

# BMO 16th Annual Infrastructure & Utilities Conference

**Aida Cipolla**  
EVP & CFO

February 7, 2019



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Certain information included in this document constitutes "forward-looking information" within the meaning of applicable securities legislation. The purpose of the forward-looking information is to provide Toronto Hydro's current expectations regarding future results of operations, performance, business prospects and opportunities and may not be appropriate for other purposes. All information, other than statements of historical fact, which address activities, events or developments that we expect or anticipate may or will occur in the future, are forward-looking information. The words "anticipates", "believes", "budgets", "committed", "can", "could", "estimates", "expects", "focus", "forecasts", "intends", "may", "might", "plans", "propose", "projects", "schedule", "should", "will", "would", "objective", "outlook" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects Toronto Hydro's current beliefs and is based on information currently available to Toronto Hydro.

Specific forward-looking information in this document includes, but is not limited to, statements regarding: Toronto Hydro's electricity distribution rates and rate applications; capital expenditure programs; Toronto Hydro's future results of operations, performance, business prospects and opportunities; future funding; future investment flexibility; the aging of assets; regulator-approved returns on equity; the impact of Ontario's Fair Hydro Plan; the amount and timing of dividends to be paid; Toronto Hydro's debt and debt maturity profile; and pilot projects being considered.

The forward-looking information is based on estimates and assumptions made by Toronto Hydro's management in light of past experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes to be reasonable in the circumstances, including, but not limited to, the amount of indebtedness of Toronto Hydro, changes in funding requirements, the future course of the economy and financial markets, no unforeseen delays and costs in Toronto Hydro's capital projects, no unforeseen changes in the legislative and operating framework for electricity distribution in Ontario, the receipt of applicable regulatory approvals and requested rate orders, no unexpected delays in obtaining required approvals, the ability of Toronto Hydro to obtain and retain qualified staff, equipment and services in a timely and cost efficient manner, no unforeseen changes in electricity distribution rate orders or rate setting methodologies, no unfavourable changes in environmental regulations, no unfavourable changes in electricity regulations or government policy, no unforeseen change of landscape for competitive forces in the electricity distribution industry in Ontario, the useful life of assets, the future prices of components of residential electricity prices, the impact of Ontario's Fair Hydro Plan, the receipt of favourable judgments, the level of interest rates, Toronto Hydro's ability to borrow, Toronto Hydro's credit ratings, customer demand, and assumptions regarding general business and economic conditions.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information, which are discussed in sections entitled "Forward-Looking Information" and "Risk Factors" in Toronto Hydro Corporation's annual information form ("AIF") and the sections entitled "Forward-Looking Information" and "Risk Management and Risk Factors" in Toronto Hydro Corporation's management's discussion and analysis ("MD&A"), which are available electronically at [www.sedar.com](http://www.sedar.com). All of the forward-looking information included in this document is qualified by the cautionary statements in this "Disclaimer" section and the sections entitled "Forward-Looking Information" and "Risk Factors" in Toronto Hydro's AIF and the sections entitled "Forward-Looking Information" and "Risk Management and Risk Factors" in Toronto Hydro Corporation's MD&A. These factors are not intended to represent a complete list of the factors that could affect Toronto Hydro; however, these factors should be considered carefully and readers should not place undue reliance on forward-looking information provided herein.

Further, the information (including forward-looking information) contained herein is dated as of the date of this document or as of the date specified in this document, as the case may be, and Toronto Hydro has no intention and undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

# Business Overview

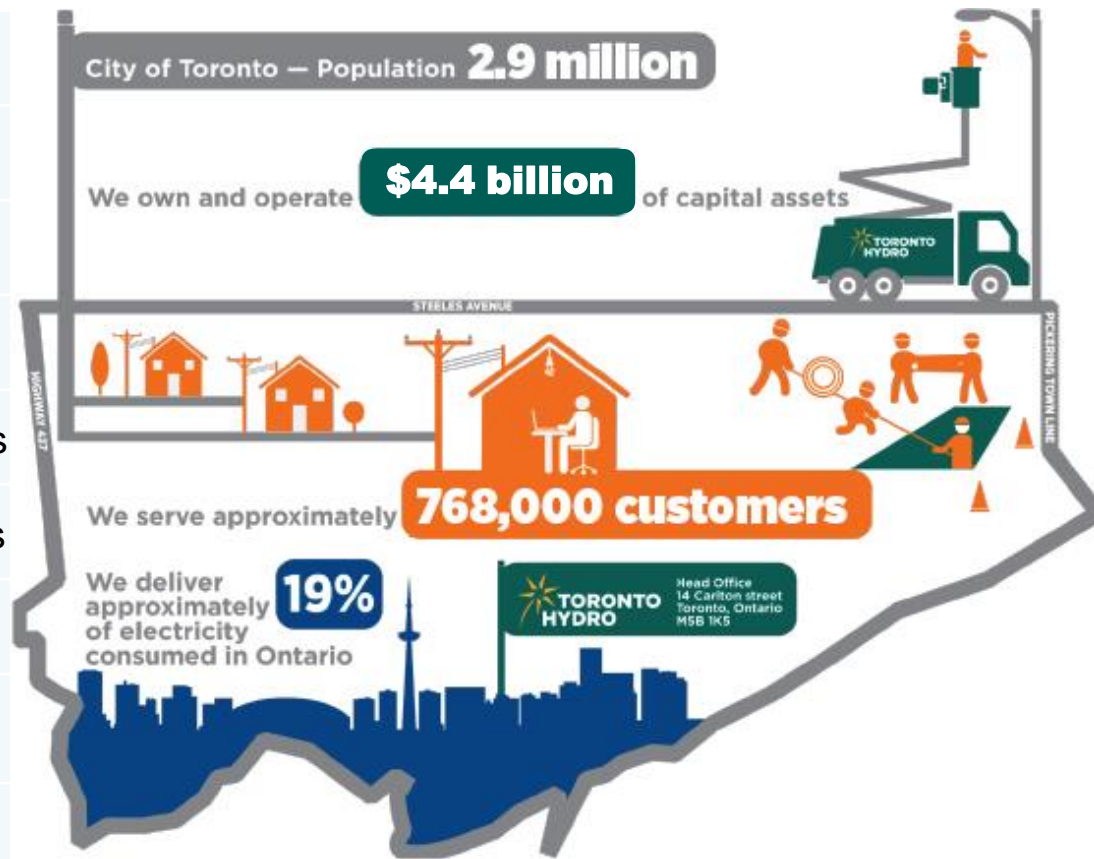
- Toronto Hydro Corporation (THC) owns the electricity distribution company serving Toronto, Canada's largest city.
- A leader in conservation and demand management, Toronto Hydro distributes approximately 19% of the electricity consumed in Ontario, and owns and operates \$4.4 billion of capital assets.



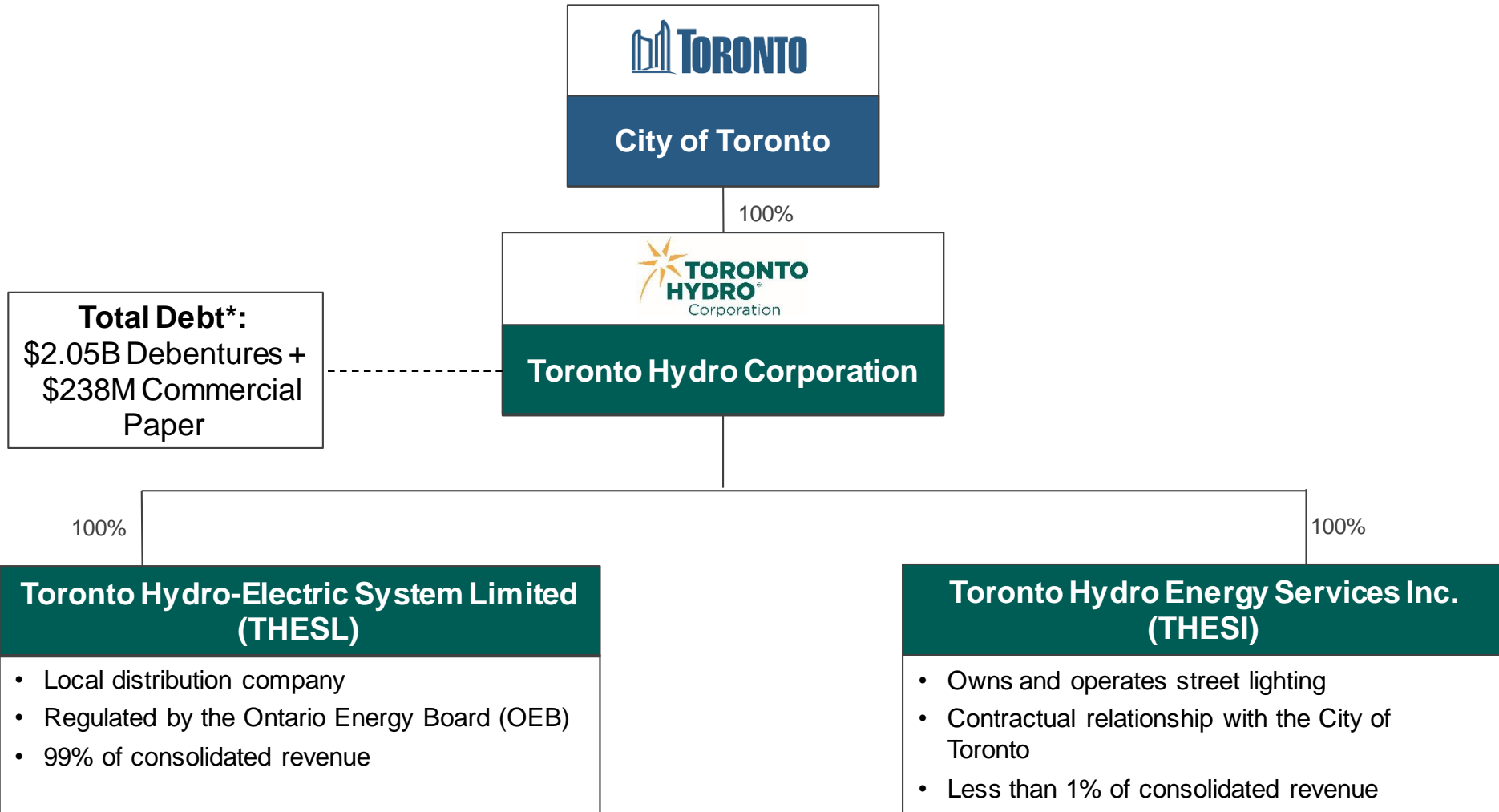
# Company Overview

- Toronto Hydro Electricity Distribution System is comprised of.....

178,800	poles
60,540	distribution transformers
17,350	primary switches
15,540	kilometres of overhead wires
13,220	kilometres of underground wires
153	in-service municipal substations
5	operations centres
1	transmission system terminal station
1	control centre



# Corporate Structure



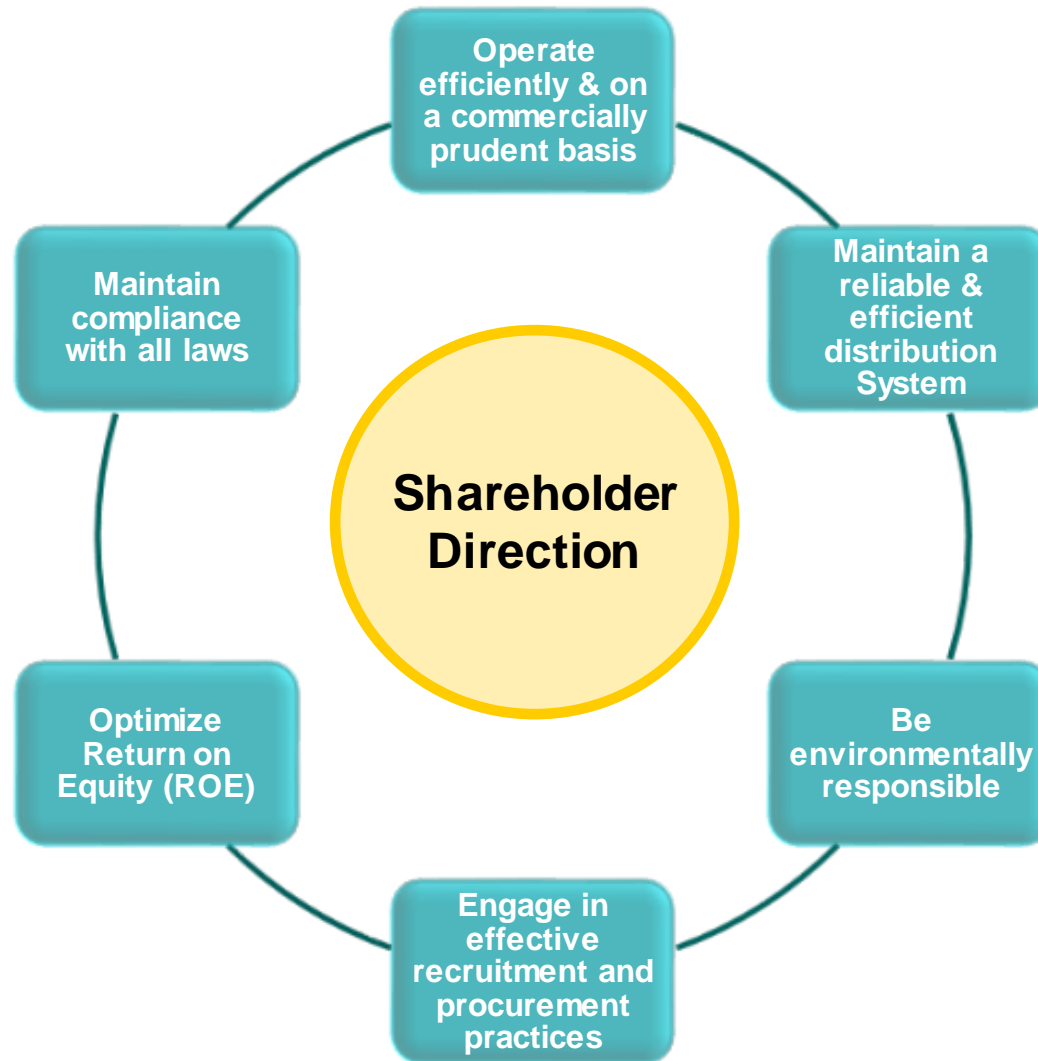
\* Total Debt as at September 30, 2018.



# Corporate Strategy



# Shareholder Direction: Guiding Principles



# Corporate Pillars



**CUSTOMER**



**PEOPLE**



**OPERATIONS**



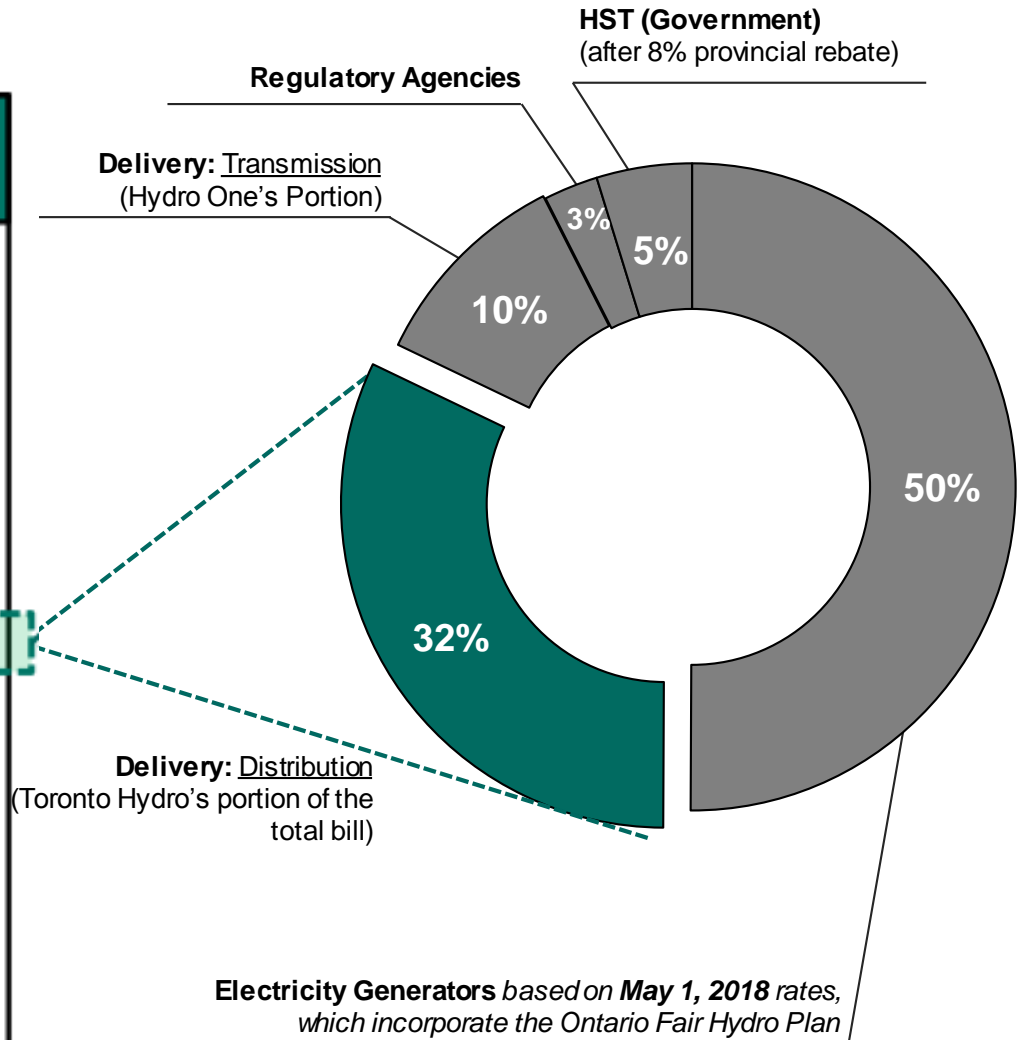
**FINANCIAL**



# Customer Bill

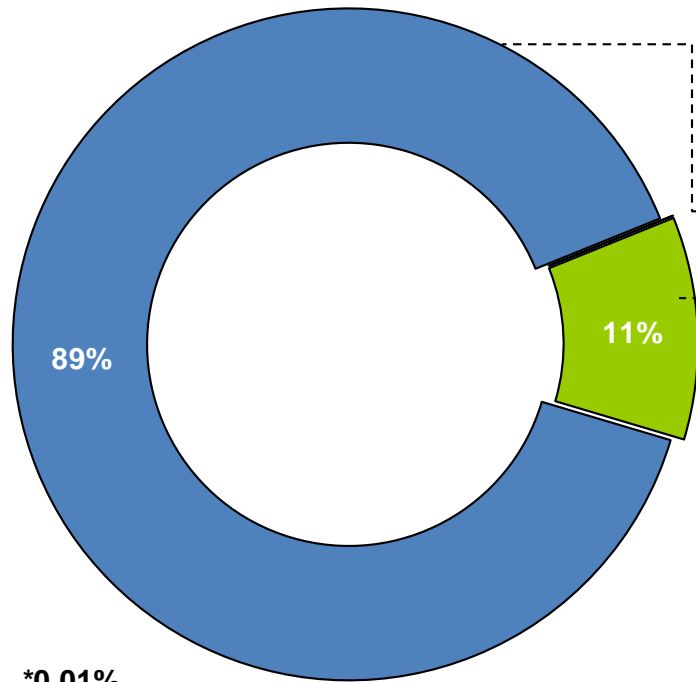
## Typical Residential Bill

Sample Toronto Hydro Monthly Bill (Based on consumption of 750 kWh)	
Account Number: 000 000 000 000 0000	
Meter Number: 00000000	
<b>Your Electricity Charges</b>	<b>Toronto Hydro's portion of the bill: \$39.19</b>
<b>Electricity</b>	
On-Peak (Highest Price) @ \$0.132 /kWh	17.82
Mid-Peak (Mid Price) @ \$0.095 /kWh	11.99
Off-Peak (Lowest Price) @ \$0.065 /kWh	31.69
<b>Delivery</b>	<b>52.21</b>
<b>Regulatory Charges</b>	3.28
<b>Debt Retirement Charge<sup>†</sup></b>	0.00
<b>Total Electricity Charges</b>	<b>\$116.99</b>
HST	15.21
<b>8% Provincial Rebate*</b>	<b>(-\$9.36)</b>
* The Ontario government is providing a rebate on your electricity costs equal to the provincial portion of the HST	
<b>Total Amount</b>	<b>\$122.84</b>

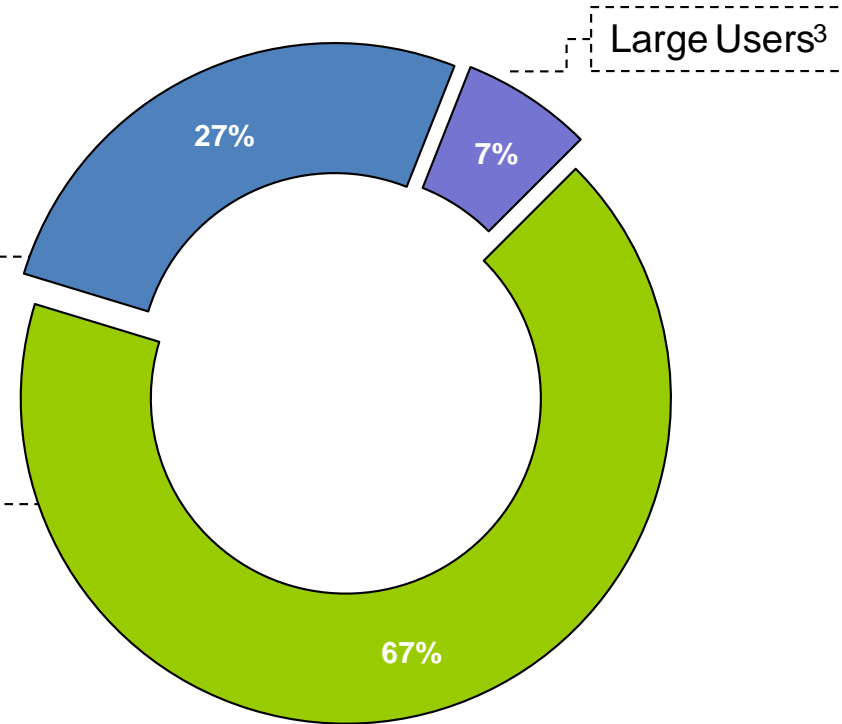


# Customer Profile

Customer Mix 2017  
~ 768K Customers



Total Service Revenue Mix 2017  
\$3,742 Millions (M)



**\*0.01%  
Large Users**

<sup>1</sup> Premises other than "Residential" with a monthly peak demand of less than 5,000kW

<sup>2</sup> Domestic or household purposes (including single family or individually metered multi-family units and seasonal occupancy)

<sup>3</sup> Customer with a monthly peak demand of 5,000kW or more averaged over a twelve -month period

Numbers are rounded and are based on Annual Information Form 2017

# Regulatory Affairs

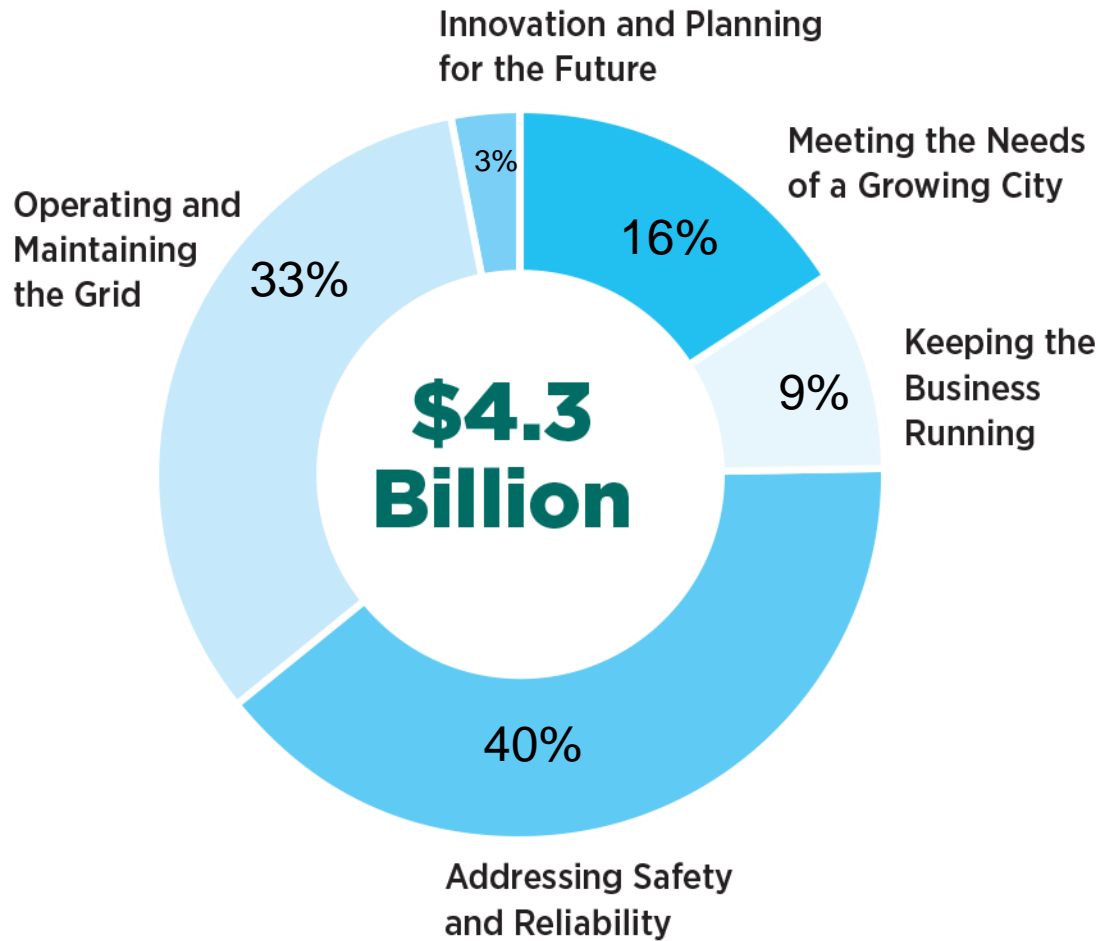


# Regulatory Updates

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- Toronto Hydro enjoys a sustainable business model supported by a robust regulatory framework
- THESL is currently in its final year of the Custom Incentive Regulation (CIR) Application (2015-2019)
- Deemed capital structure of 60% debt / 40% equity; actual of 55.5% / 44.5% as at September 30, 2018
- The CIR Application for 2020-2024 period was submitted in August 2018
- The Application includes an ask of \$4.3B for capital and operating spending
- Interrogatories were submitted in January 2019
- Technical Conference scheduled in February 2019
- Oral Hearing expected in 2019

# 2020-2024 Proposed Plan

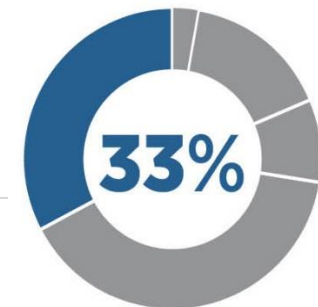


Based on 2020-2024 CIR Application submitted to OEB and subjected to their approval

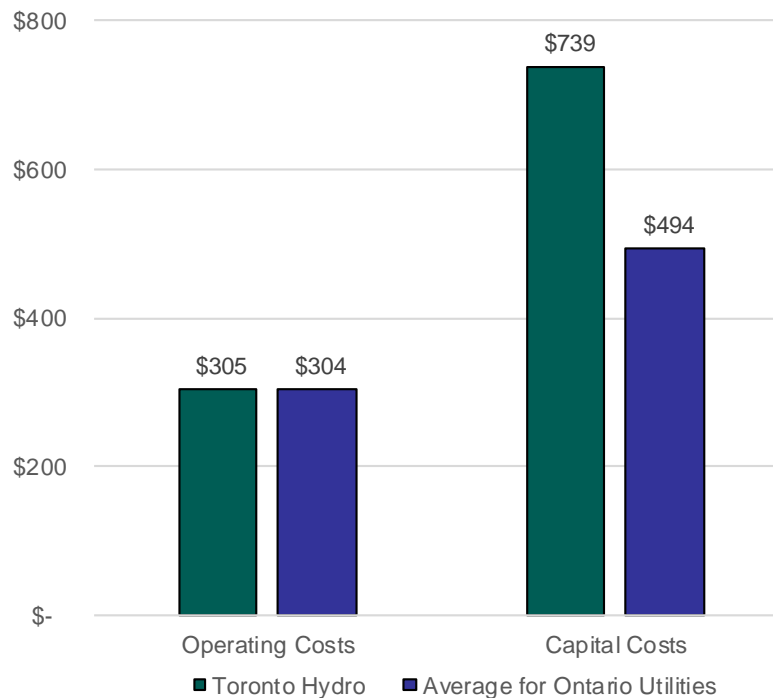




# Operating & Maintaining the Grid



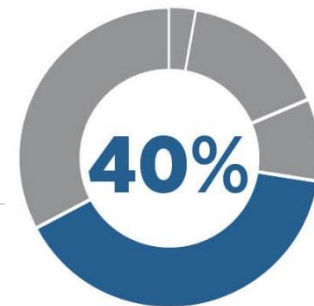
### Cost per Customer (\$)



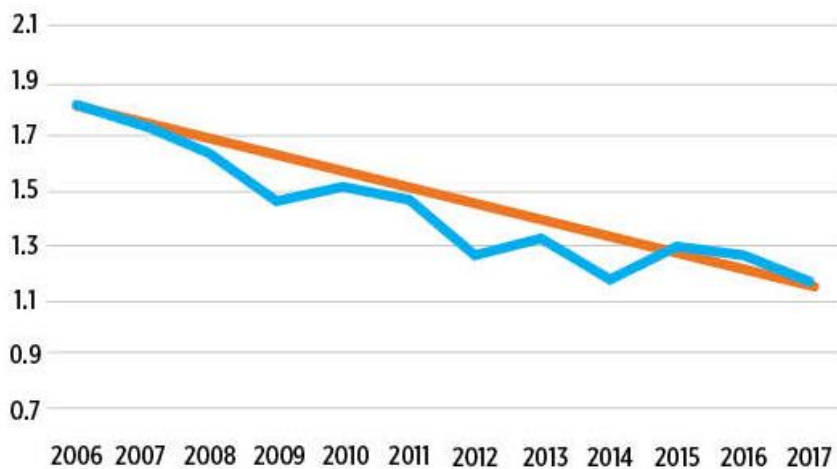
Based on 2020-2024 CIR Application submitted to OEB and subjected to their approval

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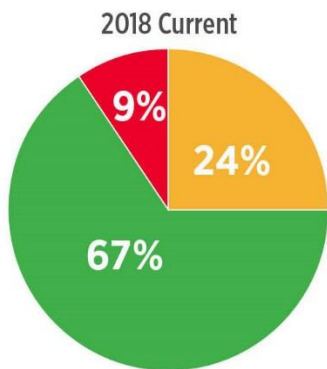
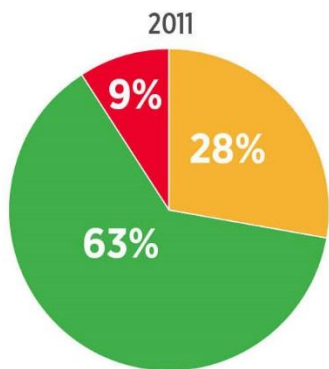
## Addressing Safety and Reliability



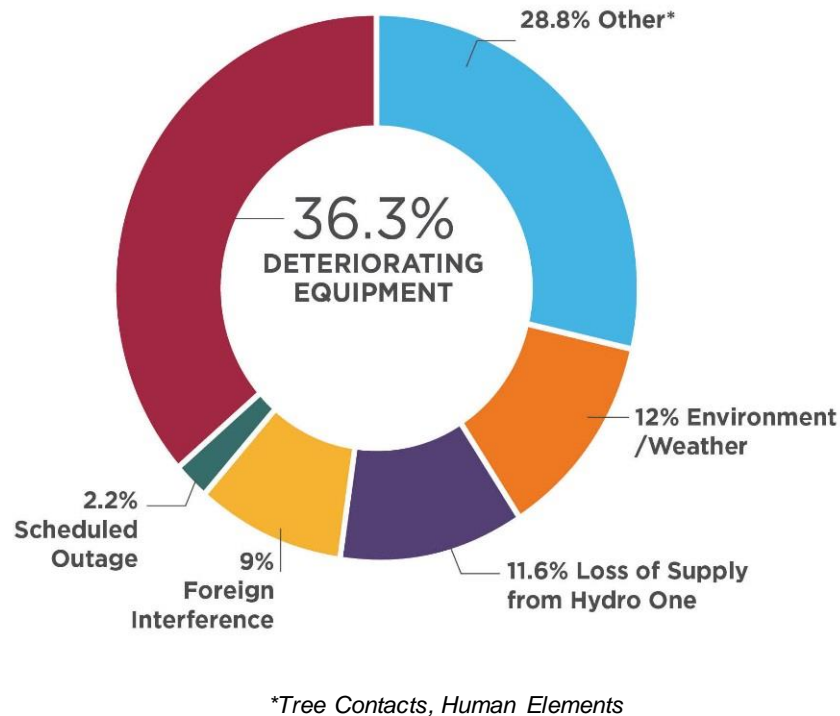
Number of Outages for the Average Customer



\*Excludes Loss of Supply from Hydro One and Major Event Days

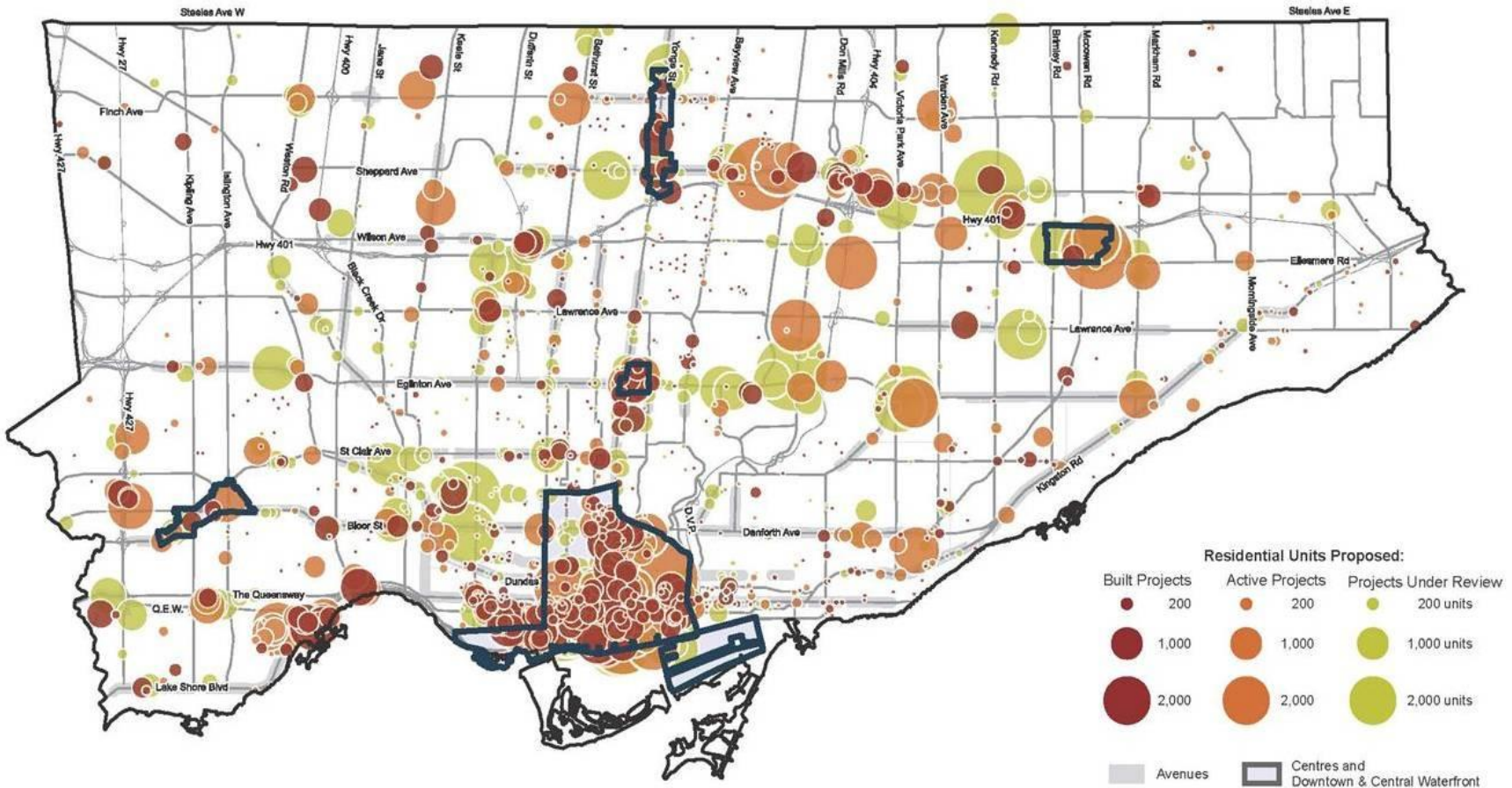
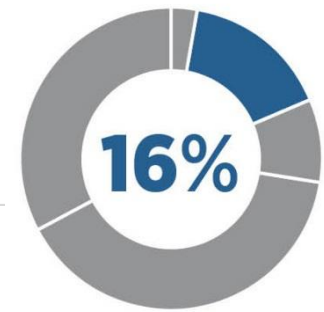


- Assets Prior to End-of-Life
- Asset Reaching End-of-Life in the Next Five Years
- Assets Past End-of-Life



Based on 2020-2024 CIR Application submitted to OEB and subjected to their approval

# Meeting the Needs of a Growing City



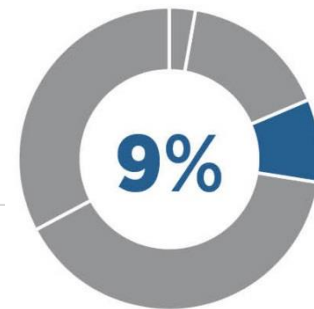
Source: Toronto City Planning Division, Research and Information, September 2016

Based on 2020-2024 CIR Application submitted to OEB and subjected to their approval





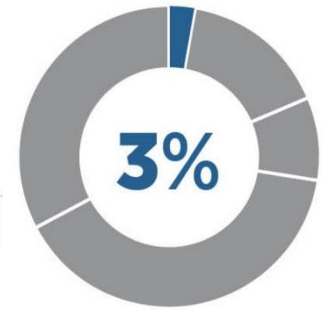
# Keeping the Business Running



Based on 2020-2024 CIR Application submitted to OEB and subjected to their approval



# Innovation & Planning for the Future



\*Based on 2020-2024 CIR Application submitted to OEB and subjected to their approval

Google



## Proposed Plan: Customer Bill Impact

	Usage [kWh]	Average (\$)	Change in bill
Residential	750	<b>\$0.77</b>	\$/per month
General Service <50 kWh (small business)	2,800	<b>\$2.71</b>	\$/per month

**1.7%**  
AVERAGE ANNUAL  
INCREASE ON  
TORONTO HYDRO'S  
1/3 OF THE BILL  
(RESIDENTIAL)

These costs shown are the average annual impacts on your monthly bill for each of the five years of the plan (2020-2024)

BELOW  
THE  
RATE OF  
INFLATION

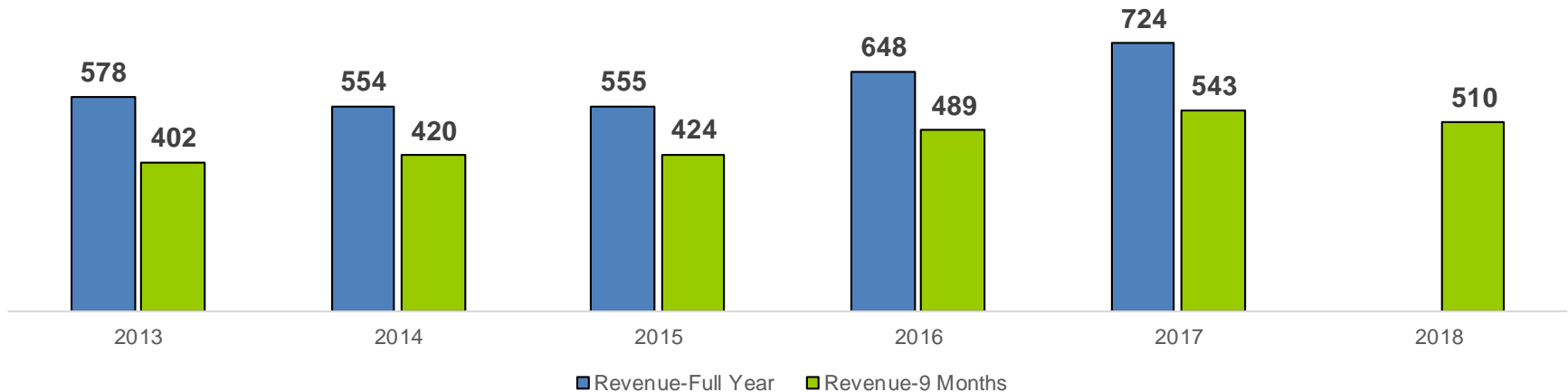
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# Financial Highlights

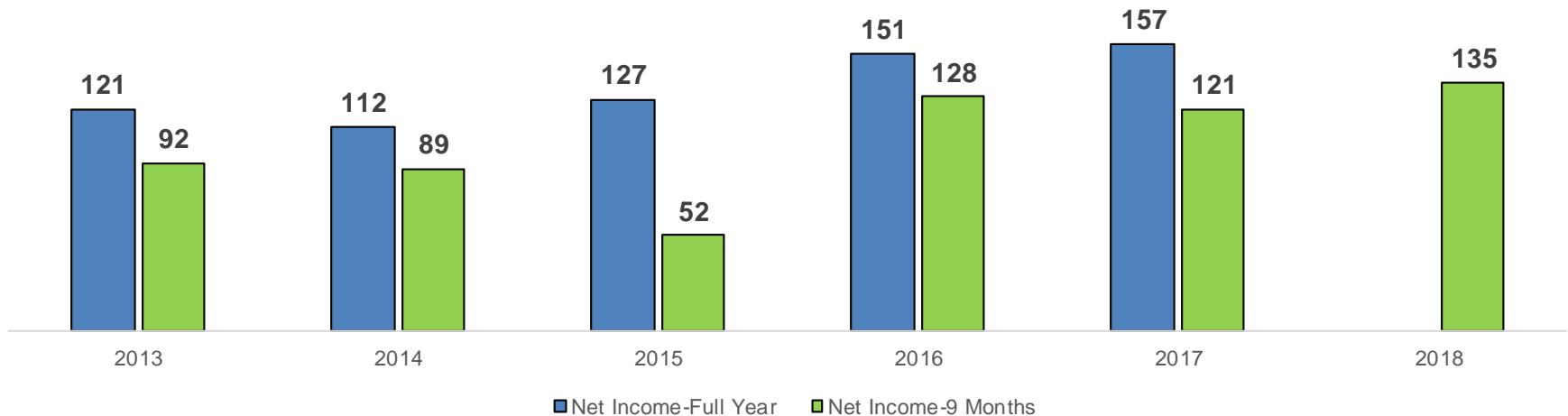


# Distribution Revenue and Net Income Growth (\$ in Millions)

- Distribution Revenue grew at a CAGR of 5.8%



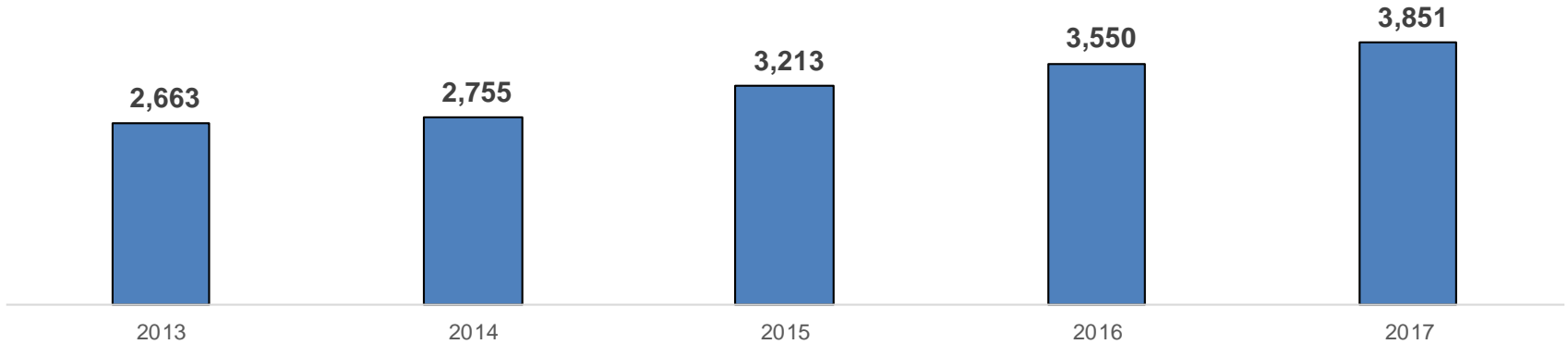
- Net Income grew at a CAGR of 6.7%



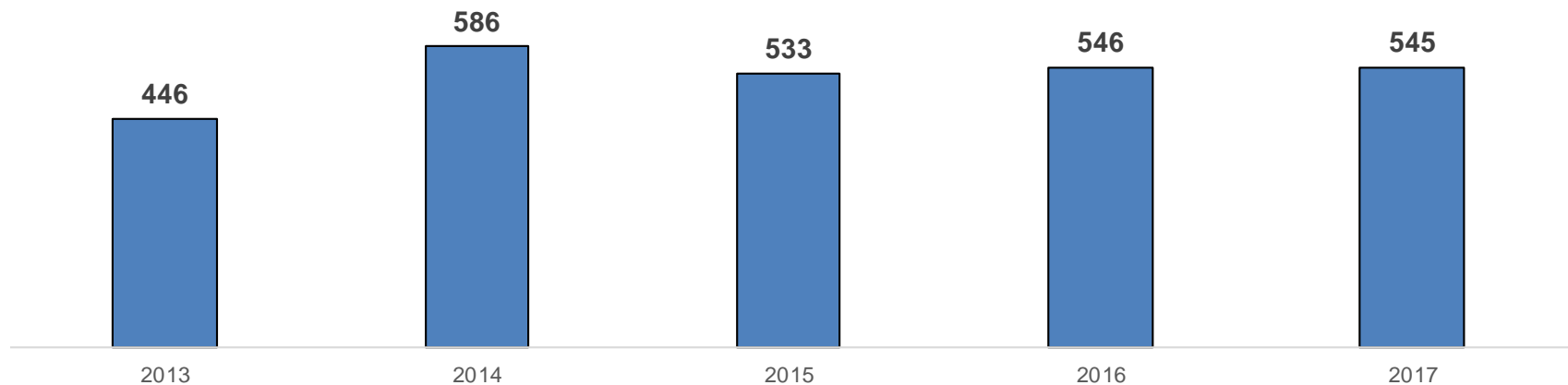
Numbers up to 2014 are based on US GAAP and numbers beyond 2014 are based on IFRS accounting standards

# Rate Base and Capital Expenditures (\$ in Millions)

- THESL Rate Base grew at a CAGR of 9.6% over 2013-17, generating strong, consistent financials



- OEB approved funding for THESL's capital expenditure programs of over \$2 B for 2015-19



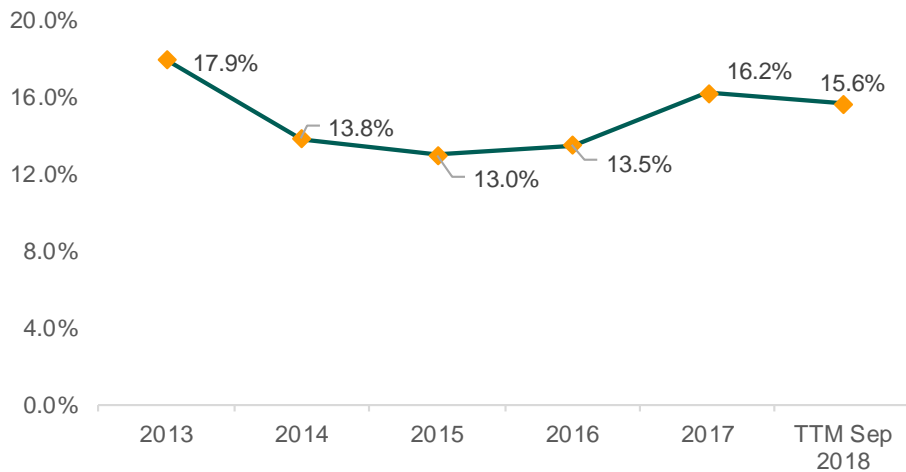
Numbers up to 2014 are based on US GAAP and numbers beyond 2014 are based on IFRS accounting standards

# Stable Credit Ratings

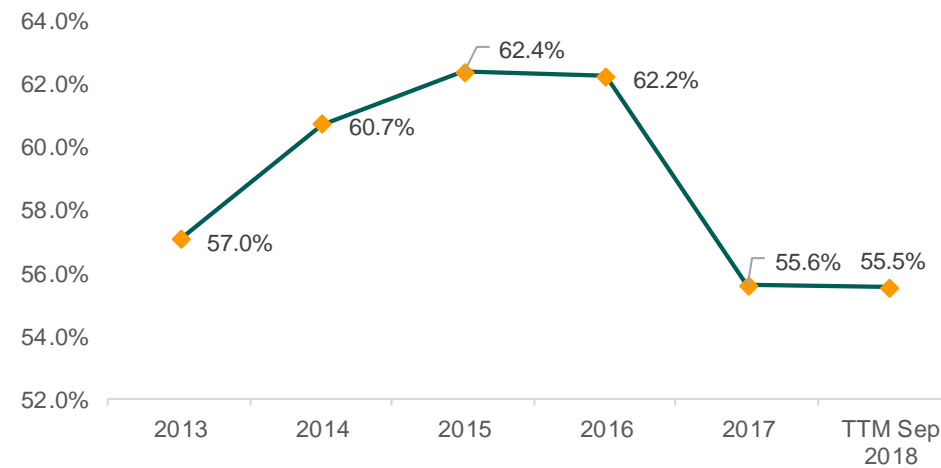
- DBRS and S&P affirmed Toronto Hydro's Long Term Issuer Ratings at A, with Stable outlook in 2018

Rating Agency	Issuer Rating	Long-Term Debt	Commercial Paper
DBRS	A / Stable	A / Stable	R-1 (Low)
S&P	A / Stable	A / -	- / -

**AFFO/Debt**



**Debt-to-Capitalization**



AFFO is calculated as EBITDA – Net financing charges – Current tax + Net movements in Regulatory Accounts. LTM stands for Last Twelve Months  
 Debt is calculated as the sum of Short-term and Long-term debt



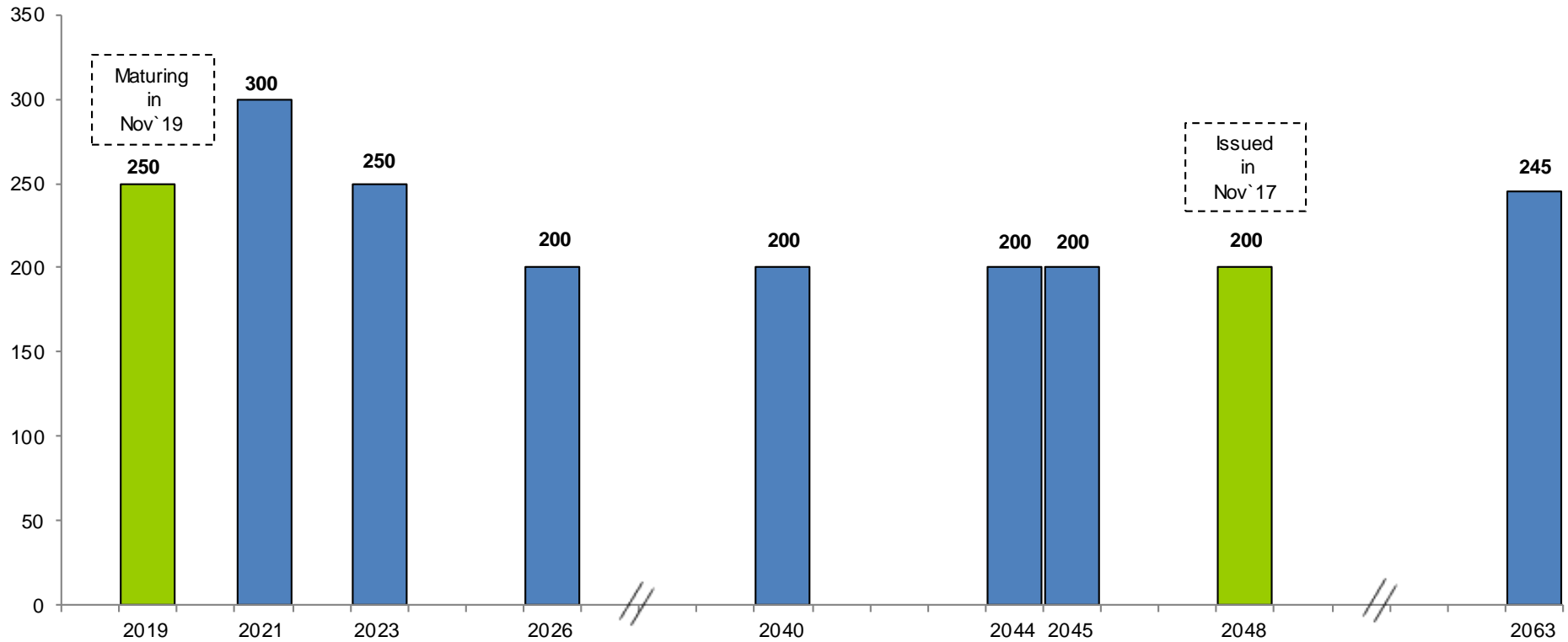
# Liquidity

- Toronto Hydro's treasury objective is to ensure sufficient liquidity is available to meet the needs of the business while minimizing financing costs
- The company also has a Commercial Paper Program backed by the revolving credit facility
  - Toronto Hydro's weighted average interest rate on its short-term debt of \$223M was 1.58% for the 9 months ending September 2018

<b>Liquidity as of Sept. 30, 2018</b>		
<b>Facility Type</b>	<b>Size</b>	<b>Availability</b>
Revolving Credit Facility (maturing Oct. 2023)	\$800M*	\$562M
Prudential Facility (LC)	\$75M	\$39.7M
Working Capital Facility	\$20M	\$20M
<b>Total</b>	<b>\$895M</b>	<b>\$621.7M</b>

\* Includes Commercial Paper Program, which has a limit of \$600M

# Debt Maturity Profile (\$ in Millions)



# Toronto Hydro in Summary

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## **Pure play in regulated local distribution**

- Electricity distribution accounts for 99% of Toronto Hydro's business

## **Strong franchise area**

- Serves Canada's largest city

## **Favourable customer mix**

- Recession-resistant and stable customer base
- Largest users include the City of Toronto, major universities, hospitals and office towers

## **Solid financial profile**

- Stable regulated earnings and cash flow

## **Stable regulatory environment**

- Monopoly electricity business

# Questions

A nighttime photograph of the Toronto skyline, featuring the CN Tower and numerous illuminated skyscrapers. The lights from the buildings are reflected in the water in the foreground. The sky is a deep blue, and the overall scene is vibrant and colorful.

## CONTACT INFORMATION

Toronto Hydro Corporation  
14 Carlton Street  
Toronto, Ontario  
M5B 1K5  
(416) 542-3000  
[investorrelations@torontohydro.com](mailto:investorrelations@torontohydro.com)