



Toronto Hydro Corporation

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SUMMARY

Toronto Hydro Corporation is a crown corporation based in Toronto, Ontario. It is one of the largest municipal electricity distributors in Canada. The corporation delivers approximately 19 percent of the overall electricity consumed in the province of Ontario. The corporation employs approximately 1,500 employees, and serves about 761,000 customers in Toronto.¹ In September 2017, Toronto Hydro sent 30 employees to Florida to help restore power after one of the most powerful storms hit in the Atlantic in over a decade.²

Like other Crown corporations, Toronto Hydro is exempt from tax under the Income Tax Act (ITA), if the corporation complies to the tax rules. The exemption only applies if 90 percent of the corporation is owned by the city of Toronto, and 10 percent of the Crown's income is derived from ventures carried outside the geographical boundaries of the City.³ Additionally, the corporations subsidiaries are exempt from the ITA if all of the corporation's capital is owned by Toronto Hydro; and as long as 10 percent of the Crown's income is derived from activities carried on outside of the city of Toronto. Any Crown corporation that is exempt from the ITA is also exempt from paying taxes under the Taxation Act.

Toronto Hydro recently unveiled Hydrostor, the world's first underwater compressed air energy storage system.⁴ This new "underwater battery" is located 3 kilometers off Toronto island, and stores electricity when demand is low, and can be released whenever the grid needs to be boosted.⁵ Innovative technology like the Hydrostor help to extend the life of the equipment, which inevitably ages over time.

Today, there are a number of challenges that Toronto Hydro is facing in order to keep up to the fast-pace growth that the City is experiencing. The concept of privatization has been proposed as a possible solution to ease the challenges that continue to come up.

HISTORICAL OVERVIEW

On May 2, 1911, Toronto Hydro was officially inaugurated as a publicly owned electricity distribution company. This was pioneered by Adam Beck, a minister without a portfolio in Premier James Whitney's government, and chairman of the Hydro-Electric Power Commission of Ontario.⁶ The outbreak of the world wars caused recessions and economic booms that were felt all over the world. This created an increased demand for power in Toronto. Toronto Hydro has kept power flowing to the city of Toronto for over 100 years, and is one of the leading energy companies in Canada.⁷

Toronto Hydro Corporation is a holding company that owns Toronto Hydro-Electric System Limited and Toronto Hydro Energy Services Inc. Specifically, the Toronto Hydro-Electric System Limited was incorporated under the Business Corporations Act (Ontario) on June 23, 1999.⁸ Its principal business is the distribution of electricity in Toronto. It also engages in conservation and demand management activities, it has no other subsidiaries. The Toronto Hydro Energy Services Inc. was also incorporated under the Business Corporations Act (Ontario), on June 23, 1999.⁹ Currently, it holds electricity retailer and generator licences, and provides street and expressway lighting services. In sum, Toronto Hydro supervises the operations of its subsidiaries and provides corporate management services and strategic directions to its subsidiaries.

Under the supervision of the Ontario Energy Board, Toronto Hydro works to create an electricity distribution system that is safer, more reliable and increasingly innovative in order to provide top quality service to Torontonians. Since 2010, the average number of interruptions improved by approximately 21 percent, and the average duration of interruptions improved by approximately 26 percent.¹⁰ Toronto Hydro provides customers with enhanced online tools through their website, pioneers community events and offers important safety tips (Toronto Hydro).

Today, Toronto Hydro delivers electricity to approximately 761,000 residents, who use around 19 percent of the total amount of electricity consumed in Ontario.¹¹ It has delivered about 25,373 GigaWatt-hours of electricity, and has made a distribution revenue of \$723.8 million.¹² According to the interim chief financial officer,¹³ Toronto Hydro Corporation owns and operates \$3.8 billion of capital assets, generating \$3.5 billion in revenue and \$127 million in net income from general service (69 percent), residential services (23 percent) and large users (8 percent).¹⁴

CURRENT ISSUES

Recently, Toronto's Mayor John Tory has stated that the City is exploring the idea of selling privatizing part of the corporation. Due to its age, Toronto Hydro will face billions of dollars if it is going to keep up with the ever-changing city of Toronto. The infrastructure is beginning to show signs of its age, and is beginning to wear out. To fix the buried wires alone is equivalent to digging a trench from Halifax to Victoria.¹⁵

Another significant issue is the current building boom in Toronto. There are a number of new buildings being constructed in the City, and the demand is becoming difficult to keep up. According to Toronto Hydro's CEO Anthony Haines, "the grid is already showing the strain".¹⁶ Adapting to new low-carbon economy is another challenge Toronto Hydro is currently facing. Ontario's provincial government has set bold targets for the province to stop producing fossil fuels.¹⁷

QUICK STATISTICS

As of December 31, 2016.¹⁸

- City of Toronto population: 2.8 million
- Total number of customer: 761,000
- Electricity delivered (GigaWatt-Hours): 25,373
- Distribution Revenue/ Other Revenue: \$723.8 million
- Peak load (August 12, 2016): 4,38 MW
- Control centre: 1
- Number of poles: 177,220
- Length of overhead wires (in km): 15,560
- Length of underground wires (in km): 13,040
- Primary switches: 16,500
- Distribution transformers: 60,420
- Employees: 1,490

¹ Toronto Hydro Corporation. “Facts at a Glance”.

<https://www.torontohydro.com/sites/corporate/AboutUs/Pages/FactsataGlance.aspx> (accessed January 17, 2018).

² CBC News. “Toronto Hydro sends nearly 30 workers to Florida to help restore power after

Irma”. <http://www.cbc.ca/news/canada/toronto/toronto-hydro-crews-florida-utilities-tampa-hurricane-irma-power-restoration-1.4285201> (accessed January 18, 2018).

³ Toronto Hydro Corporation. “2010 Annual Information Form”. Pg.

22. <http://www.torontohydro.com/sites/electricsystem/documents/2012edr/b1.pdf> (accessed on January 17, 2018).

⁴ Toronto Hydro Corporation. “2010s Innovation”.

<http://www.torontohydro.com/sites/corporate/AboutUs/Pages/2010-2019.aspx>.

⁵ Ibid.

⁶ City of Toronto. “Turning on Toronto: Competing Ideologies: Public vs. Private Ownership”.

<https://www.toronto.ca/city-government/accountability-operations-customer-service/access-city-information-or-records/city-of-toronto-archives/whats-online/web-exhibits/turning-on-toronto-a-history-of-toronto-hydro/turning-on-toronto-competing-ideologies-p>. (accessed on January 17, 2018).

⁷ Toronto Hydro. “Powering Toronto's Future- 2016 Annual Report”.

http://www.torontohydro.com/sites/corporate/InvestorRelations/FinancialReports/annualReport2016/Documents/PDFs/AR2016_e-Report.pdf (accessed on January 17, 2018).

⁸ Toronto Hydro-Electric Distribution System. “Corporate Structure and Governance Framework”. Pg. 1.

<http://www.torontohydro.com/sites/electricsystem/documents/2012edr/b1.pdf> (accessed on January 27, 2018).

⁹ Ibid.

¹⁰ Toronto Hydro. “Powering Toronto's Future- 2016 Annual Report”. Pg. 27.

http://www.torontohydro.com/SITES/CORPORATE/INVESTORRELATIONS/FINANCIALREPORTS/ANNUALREPORT2016/Documents/PDFs/AR2016_e-Report.pdf (accessed January 17, 2018).

¹¹ Toronto Hydro Corporation. “Facts at a Glance”.

<http://www.torontohydro.com/SITES/CORPORATE/ABOUTUS/Pages/FactsataGlance.aspx> (accessed January 17, 2018).

¹² Ibid.

¹³ Foster and Berbue. “2016 Fixed Income Investor Update”.

<http://www.torontohydro.com/sites/corporate/Newsroom/Documents/Toronto%20Hydro%27s%202016%20Fixed%20Income%20Investor%20Update.pdf> (accessed January 17, 2018).

¹⁴ Ibid.

¹⁵ The Globe and Mail. “Toronto Hydro will face billions in expenses if it wants to keep up”.

<https://www.theglobeandmail.com/news/toronto/toronto-hydro-will-face-billions-in-expenses-to-keep-up/article32093231/> (accessed January 18, 2018).

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Toronto Hydro Corporation. “Facts at a Glance”.

<http://www.torontohydro.com/SITES/CORPORATE/ABOUTUS/Pages/FactsataGlance.aspx> (accessed January 18, 2018).

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