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October 1, 2012

via RESS e-filing – signed original to follow by courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: Toronto Hydro-Electric System Limited (“THESL”) 2011 Annual CDM Report
OEB File Number: EB-2010-0215**

THESL writes in respect of the above-noted matter.

In accordance with the Conservation and Demand Management Code for Electricity Distributors, please find attached THESL’s 2011 CDM Annual Report. The report has been filed in the manner set out in Appendix C.

For the 2011 reporting period, THESL achieved 49.8 MW in peak demand savings and 172.9 GWh in energy savings. The savings achieved by THESL represent 23% and 29% of the provincial conservation results respectively.

While these results are considerable, the updated forecast prepared for this report shows that there will be a shortfall of approximately 90 MW versus THESL’s 2014 peak demand reduction target. Although the peak demand savings are below target, THESL expects to achieve the electricity energy savings 2014 target. Given the expected shortfall, THESL continues to work actively with the Ontario Power Authority (“OPA”) and the Electrical Distribution Association (“EDA”) to improve program effectiveness, however it is THESL’s position that in itself will not fully overcome the forecasted peak demand savings shortfall.

As the 2011-2014 program term end date is approaching, THESL submits to the Board that the peak demand savings shortfall will need to be addressed quickly through the introduction of new programs in 2012 and consideration be given to an extension of the program delivery timeframe.

In presenting its results and revising its savings forecast, THESL has analyzed various options that could help reduce its shortfall and mitigate the risk of failing to achieve the peak demand savings target. THESL would be pleased to discuss these options with the OEB.

If further information regarding the Annual Report is required or the OEB wishes to discuss the options mentioned above please contact Mr. Chris Tyrrell, Vice-President, Customer Care and Chief Conservation Officer directly at 416-542-3143 or at ctyrrell@torontohydro.com.

Sincerely,

[original signed by]

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:AK/TP/acc

cc: Chris Tyrrell, Vice-President, Customer Care



Toronto Hydro-Electric System Limited

Conservation and Demand Management 2011 Annual Report

**Submitted to:
Ontario Energy Board**

Submitted on September 30, 2012

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Background

On March 31, 2010, the Minister of Energy and Infrastructure of Ontario, under the guidance of sections 27.1 and 27.2 of the *Ontario Energy Board Act, 1998*, directed the Ontario Energy Board ("OEB") to establish Conservation and Demand Management ("CDM") targets to be met by local electricity distributors ("LDCs"). Accordingly, on November 12, 2010, the OEB amended the distribution licence of Toronto Hydro-Electric System Limited ("THESL") requiring THESL, as a condition of its licence, to achieve 286 MW of net annual peak demand savings and 1,304 GWh of net cumulative electricity energy savings, over the period beginning January 1, 2011 and ending December 31, 2014.

In accordance with the same Minister's directive, on September 16, 2010 the OEB issued the Conservation and Demand Management Code for Electricity Distributors (the "CDM Code"). The CDM Code sets out the obligations and requirements with which LDCs must comply in relation to the CDM targets set out in their licences. As part of the CDM Code an LDC is required to file an annual report. This Annual Report is prepared accordingly and covers the period from January 1, 2011 to December 31, 2011.

Executive Summary

This 2011 Annual Report details THESL's CDM savings progress to date, the achievements and highlights of programs implemented in 2011, the challenges and mitigation measures considered during the course of program implementation, and discusses modifications to its CDM Strategy in order to attempt to meet its mandated targets as of 2014.

THESL's CDM Strategy -THESL's CDM Strategy was filed with the OEB on October 22, 2010. It served to provide guidance as to its planned program delivery in 2011 and over the remaining years of the term. THESL's CDM strategy was based on its extensive knowledge and familiarity with its customer base as well as the experience gained from implementing CDM programs since 2005 and contemplated the deployment of both OPA-Contracted Province-Wide programs ("OPA programs") and OEB Board-Approved programs to achieve the assigned targets. The original savings forecast is provided in Table 1 below:

Table 1: THESL CDM Strategy

	2011	2012	2013	2014	Total
OPA-Contracted Province-Wide Programs					
MW	42.9	56.7	63.5	56.0	219.0
GWh	267.2	291.4	301.5	280.7	1,140.8
Potential Board-Approved CDM Programs					
MW	6.7	13.4	20.1	26.8	67.0
GWh	17.6	35.2	52.9	70.5	176.2
Grand Total for All CDM Programs					
MW	49.6	70.1	83.6	82.8	286.0
GWh	284.8	326.6	354.4	351.1	1,317.0

THESL's 2011 Activities - In 2011, THESL began executing its 4-year CDM Strategy and undertook the following activities:

- Launched all available OPA Programs immediately following their release by the Ontario Power Authority ("OPA");
- Designed and launched an aggressive marketing campaign to educate consumers in all sectors;
- Developed and delivered a series of training seminars and workshops geared to educate industry stakeholders about new OPA Programs, the use of the online application system, new processes and program rules as well as program monitoring and verification requirements;
- Designed and applied to the OEB for approval for eight Board-Approved CDM programs (Board File No. EB-2011-0011). The deployment of these programs was subsequently pursued through the OPA;
- Recruited a large group of professional CDM resources, including front, middle and back office personnel experienced in the design, delivery and management of all aspects of CDM;
- Actively participated in all Electrical Distribution Association ("EDA"), LDC and OPA working groups in order to improve and simplify the existing programs and processes; and
- Transitioned pre-2011 projects into 2011.

2011 CDM Results - Table 2 below summarizes THESL's 2011 CDM results as verified by the OPA. Detailed results by program initiative are provided in Section 3.

Table 2: Summary of Results for 2011

Program	Spending	Achievements		Strategy Targets	
		MW	GWh	MW	GWh
OPA Programs	\$ 14,099,155	49.8	172.9	42.9	267.2
Board-Approved Programs	\$ -	-	-	6.7	17.6
Total	\$ 14,099,155	49.8	172.9	49.6	284.8
Results as a % of Total Province		23%	29%		

The summer peak demand savings for 2011 are 49.8 MW, which is consistent with THESL's CDM Strategy target of 49.6 MW. The annual 2011 energy savings are 172.9 GWh, which is unfavourable to the CDM strategy target by 40% due to the large number of demand response projects which did not result in significant electricity savings. The pre-2011 projects (i.e. projects that were in-flight in late 2010 but completed in 2011), represented 36% of the demand savings and 55% of the energy savings achieved in 2011. The 2011 results represent 23% of the provincial demand savings and 29% of the provincial energy savings. These results compare favourably to THESL's 20% share of total provincial energy consumption.

2012 - 2014 Outlook - The savings projection from THESL CDM Strategy has been reforecast to incorporate THESL's experience with the OPA Programs after they have been in market for one year. Given the current available OPA Programs and the end date of December 31, 2014, THESL forecasts that it will achieve 197 MW of summer peak demand savings and 1,323 GWh of electricity savings. Based on this projection, THESL expects to be 90 MW below the demand target and 19 GWh above the electricity savings target.

Demand Savings - The demand savings shortfall is due to a number of factors, including but not limited to: the delay in the launch of the OPA Programs, the governance structure, slower economy, disallowance of planned for OEB Board-Approved programs (67 MW), lengthy capital investment cycles in large commercial and industrial sectors, and market saturation of certain program measures. Some of the shortfall was offset by the inclusion of pre-2011 CDM project results.

Electricity Savings - The energy consumption savings are predicted to be favourable to target due mainly to the number of pre-2011 CDM projects and a number of future OPA Program projects focussed exclusively on high energy savings.

Early observations of the OPA Program results suggest there is a growing risk of not achieving the 2014 demand savings target which needs to be addressed. THESL has analyzed its market potential with respect to the existing OPA Programs and presents its savings projection outlook in Section 4.2.

Strategy Modifications - THESL has modified its strategy for 2012 – 2014 and will now be reliant entirely on OPA Programs. The commercial, institutional and industrial sectors remain the key markets with the potential to deliver the greatest share of conservation gains. A number of market tactics will be implemented going forward to extend the successful market activities to date. Section 4.3 provides further details on the market strategy and OPA Program delivery enhancements. THESL will continue to collaborate with the OPA, the EDA and other LDCs to enhance existing OPA Program initiatives and develop new initiatives to improve the outcome.

Conclusions – With the current slate of available OPA Programs, and the current forecast of implementation and projected savings, THESL expects to meet its energy consumption target but will struggle to meet its demand savings target. Despite considerable collaboration between the OPA, EDA, and LDC to improve existing programs and overcome operational and structural issues that are limiting program effectiveness, THESL submits that additional program initiatives will be required. Even with new programs THESL expects that they on their own will be insufficient to achieve the demand savings target due to the limited timeframe remaining prior to the end of 2014 and the lengthy time period required to bring new programs to market.

1 Board-Approved CDM Programs

1.1 Introduction

In its Decision and Order concerning the CDM Code and CDM Targets dated November 12 2010 (EB-2010-0215 & EB-2010-0216), the OEB directed that, (to meet the mandatory CDM targets), “Each licensed electricity distributor must, as a condition of its licence, deliver Board-Approved CDM Programs, OPA-Contracted Province-Wide CDM Programs, or a combination of the two”.

On January 10, 2011, THESL filed an application with the OEB seeking approval of funding for eight CDM programs. On July 12, 2011, the OEB issued its decision regarding THESL’s CDM programs. In its decision, the OEB approved, with significant modifications, two of the eight programs, and disallowed the other six programs as they were considered duplicative of existing CDM programs already funded by the OPA.

On August 3, 2011, THESL informed the OEB that due to the substantially modified terms and nature of the two approved programs, they became uneconomic, and therefore THESL requested that the OEB approve the withdrawal of their implementation. THESL proposed, and the OEB approved, that it continue to work with the OPA to introduce the previously proposed OEB programs as OPA Programs.

At the time of this report, the implementation of Time-of-Use (“TOU”) pricing is the only Board-Approved CDM program that has been offered in THESL’s service area.

1.2 TOU Implementation

Customer Type(s): Residential and small business customers (up to 250,000 kWh per year).

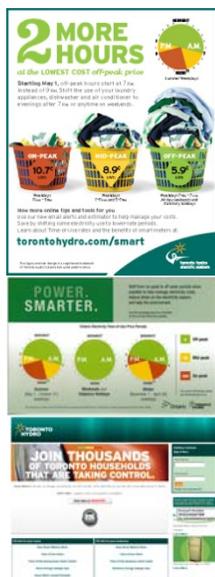
Objectives: TOU pricing is designed to encourage conservation and demand shifting of energy usage from “on-peak” periods when electricity demand is high to “off-peak” periods when electricity demand is low.

Description: In August of 2010, the OEB issued a final determination to mandate TOU pricing for Regulated Price Plan (“RPP”) customers by June 2011, in order to support the Government’s expectation for 3.6 million RPP consumers to be on TOU pricing by June 2011, and to ensure that smart meters funded at ratepayer expense are being used for their intended purpose. The RPP TOU price is adjusted twice annually by the OEB.

Delivery: The OEB sets the TOU rates; LDCs install and maintain smart meters; LDCs convert and enrol customers to TOU billing.

THESL implemented TOU rates starting in June 2009 which was substantially complete by the end of the same year. A great deal of consumer communication and education promoting TOU has been undertaken including:

- Advertising – online & newspaper promoting the ‘Two Extra Hours’ change
- Direct mail – TOU Tool Kit with discount coupons; reminder email/letters
- Event outreach at community events
- On bill messaging / ‘Guide to first TOU’ bill inserts
- Statement messaging website promoting use of TOU portal
- Social Media – Face Book, Twitter, OMNI ethnic television vignettes
- Multilingual advertising campaign; OMNI – ethnic television vignettes
- Public Relations – media releases (prior to statutory holidays for off-peak); Councillor outreach
- Developed a TOU portal – 115,000 registered (as of end of 2011)



Participation: 622,613 customers (end of 2011)

Spending: Delivery and implementation of TOU was not OPA funded - it is subject to OEB funding approval.

Results & Evaluation: In the CDM Guidelines the OEB recognized that a portion of the aggregate electricity demand target was intended to be attributable to savings achieved through the implementation of TOU. The CDM Guidelines further state that any evaluations of savings from TOU pricing should be conducted by the OPA for the province, and then allocated to LDCs. As of September 2012, the OPA has not released its preliminary results of TOU savings to LDCs, so THESL is not able to provide any verified savings related to THESL's TOU program at this time.

2 OPA-Contracted Province-Wide CDM Programs

THESL executed a Master Agreement with the OPA on February 2, 2011 to deliver the following OPA Programs in THESL's service area from January 1, 2011 to December 31, 2014:

- **Consumer Program**
- **Business Program**
- **Industrial Program, and**
- **Home Assistance Program**

Each of the above OPA Programs includes various initiatives as defined by the corresponding schedules. Where possible THESL mobilized in advance of registration to help expedite the market launch and immediately registered for all initiatives as soon as they became available through the OPA. In addition, THESL also delivered projects from pre-2011 programs which were completed in 2011.

OPA Program funding is provided by the OPA as detailed in Section 3.2 by type of expense and by initiative.

A summary of the 2011 results is presented in table 3 below. Detailed results at the program initiative level are provided in Section 3.

Table 3: Summary of Savings for 2011 OPA Programs

Program	Net Savings	
	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)
Consumer Program Total	7,184	19,097,886
Business Program Total	14,369	55,765,683
Industrial Program Total	10,545	3,605,917
Pre-2011 Programs completed in 2011 Total	17,727	94,450,215
Total OPA Programs	49,825	172,919,701

The following sections provide a detailed description of each of the OPA Program initiatives that were offered in THESL's service area in 2011. Additional information is available on OPA's saveONenergy website: <https://www.saveonenergy.ca/> or THESL'S website: www.torontohydro.com.

The details reported for each program are provided in accordance with the templates provided in the appendices to the CDM Code. THESL further provides additional OPA Program context common to many of the individual initiatives, highlights of achievements including operational challenges, and current and possible risk mitigation activities.

2.1 Consumer Program – Residential Market

As referenced in the 2011 Yearbook of Electricity Distributors released by the OEB on September 13, 2012, there were 629,049 residential single family accounts within THESL's jurisdiction representing 5,204 GWh in electricity consumption or 21% of all energy consumed in Toronto.

The Consumer Program has a number of initiatives that are designed specifically to meet the requirements of the residential sector and encourage uptake of energy efficient devices and generally promote a culture of conservation. The following initiatives were launched immediately following OPA availability:

- Appliance Retirement
- Appliance Exchange
- HVAC Incentives
- Conservation Instant Coupon Booklet
- Bi-Annual Retailer Event
- Retailer Co-op
- Residential and Small Commercial Demand Response
- Residential New Construction

The following initiatives have not yet been made available by the OPA:

- Midstream Electronics
- Midstream Pool Equipment
- Home Energy Audit Tool



To-Market Strategy: THESL's "to-market" strategy for the Consumer Program is a mass marketing and communications plan. The diversity and size of Toronto's population requires a comprehensive integrated marketing plan including social media channels, events, sponsorships and advertising with relevant and qualified messaging that resonate with particular target groups coordinated with OPA's media timetable. In order to assure consistency of messaging across the province, advertising and marketing standards including a new province-wide conservation brand were developed in cooperation with the OPA.



Beginning in spring 2011, THESL reached out to its consumer sector to promote OPA's saveONenergy programs as follows:



- Advertisements using local print media, digital, radio and cinema
- Public relations campaign launching programs and ongoing features with famous Torontonians promoting conservation ("Easy to Conserve")
- Direct mail (spring and fall) to targeted customers promoting key programs
- Bill inserts and on bill messages
- Powerwise and Econnect newsletters
- Events – local community events and festivals
- Sponsorship through Maple Leaf Sports and Entertainment
- Company website pages and social media – Face Book, YouTube and Twitter



Consumer Program Highlights and Observations:

- Featured a centralized media strategy directed by the OPA and augmented by THESL's local media tactics
- Low initial saveONenergy brand awareness in comparison to the higher awareness of local legacy programs led to intense marketing of new branding

- Rapid in-house development of marketing materials under OPA guidelines leveraging broad array of past marketing tactics to increase conservation awareness in the marketplace as soon as initiatives became available
- THESL worked closely with the OPA in developing core messaging in a manner supportive of THESL local marketplace requirements
- **peaksaver**® extension was helpful to keep initiative top of mind and help bridge time until the new **peaksaver PLUS**™ initiative was in market

2.1.1 Appliance Retirement

Objectives: To permanently decommission older, inefficient refrigeration appliances.

Description: Offers consumers free pick-up and decommissioning of old inefficient refrigerators, freezers, room air conditioners (RACs) and portable dehumidifiers.

Delivery: The OPA centrally contracted for province-wide marketing, call centre, appliance pick-up and decommissioning. LDC provided local marketing and coordination with municipal pick-up where available.

Participation: 6,088 Appliances

Spending: \$772,370

Results & Evaluation: Net peak demand savings = 349 kW
 Energy savings = 2,343,820 kWh

Additional Comments: Previously called “The Great Refrigerator Round-Up” and offered by THESL since 2007, this initiative has achieved significant results in the past and is approaching market saturation. Appliances have a natural life cycle and the initiative cannot be expected to continually deliver high penetration in perpetuity.

2.1.2 Appliance Exchange

Objective: To remove and permanently decommission inefficient RACs and dehumidifiers.

Description: Appliance exchange events were held at local retail locations and customers were encouraged to bring in their old inefficient RAC and dehumidifiers in exchange for coupons/discounts towards the purchase of new energy efficient equipment.

Delivery: The OPA contracted with participating retailers for the collection of eligible units. THESL promoted the initiative as part of the integrated marketing plan but did not have an in-store presence.

Participation: 549 Appliances

Spending: \$102,210

Results & Evaluation: Net peak demand savings = 52 kW
 Energy savings = 57,879 kWh

Additional Comments: Savings, compared to previous years, did not materialize due to under promotion of the initiative. OPA’s provincial marketing campaign focussed primarily on dehumidifiers, while there are more RACs in Toronto than dehumidifiers. Mitigation - THESL will seek to gain greater autonomy to design marketing campaigns that suit their specific market conditions and maximize the effectiveness.

2.1.3 HVAC Incentives

Objective:	To encourage the replacement of existing heating, ventilation and air conditioning (“HVAC”) systems with high efficiency ENERGY STAR® systems and products.
Description:	The initiative offers rebates for the replacement of inefficient heating and cooling systems with high efficiency ENERGY STAR® systems and products installed by approved Heating, Refrigeration, and Air Conditioning Institute (“HRAI”) qualified contractors.
Delivery:	The OPA contracted centrally for delivery of the initiative and THESL marketed this initiative as part of the integrated marketing plan.
Participation:	19,907 HVAC units
Spending:	\$849,530
Results & Evaluation:	Net peak demand savings = 5,674 kW Energy savings = 10,493,166 kWh
Additional Comments:	The OPA centrally managed, tracked and reported results. THESL did not have visibility to actively manage the effectiveness of this initiative. <u>Mitigation</u> – the OPA has agreed to work with LDCs to provide more timely reports throughout the OPA Program term to actively manage the initiative.

2.1.4 Conservation Instant Coupon Booklet

Objective:	To encourage households to purchase energy efficient products by offering coupon discounts.
Description:	This initiative offers customers coupons towards the purchase of a variety of low cost, easy to install ENERGY STAR® energy efficient products. Booklets are directly mailed to customers, available at point-of-purchase or downloadable coupons at www.saveonenergy.ca and Toronto Hydro web page.
Delivery:	The OPA contracted centrally for the distribution of the coupon booklets across Ontario. LDCs marketed and distributed coupons at local events. The OPA entered into agreements with retailers to honour the coupons.
Participation:	65,268 products
Spending:	\$448,855
Results & Evaluation:	Net peak demand savings = 150 kW Energy savings = 2,439,881 kWh
Additional Comments:	This initiative has been in market since 2008 and the product list has not significantly changed since initially launched. <u>Mitigation</u> – Expand the list of products, including new products (e.g. LED lighting and review incentive levels for the coupon initiatives to increase participation).

2.1.5 Bi-Annual Retailer Events

Objectives:	To offer customers instant point of purchase discounts at participating retailers for a variety of energy efficient products.
Description:	Twice a year (spring and fall), participating retailers host month-long rebate events. Customers are encouraged to visit participating retailers where they can

find coupons redeemable for instant rebates towards a variety of low cost, easy to install energy efficient measures.

Delivery: The OPA enters into arrangements with participating retailers to promote the discounted products. LDCs also refer retailers to the OPA.

Participation: 111,384 products

Spending: \$66,293

Results & Evaluation: Net peak demand savings = 215 kW
Energy savings = 3,760,986 kWh

Additional Comments: As noted in Section 2.1.4 - Conservation Instant Coupon Booklet.

2.1.6 Retailer Co-op

Objectives: To hold promotional events to encourage customers to purchase energy efficiency measures.

Description: The initiative provides LDCs with the opportunity to work with retailers in their distribution area by holding special events at retail locations. These events are typically special promotions that encourage customers to purchase energy efficiency measures (and go above-and-beyond the traditional Bi-Annual Coupon Events).

Delivery: Retailers apply to the OPA for co-op funding to run special promotions that promote energy efficiency to customers in their stores. LDCs can refer retailers to the OPA. The OPA provides each LDC with a list of retailers who are qualified for co-op funding as well as details of the proposed special events.

Participation: 13 products

Spending: \$0

Results & Evaluation: Net peak demand savings = 0 kW
Energy savings = 230 kWh

Additional Comments: THESL did not participate in 2011 and results were allocated by the OPA

2.1.7 Residential and Small Commercial Demand Response (“DR”)

Objectives: Control residential and small commercial electrical end use loads, including air conditioners, pool pumps and electric water heaters, to make available for dispatch during IESO demand response events.

Description: Customers enrol in **peaksaver PLUS** (previously, **peaksaver**), which includes the installation of a load control device (“LCD”) on one or more of the end use loads noted above and/or a free In-home Display (“IHD”) that allows customers to view their energy use and associated price on a real time basis.

Due to the delay in initiative launch, LDCs including THESL did not launch the new **peaksaver PLUS** initiative in 2011. However, as an interim measure THESL continued to offer the standard **peaksaver** initiative with a \$25 bill credit for the first eight months of 2011. This extension is referred to as the **peaksaver Extension**. After August 2011, the **peaksaver Extension** ended and the initiative, including marketing for the follow-on initiative was suspended until OPA released the new initiative.

Delivery: THESL procures LCDs and IHDs directly and contracts the installation of the devices via a third party. THESL actively markets within its service territory

using targeted market tactics (bill inserts, direct mail, outbound calling, and radio and newspaper ads) to promote the initiative.

Participation: 1,364 units (36 units for Small Commercial DR)

Spending: \$603,951

Results & Evaluation: Net DR Capacity = 766 kW (23 kW for Small Commercial DR)
Energy savings = 2,008 kWh (84 kWh for Small Commercial DR)

Additional Comments:

i) The delay in introducing the new initiative resulted in a loss of in-market momentum and market participation. Mitigation – As an interim measure, a **peaksaver** Extension was deployed; ii) A large provincial scale roll-out of the IHD was problematic due to the number of manufacturers and variations in smart meters. Consequently this added further delay as a number of possible technical solutions needed to be investigated. Mitigation – THESL thoroughly researched the potential technologies and manufacturers to provide a cost effective solution that worked with THESL's installed meter base.

2.1.8 Residential New Construction

Objectives: To promote the construction of energy efficient residential homes in the new home construction market.

Description: This initiative offers incentives to homebuilders who construct new energy efficient homes. Incentives are offered for two categories: 1) incentives for the installation of electricity efficiency measures as determined by a prescriptive list or via a custom option; and 2) incentives for homes that meet or exceed aggressive efficiency standards using the EnerGuide performance rating system.

Delivery: Local engagement of builders is the responsibility of the LDC and is supported by the OPA marketing air coverage driving builders to their LDC for additional information.

Participation: No participation

Spending: \$240,481

Results & Evaluation: Net peak demand savings = 0 kW
Energy savings = 0 kWh

Additional Comments:

i) Due to the lengthy and cumbersome application process coupled with low incentive amounts, only five builders provincially participated in the initiative. Mitigation – This is being addressed by the residential working group with a request to simplify the process. Improvements are planned for 2012. ii) Subdivisions are required to submit one application per new home adding significant administration for minimal incentive levels. Consequently, the administration has deterred builders from participating. Mitigation - This is being addressed by the residential working group and improvements are planned for 2012.

2.2 Business Program – Commercial and Institutional Markets

As referenced in the OEB's 2011 Yearbook, there were 80,274 general service accounts and large users within THESL's jurisdiction representing 19,352 GWh in electricity consumption or 79% of all energy consumed in Toronto.

The schedules relating to the Business Program were finalized in early 2011 but required time for customers, contractors and supply chain stakeholders to acclimatize to the new rules and learn new processes. As a result, uptake of new initiatives was gradual and required significant outreach efforts to educate the customer and supply chain network.

THESL's 2011 Business Program results include the City of Toronto and the Building Owners and Managers Association ("BOMA") pre-2011 programs.

THESL is facing an interesting challenge in Toronto. The conservation marketplace is more mature since 2005 and saturation of certain conservation measures is becoming a limiting factor for some key segments. Development of new initiatives to satisfy next generation projects (including THESL's Board-Approved program submission and its eventual incorporation into the OPA Programs) is crucial to help THESL achieve its mandated savings targets.

Based on observations since 2005, there have been an increasing number of smaller project applications yielding decreasing kW per application combined with longer sales cycle. This suggests that greater administrative effort can be expected moving forward. Also, this observation supports THESL's Applicant Representative Initiative ("ARI") in seeking to engage the supply chain as channel partners working with THESL to increase volume and spread the effort in helping to submit applications.

The following initiatives were launched immediately following OPA availability:

- Efficiency: Equipment Replacement Incentive Initiative ("ERII")
- Direct Install Lighting
- Existing Building Commissioning Incentive
- New Construction and Major Renovation Incentive
- Energy Audit

The Direct Service Space Cooling Initiative was not made available by the OPA.



To-Market Strategy: The business marketing strategy included the use of media, customer outreach and specific marketing tactics with cross-program messaging. A key component of the plan relied heavily on building a strong channel and ally partner network to help supplement THESL's sales activities. Tactics included:

- Multimedia mass marketing to build awareness in all sectors
- "Soft Launch" of new CDM programs through "Energy Into Action" event
- Trade/vertical publications
- Online ad units on consumer business publications sites and commercial trade sites
- Mobile ads
- Targeted e-newsletters to specific lists
- Radio
- Direct mail
- Bill inserts
- Press releases
- Outreach activities at top industry events
- Ally/channel sessions and training
- Marketing materials to support sales and partners/channel/allies (includes sale sheets, press releases, presentations, website)





Business Program Highlights and Observations:

- THESL invested considerable effort in training workshops, seminars, and promotional activities beginning early in 2011 to highlight and promote OPA Programs while engaging third party channel partners with local experience to accelerate uptake
- Developed a 2012 incentive based supply channel initiative to assist in the outreach and delivery of program solutions while sharing the administrative burden in managing a larger number of smaller projects
- Actively participated in OPA Program working groups to address operational issues and program enhancements
- Achieved high level of savings due to the transition of pre-2011 programs

2.2.1 Equipment Replacement Incentive Initiative

Objectives: To offer incentives to business customers to encourage investment in more energy efficient equipment including lighting, space cooling, ventilation, controls and various other measures.

Description: Incentives are offered for projects where equipment and systems will be replaced with more efficient alternatives. Typical target segments for this initiative include commercial, retail, hospitality and entertainment, municipal, academic, health care, and multi-residential facilities. Applications can be submitted using one of three possible incentive streams.

Delivery: THESL developed a comprehensive front, middle and back office to support this initiative. Technical energy consultants were hired to target all market sectors promoting ERII and assisting customers to identify energy savings opportunities and submit applications. THESL also contracted with the City of Toronto Better Buildings Partnership as its channel in the municipal, academic, social and health care sectors to leverage long standing relationships in those markets.

Participation: 614 completed projects (32 projects for Industrial ERII)

Spending: \$1,965,122

Results & Evaluation: Net peak demand savings = 8,049 kW (522 kW for Industrial ERII; 13 kW per project)
 Energy savings = 46,024,564 kWh (3,017,532 kWh for Industrial ERII)

Additional Comments:

- i) In March 2011, the new iCon application and tracking system was launched by the OPA however, was unstable causing customer frustration. Mitigation – THESL streamlined all LDC related processes and aggressively implemented training and outreach sessions to educate and prepare participants, consultants, and contractors on issues. THESL developed a number of workarounds until the system was stabilized; ii) The “Change Management” process has proven time consuming such that potential program enhancements take longer to reach market. Mitigation – THESL, other LDCs and the OPA are collaborating to improve the Change Management process. iii) The “Head Office” model

imposed a heavy administrative burden on to the lead LDC without any offsetting benefit or advantage. Mitigation – Worked closely with OPA to leverage OPA resources to assist LDCs in back office administrative duties.

2.2.2 Direct Install Lighting

Objectives: Offer up to \$1000 for the installation of eligible lighting and water heating measures in commercial, institutional, agricultural and multi-family buildings.

Description: The Initiative offers turn-key lighting and electric hot water insulation measures with a value of up to \$1,000 at no cost to qualifying small businesses. In addition, standard prescriptive incentives are available for eligible equipment beyond the \$1,000 limit.

Delivery: Participants enrol directly with a THESL contacted representative who manages the audit, installations and incentive administration. This initiative is reaching market saturation as it has been in market, albeit under a different name, for three years and was well received by the market. Because most eligible participants have already been contacted, or have participated in the initiative, the numbers are expected to decline. THESL has been working with the OPA and other LDCs to refine the legal definition of eligible participant to include those inadvertently excluded, and to increase the incentive cap to attract more participants.

Participation: 3,946 completed projects

Spending: \$4,858,344

Results & Evaluation: Net peak demand savings = 4,903 kW
Energy savings = 12,683,558 kWh

Additional Comments:

i) This initiative was a continuation of Power Savings Blitz initiative (“PSB”) offered by THESL from 2008 to 2010. Early adopters have been serviced so the remaining eligible participants require greater effort, which led to a corresponding reduction in new participants. Mitigation – Working with the OPA and Commercial and Institutional (“C&I”) working group to increase incentive levels and develop new markets for the initiative. ii) The measures list and associated pricing have not been updated since initiative launch, which is problematic due to the increase in lighting equipment cost. Mitigation - To address these issues, the LDCs have been working with the OPA through Change Management to address pricing.

2.2.3 Existing Building Commissioning Incentive

Objective: To offer incentives for optimizing (but not replacing) existing chilled water systems for space cooling in non-residential facilities for the purpose of achieving implementation phase energy savings, implementation phase demand savings, or both.

Description: This initiative offers participants incentives for the following phases of commissioning 1) scoping study; 2) investigation and analysis; 3) implementation; and 4) hand off/completion.

Delivery: LDC delivered. THESL launched the initiative through THESL front-line technical energy consultants to large commercial and institutional segments, however customer response and participation was limited. THESL received three applications in 2011 with no progression beyond the scoping phase in 2011.

Participation: No projects completed.
Spending: \$428,070
Results & Evaluation: Net peak demand savings = 0 kW
Energy savings = 0 kWh

Additional Comments:

i) Scoping study requirement was limited to space cooling which has contributed to the lack of participation. Mitigation – Non-cooling systems and measures should be considered to increase interest. Issue is to be discussed amongst the OPA working group. ii) Customer feedback indicates that the initiative is administratively complex relative to potential incentive available. Mitigation - Issue to be discussed amongst the OPA working group.

2.2.4 New Construction and Major Renovation Incentive

Objectives: To encourage builders of commercial, institutional, and industrial buildings (including multi-family buildings and agricultural facilities) to design and build new buildings with more energy-efficient equipment and systems for lighting, space cooling, ventilation and other measures.

Description: The initiative provides incentives for new buildings to exceed existing codes and standards for energy efficiency. The initiative uses both a prescriptive and custom approach.

Delivery: LDC delivers to customers and design decision makers. This initiative was a continuation of the High Performance New Construction initiative previously delivered by the City of Toronto under contract with the OPA, which ended in December 2010. THESL re-contracted with the City's Better Buildings Partnership as its delivery channel; however, due to the market hiatus, results are not expected until 2012 and beyond considering the length of time required to apply, build and commission new buildings.

Participation: No projects completed

Spending: \$451,592

Results & Evaluation: Net peak demand savings = 0 kW
Energy savings = 0 kWh

Additional Comments:

Development and construction cycles are very long for these types of buildings (4 to 5 years) and do not align with CDM funding periods causing developers to be reluctant to enrol and invest in CDM. If there is no certainty of incentive funding, new projects from 2012 onward will be very limited. Mitigation - Program continuity and a 2014 transition plan is needed to allow for incentive funding post 2014.

2.2.5 Energy Audit

Objectives: Offer incentives to owners and lessees of commercial, institutional, multi-family buildings and agricultural facilities to undertake energy audit assessments to identify all possible energy saving opportunities to help reduce demand and consumption.

Description: This Initiative provides participants incentives for the completion of facility energy audits of electricity consuming equipment. Energy audits include development of energy baselines, use assessments and performance monitoring and reporting.

Delivery: LDC delivered. The initiative was fully marketed through THESL front-line technical energy consultants. Primary target was large commercial and multi-residential customers.

Participation: 60 Audits

Spending: \$504,139

Results & Evaluation: Results not applicable - This initiative is designed to enable other initiatives e.g. ERII

Additional Comments: N/A

2.2.6 Pre-2011 Programs Completed in 2011

Description: The Toronto Comprehensive was a pre-2011 initiative offered in Toronto. THESL, the City of Toronto and BOMA each contracted with OPA in 2007 to deliver the following programs:

- THESL: Business Incentive Program (“BIP”) and Data Centre Incentive Program (“DCIP”)
- City of Toronto: High Performance New Construction (“HPNC”), Better Building Partnership (“BBP”) and Multifamily Energy Efficiency Rebates (“MEER”)
- BOMA CDM Program

Delivery: See above description

Participation: 684 projects

Spending: \$1,853,496 (participant incentives paid in 2011 only)

Results & Evaluation: Net peak demand savings = 17,727 kW (average 25.9 kW per project)
Energy savings = 94,450,215 kWh

Additional Comments: The results from these initiatives demonstrate the importance of CDM continuity and alignment with business cycles.

2.3 Industrial Program – Industrial Market

As referenced in THESL’s CDM Strategy, the industrial sector represents approximately 610 MW of peak summer load and consumes approximately 3,284 GWh of electricity, which is 14% of the total electricity consumption in Toronto. The key types of manufacturing in this sector are plastics/rubber chemical and food that together comprise 47% of the peak demand and 51% of the electricity consumption in the industrial sector.

The Industrial Program has a number of initiatives, that are designed specifically to meet the requirements of the industrial sector including stringent investment criteria (i.e. short payback periods), lack of resources and limited understanding of energy use within industrial facilities. After extensive efforts by the OPA and participating LDCs, the program schedules were released and signed May 31, 2011. Of the initiatives, Demand Response 3 was in market prior to the launch of the schedules, as this program existed prior to the OPA Programs and is delivered by the OPA via existing contracts with load aggregators. Unfortunately, there were also delays in the main Process and Systems Upgrade Initiative (“PSUI”) initiative, as a “Technical Reviewer” was not contracted until November 2011, effectively delaying projects in the PSUI initiative.

The initiatives in this sector are:

- Process & System Upgrades Initiative

- Monitoring and Targeting (“M&T”)
- Energy Manager
- Demand Response 1
- Demand Response 3

To-Market Strategy

Although there was a delay in program availability, THESL did a soft launch of the Industrial Program in conjunction with other LDCs in November 2010 to start the process. In addition, marketing and key account efforts were launched in advance of the Industrial Program availability to initiate customer engagement by educating them on the upcoming programs. These efforts were part of the larger THESL CDM business marketing strategy (please refer to the preceding section for more details).

Targeted marketing was done via email and letters to the industrial target base to address specific program information and to highlight the important capability building initiatives (Embedded Energy Managers) and key enabling initiatives like M&T. The main focus of THESL’s efforts in this sector was on a key account strategy, which involves dealing directly with the industrial customer base. This strategy is appropriate for this sector because of the limited size of the customer base.

Industrial Program Highlights and Observations:

THE PROCESS AND SYSTEMS UPGRADE PROGRAM CAN BENEFIT YOUR BUSINESS BY:

- Enhancing your productivity, product quality and reliability
- Finding opportunities to save on energy costs
- Creating competitive advantages through energy management best practices



- Capability funding for Embedded Energy Managers has met with strong customer interest
- LDCs are applying for roving energy managers and Key Account Managers to bolster their forces that serve this sector
- Demand Response 3 contributed significantly to the 2011 results

With the launch of the Industrial Program, particularly in a market segment where there had not been extensive past conservation efforts, the first year has raised challenges that will need to be addressed to help ensure success in this important market segment.

The main challenge has been customer acceptance of the legal agreements with the feedback being that they are not acceptable because of onerous long term commitments for reporting and project performance. Customer feedback has also indicated that many participants would prefer a lower level of incentives to go through the ERII initiative, as an offset versus the longer term requirements. THESL, as part of the industrial working group, has been working with the OPA to have the requirements streamlined for industrial projects and allow the customer flexibility to apply under the ERII initiative for specific projects.

2.3.1 Process & System Upgrades Initiative (“PSUI”)

Objectives:	Offer capital and enabling incentives to assist with CDM investment in large complex and capital intensive projects as well as increase the capability of customers to implement energy management and system optimization projects.
Description:	PSUI is an energy management initiative that includes preliminary engineering study (“PES”), detailed engineering study (“DES”), and project incentive. The incentives are available to large customers with projects that are expected to generate at least 350 MWh of annualized electricity savings or, in the case of Micro-Projects, 100 MWh of annualized electricity savings.
Delivery:	LDC delivered with key account management support in some cases. This initiative was fully marketed through THESL front-line technical energy consultants. Soon after the launch of the Industrial Program, a marketing campaign was launched to promote the industrial initiatives.
Participation:	There were no projects completed under this initiative in 2011.

Spending: \$148,159
Results & Evaluation: Net peak demand savings = 0 kW
Energy savings = 0 kWh

Additional Comments:

i) Customers generally cannot commit to contracts that require performance for up to 10 years in the future preventing the initiative from being effective. Mitigation – THESL is working with the industrial working group and OPA to simplify participant agreements and create customer choice for programs; ii) The initiative relied on a technical reviewer which was not contracted by the OPA until November 2011. This delay made it impossible to achieve any savings in 2011, and as a result, LDCs lost out on a full year of potential cumulative energy savings from PSUI projects. Mitigation – THESL worked with the OPA to create a short term solution involving OPA technical staff performing the technical review role; iii) The initiative targets large customers that are undertaking large capital projects. There is typically a long internal approval process and then a long project development cycle. As such, results from PSUI did not appear in 2011. Mitigation – THESL has been marketing and using available resources made available through the initiative to make participants aware of the initiatives so they can incorporate this into the project planning process. However, consideration should be given to providing means of transitioning programs beyond 2014. iv) Given the size of the projects involved, the contract required for PSUI was a lengthy and complicated document. Mitigation - Attempts are being made through Change Management in 2012 to simplify the document.

2.3.2 Monitoring and Targeting (“M&T”)

Objectives: Offers access to funding for the installation of M&T systems in order to deliver a minimum savings target at the end of 24 months to be sustained for the term of the M&T Agreement.

Description: Targeted at industrial processes and large commercial/institutional chilled water systems (>15 GWh), this initiative offers customers funding for the installation of M&T systems to help understand how their energy consumption might be reduced. A facility energy manager, who regularly oversees energy usage, will be able to use historical energy consumption performance to analyze and set targets.

Delivery: LDC delivered with key account management support, in some cases.

Participation: There were no projects completed under this initiative in 2011.

Spending: \$40,521

Results & Evaluation: Net peak demand savings = 0 kW
Energy saving = 0 kWh

Additional Comments:

The M&T initiative is targeted to larger customers with the capacity to review and utilize the M&T data. This review requires the customer facility to employ an Energy Manager, or a person with equivalent qualifications, which has been a barrier for some customers. Mitigation - Changes need to be made in 2012 to both the M&T schedule and ERIL to allow smaller facilities to employ M&T systems.

2.3.3 Energy Manager

- Objectives:** To provide customers and LDCs the opportunity to access funding for the engagement of energy managers in order to help deliver a minimum annual savings target.
- Description:** Targeted at large industrial customers (typically > 5 MW in aggregate), this initiative provides customers the opportunity to access funding to engage an on-site, full time embedded energy manager (“EEM”), or an off-site roving energy manager (“REM”) who is engaged by the LDC. The role of the EEM is to take control of the facility’s energy use by monitoring performance, leading awareness programs, and identifying opportunities for energy consumption improvement, and spearheading projects. Participants are funded 80% of the EEM’s salary plus 80% of the EEM actual reasonable expenses incurred. Each EEM has an annual target of 300 kW of demand reduction from one or more facilities.
- Delivery:** LDC delivered with key account management support, in some cases. THESL was the first LDC to apply for REM and EEM funding and worked with the OPA on the allocation methodology. THESL applied for 6 REMs, had 10 EEMs, but did not receive approval until late 2011 to hire these resources.
- Participation:** No participation – Considered a mobilization period.
- Spending:** \$14,790
- Results & Evaluation:** Results not applicable - This initiative is designed to enable other initiatives.
- Additional Comments:** Customers appreciate dealing with a single contact to interface with an LDC, a resource that has both the technical and business background who can communicate easily with the customer and the LDC. Finding this type of skill set has been difficult resulting in longer lead times to acquire the right resource.

2.3.4 Demand Response (“DR”) 1

- Objectives:** To achieve maximum costs effective peak demand reduction and energy savings, increase conservation awareness and contribute to the creation of a culture of conservation in Ontario
- Description:** DR 1 is a demand response initiative for commercial and industrial customers to help reduce the amount of power being used during certain periods of the year. This initiative has a schedule of 1,600 hours per year where activations of up to 100 hours may occur with no obligation on customers to participate. This initiative makes payments for actual load reduction only.
- Delivery:** The initiative is managed by third-party administrators and intended to be a “lead-in” to DR 3, which will allow potential DR 3 participants the opportunity to participate in demand response without the contractual obligations required under DR 3.
- Participation:** No participation.
- Spending:** \$125,709
- Results & Evaluation:** Results not applicable - This initiative is designed to enable other initiatives.
- Additional Comments:** Aggregators have been unwilling to promote this initiative as it interferes with the more lucrative DR 3 initiative and customer interest has been marginal as the incentive levels are too low. Mitigation – discuss options for making this

initiative more attractive or removing it from the marketplace is being discussed in the industrial working group.

2.3.5 Demand Response (“DR”) 3

Objectives:	To provide payment to DR 3 participants to compensate them for making available electricity demand response during a demand response event.
Description:	The DR 3 initiative is a contractual resource that is an economic alternative to procurement of new generation capacity. DR 3 comes with specific contractual obligations requiring participants to reduce their use of electricity relative to a baseline when called upon to do so by the OPA. This initiative makes payments for participants to be on standby and payments for the actual demand reduction provided during a demand response event. Participants are required to be on standby for approximately 1,600 hours per calendar year for possible dispatch of up to 100 hours or 200 hours within that year depending on the contract.
Delivery:	DR 3 is delivered by DR aggregators, under contract to the OPA. The OPA administers contracts with all DRPs and direct participants that provide in excess of 5 MW of demand response capacity. OPA provides administration including settlement, EM&V, and dispatch. LDCs are responsible for outreach and marketing efforts.
Participation:	43 facilities are enrolled with aggregators (26 facilities for Commercial DR 3)
Spending:	\$240,956
Results & Evaluation:	Net DR capacity = 11,939 kW (1,915 kW for Commercial DR 3) Energy savings = 663,395 kWh (75,010 kWh for Commercial DR 3)
Additional Comments:	The inclusion of significant demand response targets within the program portfolio is problematic for LDCs when they have no ability to influence participation, particularly when, LDCs do not have customer data due to contractual terms between the OPA and the aggregators. This has limited THESL’s ability to effectively market to prospective participants. <u>Mitigation</u> – THESL conducted negotiations with all aggregators to establish a co-promotion and information sharing agreement. Negotiations were not concluded in 2011 due to a number of factors, namely the reluctance of aggregators to share information with LDCs due to their contractual obligations with the OPA.

2.4 Home Assistance Program – Income Qualified Residential Market

Objectives:	To offer free installation of energy efficiency measures to income qualified households for the purpose of achieving electricity and peak demand savings.
Description:	This is a turnkey Initiative for income qualified customers. It offers residents the opportunity to take advantage of free installation of energy efficient measures that improve the comfort of their home, increase efficiency, and help them save money. All eligible customers receive a “Basic and Extended Measures Audit”, while customers with electric heating also receive a Weatherization Audit. The initiative is designed to coordinate efforts with gas utilities.
Delivery:	LDC delivered
Participation:	Not in market in 2011
Spending:	\$84,747
Results & Evaluation:	Net peak demand savings = 0 kW Energy savings = 0 kWh

Additional Comments:

i) There are challenges reaching income eligible customers and enrolling them in the program. Mitigation - Work with front line agencies and property management organizations to leverage relationships and attract participants. ii) There were errors and ambiguities in the definition of social housing, which does not adequately reflect the variety of low-income housing in larger urban areas. Mitigation - This will require a formal Change Management process through the OPA working group. iii) The applications created by the OPA are lengthy (7 pages) and legally elaborate, creating a barrier to participation. Mitigation – Work through the OPA working group to streamline application process.

3 Summary of Initiative Penetration and Results

The following section provides the detailed OPA Program results at the initiative level. The participation and savings results have been extracted from the final 2011 report released by the OPA on August 31, 2012. The evaluation findings for the OPA Programs are provided in Appendix A.

3.1 Program Participation

Table 4: Participation of OPA Programs & Initiatives

Initiative	Unit	Uptake/ Participation Units
Consumer Program		
Appliance Retirement	Appliances	6,088
Appliance Exchange	Appliances	549
HVAC Incentives	Equipment	19,907
Conservation Instant Coupon Booklet	Products	65,268
Bi-Annual Retailer Event	Products	111,384
Retailer Co-op	Products	13
Residential Demand Response	Devices	1,328
Residential New Construction	Houses	0
Business Program		
Efficiency: Equipment Replacement	Projects	582
Direct Install Lighting	Projects	3,946
Existing Building Commissioning Incentive	Buildings	0
New Construction and Major Renovation Incentive	Buildings	0
Energy Audit	Audits	60
Commercial Demand Response	Devices	36
Demand Response 3	Facilities	26
Industrial Program		
Process & System Upgrades	Projects	0
Monitoring & Targeting	Projects	0
Energy Manager	Managers	0
Efficiency: Equipment Replacement Incentive	Projects	32
Demand Response 3	Facilities	17
Home Assistance Program		
Home Assistance Program	Homes	0
Pre 2011 Programs Completed in 2011		
High Performance New Construction	Projects	0
Toronto Comprehensive - BOMA	Projects	331
Toronto Comprehensive - BIP	Projects	204
Toronto Comprehensive - BBP (EB)	Projects	18
Toronto Comprehensive - BBP (NC)	Projects	24
Multifamily Energy Efficiency Rebates	Projects	107

3.2 Program Spending

Table 5 summarizes the total spending by initiative THESL has incurred in 2011. It is detailed by the Program Administration Budget (“PAB”), Participant Based Funding (“PBF”) and Participant Incentive (“PI”).

Table 5: Summary of Spending in 2011 for OPA Programs

CDM Program Initiatives	PAB	PBF	PI	Total
Consumer Program	\$3,219,075		\$ 22,900	\$ 3,241,975
Appliance Retirement	\$ 772,370			\$ 772,370
Appliance Exchange	\$ 102,210			\$ 102,210
HVAC Incentive	\$ 849,530			\$ 849,530
Conservation Instant Coupon Booklet	\$ 448,855			\$ 448,855
Bi-Annual Retailer Event	\$ 66,293			\$ 66,293
Residential & Small Commercial Demand Response	\$ 581,051		\$ 22,900	\$ 603,951
Residential New Construction	\$ 240,481			\$ 240,481
Midstream Electronics	\$ 47,131			\$ 47,131
Midstream Pool Equipment	\$ 47,080			\$ 47,080
Home Energy Assessment Tool	\$ 64,072			\$ 64,072
Business Program	\$3,753,223	\$911,400	\$3,684,178	\$ 8,348,802
Equipment Replacement Incentive	\$1,587,839		\$ 377,284	\$ 1,965,122
Direct Install Lighting	\$ 640,050	\$911,400	\$3,306,894	\$ 4,858,344
Existing Building Commissioning Incentive	\$ 428,070			\$ 428,070
New Construction & Major Renovation Incentive	\$ 451,592			\$ 451,592
Energy Audit	\$ 504,139			\$ 504,139
Direct Service Space Cooling	\$ 141,534			\$ 141,534
Industrial Program	\$ 570,135			\$ 570,135
Process & System Upgrades	\$ 148,159			\$ 148,159
Monitoring & Targeting	\$ 40,521			\$ 40,521
Energy Manager	\$ 14,790			\$ 14,790
DR 1	\$ 125,709			\$ 125,709
DR 3	\$ 240,956			\$ 240,956
Home Assistance Program	\$ 84,747			\$ 84,747
Pre-2011 CDM Programs	\$ -	\$ -	\$1,853,496	\$ 1,853,496
Total Spending	\$7,627,181	\$911,400	\$5,560,574	\$14,099,155

The above spending includes the expenditures associated with planning activities for the initiatives not launched in 2011 (i.e. Midstream Electronics, Midstream Pool Equipment, Direct Service Space Cooling and Home Assistance) and excludes participant incentives for the Consumer Program (other than Residential DR), DR 1 and DR 3, which are paid directly by the OPA to participants.

Pre-2011 CDM Program spending is for participant incentives paid by OPA in 2011. OPA manages and controls the complete financial reporting for the province-wide programs.

3.3 Savings Results

Table 6: Summary Savings Results for 2011 OPA Programs

Program	Gross Savings		Net Savings		Contribution to Targets	
	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)	Program-to-Date: Net Annual Peak Demand Savings (kW) in 2014	Program-to-Date: 2011-2014 Net Cumulative Energy Savings (kWh)
Consumer Program Total	11,342	28,213,749	7,184	19,097,886	6,369	76,321,764
Business Program Total	18,077	73,524,091	14,369	55,765,683	10,576	216,190,724
Industrial Program Total	12,613	4,563,066	10,545	3,605,917	522	12,658,513
Pre-2011 Programs completed in 2011 Total	35,943	183,727,812	17,727	94,450,215	17,727	377,800,859
Total OPA Programs	77,974	290,028,718	49,825	172,919,701	35,193	682,971,860

Table 7: Detailed Savings Results for 2011 OPA Programs

Initiative	Realization Rate		Gross Savings		Net-to-Gross Ratio		Net Savings in 2011		Contribution to Targets	
	Peak Demand Savings	Energy Savings	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)	Peak Demand Savings	Energy Savings	Incremental Peak Demand Savings (kW)	Incremental Energy Savings (kWh)	Program-to-Date: Net Annual Peak Demand Savings (kW) in 2014	Program-to-Date: 2011-2014 Net Cumulative Energy Savings (kWh)
Consumer Program			11,342	28,213,749			7,184	19,097,886	6,369	76,321,764
Appliance Retirement	100%	100%	751	4,896,184	49%	50%	349	2,343,820	317	9,346,505
Appliance Exchange	100%	100%	101	112,306	52%	52%	52	57,879	13	196,285
HVAC Incentives	100%	100%	9,421	17,547,359	60%	60%	5,674	10,493,166	5,674	41,972,664
Conservation Instant Coupon Booklet	100%	100%	133	2,213,090	114%	111%	150	2,439,881	150	9,759,523
Bi-Annual Retailer Event	100%	100%	192	3,442,548	113%	110%	215	3,760,986	215	15,043,944
Retailer Co-op	100%	100%	0	339	68%	68%	0	230	0	919
Residential Demand Response	0%	0%	743	1,924	-	-	743	1,924	0	1,924
Business Program			18,077	73,524,091			14,369	55,765,683	10,576	216,190,724
Efficiency: Equipment Replacement	98%	102%	10,942	59,789,306	69%	72%	7,527	43,007,032	7,527	172,028,127
Direct Install Lighting	108%	90%	4,579	13,659,691	93%	93%	4,903	12,683,558	3,048	44,087,503
Commercial Demand Response	0%	0%	23	84	-	-	23	84	0	84
Demand Response 3	76%	100%	2,533	75,010	n/a	n/a	1,915	75,010	0	75,010
Industrial Program			12,613	4,563,066			10,545	3,605,917	522	12,658,513
Efficiency: Equipment Replacement Incentive	91%	117%	719	3,974,681	73%	76%	522	3,017,532	522	12,070,127
Demand Response 3	84%	100%	11,894	588,385	n/a	n/a	10,024	588,385	0	588,385
Pre-2011 Programs completed in 2011			35,943	183,727,812			17,727	94,450,215	17,727	377,800,859
High Performance New Construction	100%	100%	33	168,988	50%	50%	16	84,494	16	337,976
Toronto Comprehensive - BOMA	133%	115%	21,010	99,048,907	41%	41%	8,614	40,610,052	8,614	162,440,207
Toronto Comprehensive - BIP	99%	99%	8,099	57,471,094	69%	69%	5,600	39,788,597	5,600	159,154,389
Toronto Comprehensive - BBP (EB)	99%	144%	528	3,185,542	47%	47%	251	1,538,476	251	6,153,903
Toronto Comprehensive - BBP (NC)	101%	178%	3,830	14,365,032	35%	35%	1,340	5,027,761	1,340	20,111,045
Multifamily Energy Efficiency Rebates	93%	93%	2,443	9,488,249	78%	78%	1,906	7,400,835	1,906	29,603,338

Assumes demand response resources have a persistence of 1 year

4 Combined CDM Reporting Elements

4.1 Progress Towards CDM Targets

The summary of THESL's progress towards meeting its CDM targets is provided in the tables below. The data comes from the 2011 final results released by OPA on August 31, 2012. The cells highlighted in yellow reference the CDM Strategy submitted by THESL in 2010.

Table 8: Net Peak Demand Savings at the End User Level (MW)

Implementation Period	Annual			
	2011	2012	2013	2014
2011 - Verified	49.83	37.08	36.69	35.19
Verified Net Annual Peak Demand Savings Persisting in 2014				35.19
THESL 2014 Annual CDM Capacity Target				286.27
Verified Portion of Peak Demand Savings Target Achieved in 2014 (%)				12.29%
LDC Milestone submitted for 2011				49.56
Variance				0.3

The summer peak demand savings for 2011 are 49.8 MW, which is consistent with the predicted savings in the CDM Strategy of 49.6 MW. Of the total demand reduction, 36% was attributable to transition projects (i.e. programs that ended prior to the launch of the OPA Programs). The decline in demand savings noted in years 2012 to 2014 is due to the demand savings persistence with regard to DR 3 contracts. However, at this point in time THESL assumes that the current aggregate of contracts will persist until 2014. Based on this assumption, the contribution from the 2011 results to the 2014 target will be 17.4% as reported by OPA.

Table 9: Net Energy Savings at the End-User Level (GWh)

Implementation Period	Annual				Cumulative
	2011	2012	2013	2014	2011-2014
2011 - Verified	172.92	172.13	171.02	166.90	682.97
Verified Net Cumulative Energy Savings 2011-2014					682.97
THESL 2011-2014 Cumulative CDM Energy Target					1,303.99
Verified Portion of Cumulative Energy Target Achieved (%)					52.38%
LDC Milestone submitted for 2011					284.84
Variance					-111.92

Energy savings in 2011 are lower than the target in the CDM Strategy due to higher achievement from demand response initiatives that do not contribute to energy savings. However, taking into account the persistence of savings, THESL has achieved 52% of the four year energy savings target. Of this total, transition projects (i.e. programs that ended prior to the launch of the OPA Programs) represented 55% of the energy savings for 2011 and clearly demonstrate the importance of the OPA Program stability on achieving results.

4.2 THESL's CDM Outlook (2012-2014)

As indicated in Table 10 below, the savings projections from the CDM Strategy have been reforecast to incorporate THESL's experience with the OPA Programs after they have been in market for one year.

Table 10: 2012-2014 Outlook

OPA Programs	2011 Actual	2012-2014 Forecast			Total 2011-2014	Target 2011-2014	Variance
		2012	2013	2014			
Net Annual MW	49.8	49.9	50.5	46.3	196.6	286.3	-89.7
2011-2014 Net Cumulative GWh	683.0	930.1	1,201.0	1,322.9	1,322.9	1,304.0	18.9

Given the end date of December 31, 2014 for the current OPA Programs, it is projected that THESL will achieve 196.6 MW of summer peak demand savings and 1,322.9 GWh of electricity savings. Based on this projection, THESL expects to be 89.7 MW below the demand target and 18.9 GWh above the electricity savings target,

The projected demand shortfall is primarily a result of THESL's reliance, in its original CDM Strategy, on 67 MW of demand reduction from potential Board-Approved programs. Other contributors to the demand shortfall are OPA Program launch delays and market saturation in some OPA Programs, as well as the slowing economy.

The electricity consumption savings are favourable mainly due to the number of transition projects that were counted towards THESL's results and a number of energy-savings-only projects that are expected to be implemented.

4.3 CDM Strategy Modifications

After market analysis of the 2011 results and the in-market experience gained from delivering OPA Programs, the CDM Strategy has been revised to account for the following:

1. Need for Additional Programs

The disallowance of a large portion of THESL's application for Board-Approved programs has resulted in a potential 67 MW shortfall in its forecast as contained within its CDM Strategy. To make up for the potential shortfall, THESL will continue to work with the OPA and the LDC Working Groups through the "Change Management" process to implement the initiatives previously submitted to the OEB for approval. These include "Hydronic System Balancing", "Multi-Unit Residential Building Demand Response", "Monitoring and Targeting", and "Commercial Energy Management and Load Control". As of the end of 2011, initial discussions have been occurring and two of the four initiatives are in the Change Management process.

2. Acceptance of TOU Savings

The TOU was accepted by the OEB as a Board-Approved program and savings resulting from the TOU will be counted towards LDC assigned targets. As outlined in the OEB's CDM Guidelines, THESL will work with the OPA and other LDCs to develop a plan for independent third party evaluation of the results. The savings results for TOU are not expected to be available until 2013.

3. Delayed Start of Programs and Market Saturation

The delayed launch of some of the OPA Programs impacted the take-up rates and has delayed the accumulation of savings. As a result, THESL has:

- Launched a new channel delivery strategy, called Applicant Representative Initiative ("ARI"), was developed in late 2011 and introduced to the business market in early 2012.

- Increased market and promotional initiatives and target high potential market sectors for demand response and retrofit initiatives.
- Continued to collaborate with the community, business and industry associations to engage as wide a cross section of the market as possible.
- Worked with the OPA to:
 - Complete tools and administration processes required to launch the Home Assistance Program.
 - Enhance and improve the marketing of residential initiatives and allow THESL to take on a more leading role in developing promotional campaigns for THESL's residential customers.
 - Allow THESL a more active role in the delivery of the DR 3 initiative and provide greater transparency of market achievements and program results.
- Expanded the roll out of the Key Account Manager, Roving Energy Manager and Embedded Energy Manager initiative. THESL will leverage this initiative (with other sales, technical and program activities) to coordinate and deliver a comprehensive and planned approach to conservation in the business and industrial sectors.
- Work with other LDCs to share delivery tactics, co-promote programs and develop ideas for program development.

4. Changing Evaluation Measurement and Verification (“EM&V”) Results

- Review all findings and recommendations from the OPA's 2011 program evaluation reports and adopt them where relevant to THESL's territory including new Net-to-Gross (“NTG”) ratios.
- Participate in EM&V working groups to fully understand any upcoming changes in the savings results.

4.4 Conclusion

Over the course of 2011, THESL has achieved 49.8 MW in peak demand savings and 172.9 GWh in energy savings, which represents 23% and 29% of the provincial totals, respectively. While the results for 2011 were considerable, THESL nonetheless faces challenges in the remaining years of the current CDM framework. With the current slate of available OPA Programs, and the current forecast of implementation and projected savings, THESL expects to meet its energy consumption target but will struggle to meet its demand savings target. THESL expects a 90 MW shortfall to its target in demand savings by the end of 2014.

Given that 2011 was a mobilization year, there was considerable collaboration between the OPA, EDA and LDCs to overcome many operational and structural issues that limited program effectiveness across all market sectors. To date, many improvements have already been implemented which contributed to the eventual successful delivery of the OPA Program initiatives, particularly those in the business sector. The high level of collaboration continues to explore improvements to existing initiatives, the development of new initiatives, as well as improvements in the Change Management process which will all provide benefits in the remaining years.

However, despite continuing improvements to existing programs to overcome operational and structural issues and improve program effectiveness, THESL submits that additional program initiatives will be required. Even with new programs, THESL expects that they on their own will be insufficient for THESL to achieve its demand savings target due to the limited timeframe remaining prior to the end of 2014 and the lengthy time period required to bring new programs to market. Additional framework changes may need to be explored.

Appendix A: Evaluation Findings for the OPA Programs

The following are the findings from OPA Program evaluations conducted in 2012 by the OPA's independent third party evaluators on OPA Program initiatives delivered in 2011 and projects from pre-2011 programs that were completed in 2011. The information was provided by the OPA to THESL on August 31, 2012 and has been reproduced (in an unaltered form) below:

#	Initiative	OPA Province-Wide Key Evaluation Findings
Consumer Program		
1	Appliance Retirement	<ul style="list-style-type: none"> * Overall participation continues to decline year over year <ul style="list-style-type: none"> * Participation declined 17% from 2010 (from over 67,000 units in 2010 to over 56,000 units in 2011) * 97% of net resource savings achieved through the home pick-up stream <ul style="list-style-type: none"> * Measure Breakdown: 66% refrigerators, 30% freezers, 4% Dehumidifiers and window air conditioners * 3% of net resource savings achieved through the Retailer pick-up stream <ul style="list-style-type: none"> * Measure Breakdown: 90% refrigerators, 10% freezers * Net-to-Gross ratio for the initiative was 50% <ul style="list-style-type: none"> * Measure-level free ridership ranges from 82% for the retailer pick-up stream to 49% for the home pick-up stream * Measure-level spillover ranges from 3.7% for the retailer pick-up stream to 1.7% for the home pick-up stream
2	Appliance Exchange	<ul style="list-style-type: none"> * Overall eligible units exchanged declined by 36% from 2010 (from over 5,700 units in 2010 to over 3,600 units in 2011) <ul style="list-style-type: none"> * Measure Breakdown: 75% window air conditioners, 25% dehumidifiers * Dehumidifiers and window air conditioners contributed almost equally to the net energy savings achieved <ul style="list-style-type: none"> * Dehumidifiers provide more than three times the energy savings per unit than window air conditioners * Window air conditioners contributed to 64% of the net peak demand savings achieved * Approximately 96% of consumers reported having replaced their exchanged units (as opposed to retiring the unit) * Net-to-Gross ratio for the initiative is consistent with previous evaluations (51.5%)
3	HVAC Incentives	<ul style="list-style-type: none"> * Total air conditioner and furnace installations increased by 14% (from over 95,800 units in 2010 to over 111,500 units in 2011) <ul style="list-style-type: none"> * Measure Breakdown: 64% furnaces, 10% tier 1 air conditioners (SEER 14.5) and 26% tier 2 air conditioners (SEER 15) * Measure breakdown did not change from 2010 to 2011 * The HVAC Incentives initiative continues to deliver the majority of both the energy (45%) and demand (83%) savings in the consumer program <ul style="list-style-type: none"> * Furnaces accounted for over 91% of energy savings achieved for this initiative * Net-to-Gross ratio for the initiative was 17% higher than 2010 (from 43% in 2010 to 60% in 2011) <ul style="list-style-type: none"> * Increase due in part to the removal of programmable thermostats from the program, and an increase in the net-to-gross ratio for both Furnaces and Tier 2 air conditioners (SEER 15)

#	Initiative	OPA Province-Wide Key Evaluation Findings
Consumer Program		
4	Conservation Instant Coupon Booklet	<ul style="list-style-type: none"> * Customers redeemed nearly 210,000 coupons, translating to nearly 560,000 products * Majority of coupons redeemed were downloadable (~40%) or LDC-branded (~35%) * Majority of coupons redeemed were for multi-packs of standard spiral CFLs (37%), followed by multi-packs of specialty CFLs (17%) * Per unit savings estimates and net-to-gross ratios for 2011 are based on a weighted average of 2009 and 2010 evaluation findings * Careful attention in the 2012 evaluation will be made for standard CFLs since it is believed that the market has largely been transformed
5	Bi-Annual Retailer Event	<ul style="list-style-type: none"> * Customers redeemed nearly 370,000 coupons, translating to over 870,000 products * Majority of coupons redeemed were for multi-packs of standard spiral CFLs (49%), followed by multi-packs of specialty CFLs (16%) * Per unit savings estimates and net-to-gross ratios for 2011 are based on a weighted average of 2009 and 2010 evaluation findings * Standard CFLs and heavy duty outdoor timers were reintroduced to the initiative in 2011 and contributed more than 64% of the initiative's 2011 net annual energy savings * While the volume of coupons redeemed for heavy duty outdoor timers was relatively small (less than 1%), the measure accounted for 10% of net annual savings due to high per unit savings * Careful attention in the 2012 evaluation will be made for standard CFLs since it is believed that the market has largely been transformed.
6	Retailer Co-op	<ul style="list-style-type: none"> * Initiative was not evaluated in 2011 due to low uptake. Verified Bi-Annual Retailer Event per unit assumptions and free-ridership rates were used to calculate net resource savings
7	Residential Demand Response	<ul style="list-style-type: none"> * Approximately 20,000 new devices were installed in 2011 * 99% of the new devices enrolled controlled residential central AC (CAC) * 2011 only saw 1 atypical event (in both weather and timing) that had limited participation across the province * The ex ante impact developed through the 2009/2010 evaluations was maintained for 2011; residential CAC: 0.56 kW/device, commercial CAC: 0.64 kW/device, and Electric Water Heaters: 0.30 kW/device
8	Residential New Construction	<ul style="list-style-type: none"> * Initiative was not evaluated in 2011 due to limited uptake * Business case assumptions were used to calculate savings
Business Program		
9	Efficiency: Equipment Replacement	<ul style="list-style-type: none"> * Gross verified energy savings were boosted by lighting projects in the prescriptive and custom measure tracks * Lighting projects overall were determined to have a realization rate of 112%; 116% when including interactive energy changes * On average, the evaluation found high realization rates as a result of both longer operating hours and larger wattage reductions than initial assumptions * Low realization rates for engineered lighting projects due to overstated operating hour assumptions * Custom non-lighting projects suffered from process issues such as: the absence of required M&V plans, the use of inappropriate assumptions, and the lack of adherence to the M&V plan * The final realization rate for summer peak demand was 94% * 84% was a result of different methodologies used to calculate peak demand savings * 10% due to the benefits from reduced air conditioning load in lighting retrofits * Overall net-to-gross ratios in the low 70's represent an improvement over the 2009 and 2010 ERIP program where net-to-gross ratios were * Strict eligibility requirements and improvements in the pre-approval process contributed to the improvement in net-to-gross ratios

#	Initiative	OPA Province-Wide Key Evaluation Findings
Business Program		
10	Direct Install Lighting	<ul style="list-style-type: none"> * Though overall performance is above expectations, participation continues to decline year over year as the initiative reaches maturity * 70% of province-wide resource savings persist to 2014 * Over 35% of the projects for 2011 included at least one CFL measure * Resource savings from CFLs in the commercial sector only persist for the industry standard of 3 years * Since 2009 the overall realization rate for this program has improved * 2011 evaluation recorded the highest energy realization rate to date at 89.5% * The hours of use values were held constant from the 2010 evaluation and continue to be the main driver of energy realization rate * Lights installed in "as needed" areas (e.g., bathrooms, storage areas) were determined to have very low realization rates due to the difference in actual energy saved vs. reported savings
11	Existing Building Commissioning Incentive	<ul style="list-style-type: none"> * Initiative was not evaluated in 2011, no completed projects in 2011
12	New Construction and Major Renovation Incentive	<ul style="list-style-type: none"> * Initiative was not evaluated in 2011 due to low uptake * Assumptions used are consistent with preliminary reporting based on the 2010 Evaluation findings and consultation with the C&I Work Group (100% realization rate and 50% net-to-gross ratio)
13	Energy Audit	<ul style="list-style-type: none"> * The evaluation is ongoing. The sample size for 2011 was too small to draw reliable conclusions.
14	Commercial Demand Response (part of the Residential program schedule)	<ul style="list-style-type: none"> * See residential demand response (#7)
15	Demand Response 3 (part of the Industrial program schedule)	<ul style="list-style-type: none"> * See Demand Response 3 (#20)

#	Initiative	OPA Province-Wide Key Evaluation Findings
Industrial Program		
16	Process & System Upgrades	* Initiative was not evaluated in 2011, no completed projects in 2011
17	Monitoring & Targeting	* Initiative was not evaluated in 2011, no completed projects in 2011
18	Energy Manager	* Initiative was not evaluated in 2011, no completed projects in 2011
19	Efficiency: Equipment Replacement Incentive (part of the C&I program schedule)	* See Efficiency: Equipment Replacement (#9)
20	Demand Response 3	<ul style="list-style-type: none"> * Program performance for Tier 1 customers increased with DR-3 participants providing 75% of contracted MW for both sectors * Industrial customers outperform commercial customers by provide 84% and 76% of contracted MW, respectively * Program continues to diversify but still remains heavily concentrated with less than 5% of the contributors accounting for the majority * By increasing the number of contributors in each settlement account and implementation of the new baseline methodology the performance of the program is expected to increase
Home Assistance Program		
21	Home Assistance Program	<ul style="list-style-type: none"> * Initiative was not evaluated in 2011 due to low uptake * Business Case assumptions were used to calculate savings
Pre-2011 Programs completed in 2011		
23	High Performance New Construction	<ul style="list-style-type: none"> * Initiative was not evaluated * Net-to-Gross ratios used are consistent with the 2010 evaluation findings (realization rate of 100% and net-to-gross ratio of 50%)
24	Toronto Comprehensive	<ul style="list-style-type: none"> * Initiative was not evaluated * Net-to-Gross ratios used are consistent with the 2010 evaluation findings
25	Multifamily Energy Efficiency Rebates	<ul style="list-style-type: none"> * Initiative was not evaluated * Net-to-Gross ratios used are consistent with the 2010 evaluation findings

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