in May

## Additional highlights



Completed nearly **300** planned capital projects as part of our grid investment initiatives and more than **6,000** reactive projects that supported our distribution system health



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



Achieved a Total Recordable Injury Frequency (TRIF) rate of **0.47**, our best record to date (and nearly **80%** better than the Electricity Canada composite average)<sup>1</sup>

<sup>1</sup>TRIF, which is sometimes termed “total recordable injury rate” or simply “total recordable rate,” is the ratio of injuries of a certain severity (termed “recordable injuries”) to hours worked. Toronto Hydro’s 2022 result was compared to the latest available composite average for Electricity Canada member utilities (2021).

## SUPPORTING OUR COMMUNITY

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

### 2022 highlights

- Raised approximately \$134,000 for the United Way Greater Toronto through our annual employee campaign
- Built on the success of our previous fundraising efforts for Sunnybrook's Ross Tilley Burn Centre by raising approximately \$730,000 for the Canadian Ukrainian Immigrant Aid Society to help vulnerable families settle into our community
- Continued sponsoring several community groups and events to support local organizations, including: Tree Canada, Cavalcade of Lights, CycleTO, Kids' World of Energy, Plug'n Drive and the Centre for Urban Energy at Toronto Metropolitan University



## EMPOWERING OUR CUSTOMERS TO SERVE THEM BETTER

### 2022 highlights

- Launched a new Toronto Hydro mobile app to provide customers with convenient access to outage and construction maps, online account info, and other tools and services
- Continued to offer improved online engagement options for customers, including online chat tools for convenient, real-time customer support for outages and account-related inquiries
- Initiated the rollout of next-gen smart meters to help mitigate risks of end-of-life meters, improve operational performance and reliability, and create a modernized system to meet evolving customer expectations
- Launched a new Frequently Asked Questions web page with answers to our top customer questions, all in one place and organized into categories
- Continued to offer email and text (SMS) outage notifications, allowing customers to sign up to receive key outage updates, such as crew status and estimated restoration times
- Updated the electricity usage tracker in our customer self-serve portal to help customers better manage their electricity usage and costs
- Continued to support pricing optionality for customers on Time-of-Use and Tiered pricing, offering customers the option to choose the electricity price plan that works best for them
- Worked directly with customers to provide more flexible payment options and additional support through various financial assistance programs, including the Ontario Electricity Support Program, the Low-income Energy Assistance Program and the Energy Affordability Program
- Continued to drive increased customer and public safety awareness through education campaigns about electrical safety, fraud prevention and emergency preparedness

### Additional highlights



Issued accurate bills more than **99%** of the time<sup>1</sup> and resolved customer inquiries on first contact **92%** of the time



Enrolled an additional **30,000** customers for paperless billing — a convenient, sustainable and cost-effective way for customers to receive their bills



Collected feedback from approximately **3,600** customers across the city to support the development of our draft 2025-2029 investment plan

<sup>1</sup> The remaining 1% represents both billing estimates (which are used in rare cases where we aren't able to obtain accurate meter readings) and billing adjustment corrections due to billing errors.



# FINANCIAL PERFORMANCE

## 2022 highlights

- Throughout 2022, the Corporation continued with critical work in its grid investment plan to maintain safety and reliability, support a growing city, enable clean energy, and prepare for and respond to extreme weather
- Net income after net movements in regulatory balances for the year ended December 31, 2022, was \$163.9 million, compared to \$141.0 million for the comparable period in 2021
- Capital expenditures were primarily related to the renewal of the electricity infrastructure of Toronto Hydro-Electric System Limited and were \$722.7 million for the year ended December 31, 2022, compared to \$647.4 million for the comparable period in 2021

## Selected annual consolidated financial information (in millions of Canadian dollars)<sup>1</sup>

YEAR ENDED DECEMBER 31	2022 \$	2021 \$
Total revenues	3,601.7	3,567.1
Net income after net movements in regulatory balances	163.9	141.0
AS AT DECEMBER 31		
Total assets and regulatory balances	6,947.0	6,413.8
Total debentures and other non-current financial liabilities <sup>2</sup>	2,750.7	2,458.2
Total equity	2,062.0	1,982.7
Dividends	84.6	70.3

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

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

## FINANCIAL PERFORMANCE

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

REVENUES	2022 \$	2021 \$	CHANGE \$
Energy sales	2,737.8	2,702.4	35.4
Distribution revenue	754.2	759.1	(4.9)
Other	109.7	105.6	4.1
	<b>3,601.7</b>	<b>3,567.1</b>	<b>34.6</b>
EXPENSES			
Energy purchases	2,846.7	2,775.2	71.5
Operating expenses	322.5	323.0	(0.5)
Depreciation and amortization	311.4	292.7	18.7
	<b>3,480.6</b>	<b>3,390.9</b>	<b>89.7</b>
Finance costs	(87.6)	(79.1)	(8.5)
Gain on disposals of property, plant and equipment	—	2.7	(2.7)
<b>Income before income taxes</b>	<b>33.5</b>	<b>99.8</b>	<b>(66.3)</b>
Income tax expense	(8.5)	(21.8)	13.3
<b>Net income</b>	<b>25.0</b>	<b>78.0</b>	<b>(53.0)</b>
Net movements in regulatory balances	136.5	54.1	82.4
Net movements in regulatory balances arising from deferred taxes	2.4	8.9	(6.5)
<b>Net income after net movements in regulatory balances</b>	<b>163.9</b>	<b>141.0</b>	<b>22.9</b>

Additional information with respect to the Corporation (including its 2022 Annual Information Form and 2022 Fourth Quarter Financial Report) is available on [torontohydro.com](https://www.torontohydro.com).