

For the Corporation's Audited Consolidated Statement of Income and the Corporation's 2010 Annual Report, [visit the 2010 online Annual Report](#)

2.0 ECONOMIC PERFORMANCE

CR INDICATORS

Net Revenues

Revenues minus the cost of purchased power and other, as reported in Toronto Hydro's Audited Consolidated Statement of Income

NET REVENUES (in millions of dollars)

2010	549
2009	504

Operating Expenses

Operating expenses, as reported in Toronto Hydro's Audited Consolidated Statement of Income

OPERATING EXPENSES (in millions of dollars)

2010	223
2009	209

CORPORATE PERFORMANCE OBJECTIVES

Objective	Target
Call Centre Service	70%
SAIDI (minutes)	80
Feeder Performance	41
Distribution Plant Capital per unit	1.150
SAIFI	1.62
Safety (% with no injury)	95%
Safety Leadership	90%
Attendance (# of days absent)	9.0
Consolidated Operating Expenses	\$231.5 million
Consolidated Net Income	\$50.6 million

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Highlights of Economic Performance

As at December 31, 2010, the Corporation’s debentures were rated “A (high)” by DBRS and “A” by Standard & Poor’s (“S&P”).

Highlights of Toronto Hydro’s financial performance include:

- Net income was \$66.1 million in 2010 compared to \$42.1 million in 2009.
- Net revenues were \$549.4 million in 2010 compared to \$504.3 million in 2009.
- Capital expenditures were \$390.8 million compared to \$249.3 million in 2009.

The \$24.0 million increase in net income for 2010 was mainly due to higher net revenues as a result of higher regulated distribution rates approved by the OEB. This rate increase was associated with the renewal of THESL’s electricity distribution infrastructure. As part of its electricity distribution infrastructure renewal efforts, THESL increased its capital expenditures by \$143.2 million in 2010, compared with 2009. Since 2006, capital expenditures to modernize THESL’s distribution infrastructure have totalled approximately \$1.3 billion. For more information about Toronto Hydro’s economic performance, see the 2010 AIF, posted on SEDAR (www.sedar.com).

In addition to the economic impact that Toronto Hydro’s stability has on the local workforce, its strong financial performance has the benefit of providing a predictable source of revenue for Toronto Hydro’s sole shareholder, the City. Toronto Hydro declared and paid dividends to the City totalling \$25.0 million in 2010, \$25.2 million in 2009 and \$116.4 million in 2008. From 1999 to 2010, Toronto Hydro made total cash contributions (including dividends and debt repayments) of \$2.1 billion to the City.

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Job Creation

According to the Ministry of Finance’s economic multiplier estimates, a \$1.0 million incremental capital investment in the distribution system in Toronto supports an average of five to six direct and indirect person-years of employment in Ontario.

On the basis of this calculation, THESL’s PowerUp capital program resulted in the creation of approximately 2,000 direct and indirect person-years of employment in Ontario in 2010.



Julia Deans

Chief Executive Officer, Greater Toronto CivicAction Alliance

“CivicAction grew from the realization nine years ago that government alone can’t get everything done that needs to be done in a city region like Toronto. Environmental, social and economic issues are all interwoven, and it takes talented people with the determination and resources to drive change to tackle some of Toronto’s complex issues. We work with leaders across all sectors to make changes that provide sustainable, measurable results. We’re really glad that Toronto Hydro has been with us from the start.”

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Employee Safety

In 2010, THESL was recognized by the Infrastructure Health and Safety Association for having achieved 1.5 million hours worked without a lost-time injury.

Lost-time injury severity last year was 3.31 compared to the CEA average of 9.87. Lost-time injury frequency was 0.44 compared to the CEA average of 0.47. Since 2005, lost-time injuries have been reduced by 32 per cent and lost-time injury severity has declined by 57 per cent in the same period. An annual score of 95.59 per cent on its ‘My Goal is Zero’ safety program was also achieved.

Several major initiatives explain improved safety performance:

- Front-line documented safety inspections increased to approximately 13,600 in 2010 from approximately 1,600 in 2005.
- Work Protection Code training was updated and delivered to all affected employees.
- A comprehensive program was introduced to mitigate the risks to third-party organizations and contractors entering confined spaces.
- A contractor safety program specifically designed for contractors involved in the capital programs to mitigate the potential risk associated with this work was introduced.
- Other training programs (pole top/bucket rescue, confined space, work protection code, cable identification, defensive driving and a critical task refresher) were introduced to employees as a training requirement for their jobs.
- Flame-resistant fall arrest harnesses were introduced to enhance safety should employees be exposed to an arc flash.

- A Workplace Violence program was developed and training delivered on its contents in 2010. More than 800 employees participated in a questionnaire that was used to develop the program.

As noted earlier, occupational health and safety training is a top strategic priority, and as a result, all employees are represented by, and/or engaged in, formal health and safety committees that help to monitor and advise on occupational health and safety.

Employee Engagement

Research from a 2008 Towers Watson Employee Pulse Survey indicates that Toronto Hydro employees are highly engaged, and as THESL’s PowerUp capital plan moves forward, the crux will be to ensure this trend continues.

I really care about the future of Toronto Hydro	85%
I understand how my unit/department contributes to the success of Toronto Hydro	84%
I am proud to tell others that I work for Toronto Hydro	79%
I am personally motivated to help Toronto Hydro be successful	78%
I would recommend Toronto Hydro to a friend as a good place to work	77%
My job provides me with a sense of personal accomplishment	67%

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Employee Engagement (continued)

Over the next ten years, approximately 700 Toronto Hydro employees will be eligible for retirement, representing approximately 40 per cent of its workforce (with a significant number of potential retirements occurring in supervisory trades and technical positions). To meet this challenge, an employee engagement strategy was implemented to increase communication about how employees' individual work is connected to the overall corporate strategy. A total of 37 engagement events designed to communicate this to union and management staff took place last year. The employees also participated in a corporate-wide information session during which the President and Chief Executive Officer and the executive team updated them on business performance and strategic direction, highlighting the importance of safety, modernization and customer service.

An 'on-boarding' strategy to orient all new hires is also a key aspect of its overall engagement strategy.

Employee Hiring, Retention and Performance Management



In 2010, THESL hired 197 employees, an increase of 15 per cent over 2009.

Among the new hires were trainees in the certified power line person, certified power cable person and power system controller apprenticeship programs, and engineers and engineering technologists. Most new

hires in leadership and technical professional roles received their on-boarding plans within 30 days of their start date.

In order to continue to attract qualified and high-performing people, THESL works with universities and colleges in the Greater Toronto Area and in Ontario targeting Engineering and Trades programs. THESL recently joined forces with Georgian College on a talent acquisition and training and development strategy in order to attract and train top talent (co-op students and new grads) and develop current internal resources.



Toronto Hydro Day at Yonge-Dundas Square video

In addition, public events such as the annual Toronto Hydro Day at Dundas Square were used, in part, as a way of raising awareness among the general public of the variety of job opportunities available.

One of the tools that draws new candidates to Toronto Hydro is the 'Canada's Top 100 Employers' Award, and in 2010, Toronto Hydro was again honoured to receive this distinction.



Toronto Hydro looks for a diverse range of talents when hiring. Toronto Hydro defines diversity in terms of how employees' competencies – no matter what their age or background – will help it to reach its business goals through the development of a high performance workplace culture. It has outreach initiatives with Microskills – Women and Youth Services, Career Edge for skilled immigrants, WoodGreen and Toronto Region Immigrant Employment Council.

Consistent with this strategy last year, Toronto Hydro developed new performance expectations that link to its strategic pillars. Embedded are concepts such as diversity, trust and respect, and customer service, which reinforce the overall performance-based diversity strategy.

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Employee Hiring, Retention and Performance Management (continued)

Safety leadership is a key performance indicator that forms part of the annual corporate scorecard (see section 2.0). Issues and achievements in this area are reported to the Health and Safety Committee of the Board of Directors (see AIF for a full description of the Board Committees).

Employees eligible to retire, bargaining unit (%)

Next 5 years	21
Next 10 years	53

Employees eligible to retire, non-bargaining unit (%)

Next 5 years	9
Next 10 years	30

Employee Training

In 2010, THESL employees received an average of 6.57 actual training days compared to 6.44 planned training days in 2009. Training included drivers’ licence renewal, propane, first aid/ cardiopulmonary resuscitation, lead control, pole top rescue, bucket rescue, confined space rescue, work protection code, Bill 168, Electrical Safety Authority, critical task refresher, defensive driving and cable identification.

Emergency Preparedness and Business Continuity Planning

THESL undertook several initiatives in 2010 to ensure that the organization and its employees were prepared for an emergency. These activities included:

- A review of all draft Level IV plans (those related to large scale emergencies) including a table-top exercise in May to identify gaps and next steps

- A review of THESL’s current pandemic influenza plan. A table-top exercise to further evaluate the plan and identify gaps planned for 2011
- Participation in joint emergency preparedness exercises and workshops with the Province of Ontario, the City and the Independent Electricity System Operator (“IESO”)
- Identified training requirements for various levels of personnel who would have roles and responsibilities during an emergency, with some training completed for operational staff

In terms of emergency preparedness, one of the challenges last year was coordinating THESL’s overall planning and mitigation efforts in advance of the G20 Summit in June. THESL started work in January to develop mitigation and response plans, working together with officials at the federal and provincial levels of government, as well as the Royal Canadian Mounted Police, Toronto Police Services, the IESO and the City’s Office of Emergency Management.

An Emergency Preparedness Steering Committee, comprised of members of the Executive Team, is also in place. Communications regarding prevention and risk-control related to serious diseases are issued to employees as necessary.