TORONTO HYDRO Corporation

SECOND QUARTER FINANCIAL REPORT
JUNE 30, 2024

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GLOSSARY

CDM – Conservation and demand management

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CIR – Custom Incentive Rate-setting

City – City of Toronto

Corporation – Toronto Hydro Corporation

CRRRVA – Capital-related revenue requirement variance account

Electricity Act – *Electricity Act, 1998* (Ontario), as amended

GHG – Greenhouse gases

GOCA - *Getting Ontario Connected Act, 2022*

HONI – Hydro One Networks Inc.

IAS – International Accounting Standard

IASB – International Accounting Standards Board

IESO – Independent Electricity System Operator

IFRS – International Financial Reporting Standards

kW – Kilowatt

LDC – Toronto Hydro-Electric System Limited

LRAM – Lost revenue adjustment mechanism

MD&A – Management's Discussion and Analysis

MTN Program – The medium term note program established by the Corporation under which the Corporation issues debentures pursuant to a short form base shelf prospectus filed by the Corporation

OCI – Other comprehensive income

OEB – Ontario Energy Board

PP&E – Property, plant and equipment

REI – Renewable enabling investment

SEDAR+ – System for Electronic Data Analysis and Retrieval+

TH Energy – The Corporation’s wholly-owned subsidiary, Toronto Hydro Energy Services Inc

Toronto Hydro – Toronto Hydro Corporation and its subsidiaries

WMS – Wholesale Market Service

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2024 AND 2023

EXECUTIVE SUMMARY

- Net income after net movements in regulatory balances for the three and six months ended June 30, 2024 was $42.4 million and $76.3 million, respectively, compared to $36.2 million and $80.2 million for the comparable periods in 2023;
- Capital expenditures were primarily related to the renewal of the electricity infrastructure of LDC and were $217.2 million and $416.7 million for the three and six months ended June 30, 2024, respectively, compared to $183.2 million and $339.4 million for the comparable periods in 2023;
- On June 25, 2024, the terms of Howard Wetston, Heather Zordel, Michael Nobrega and Mary Ellen Richardson as directors of the Corporation ended;
- On June 26, 2024, City Council extended the appointment of David McFadden as member and chair of the Corporation's Board of Directors and also on the same date, appointed the following candidates to the Corporation's Board of Directors: Michael Eubanks, James Hinds, Ersilia Serafini, Sheila Block, Joyce McLean and Ken Neumann;
- On June 28, 2024, the City and the Corporation have agreed on the City making new equity investments in the Corporation totalling $300 million, including a one-time upfront special equity investment of $50 million by 2025 and multi-tranche annual equity contributions of $25 million over 10 years beginning in 2025. In addition to these equity investments, City Council has also approved amendments to the Corporation's Shareholder Direction, which set out targets for reduced dividends from the Corporation to the City for the period between 2025 and 2034;
- On July 16, 2024, S&P Global Ratings announced its decision to maintain the Corporation's issuer rating and senior unsecured debentures rating at "A" and revised the Corporation's issuer rating outlook from "stable" to "positive";
- On August 14, 2024, the Board of Directors of the Corporation approved the appointment of Jana Mosley as President and Chief Executive Officer, effective as of August 15, 2024; and
- On August 14, 2024, the Board of Directors of the Corporation declared a dividend in the amount of $21.0 million with respect to the third quarter of 2024 (third quarter of 2023 – $24.6 million), payable to the City by September 27, 2024.

INTRODUCTION

This MD&A should be read in conjunction with:

- the Corporation's unaudited condensed interim consolidated financial statements and accompanying notes as at and for the three and six months ended June 30, 2024 and 2023 (Interim Financial Statements), which were prepared in accordance with IAS 34 *Interim Financial Reporting*. The Interim Financial Statements have been prepared following the same accounting policies and methods of computation as those described in note 25 to the Corporation's audited consolidated financial statements as at and for the years ended December 31, 2023 and 2022 (2023 Annual Financial Statements);
- 2023 Annual Financial Statements;
- the Corporation's MD&A for the years ended December 31, 2023 and 2022 (2023 Annual MD&A), including the sections titled "Electricity Distribution – Industry Overview", "Corporate Developments – Toronto Hydro Climate Action Plan", "Share Capital", "Transactions with Related Parties", "Risk Management and Risk Factors" and "Material Accounting Policies", which remain substantially unchanged as at the date hereof, except as may be noted below or as updated in the Corporation's Interim Financial Statements; and
- 2023 Annual Information Form.

Copies of these documents are available on the SEDAR+ website at sedarplus.ca.

BUSINESS OF TORONTO HYDRO CORPORATION

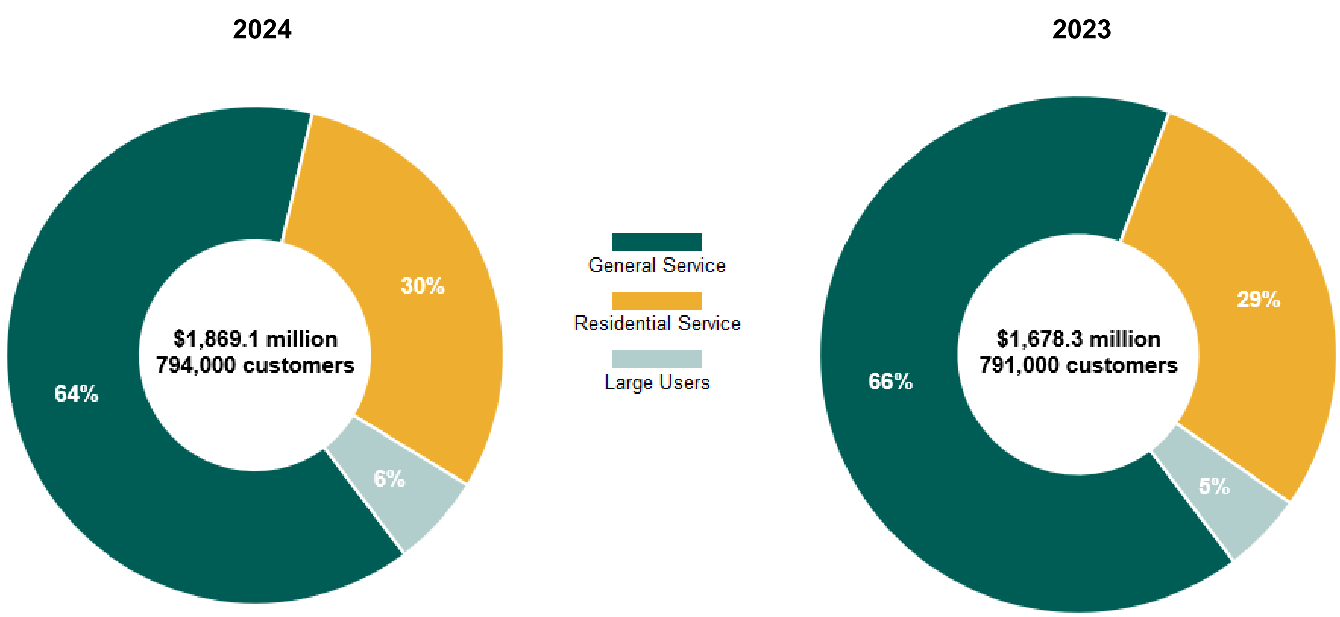
The Corporation is a holding company which wholly owns two subsidiaries:

- LDC – distributes electricity; and
- TH Energy – provides street lighting and expressway lighting services in the city of Toronto.

The Corporation supervises the operations of, and provides corporate, management services and strategic direction to its subsidiaries. The City is the sole shareholder of the Corporation.

The principal business of the Corporation and its subsidiaries is the distribution of electricity by LDC. LDC owns and operates an electricity distribution system that delivers electricity to approximately 794,000 customers located in the city of Toronto. LDC serves the largest city in Canada and distributes approximately 18% of the electricity consumed in Ontario. The business of LDC is regulated by the OEB, which has broad powers relating to licensing, standards of conduct and service, and the regulation of electricity distribution rates charged by electricity distributors in Ontario. For the six months ended June 30, 2024, LDC recognized energy sales and distribution revenue of $1,869.1 million from general service users[1], residential service users[2] and large users[3].

LDC Energy Sales and Distribution Revenue by Class
Six months ended June 30, 2024 and 2023



[1] "General Service" means a service supplied to premises other than those receiving "Residential Service" and "Large Users" and typically includes small businesses and bulk-metered multi-unit residential establishments. This service is provided to customers with a monthly peak demand of less than 5,000 kW averaged over a 12-month period.

[2] "Residential Service" means a service that is for domestic or household purposes, including single family or individually metered multi-family units and seasonal occupancy.

[3] "Large Users" means a service provided to a customer with a monthly peak demand of 5,000 kW or greater averaged over a 12-month period.

RESULTS OF OPERATIONS

Net Income after Net Movements in Regulatory Balances

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (in millions of Canadian dollars, unaudited)	Three months ended June 30,			
	2024 $	2023 $	Change $	Change %
Revenues				
Energy sales	**671.1**	640.8	30.3	4.7 %
Distribution revenue	**233.7**	207.9	25.8	12.4 %
Other	**30.4**	31.0	(0.6)	(1.9)%
	935.2	879.7	55.5	6.3 %
Expenses				
Energy purchases	**718.5**	661.4	57.1	8.6 %
Operating expenses	**91.2**	87.7	3.5	4.0 %
Depreciation and amortization	**70.2**	67.2	3.0	4.5 %
	879.9	816.3	63.6	7.8 %
Finance costs	**(33.8)**	(30.4)	(3.4)	11.2 %
Other gains	**—**	1.1	(1.1)	(100.0)%
Income before income taxes	**21.5**	34.1	(12.6)	(37.0)%
Income tax expense	**(6.3)**	(11.7)	5.4	(46.2)%
Net income	**15.2**	22.4	(7.2)	(32.1)%
Net movements in regulatory balances	**18.2**	3.2	15.0	>100%
Net movements in regulatory balances arising from deferred taxes	**9.0**	10.6	(1.6)	(15.1)%
Net income after net movements in regulatory balances	**42.4**	36.2	6.2	17.1 %

For the three months ended June 30, 2024, net income after net movements in regulatory balances was higher by $6.2 million. The increase was primarily due to higher distribution revenue ($25.8 million) and lower income taxes ($3.8 million), partially offset by higher amounts deferred into regulatory accounts ($11.8 million), higher operating expenses ($3.5 million), higher finance costs ($3.4 million) and higher depreciation and amortization ($3.0 million).

The variances in energy sales and energy purchases do not impact net income after net movements in regulatory balances as there is a corresponding offset in net movements in regulatory balances. The difference between energy sales and energy purchases is recorded as a settlement variance within regulatory balances on the Corporation's condensed interim consolidated balance sheets (Consolidated Balance Sheets) and represents amounts to be recovered from or refunded to customers through future rates approved by the OEB.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, unaudited)

	Six months ended June 30,			
	2024 $	2023 $	Change $	Change %
Revenues				
Energy sales	**1,410.2**	1,269.1	141.1	11.1 %
Distribution revenue	**458.9**	409.2	49.7	12.1 %
Other	**58.1**	58.3	(0.2)	(0.3)%
	1,927.2	1,736.6	190.6	11.0 %
Expenses				
Energy purchases	**1,450.2**	1,337.9	112.3	8.4 %
Operating expenses	**184.7**	175.3	9.4	5.4 %
Depreciation and amortization	**141.7**	135.2	6.5	4.8 %
	1,776.6	1,648.4	128.2	7.8 %
Finance costs	**(67.8)**	(57.7)	(10.1)	17.5 %
Other gains	**—**	35.2	(35.2)	(100.0)%
Income before income taxes	**82.8**	65.7	17.1	26.0 %
Income tax expense	**(13.2)**	(24.7)	11.5	(46.6)%
Net income	**69.6**	41.0	28.6	69.8 %
Net movements in regulatory balances	**(10.5)**	15.9	(26.4)	>100%
Net movements in regulatory balances arising from deferred taxes	**17.2**	23.3	(6.1)	(26.2)%
Net income after net movements in regulatory balances	**76.3**	80.2	(3.9)	(4.9)%

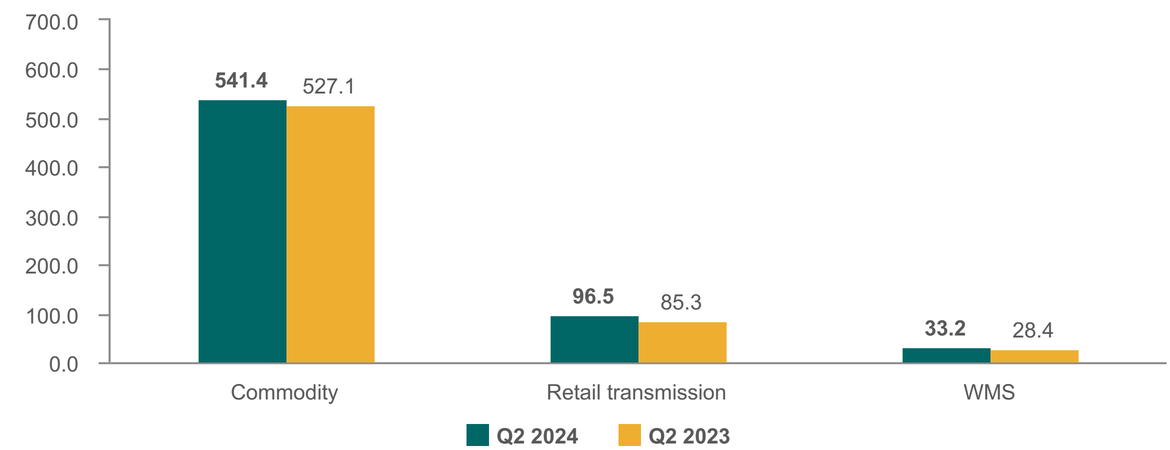
For the six months ended June 30, 2024, net income after net movements in regulatory balances was lower by $3.9 million. The decrease was primarily due to lower other gains ($35.2 million), higher finance costs ($10.1 million), higher operating expenses ($9.4 million) and higher depreciation and amortization expense ($6.5 million). These variances were partially offset by higher distribution revenue ($49.7 million), lower income taxes ($5.4 million) and lower amounts deferred into regulatory accounts ($2.4 million).

Energy Sales, Energy Purchases and Settlement Variances

Energy Sales

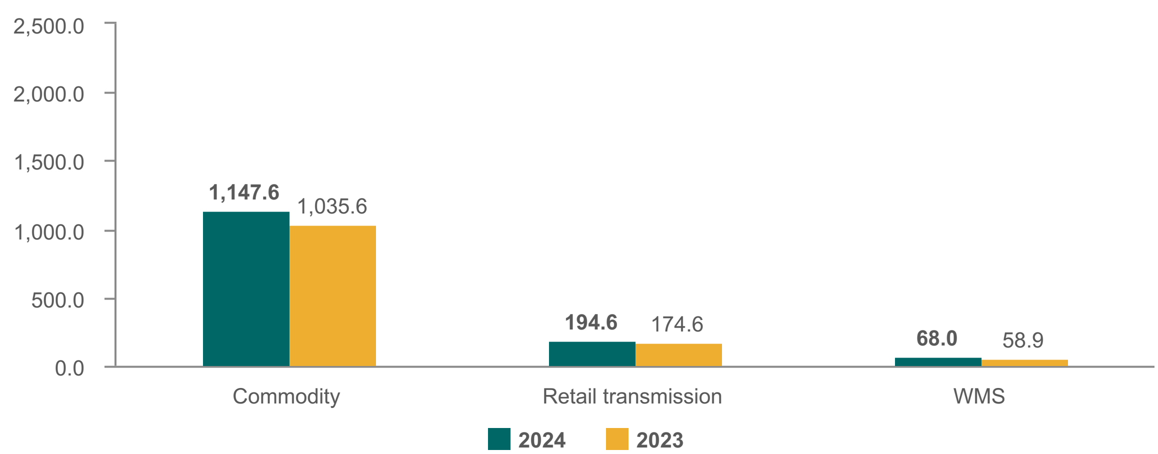
LDC's energy sales arise from charges to customers for electricity consumed, based on regulated rates. Energy sales include amounts billed or billable to customers for commodity charges, retail transmission charges, and WMS charges at current rates. These charges are passed through to customers over time and are considered revenue by LDC.

Energy sales for the three months ended June 30, 2024 and 2023 (in millions of Canadian dollars) were comprised of:



Energy sales for the three months ended June 30, 2024 were $671.1 million, compared to $640.8 million for the comparable period in 2023. The increase was due to higher commodity charges ($14.3 million), higher retail transmission charges ($11.2 million) and higher WMS charges ($4.8 million).

Energy sales for the six months ended June 30, 2024 and 2023 (in millions of Canadian dollars) were comprised of:

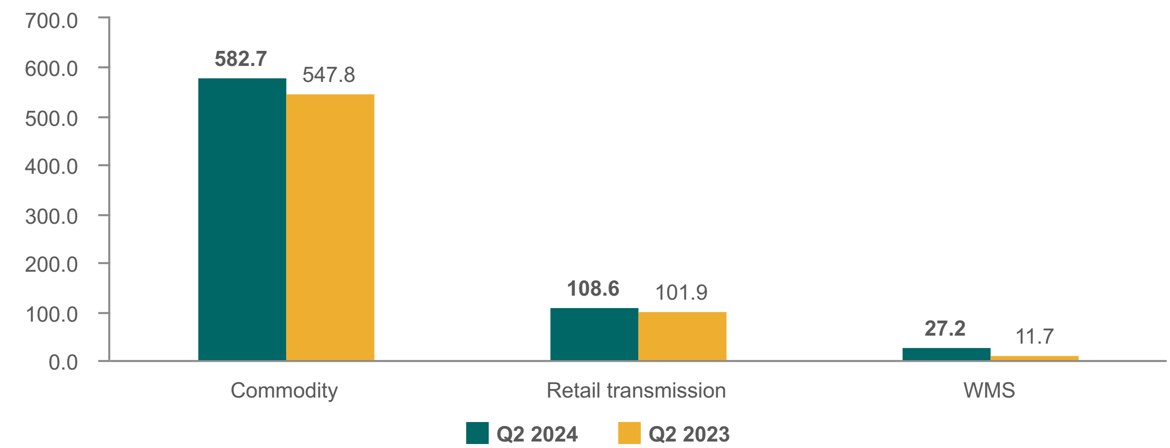


Energy sales for the six months ended June 30, 2024 were $1,410.2 million, compared to $1,269.1 million for the comparable period in 2023. The increase was due to higher commodity charges ($112.0 million), higher retail transmission charges ($20.0 million) and higher WMS charges ($9.1 million).

Energy Purchases

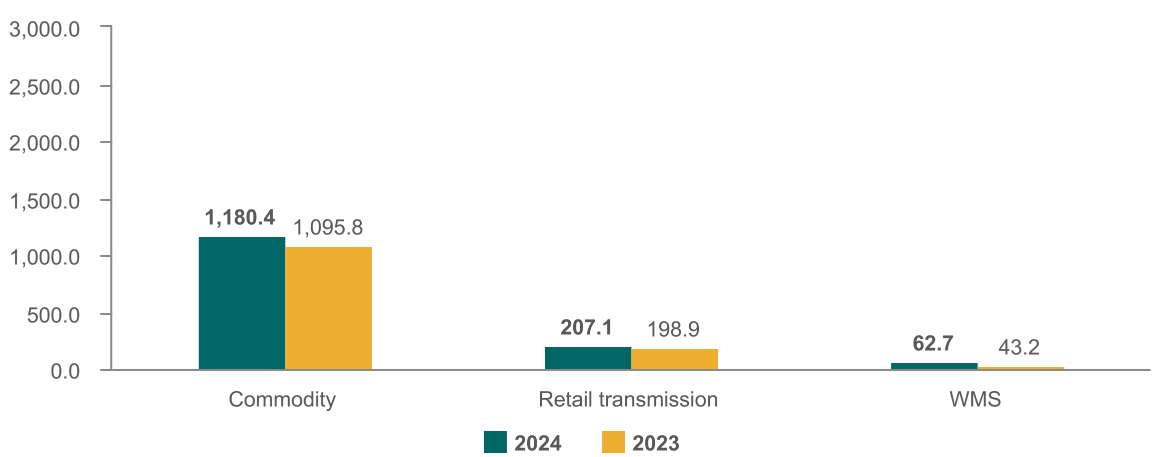
LDC's energy purchases consist of actual charges for electricity generated by third parties, which are passed through to customers over time in the form of energy sales. Energy purchases are billed monthly by the IESO and include commodity charges, retail transmission charges and WMS charges.

Energy purchases for the three months ended June 30, 2024 and 2023 (in millions of Canadian dollars) were comprised of:



Energy purchases for the three months ended June 30, 2024 were $718.5 million compared to $661.4 million for the comparable period in 2023. The increase was due to higher commodity charges ($34.9 million), higher WMS charges ($15.5 million) and higher retail transmission charges ($6.7 million).

Energy purchases for the six months ended June 30, 2024 and 2023 (in millions of Canadian dollars) were comprised of:



Energy purchases for the six months ended June 30, 2024 were $1,450.2 million compared to $1,337.9 million for the comparable period in 2023. The increase was due to higher commodity charges ($84.6 million), higher WMS charges ($19.5 million) and higher retail transmission charges ($8.2 million).

Settlement Variances

(millions of Canadian dollars)	Three months ended June 30, 2024 $	Three months ended June 30, 2023 $	Six months ended June 30, 2024 $	Six months ended June 30, 2023 $
Commodity charges	**(41.3)**	(20.7)	**(32.8)**	(60.2)
Retail transmission charges	**(12.1)**	(16.6)	**(12.5)**	(24.3)
WMS charges	**6.0**	16.7	**5.3**	15.7
Total	**(47.4)**	(20.6)	**(40.0)**	(68.8)

Settlement variances arise when there is a difference between energy sales and energy purchases. For any given period, energy sales should be equal to the cost of energy purchased, however a settlement variance arises when there is a timing difference between the amounts charged by LDC to customers, based on regulated rates, and the electricity and non-competitive electricity service costs billed monthly by the IESO to LDC. These settlement variances represent amounts to be recovered from or refunded to customers through future rates approved by the OEB. In accordance with IFRS 14 *Regulatory Deferral Accounts* (IFRS 14), this settlement variance is presented within regulatory balances on the Corporation's Consolidated Balance Sheets and within net movements in regulatory balances on the Corporation's condensed interim consolidated Statements of Income (Consolidated Statements of Income).

For the three months ended June 30, 2024, LDC recognized $671.1 million in energy sales to customers and was billed $718.5 million for energy purchases from the IESO. The difference between energy sales and energy purchases represents a $47.4 million settlement variance for the period. The settlement variance was recorded as an increase to the regulatory debit balance ($49.1 million including carrying charges on the accumulated settlement variance balance) on the Consolidated Balance Sheets, and presented within net movements in regulatory balances on the Consolidated Statements of Income.

For the six months ended June 30, 2024, LDC recognized $1,410.2 million in energy sales to customers and was billed $1,450.2 million for energy purchases from the IESO. The difference between energy sales and energy purchases represents a $40.0 million settlement variance for the period. The settlement variance was recorded as an increase to the regulatory debit balance ($44.0 million including carrying charges on the accumulated settlement variance balance) on the Consolidated Balance Sheets, and presented within net movements in regulatory balances on the Consolidated Statements of Income.

Distribution Revenue

Distribution revenue is recorded based on OEB-approved distribution rates to recover the costs incurred by LDC in delivering electricity to customers and includes revenue collected through OEB-approved rate riders. Distribution revenue for the three and six months ended June 30, 2024 was $233.7 million and $458.9 million, respectively, compared to $207.9 million and $409.2 million for the comparable periods in 2023.

The increase of $25.8 million in distribution revenue compared to the prior comparable period for the three months ended June 30, 2024 was driven by higher revenue collected through OEB-approved rate riders ($12.5 million), higher 2024 distribution rates ($10.0 million) and higher electricity consumption ($3.3 million).

The increase of $49.7 million in distribution revenue compared to the prior comparable period for the six months ended June 30, 2024 was driven by higher revenue collected through OEB-approved rate riders ($25.4 million), higher 2024 distribution rates ($21.4 million) and higher electricity consumption ($2.9 million).

Other Revenue

Other revenue includes revenue from services ancillary to electricity distribution, delivery of street lighting services, pole and duct rentals, other regulatory service charges and capital contributions.

Other revenue for the three and six months ended June 30, 2024 was $30.4 million and $58.1 million, respectively, compared to $31.0 million and $58.3 million for the comparable periods in 2023. Other revenue for the three and six months ended June 30, 2024 was in line with the comparable periods in 2023.

Operating Expenses

Operating expenses for the three and six months ended June 30, 2024 were $91.2 million and $184.7 million, respectively, compared to $87.7 million and $175.3 million for the comparable periods in 2023.

The increase of $3.5 million and $9.4 million for the three and six months ended June 30, 2024 was primarily due to higher administrative expenses and higher system maintenance costs, partially offset by lower bad debts and lower costs in connection with ancillary services.

Depreciation and Amortization

Depreciation and amortization expense, which includes losses on the derecognition of assets removed from service, for the three and six months ended June 30, 2024 was $70.2 million and $141.7 million, respectively, compared to $67.2 million and $135.2 million for the comparable periods in 2023.

The increase of $3.0 million in depreciation and amortization expense for the three months ended June 30, 2024 was primarily due to in-service asset additions, partially offset by certain assets being fully depreciated and lower losses on the derecognition of assets removed from service.

The increase of $6.5 million in depreciation and amortization expense for the six months ended June 30, 2024 was primarily due to in-service asset additions and higher losses on the derecognition of assets removed from service, partially offset by certain assets being fully depreciated.

Finance Costs

Finance costs for the three and six months ended June 30, 2024 were $33.8 million and $67.8 million, respectively, compared to $30.4 million and $57.7 million for the comparable periods in 2023.

The increase of $3.4 million in finance costs for the three months ended June 30, 2024 was primarily due to a higher average amount of outstanding debentures, partially offset by lower average amounts of funding from commercial paper with a weighted average interest rate of 5.09% (compared to 4.72% for the comparable period in 2023) and an increase in interest income due to higher short-term interest rates.

The increase in $10.1 million finance costs for the six months ended June 30, 2024 was primarily due to a higher average amount of outstanding debentures, higher average amounts of funding from commercial paper with a weighted average interest rate of 5.14% (compared to 4.66% for the comparable period in 2023), partially offset by an increase in interest income due to higher short-term interest rates.

Other gains

Other gains for the three and six months ended June 30, 2024 were $nil and $nil, respectively, compared to $1.1 million and $35.2 million for the comparable periods in 2023. The decrease of $1.1 million and $35.2 million in other gains for the three and six months ended June 30, 2024 was mainly due to the variable consideration receivable in relation to the disposition of properties by LDC in prior years upon achievement of conditions which did not reoccur.

Income Tax Expense and Income Tax Recorded in Net Movements in Regulatory Balances

Income tax recovery and income tax recorded in net movements in regulatory balances for the three and six months ended June 30, 2024 was $2.7 million and $4.0 million, respectively, compared to an expense of $1.1 million and $1.4 million for the comparable periods in 2023.

The decrease in income tax expense and income tax recorded in net movements in regulatory balances for the three months ended June 30, 2024 was primarily due to higher net deductions in permanent and temporary differences between accounting and tax treatments, partially offset by higher income before taxes.

The decrease in income tax expense and income tax recorded in net movements in regulatory balances for the six months ended June 30, 2024 was primarily due to tax recognized in 2023 on the realized gains related to the disposition of properties in prior years and lower income before taxes, partially offset by lower net deductions in permanent and temporary differences between accounting and tax treatments.

Net Movements in Regulatory Balances

In accordance with IFRS 14, the Corporation separately presents regulatory balances and related net movements on the Consolidated Balance Sheets and the Consolidated Statements of Income.

The increase in the regulatory debit ($18.4 million) and increase in the regulatory credit ($21.0 million) balances for the six months ended June 30, 2024 equals the sum of ($2.6 million) of net movements in regulatory balances, net movements in regulatory balances arising from deferred taxes and net movements in regulatory balances related to OCI for the period (refer to discussion under “Financial Position”). Energy purchases record the actual cost of power purchased, which varies from month to month. Since the selling price of power within energy sales is fixed for set periods of time, a gain or loss usually results and is part of the calculation of net income. However, per OEB regulations, such gains or losses on energy sales are deferred within regulatory variance accounts for later disposition to or from rate payers via rate riders after approval by the OEB. Deferrals of gains or losses on energy sales (refer to discussion on settlement variance under “Results of Operations”), or disposition of past deferrals in electricity rates will usually represent the largest single element of the net movements in regulatory balances for a given period.

The net movements in regulatory balances for the three and six months ended June 30, 2024 were $18.2 million and ($10.5 million), respectively, compared to $3.2 million and $15.9 million for the comparable periods in 2023.

The net movements in regulatory balances of $18.2 million for the three months ended June 30, 2024 was primarily due to the settlement variance between the electricity costs billed monthly by the IESO and LDC’s billing to customers, partially offset by changes to the useful lives of PP&E and amounts disposed through OEB-approved rate riders. The net movements in regulatory balances of $3.2 million for the three months ended June 30, 2023 was primarily due to the settlement variance between the electricity costs billed monthly by the IESO and LDC’s billing to customers, partially offset by changes to the useful lives of PP&E, gain on disposals resulting from variable consideration in connection with the disposal of properties in prior years and amounts disposed through OEB-approved rate riders.

The net movements in regulatory balances of ($10.5 million) for the six months ended June 30, 2024 was primarily due to the changes to the useful lives of PP&E and amounts disposed through OEB-approved rate riders, partially offset by the settlement variance between the electricity costs billed monthly by the IESO and LDC’s billing to customers and amounts being deferred into capital related regulatory accounts. The net movements in regulatory balances of $15.9 million for the six months ended June 30, 2023 was primarily due to the settlement variance between the electricity costs billed monthly by the IESO and LDC’s billing to customers and amounts disposed through OEB-approved rate riders, partially offset by gain on disposals resulting from deferred variable consideration in connection with the disposal of properties in prior years and changes to the useful lives of PP&E.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The table below presents a summary of Toronto Hydro's results of operations for eight quarters including and immediately preceding June 30, 2024.

(millions of Canadian dollars)	June 30, 2024 $	March 31, 2024 $	December 31, 2023 $	September 30, 2023 $
Energy sales	**671.1**	739.1	691.4	726.8
Distribution revenue	**233.7**	225.2	210.4	219.9
Other	**30.4**	27.7	32.6	27.8
Revenues	**935.2**	992.0	934.4	974.5
Net income after net movements in regulatory balances	**42.4**	33.9	20.4	39.3

(millions of Canadian dollars)	June 30, 2023 $	March 31, 2023 $	December 31, 2022 $	September 30, 2022 $
Energy sales	640.8	628.3	601.7	815.3
Distribution revenue	207.9	201.3	185.4	194.8
Other	31.0	27.3	32.0	26.2
Revenues	879.7	856.9	819.1	1,036.3
Net income after net movements in regulatory balances	36.2	44.0	16.0	55.0

Toronto Hydro's revenues, all other things being equal, are impacted by temperature fluctuations and unexpected weather conditions, including increased frequency of extreme weather events as a result of climate change, such as heat waves, intense rain events, snow storms and higher average temperatures. Generally, revenues would tend to be higher in the first quarter as a result of higher energy consumption for winter heating, and in the third quarter due to air conditioning/ cooling. Toronto Hydro's revenues are also impacted by fluctuations in electricity prices and the timing and recognition of regulatory decisions.

FINANCIAL POSITION

The following table outlines the significant changes in the Consolidated Balance Sheet as at June 30, 2024 as compared to December 31, 2023.

Balance Sheet Account (in millions of Canadian dollars)	Increase (Decrease) $	Explanation of Significant Change
Assets		
Cash and cash equivalents	**9.3**	The increase was due to expansion security deposits received on the last business day in June 2024.
Accounts receivable and unbilled revenue	**13.2**	The increase was primarily due to the reclassification of the variable consideration receivable in relation to the disposition of a property in a prior year, partially offset by timing of billing and collection activities.
Other assets	**(105.3)**	The decrease was primarily due to the legal settlement (refer to “Legal Proceedings”) and the variable consideration receivable in relation to the disposition of a property in a prior year which has been reclassified to accounts receivable and unbilled revenue.
PP&E and intangible assets	**273.8**	The increase was largely due to capital expenditures (refer to “Investing Activities”).
Liabilities and Equity		
Commercial paper	**174.0**	The increase was due to the issuances of commercial paper required for general corporate purposes (refer to “Liquidity and Capital Resources”).
Accounts payable and accrued liabilities	**(82.8)**	The decrease was primarily due to the legal settlement (refer to “Legal Proceedings”).
Deferred revenue	**75.0**	The increase was mainly due to capital contributions received.
Post-employment benefits	**(11.3)**	The decrease was primarily due to the remeasurement of the benefit obligation to reflect the change in the discount rate assumption to 5.0% from 4.6% as at June 30, 2024.
Deferred tax liabilities	**13.4**	The increase was driven by lower tax values as compared to accounting values of PP&E and intangible assets and the impact of the actuarial gain on post-employment benefits.

Balance Sheet Account (in millions of Canadian dollars)	Increase (Decrease) $	Explanation of Significant Change
Retained earnings	**34.3**	The increase was due to net income after net movements in regulatory balances ($76.3 million), net of dividends paid ($42.0 million).
Regulatory Balances		
Regulatory debit balances	**18.4**	The increase was primarily related to settlement variances between the electricity costs billed monthly by the IESO and LDC's billing to customers and an increase in deferred taxes, partially offset by the amounts disposed through OEB-approved rate riders.
Regulatory credit balances	**21.0**	The increase was primarily due to changes in useful lives of PP&E and an actuarial gain resulting from the remeasurement of the post-employment benefit obligation to reflect the change in discount rate, partially offset by amounts disposed through OEB-approved rate riders.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation is a party to a fourth amended and restated credit agreement dated November 17, 2023 (Credit Agreement) with a syndicate of Canadian chartered banks which provides for a revolving credit facility in an amount up to $1.0 billion (Revolving Credit Facility), of which up to $210.0 million is available in the form of letters of credit. Pursuant to the Credit Agreement, the maturity date of the Revolving Credit Facility was extended from September 17, 2027 to September 18, 2028. As at June 30, 2024, the Corporation was in compliance with all covenants included in its Revolving Credit Facility.

The Corporation has a commercial paper program allowing unsecured short-term promissory notes (Commercial Paper Program) to be issued in various maturities of no more than one year. The Commercial Paper Program is supported by liquidity facilities available under the Revolving Credit Facility; hence, available borrowing under the Revolving Credit Facility is reduced by the amount of commercial paper outstanding at any point in time. Proceeds from the Commercial Paper Program are used for general corporate purposes. Borrowings under the Commercial Paper Program bear interest based on the prevailing market conditions at the time of issuance.

Additionally, the Corporation is a party to a $100.0 million demand facility with a Canadian chartered bank for the purpose of issuing letters of credit. As at June 30, 2024, letters of credit totalling $52.8 million had been issued under this facility (December 31, 2023 – $51.3 million).

The Corporation is a party to a $20.0 million demand facility with a Canadian chartered bank for the purpose of working capital management (Working Capital Facility). As at June 30, 2024, no amounts had been drawn under the Working Capital Facility, compared to $7.3 million as at December 31, 2023. On the condensed interim consolidated statements of cash flows, cash and cash equivalents (working capital balances) includes bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management.

The Corporation's current assets and current liabilities amounted to $595.6 million and $1,172.6 million, respectively, as at June 30, 2024, resulting in a working capital deficit of $577.0 million. The deficit was primarily attributable to the Corporation's preference for utilizing its Commercial Paper Program and Working Capital Facility. The Corporation seeks to maintain an optimal mix of short-term and long-term debt in order to lower overall financing costs and to enhance borrowing flexibility.

The Corporation's primary sources of liquidity and capital resources are cash provided by operating activities, issuance of commercial paper, amounts available to be drawn against its credit facilities, and borrowings from debt capital markets. The Corporation's liquidity and capital resource requirements are mainly for capital expenditures to maintain and improve the electricity distribution system of LDC, for energy purchases and to refinance debt obligations at maturity.

The amount available under the Revolving Credit Facility and the Commercial Paper Program are as follows:

(millions of Canadian dollars)	Revolving Credit Facility Limit $	Commercial Paper Outstanding $	Revolving Credit Facility Availability $
Balance as at June 30, 2024	**1,000.0**	**595.0**	**405.0**
Balance as at December 31, 2023	1,000.0	421.0	579.0

As at June 30, 2024 and December 31, 2023, there were no borrowings under the Revolving Credit Facility.

The table below represents condensed interim consolidated statements of cash flow data for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(millions of Canadian dollars)	2024 $	2023 $	2024 $	2023 $
Working capital facility, beginning of period	**(2.0)**	(1.7)	**(7.3)**	(12.8)
Net cash provided by operating activities	**205.3**	144.9	**379.8**	273.6
Net cash used in investing activities	**(208.0)**	(174.6)	**(422.6)**	(352.7)
Net cash provided by financing activities	**14.0**	30.3	**59.4**	90.8
Cash and cash equivalents (working capital facility), end of period	**9.3**	(1.1)	**9.3**	(1.1)

Operating Activities

Net cash provided by operating activities for the three and six months ended June 30, 2024 was $205.3 million and $379.8 million, respectively, compared to $144.9 million and $273.6 million for the comparable periods in 2023.

The increase in net cash provided by operating activities for the three months ended June 30, 2024 was primarily due to timing differences in settlement receivables and payables and higher capital contributions received, partially offset by lower net income before net movements in regulatory balances, lower net other non-current assets and liabilities and lower customer deposits.

The increase in net cash provided by operating activities for the six months ended June 30, 2024 was primarily due to higher other current assets, higher net income before net movements in regulatory balances and higher capital contributions received, partially offset by timing differences in settlement receivables and payables, lower customer deposits and lower net other non-current assets and liabilities.

Investing Activities

Net cash used in investing activities for the three and six months ended June 30, 2024 was $208.0 million and $422.6 million, respectively, compared to $174.6 million and $352.7 million for the comparable periods in 2023.

Electricity distribution is a capital-intensive business. As LDC is the municipal electricity distribution company serving the largest city in Canada, it continues to invest in the renewal of existing aging infrastructure to address safety, reliability and customer service requirements.

The following table summarizes the Corporation’s capital expenditures (on an accrual basis) for the periods indicated.

	Three months ended June 30,		Six months ended June 30,	
(millions of Canadian dollars)	2024 $	2023 $	2024 $	2023 $
Regulated LDC				
Distribution system				
Planned [1]	**180.9**	144.7	**343.3**	269.5
Reactive [2]	**15.7**	14.2	**28.9**	27.5
Technology assets	**13.4**	17.3	**28.7**	28.6
Other [3]	**4.3**	6.0	**11.5**	11.1
Regulated capital expenditures	**214.3**	182.2	**412.4**	336.7
Unregulated capital expenditures [4]	**2.9**	1.0	**4.3**	2.7
Total capital expenditures	**217.2**	183.2	**416.7**	339.4

[1] Includes, among other initiatives, the replacement of overhead and underground infrastructures, station programs, delivery of customer connections, customer-initiated plant relocations, expansions and metering.
[2] Non-discretionary replacement of failed or failing assets across the distribution system.
[3] Includes fleet capital and building enhancements.
[4] Primarily relates to street lighting, behind-the-meter battery storage projects and generation equipment.

The total regulated capital expenditures for the three and six months ended June 30, 2024 were $214.3 million and $412.4 million, respectively, compared to $182.2 million and $336.7 million for the comparable periods in 2023.

For the three months ended June 30, 2024, the increase of $32.1 million in regulated capital expenditures was primarily due to higher spending on customer connections ($13.3 million), replacement of overhead infrastructure ($10.8 million), replacement of underground infrastructure ($8.2 million) and metering ($4.3 million). The variances were partially offset by lower spending on technology assets ($4.0 million).

For the six months ended June 30, 2024, the increase of $75.7 million in regulated capital expenditures was primarily due to higher spending on replacement of overhead infrastructure ($25.6 million), replacement of underground infrastructure ($19.6 million), customer connections ($15.1 million), station programs ($8.5 million) and metering ($5.4 million).

The largest capital initiatives in 2024 include the delivery of customer connections, replacement of overhead and underground infrastructures and customer-initiated plant relocations and expansions.

The delivery of customer connections includes spending related to new service and upgrades to existing service for specific commercial customers. For the six months ended June 30, 2024, capital expenditures for the delivery of customer connections were $82.8 million.

The replacement of overhead infrastructure includes replacing poles, overhead transformers, conductors, overhead switches and other aging overhead infrastructure and equipment. The replacement of underground infrastructure includes replacing direct buried cables, transformers, switches and other aging underground infrastructure. Both initiatives will allow LDC to continue to provide ongoing safe and reliable service to its customers. For the six months ended June 30, 2024, capital expenditures for overhead and underground infrastructure were $66.2 million and $65.1 million, respectively.

Customer-initiated plant relocations and expansions include relocating infrastructure to accommodate construction by third parties. For the six months ended June 30, 2024, capital expenditures for customer-initiated plant relocations and expansions were $33.4 million.

Financing Activities

Net cash from financing activities for the three and six months ended June 30, 2024 was $14.0 million and $59.4 million, respectively, compared to $30.3 million and $90.8 million for the comparable periods in 2023.

The decrease in net cash provided by financing activities for the three and six months ended June 30, 2024 was primarily due to lower net commercial paper issuances in 2024.

As at June 30, 2024, the Corporation had debentures outstanding in the principal amount of $2.9 billion. These debentures will mature between 2026 and 2063. As at June 30, 2024, the Corporation was in compliance with all covenants included in its trust indenture and supplemental trust indentures.

The following table sets out the currently applicable credit ratings.

	DBRS		S&P Global Ratings	
	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	A	Stable	A	Positive
Senior unsecured debentures	A	Stable	A	—
Commercial paper	R-1 (low)	Stable	—	—

On April 25, 2024, DBRS confirmed the Corporation’s issuer rating and senior unsecured debentures rating at “A” and the Corporation’s commercial paper rating at R-1 (low), each with stable trends.

On July 16, 2024, S&P Global Ratings announced its decision to maintain the Corporation’s issuer rating and senior unsecured debentures rating at “A” and revised the Corporation’s issuer rating outlook from “stable” to “positive”.

The Corporation believes that it has sufficient available sources of liquidity and capital to satisfy working capital requirements for the next 12 months.

Dividends

On February 28, 2024, the Board of Directors of the Corporation declared a quarterly dividend in the amount of $21.0 million with respect to the first quarter of 2024 (first quarter of 2023 – $24.6 million), paid to the City on March 28, 2024.

On May 8, 2024, the Board of Directors of the Corporation declared a quarterly dividend in the amount of $21.0 million with respect to the second quarter of 2024 (second quarter of 2023 – $24.6 million), paid to the City on June 28, 2024.

On August 14, 2024, the Board of Directors of the Corporation declared a quarterly dividend in the amount of $21.0 million with respect to the third quarter 2024 (third quarter of 2023 – $24.6 million), payable to the City by September 27, 2024.

Summary of Contractual Obligations and Other Commitments

The following table presents a summary of the Corporation’s debentures, major contractual obligations and other commitments.

(millions of Canadian dollars)	Total $	2024[1] $	2025 / 2026 $	2027 / 2028 $	After 2028 $
Commercial paper [2]	**595.0**	595.0	—	—	—
Debentures - principal repayment	**2,945.0**	—	200.0	200.0	2,545.0
Debentures - interest payments	**2,034.9**	54.3	217.5	207.5	1,555.6
Capital projects [3] and other	**8.5**	2.7	3.0	1.1	1.7
Total contractual obligations and other commitments	**5,583.4**	652.0	420.5	408.6	4,102.3

[1] Due over the period from July 1, 2024 to December 31, 2024.
[2] The notes under the Commercial Paper Program were issued at a discount and are repaid at their principal amount.
[3] Primarily relates to commitments for construction services.

CORPORATE DEVELOPMENTS

Changes to the Corporation’s Board of Directors and Senior Management Team

On June 25, 2024, the terms of Howard Wetston, Heather Zordel, Michael Nobrega and Mary Ellen Richardson as directors of the Corporation ended.

On June 26, 2024, City Council extended the appointment of David McFadden as member and chair of the Corporation’s Board of Directors and also on the same date, appointed the following candidates to the Corporation’s Board of Directors: Michael Eubanks, James Hinds, Ersilia Serafini, Sheila Block, Joyce McLean and Ken Neumann.

On August 14, 2024, the Board of Directors of the Corporation approved the appointment of Jana Mosley as President and Chief Executive Officer, effective as of August 15, 2024.

New Equity Investment from the City

On June 28, 2024, the City and the Corporation have agreed on the City making new equity investments in the Corporation totalling $300 million, including a one-time upfront special equity investment of $50 million by 2025 and multi-tranche annual equity contributions of $25 million over 10 years beginning in 2025.

In addition to these equity investments, City Council has also approved amendments to the Corporation’s Shareholder Direction, which set out targets for reduced dividends from the Corporation to the City for the period between 2025 and 2034.

Subject to restriction, duties and obligations under law, targeted dividends payable by the Corporation to the City for each fiscal year stated below will be as follows (in millions of Canadian dollars):

Fiscal Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Targeted dividends	$60.0	$40.0	$20.0	$nil	$75.0	$nil	$nil	$nil	$75.0	$75.0

Electricity Distribution Rates

On December 19, 2019, the OEB issued its 2020-2024 CIR Decision and on February 20, 2020, the OEB issued its CIR Final Rate Order, both in relation to the rate application filed on August 15, 2018 (together, the 2020-2024 CIR Decision and Rate Order). The 2020-2024 CIR Decision and Rate Order approved funding for capital and operating expenditures of approximately $3.8 billion for the 2020-2024 period. The 2020-2024 CIR Decision and Rate Order approved subsequent annual rate adjustments based on a custom index for the period commencing on January 1, 2021 and ending on December 31, 2024.

On August 25, 2023, LDC filed the 2024 rate application seeking the OEB's approval to finalize distribution rates and other charges for the period commencing on January 1, 2024 and ending on December 31, 2024. On December 14, 2023, the OEB issued a decision and rate order approving LDC's 2024 rates and providing for other deferral and variance account dispositions.

On November 17, 2023, LDC filed a CIR application seeking the OEB's approval of electricity distribution rates and charges effective January 1, 2025, and subsequent annual rate adjustments based on a custom index specific to LDC for the period commencing on January 1, 2026 and ending on December 31, 2029. The application requests distribution rate increases necessary to fund a capital expenditures plan of approximately $3.9 billion and an operational expenditures plan of approximately $1.9 billion over the 2025-2029 period, subject to inflationary adjustments via a custom index. The rate application also seeks approval to include in LDC's rate base capital amounts that were incurred during the 2020-2024 period.

CDM Activities

The IESO is responsible for delivery of CDM programs; however, LDC remains responsible for its obligations under participant agreements with customers for many of the programs under its previous joint CDM plan with Oakville Hydro Electricity Distribution Inc. that were in effect before April 1, 2019. On June 10, 2021, the Government of Ontario issued ministerial directives to the IESO to extend the deadline by which participants were to complete the projects from June 30, 2021 to December 31, 2021, and on December 9, 2021, the deadline was further extended to August 31, 2022. The ministerial directives also allowed for the completion deadline to be further extended for participants who completed projects prior to December 31, 2022 to be eligible for funding upon submission of their claims, if certain conditions were met. Amounts received from the IESO for the funding of the projects under the participant agreements, but not yet spent, are presented on the Corporation's Consolidated Balance Sheets under current liabilities as deferred conservation credit.

On July 12, 2024, LDC received a notice from the IESO with regard to bringing the wind-down of the CDM programs to a close on July 31, 2024. LDC will follow the IESO's direction to close out and make payments for any eligible open projects, and provide the final reporting submission and payment to the IESO for any remaining pre-funding amounts outstanding.

LEGAL PROCEEDINGS

In the ordinary course of business, the Corporation and its subsidiaries are subject to various legal proceedings, actions and claims from customers, suppliers, regulators and other parties. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and could materially adversely affect the Corporation. As at the date hereof, the Corporation believes that none of these legal proceedings, actions and claims from customers, suppliers, regulators and other parties in which it is currently involved or has been involved since the beginning of the most recently completed financial year, would be expected to have a material adverse effect on the Corporation. On an ongoing basis, the Corporation and its subsidiaries assess the likelihood of any adverse judgments or outcomes as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after an analysis of each individual issue. The provision may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy. If damages were awarded under these actions, the Corporation and its subsidiaries would make a claim under any liability or other insurance policies, to the extent applicable, subject to such claim not being disputed by the insurers. Further details on legal proceedings that relate to the Corporation are set out below.

In December 2023, the Corporation's insurers entered into two agreements to settle prior legal actions directly with the claimants on the Corporation's behalf for a total of $90.0 million under the terms of the relevant insurance policies. In March 2024, the settlement of $90.0 million was paid by the Corporation's insurers directly to the claimants, which resulted in the derecognition of the settlement liability and corresponding settlement asset.

ENVIRONMENTAL MATTERS

During the quarter, an unknown third-party trespasser illegally broke into a transformer owned by LDC, causing oil to be released into a nearby catch basin and, potentially, a waterway. LDC is working cooperatively with the applicable regulators to review and assess the matter, and to address any potential impacts arising from this event. As with any release to the natural environment, potential regulatory and civil liabilities could result, and, at this time, it is not possible to accurately or reasonably assess or estimate the potential extent of any applicable costs, liabilities or other implications, if any, on LDC or on the Corporation.

CONTROLS AND PROCEDURES

For purposes of certain Canadian securities regulations, the Corporation is a "Venture Issuer". As such, it is exempt from certain requirements of National Instrument 52-109 – *Certification of Disclosure in Issuers*' Annual and Interim Filings. The CEO and CFO have reviewed the Interim Financial Statements and the MD&A for the three and six months ended June 30, 2024 and 2023. Based on their knowledge and exercise of reasonable diligence, they have concluded that these documents fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation as at the date of and for the period presented.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of the Corporation's Interim Financial Statements requires management to make judgments, estimates and assumptions which affect the application of accounting policies, reported assets, liabilities and regulatory balances, disclosure of contingent assets and liabilities at the date of the Interim Financial Statements, and the reported revenues and expenses for the period. The estimates are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities as well as for identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the IESO, the Ontario Ministry of Energy, or the Ontario Ministry of Finance. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

CHANGES IN ACCOUNTING STANDARDS

Classification of Liabilities as Current or Non-current (Amendments to IAS 1 Presentation of Financial Statements (IAS 1)

In January 2020, the IASB issued amendments to IAS 1 relating to the classification of liabilities as current or non-current. Specifically, the amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current - that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. This right may be subject to compliance with covenants. After reconsidering certain aspects of the 2020 amendments, in October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1), reconfirming that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively.

Effective January 1, 2024, the Corporation adopted these amendments, with no impact on the Interim Financial Statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

The IASB has issued a number of standards and amendments to existing standards that are not yet effective. The Corporation has determined that the following standard and amendments could have an impact on the Corporation's consolidated financial statements when adopted.

Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18), which replaces IAS 1 and introduces limited amendments to IAS 7 *Statement of Cash Flows* (IAS 7). IFRS 18 aims to improve communication of financial information in the financial statements, with a focus on information about financial performance in the statement of profit or loss. To meet this objective, IFRS 18 introduces additional defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures, and enhanced requirements for grouping (aggregation and disaggregation) of information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The standard is to be applied retrospectively.

The Corporation is currently assessing the impact of the above standard on the Corporation's consolidated financial statements.

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments (IFRS 9) and IFRS 7 Financial Instruments: Disclosures (IFRS 7))

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to the classification and measurement of financial Instruments. The amendments clarify that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specified criteria are met. Other clarifications include the classification of financial assets with environmental, social, and governance linked features and other similar contingent features, financial assets with non-recourse features, and contractually linked instruments. The amendments also introduce additional disclosures for financial instruments with contingent features and equity instruments designated at fair value through OCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. The amendments are to be applied retrospectively.

The Corporation is currently assessing the impact of the above amendments on the Corporation's consolidated financial statements.

FORWARD-LOOKING INFORMATION

Certain information included in this MD&A constitutes "forward-looking information" within the meaning of applicable securities legislation. 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", "can", "committed", "continual", "could", "estimates", "expects", "focus", "forecasts", "further notice", "future", "impact", "increasingly", "intends", "may", "might", "once", "plans", "propose", "projects", "schedule", "seek", "should", "trend", "will", "would", "objective", "ongoing", "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 purpose of the forward-looking information (including any financial outlook) contained herein is to provide the Corporation's current expectations regarding future results of operations, performance, business prospects and opportunities and readers are cautioned that such information may not be appropriate for other purposes. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation.

Specific forward-looking information in the MD&A includes, but is not limited to, the statements regarding: the settlement variance and other regulatory balance variances as described in the section entitled “Results of Operations”; the effect of changes in weather conditions and energy consumption on future revenue as described in the section entitled “Summary of Quarterly Results of Operations”; the statements regarding the change in useful lives under the section entitled “Net Movements in Regulatory Balances; the Corporation’s plans to lower overall financing costs and enhance borrowing flexibility as described in the section entitled “Liquidity and Capital Resources”; the planned capital expenditures, including the replacement of overhead and underground infrastructures, station programs, delivery of customer connections, customer initiated plant relocations, expansions and metering as described in the section entitled “Investing Activities”; the Corporation’s available sources of liquidity and capital resources and the sufficiency thereof to satisfy working capital requirements for the next 12 months as described in the section entitled “Financing Activities”; expectations with respect to increase in demand for electricity; the targeted dividends payable by the Corporation to the City for the years 2025 to 2034 as described in the section entitled “New Equity Investment from the City”; LDC following IESO’s direction to close out and make payments for any eligible open projects, and provide final reporting submission and payment to IESO for any remaining pre-funding amounts outstanding as described in the section entitled “CDM Activities”; receipt of the equity investments from the City of Toronto and payment of dividends to the City of Toronto as shareholder; any judgements, assumptions and estimates that management had to make in the preparation of the Interim Financial Statements as described in the section entitled “Use of Judgments and Estimates”; the Corporation’s assessment of the impact on adoption of the amendments to IAS 1, IFRS 7, IFRS 9 and IFRS 18, if any, as described in the sections entitled “Changes in Accounting Standards” and “Future Accounting Pronouncements”; the impact on Toronto Hydro’s operating results and financial position in the future due to uncertain economic factors, an elevated interest rate cost environment, and indeterminate levels of customer consumption; the Corporation’s reliance on debt financing through its MTN Program, Commercial Paper Program, Revolving Credit Facility or existing credit facilities to finance Toronto Hydro’s daily operations, repayment of existing indebtedness, and funding of capital expenditures; the continued ability of the Corporation to arrange sufficient and cost-effective debt financing in order to meet its short-term and long-term obligations; increases in liquidity risk due to reduced or delayed customer payments as a result of economic conditions; the impact on Toronto Hydro’s financial health and performance due to changes in economic policy, customer preference or technological conditions that reduce the demand for electricity; the effect of changes in interest rates and discount rates on future revenue requirements and future post-employment benefit obligations, respectively; risk that aging infrastructure may lead to potential hazards; and the expectation that none of the legal actions and claims as described in the section entitled “Legal Proceedings” would have a material adverse effect on the Corporation and the ability to claim under applicable liability insurance policies and/or pay any damages with respect to legal actions and claims as described in the section entitled “Legal Proceedings”.

The forward-looking information reflects the Corporation’s current beliefs and is based on information currently available to the Corporation. The forward-looking information is based on estimates and assumptions made by the Corporation’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 the Corporation, changes in funding requirements, the future course of the economy and financial markets, no unforeseen delays and costs in the Corporation’s capital projects, no unforeseen changes to project plans, no significant changes to the seasonal weather patterns in accordance with historical seasonal trends because of climate change, 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 the Corporation to obtain and retain qualified staff, materials, equipment and services in a timely and cost efficient manner, continued contractor performance, compliance with covenants, the receipt of favourable judgments, no unforeseen changes in electricity distribution rate orders or rate setting methodologies, no unfavourable changes in environmental regulation, the ratings issued by credit rating agencies, the level of interest rates and the Corporation’s ability to borrow and assumptions regarding general business and economic conditions.

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. The factors which could cause results or events to differ from current expectations include, but are not limited to, risks associated with the execution of LDC's capital and maintenance programs necessary to maintain the performance of aging distribution assets and make required infrastructure improvements, including to deliver a modernized grid and meet electrification requirements to achieve government net zero GHG emissions targets; risks associated with capital projects; risks associated with electricity industry regulatory developments and other governmental policy changes including factors relating to LDC's distribution activities and to climate change; risks associated with increased competition from regulated and unregulated entities; risk of external threats to LDC's facilities and operations posed by unexpected weather conditions caused by climate change and other factors; risks of changing government policy and regulatory requirements, including in respect of climate change and energy transition; risks associated with changing weather patterns due to climate change and resultant impacts to electricity consumption based on historical seasonal trends, terrorism and pandemics, and LDC's limited insurance coverage for losses resulting from these events; risks of municipal government activity, including the risk that the City could introduce rules, policies or directives, including those relating to net zero GHG emissions targets, that can potentially limit Toronto Hydro's ability to meet its business objectives as laid out in the Shareholder Direction principles; risks of being unable to retain necessary qualified external contracting forces relating to its capital, maintenance and reactive infrastructure program; risk that Toronto Hydro is not able to arrange sufficient and cost-effective debt financing to repay maturing debt and to fund capital expenditures and other obligations; risk that the Corporation is unable to maintain its financial health and performance at acceptable levels; risk that insufficient debt or equity financing will be available to meet the Corporation's requirements, objectives, or strategic opportunities; risk of downgrades to the Corporation's credit rating; risks related to the timing and extent of changes in prevailing interest rates and discount rates and their effect on future revenue requirements and future post-employment benefit obligations; risks arising from inflation, the course of the economy and other general macroeconomic factors; risk associated with the impairment to the Corporation's image in the community, public confidence or brand; risk associated with the Corporation failing to meet its material compliance obligations under legal and regulatory instruments; and risks associated with market expectations with respect to increase in demand for electricity.

The Corporation cautions the reader that the above list of factors is not exhaustive, and there may be other factors that cause actual events or results to differ materially from those described in forward-looking information. Some of the other factors are discussed more fully under the heading "Risk Factors" in the Corporation's 2023 Annual Information Form for the year ended December 31, 2023.

All forward-looking information in this document is qualified in its entirety by the above cautionary statements. Furthermore, unless otherwise stated, all forward-looking information contained herein is made as of the date hereof and the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise, except as required by law.

ADDITIONAL INFORMATION

Additional information with respect to the Corporation is available on the SEDAR+ website at sedarplus.ca.

Toronto, Canada

August 15, 2024

TORONTO HYDRO Corporation

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

See Second Quarter Financial Report for abbreviations and defined terms used in the unaudited condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars, unaudited)

	Note	As at June 30, 2024 $	As at December 31, 2023 $
ASSETS			
Current			
Cash and cash equivalents		**9.3**	—
Accounts receivable and unbilled revenue	*10(b)*	**550.0**	536.8
Income tax receivable		**2.0**	—
Materials and supplies		**11.3**	8.5
Other assets	*4*	**23.0**	106.6
Total current assets		**595.6**	651.9
Property, plant and equipment	*5*	**6,457.3**	6,201.0
Intangible assets	*6*	**413.7**	396.2
Other assets	*4*	**18.6**	40.3
Total assets		**7,485.2**	7,289.4
Regulatory balances	*7*	**323.5**	305.1
Total assets and regulatory balances		**7,808.7**	7,594.5
LIABILITIES AND EQUITY			
Current			
Working capital facility	*8*	**—**	7.3
Commercial paper	*8*	**595.0**	421.0
Accounts payable and accrued liabilities		**476.3**	559.1
Income tax payable		**—**	1.4
Customer deposits		**58.4**	60.0
Deferred revenue	*9*	**32.4**	28.8
Deferred conservation credit		**10.5**	10.9
Total current liabilities		**1,172.6**	1,088.5
Debentures	*10(a)*	**2,927.8**	2,927.2
Customer deposits		**51.4**	50.7
Deferred revenue	*9*	**939.5**	868.1
Post-employment benefits		**240.9**	252.2
Deferred tax liabilities		**123.1**	109.7
Other liabilities		**4.7**	4.7
Total liabilities		**5,460.0**	5,301.1
Equity			
Share capital		**817.8**	817.8
Retained earnings		**1,320.1**	1,285.8
Total equity		**2,137.9**	2,103.6
Total liabilities and equity		**7,597.9**	7,404.7
Regulatory balances	*7*	**210.8**	189.8
Total liabilities, equity and regulatory balances		**7,808.7**	7,594.5

Contingencies and subsequent events *15, 17*

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, unaudited)

	Note	Three months ended June 30, 2024 $	Three months ended June 30, 2023 $	Six months ended June 30, 2024 $	Six months ended June 30, 2023 $
Revenues					
Energy sales	*12*	**671.1**	640.8	**1,410.2**	1,269.1
Distribution revenue	*12*	**233.7**	207.9	**458.9**	409.2
Other	*12*	**30.4**	31.0	**58.1**	58.3
		935.2	879.7	**1,927.2**	1,736.6
Expenses					
Energy purchases		**718.5**	661.4	**1,450.2**	1,337.9
Operating expenses		**91.2**	87.7	**184.7**	175.3
Depreciation and amortization	*5, 6*	**70.2**	67.2	**141.7**	135.2
		879.9	816.3	**1,776.6**	1,648.4
Finance costs		**(33.8)**	(30.4)	**(67.8)**	(57.7)
Other gains		**—**	1.1	**—**	35.2
Income before income taxes		**21.5**	34.1	**82.8**	65.7
Income tax expense	*13*	**(6.3)**	(11.7)	**(13.2)**	(24.7)
Net income		**15.2**	22.4	**69.6**	41.0
Net movements in regulatory balances	*7*	**18.2**	3.2	**(10.5)**	15.9
Net movements in regulatory balances arising from deferred taxes	*7, 13*	**9.0**	10.6	**17.2**	23.3
Net income after net movements in regulatory balances		**42.4**	36.2	**76.3**	80.2

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars, unaudited)

	Note	Three months ended June 30, 2024 $	Three months ended June 30, 2023 $	Six months ended June 30, 2024 $	Six months ended June 30, 2023 $
Net income after net movements in regulatory balances		**42.4**	36.2	**76.3**	80.2
Other comprehensive income					
Items that will not be reclassified to income or loss					
Remeasurements of post-employment benefits, net of tax (2024 - ($0.9), ($3.4), 2023 - ($0.5), $2.6)		**2.3**	1.2	**9.3**	(7.3)
Net movements in regulatory balances related to OCI, net of tax (2024 - ($0.9), ($3.4), 2023 - ($0.5), $2.6)	*7*	**(2.3)**	(1.2)	**(9.3)**	7.3
Other comprehensive income, net of tax		**—**	—	**—**	—
Total comprehensive income		**42.4**	36.2	**76.3**	80.2

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of Canadian dollars, unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2024** **$**	2023 $	**2024** **$**	2023 $
Share capital		**817.8**	817.8	**817.8**	817.8
Retained earnings, beginning of period		**1,298.7**	1,263.6	**1,285.8**	1,244.2
Net income after net movements in regulatory balances		**42.4**	36.2	**76.3**	80.2
Dividends	*11*	**(21.0)**	(24.6)	**(42.0)**	(49.2)
Retained earnings, end of period		**1,320.1**	1,275.2	**1,320.1**	1,275.2
Total equity		**2,137.9**	2,093.0	**2,137.9**	2,093.0

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars, unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2024** **$**	2023 $	**2024** **$**	2023 $
OPERATING ACTIVITIES					
Net income after net movements in regulatory balances		**42.4**	36.2	**76.3**	80.2
Net movements in regulatory balances	*7*	**(18.2)**	(3.2)	**10.5**	(15.9)
Net movements in regulatory balances arising from deferred taxes	*7, 13*	**(9.0)**	(10.6)	**(17.2)**	(23.3)
Adjustments					
Depreciation and amortization	*5, 6*	**70.2**	67.2	**141.7**	135.2
Amortization of deferred revenue	*9*	**(4.7)**	(4.3)	**(9.4)**	(8.4)
Finance costs		**33.8**	30.4	**67.8**	57.7
Income tax expense	*13*	**6.3**	11.7	**13.2**	24.7
Post-employment benefits		**0.7**	0.6	**1.4**	1.2
Other gains		**—**	(1.1)	**—**	(35.2)
Other		**(2.3)**	(0.2)	**(2.9)**	(0.1)
Capital contributions received	*9*	**48.7**	19.2	**82.4**	44.2
Net change in other non-current assets and liabilities		**(1.6)**	(0.2)	**(2.2)**	2.2
Increase (decrease) in customer deposits		**1.6**	2.9	**(0.9)**	7.0
Changes in non-cash operating working capital balances	*14(a)*	**37.8**	(3.5)	**22.5**	8.0
Income tax paid		**(0.4)**	(0.2)	**(3.4)**	(3.9)
Net cash provided by operating activities		**205.3**	144.9	**379.8**	273.6
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	*14(b)*	**(179.9)**	(163.7)	**(364.1)**	(329.0)
Purchase of intangible assets	*14(b)*	**(28.3)**	(11.5)	**(59.2)**	(27.2)
Proceeds from variable consideration		**—**	0.1	**—**	3.0
Proceeds on disposals of property, plant and equipment		**0.2**	0.5	**0.7**	0.5
Net cash used in investing activities		**(208.0)**	(174.6)	**(422.6)**	(352.7)
FINANCING ACTIVITIES					
Increase in commercial paper, net of repayments	*8*	**85.0**	100.0	**174.0**	205.0
Dividends paid	*11*	**(21.0)**	(24.6)	**(42.0)**	(49.2)
Proceeds from issuance of debentures		**—**	249.9	**—**	249.9
Debt issuance costs paid		**—**	(1.6)	**—**	(1.6)
Repayment of debentures		**—**	(250.0)	**—**	(250.0)
Interest paid		**(50.0)**	(43.4)	**(72.6)**	(63.3)
Net cash provided by financing activities		**14.0**	30.3	**59.4**	90.8
Net change in cash and cash equivalents during the period		**11.3**	0.6	**16.6**	11.7
Working capital facility, beginning of period		**(2.0)**	(1.7)	**(7.3)**	(12.8)
Cash and cash equivalents (working capital facility), end of period		**9.3**	(1.1)	**9.3**	(1.1)

See accompanying notes to the condensed interim consolidated financial statements.

1. NATURE OF BUSINESS

The Corporation was incorporated on June 23, 1999 under the *Business Corporations Act* (Ontario) in accordance with the Electricity Act. The Corporation is wholly owned by the City and is domiciled in Canada, with its registered office located at 14 Carlton Street, Toronto, Ontario, M5B 1K5.

The Corporation and its subsidiaries distribute electricity to customers and provide street lighting and expressway lighting services in the city of Toronto.

2. BASIS OF PRESENTATION

The Corporation's unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2024 and 2023 (Interim Financial Statements) have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The notes presented in these Interim Financial Statements include only significant transactions and changes occurring for the six months since the year-end of December 31, 2023. The disclosures in these Interim Financial Statements do not conform in all respects to the IFRS Accounting Standards requirements for annual consolidated financial statements. These Interim Financial Statements have been prepared following the same accounting policies and methods of computation as those described in note 25 to the Corporation's audited consolidated financial statements for the year ended December 31, 2023 (2023 Annual Financial Statements), and in note 16(b) herein. Accordingly, they should be read in conjunction with the Corporation's 2023 Annual Financial Statements.

These Interim Financial Statements are presented in Canadian dollars, the Corporation's functional and presentation currency, and have been prepared on the historical cost basis, except for post-employment benefits which are measured at the present value of the post-employment benefit obligation.

The Corporation's revenues, all other things being equal, are impacted by temperature fluctuations and unexpected weather conditions. Generally, revenues would tend to be higher in the first quarter as a result of higher energy consumption for winter heating, and in the third quarter due to air conditioning/cooling. The Corporation's revenues are also impacted by fluctuations in electricity prices and the timing and recognition of regulatory decisions.

3. REGULATION

Electricity distribution rates

On December 19, 2019, the OEB issued its 2020-2024 CIR Decision and on February 20, 2020, the OEB issued its CIR Final Rate Order, both in relation to the rate application filed on August 15, 2018 (together, the 2020-2024 CIR Decision and Rate Order). The 2020-2024 CIR Decision and Rate Order approved subsequent annual rate adjustments based on a custom index for the period commencing on January 1, 2021 and ending on December 31, 2024.

On August 25, 2023, LDC filed the 2024 rate application seeking the OEB's approval to finalize distribution rates and other charges for the period commencing on January 1, 2024 and ending on December 31, 2024. On December 14, 2023, the OEB issued a decision and rate order approving LDC's 2024 rates and providing for other deferral and variance account dispositions.

On November 17, 2023, LDC filed a CIR application seeking the OEB's approval of electricity distribution rates and charges effective January 1, 2025, and subsequent annual rate adjustments based on a custom index specific to LDC for the period commencing on January 1, 2026 and ending on December 31, 2029 (2025-2029 CIR Application).

4. OTHER ASSETS

Other assets consist of the following:

(millions of Canadian dollars)	As at June 30, 2024 $	As at December 31, 2023 $
Settlement asset	**—**	90.0 [1]
Prepaid expenses	**40.1**	31.5
Other receivables	**—**	23.8 [2]
Deferred financing costs	**1.5**	1.6
Total other assets	**41.6**	146.9
Less: Current portion of other assets relating to:		
Settlement asset	**—**	90.0 [1]
Prepaid expenses	**22.6**	16.2
Deferred financing costs	**0.4**	0.4
Current portion of other assets	**23.0**	106.6
Non-current portion of other assets	**18.6**	40.3

(1) Relates to the settlement of legal actions by the Corporation's insurers *(note 15).*
(2) Relates to variable consideration receivable in relation to the disposition of a property in a prior year which has been reclassified to accounts receivable and unbilled revenue.

5. PROPERTY, PLANT AND EQUIPMENT

PP&E consists of the following:

(millions of Canadian dollars)	Distribution assets $	Land and buildings $	Equipment and other $	Construction in progress $	Total $
Cost					
Balance as at December 31, 2023	6,411.1	533.1	529.9	588.8	8,062.9
Additions	**—**	**—**	**—**	**376.6**	**376.6**
Transfers into service	**167.6**	**6.2**	**11.6**	**(185.4)**	**—**
Disposals, retirements and other	**(16.9)**	**—**	**(1.1)**	**—**	**(18.0)**
Balance as at June 30, 2024	**6,561.8**	**539.3**	**540.4**	**780.0**	**8,421.5**
Accumulated depreciation					
Balance as at December 31, 2023	1,433.1	139.0	289.8	—	1,861.9
Depreciation	**79.3**	**11.2**	**18.3**	**—**	**108.8**
Disposals, retirements and other	**(5.8)**	**—**	**(0.7)**	**—**	**(6.5)**
Balance as at June 30, 2024	**1,506.6**	**150.2**	**307.4**	**—**	**1,964.2**
Carrying amount					
Balance as at December 31, 2023	4,978.0	394.1	240.1	588.8	6,201.0
Balance as at June 30, 2024	**5,055.2**	**389.1**	**233.0**	**780.0**	**6,457.3**

6. INTANGIBLE ASSETS

Intangible assets consist of the following:

(millions of Canadian dollars)	Computer software $	Contributions [1] $	Software in development $	Contributions for work in progress $	Total $
Cost					
Balance as at December 31, 2023	351.9	268.0	61.8	15.0	696.7
Additions	—	—	**23.5**	**16.6**	**40.1**
Transfers into service	**12.3**	—	**(12.3)**	—	—
Balance as at June 30, 2024	**364.2**	**268.0**	**73.0**	**31.6**	**736.8**
Accumulated amortization					
Balance as at December 31, 2023	247.0	53.5	—	—	300.5
Amortization	**17.1**	**5.5**	—	—	**22.6**
Balance as at June 30, 2024	**264.1**	**59.0**	—	—	**323.1**
Carrying amount					
Balance as at December 31, 2023	104.9	214.5	61.8	15.0	396.2
Balance as at June 30, 2024	**100.1**	**209.0**	**73.0**	**31.6**	**413.7**

[1] Contributions represent payments made to HONI for dedicated infrastructure in order to receive connections to transmission facilities.

7. REGULATORY BALANCES

Debit balances consist of the following:

(millions of Canadian dollars)	As at December 31, 2023 $	Balances arising in the period $	Recovery/ reversal $	Other movements $	As at June 30, 2024 $	Remaining recovery/ reversal period (months)	Carrying charges applicable
Settlement variances	**177.2**	**44.0**	**(49.2)**	**—**	**172.0**	(2)	(3)
Deferred taxes	**112.3**	**20.6**	**—**	**—**	**132.9**	(2)	—
Externally driven capital	**5.0**	**2.8**	**—**	**—**	**7.8**	(2)	(3)
Cloud computing	**—**	**2.2**	**—**	**—**	**2.2**	Note 7(a)	(3)
LRAM	**1.9**	**—**	**—**	**—**	**1.9**	(2)	(3)
GOCA	**—**	**1.7**	**—**	**—**	**1.7**	Note 7(b)	(3)
Other	**8.7**	**1.0**	**—**	**(4.7)**	**5.0**	—	(3)
Total	**305.1**	**72.3**	**(49.2)**	**(4.7)**	**323.5**		

Credit balances consist of the following:

(millions of Canadian dollars)	As at December 31, 2023 $	Balances arising in the period $	Recovery/ reversal $	Other movements $	As at June 30, 2024 $	Remaining recovery/ reversal period (months)	Carrying charges applicable
Useful life changes	**62.7**	**34.7**	**—**	**—**	**97.4**	Note 7(c)	(3)
Gain on disposals	**34.4**	**0.9**	**—**	**—**	**35.3**	(2)	(3)
CRRRVA	**47.7**	**0.7**	**(20.0)**	**(2.8)**	**25.6**	(2)	(3)
OPEB net actuarial gain (1)	**9.4**	**12.7**	**—**	**—**	**22.1**	(2)	—
Development charges	**12.2**	**0.7**	**(1.3)**	**—**	**11.6**	(2)	(3)
REI	**4.7**	**1.3**	**—**	**—**	**6.0**	(2)	—
Tax-related variances	**8.5**	**0.2**	**(2.9)**	**(0.8)**	**5.0**	(2)	(3)
Smart metering entity	**3.7**	**0.1**	**(0.9)**	**—**	**2.9**	(2)	(3)
Other	**6.5**	**(0.2)**	**(0.7)**	**(0.7)**	**4.9**	—	(3)
Total	**189.8**	**51.1**	**(25.8)**	**(4.3)**	**210.8**		

(1) Actuarial gain of $12.7 million ($9.3 million, net of tax) was recognized as a result of the remeasurement of post-employment benefits to reflect the increase in discount rate (June 30, 2024 – 5.00%; December 31, 2023 – 4.60%).

(2) There were no significant changes to the disposition period for the six months ended June 30, 2024. Refer to note 8 to the 2023 Annual Financial Statements.

(3) Carrying charges were added to the regulatory balances in accordance with the OEB's direction, at a rate of 5.49% for January 1, 2024 to June 30, 2024 (January 1, 2023 to March 31, 2023 – 4.73%; April 1, 2023 to September 30, 2023 – 4.98% and October 1, 2023 to December 31, 2023 – 5.49%).

The “Balances arising in the period” column consists of new additions to regulatory balances (for both debits and credits). The “Recovery/reversal” column consists of amounts disposed through OEB-approved rate riders. The “Other movements” column consists of impairment and reclassification between the regulatory balances and other regulatory deferral accounts considered to be insignificant.

a) Cloud computing

On November 2, 2023, the OEB established a generic, sector-wide deferral account to capture incremental cloud computing implementation costs incurred and any related offsetting savings, if applicable, effective December 1, 2023. LDC is seeking disposition of this account in the 2025-2029 CIR Application *(note 3)*. The timing of disposition of the balance is currently unknown.

b) Getting Ontario Connected Act

On October 31, 2023, the OEB established a generic, sector-wide variance account, the GOCA variance account to capture the incremental costs arising from the implementation of provincial Bill 93 (*Getting Ontario Connected Act, 2022* (Ontario)) effective as of April 1, 2023. LDC is seeking disposition of this account in the 2025-2029 CIR Application *(note 3)*. The timing of disposition of the balance is currently unknown.

c) Useful life changes

This account captures the cumulative revenue requirement impact for the benefit of customers as directed by the OEB for 2023 and 2024 related to the change in estimate of the useful lives of certain items of PP&E. As at June 30, 2024, the regulatory balance relates to the difference between the revenue requirement included in rates charged to customers and the actual revenue requirement based on the updated useful lives. LDC is seeking disposition of this account in the 2025-2029 CIR Application *(note 3)*. The timing of disposition of the balance is currently unknown.

8. SHORT-TERM BORROWINGS

The amount available under the Revolving Credit Facility and the Commercial Paper Program are as follows:

(millions of Canadian dollars)	Revolving Credit Facility Limit $	Commercial Paper Outstanding $	Revolving Credit Facility Availability $
Balance as at June 30, 2024	**1,000.0**	**595.0**	**405.0**
Balance as at December 31, 2023	1,000.0	421.0	579.0

As at June 30, 2024 and December 31, 2023, there were no borrowings under the Revolving Credit Facility.

As at June 30, 2024, no amounts had been drawn under the Working Capital Facility (December 31, 2023 – $7.3 million) and letters of credit totalling $52.8 million had been issued (December 31, 2023 – $51.3 million).

9. DEFERRED REVENUE

Deferred revenue consists of the following:

(millions of Canadian dollars)	As at and six months ended June 30, 2024 $	As at and year ended December 31, 2023 $
Capital contributions, beginning of period	**890.7**	761.8
Capital contributions received [(1)]	**82.0**	162.8
Derecognition of related assets	**(0.9)**	(16.8) [(2)]
Amortization	**(9.4)**	(17.1)
Capital contributions, end of period	**962.4**	890.7
Other deferred revenue	**9.5**	6.2
Total deferred revenue	**971.9**	896.9
Less: Current portion of deferred revenue relating to:		
Capital contributions	**24.0**	23.1
Other deferred revenue	**8.4**	5.7
Current portion of deferred revenue	**32.4**	28.8
Non-current portion of deferred revenue	**939.5**	868.1

(1) Includes non-cash reversal of $0.4 million (year ended December 31, 2023 – $42.2 million contribution).
(2) Includes $14.2 million related to amounts received in advance for an asset pertaining to a finance lease which was derecognized in 2023.

10. FINANCIAL INSTRUMENTS

a) Fair value

As at June 30, 2024 and December 31, 2023, the fair values of cash and cash equivalents, accounts receivable and unbilled revenue, Working Capital Facility, commercial paper, and accounts payable and accrued liabilities approximated their carrying amounts due to the short maturity of these instruments. The fair value of customer deposits approximates their carrying amount taking into account interest accrued on the outstanding balance. Debentures are measured at amortized cost, based on the fair value of the debentures at issuance, which was the fair value of the consideration received adjusted for transaction costs.

The fair value of the debentures is based on the present value of contractual cash flows, discounted at the Corporation's current borrowing rate for similar debt instruments, and is included in Level 2 of the fair value hierarchy. As at June 30, 2024, the total fair value of the Corporation's debentures was determined to be approximately $2,669.8 million (December 31, 2023 – $2,775.7 million), with a total carrying amount of $2,927.8 million (December 31, 2023 – $2,927.2 million).

b) Financial risks

The following is a discussion of certain financial risks and related mitigation strategies identified by the Corporation for its financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

Credit risk

The Corporation is exposed to credit risk with respect to customer non-payment of electricity bills. The Corporation considers the current economic and credit conditions to determine the expected credit loss allowance of its accounts receivable and unbilled revenue. Due to current uncertain economic conditions, the estimates and judgments made by management in the preparation of the expected credit loss allowance are subject to estimation uncertainty. The Corporation determines the expected credit loss allowance based on current estimates and assumptions, including, but not limited to, recent trends for customer collections and current and forecasted economic conditions. The Corporation continues to actively monitor its exposure to credit risk.

Credit risk associated with accounts receivable and unbilled revenue is as follows:

(millions of Canadian dollars)	As at June 30, 2024 $	As at December 31, 2023 $
Accounts receivable, gross		
Outstanding for not more than 30 days	**241.0**	213.7
Outstanding for more than 30 days and not more than 120 days	**52.0**	36.8
Outstanding for more than 120 days	**23.3**	28.6
Total accounts receivable, gross	**316.3**	279.1
Unbilled revenue, gross	**258.7**	286.9
Expected credit loss allowance	**(25.0)**	(29.2)
Total accounts receivable and unbilled revenue	**550.0**	536.8

Reconciliation between the opening and closing balances of expected credit loss allowance for accounts receivable and unbilled revenue is as follows:

(millions of Canadian dollars)	As at and six months ended June 30, 2024 $	As at and year ended December 31, 2023 $
Balance, beginning of period	**(29.2)**	(32.1)
Additional expected credit loss allowance	**—**	(7.5)
Write-offs, net of recoveries	**4.2**	10.4
Balance, end of period	**(25.0)**	(29.2)

Liquidity risk

The Corporation is exposed to liquidity risk related to its ability to fund its obligations as they become due. The Corporation relies on debt financing through the debt capital markets and existing credit facilities to finance its daily operations, repay existing indebtedness and fund capital expenditures. The current challenging economic climate affected by factors including, but not limited to, uncertain macroeconomic conditions like a global recession may lead to material adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct negative impact on the Corporation's operating results and financial position in the future. Accordingly, the Corporation continues to monitor liquidity risk and adapt its plans as the economic climate evolves.

11. DIVIDENDS

On February 28, 2024, the Board of Directors of the Corporation declared a dividend in the amount of $21.0 million with respect to the first quarter of 2024 (first quarter of 2023 – $24.6 million), paid to the City on March 28, 2024.

On May 8, 2024, the Board of Directors of the Corporation declared a dividend in the amount of $21.0 million with respect to the second quarter of 2024 (second quarter of 2023 – $24.6 million), paid to the City on June 28, 2024.

12. REVENUES

Revenues consist of the following:

(millions of Canadian dollars)	Three months ended June 30, 2024 $	Three months ended June 30, 2023 $	Six months ended June 30, 2024 $	Six months ended June 30, 2023 $
Revenue from contracts with customers				
Energy sales	**671.1**	640.8	**1,410.2**	1,269.1
Distribution revenue	**233.7**	207.9	**458.9**	409.2
Street lighting services	**5.2**	5.1	**10.4**	10.1
Ancillary services revenue	**6.3**	5.6	**10.4**	8.7
Pole and duct rentals	**4.5**	5.2	**9.7**	9.2
Other regulatory service charges	**2.7**	2.7	**5.2**	5.3
Miscellaneous	**5.0**	4.9	**9.3**	10.8
Revenue from other sources				
Capital contributions - developers and other	**4.3**	3.9	**8.7**	7.7
Other	**2.4**	3.6	**4.4**	6.5
Total revenues	**935.2**	879.7	**1,927.2**	1,736.6

13. INCOME TAXES

The Corporation's effective tax rate after net movements in regulatory balances for the three and six months ended June 30, 2024 was (6.8)% and (5.5)% (three and six months ended June 30, 2023 – 2.9% and 1.7%).

Income tax (expense) recovery as presented in the condensed interim consolidated statements of income and the condensed interim consolidated statements of comprehensive income are as follows:

(millions of Canadian dollars)	Three months ended June 30, 2024 $	Three months ended June 30, 2023 $	Six months ended June 30, 2024 $	Six months ended June 30, 2023 $
Income tax expense	**(6.3)**	(11.7)	**(13.2)**	(24.7)
Income tax recorded in net movements in regulatory balances	**9.0**	10.6	**17.2**	23.3
Income tax (expense) recovery and income tax recorded in net movements in regulatory balances	**2.7**	(1.1)	**4.0**	(1.4)
Income tax (expense) recovery in OCI	**(0.9)**	(0.5)	**(3.4)**	2.6
Income tax (expense) recovery in OCI recorded in net movements in regulatory balances	**0.9**	0.5	**3.4**	(2.6)
Income tax in OCI	**—**	—	**—**	—

14. CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Changes in non-cash operating working capital

Changes in non-cash operating working capital consist of the following:

(millions of Canadian dollars)	Three months ended June 30, 2024 $	Three months ended June 30, 2023 $	Six months ended June 30, 2024 $	Six months ended June 30, 2023 $
Accounts receivable and unbilled revenue	**30.5**	2.7	**6.0**	12.3
Income tax receivable	**(1.5)**	(0.1)	**(2.0)**	(3.8)
Materials and supplies	**(0.4)**	(0.2)	**(2.8)**	(1.1)
Other current assets	**(3.7)**	(4.3)	**83.6**	(6.3)
Accounts payable and accrued liabilities	**15.1**	(0.2)	**(64.1)**	7.0
Income tax payable	**—**	—	**(1.4)**	(0.4)
Deferred revenue	**(2.3)**	(2.0)	**3.6**	0.2
Deferred conservation credit	**0.1**	0.6	**(0.4)**	0.1
Total changes in non-cash operating working capital	**37.8**	(3.5)	**22.5**	8.0

b) Reconciliation of additions to PP&E and intangible assets

Reconciliation between the amounts presented on the condensed interim consolidated statements of cash flows and additions to PP&E and intangible assets is as follows:

(millions of Canadian dollars)	Three months ended June 30, 2024 $	Three months ended June 30, 2023 $	Six months ended June 30, 2024 $	Six months ended June 30, 2023 $
Purchase of PP&E, cash basis	**179.9**	163.7	**364.1**	329.0
Net change in accounts payable and accruals related to PP&E	**16.1**	—	**5.0**	(19.5)
Non-cash contributed assets	**5.5**	7.5	**6.9**	9.5
Other	**0.4**	0.3	**0.6**	0.5
Additions to PP&E	**201.9**	171.5	**376.6**	319.5
Purchase of intangible assets, cash basis	**28.3**	11.5	**59.2**	27.2
Net change in accounts payable and accruals related to intangible assets	**(13.0)**	0.2	**(19.1)**	(7.3)
Additions to intangible assets	**15.3**	11.7	**40.1**	19.9

15. CONTINGENCIES

Legal proceedings

In the ordinary course of business, the Corporation and its subsidiaries are subject to various legal proceedings, actions and claims from customers, suppliers, regulators and other parties. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and could materially adversely affect the Corporation. As at the date hereof, the Corporation believes that none of these legal proceedings, actions and claims from customers, suppliers, regulators and other parties in which it is currently involved or has been involved since the beginning of the most recently completed financial year, would be expected to have a material adverse effect on the Corporation. On an ongoing basis, the Corporation and its subsidiaries assess the likelihood of any adverse judgments or outcomes as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after an analysis of each individual issue. The provision may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy. If damages were awarded under these actions, the Corporation and its subsidiaries would make a claim under any liability or other insurance policies, to the extent applicable, subject to such claim not being disputed by the insurers. Further details on legal proceedings that relate to the Corporation are set out below.

In December 2023, the Corporation's insurers entered into two agreements to settle prior legal actions directly with the claimants on the Corporation's behalf for a total of $90.0 million under the terms of the relevant insurance policies. In March 2024, the settlement of $90.0 million was paid by the Corporation's insurers directly to the claimants, which resulted in the derecognition of the settlement liability and corresponding settlement asset.

16. SUMMARY OF MATERIAL ACCOUNTING POLICIES

a) Use of judgments and estimates

The preparation of the Corporation's Interim Financial Statements requires management to make judgments, estimates and assumptions which affect the application of accounting policies, reported assets, liabilities and regulatory balances, disclosure of contingent assets and liabilities at the date of the Interim Financial Statements, and the reported revenues and expenses for the period. The estimates are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities as well as for identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the IESO, the Ontario Ministry of Energy, or the Ontario Ministry of Finance. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

b) Changes in accounting standards

Classification of Liabilities as Current or Non-current (Amendments to IAS 1 *Presentation of Financial Statements* (IAS 1))

In January 2020, the IASB issued amendments to IAS 1 relating to the classification of liabilities as current or non-current. Specifically, the amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current - that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. This right may be subject to compliance with covenants. After reconsidering certain aspects of the 2020 amendments, in October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1), reconfirming that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively.

Effective January 1, 2024, the Corporation adopted these amendments, with no impact on the Interim Financial Statements.

c) Future accounting pronouncements

The IASB has issued a number of standards and amendments to existing standards that are not yet effective. The Corporation has determined that the following standard and amendments could have an impact on the Corporation's consolidated financial statements when adopted.

Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18), which replaces IAS 1 and introduces limited amendments to IAS 7 *Statement of Cash Flows* (IAS 7). IFRS 18 aims to improve communication of financial information in the financial statements, with a focus on information about financial performance in the statement of profit or loss. To meet this objective, IFRS 18 introduces additional defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures, and enhanced requirements for grouping (aggregation and disaggregation) of information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The standard is to be applied retrospectively.

The Corporation is currently assessing the impact of the above standard on the Corporation's consolidated financial statements.

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 *Financial Instruments* (IFRS 9) and IFRS 7 *Financial Instruments: Disclosures* (IFRS 7))

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to the classification and measurement of financial Instruments. The amendments clarify that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specified criteria are met. Other clarifications include the classification of financial assets with environmental, social, and governance linked features and other similar contingent features, financial assets with non-recourse features, and contractually linked instruments. The amendments also introduce additional disclosures for financial instruments with contingent features and equity instruments designated at fair value through OCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. The amendments are to be applied retrospectively.

The Corporation is currently assessing the impact of the above amendments on the Corporation's consolidated financial statements.

17. SUBSEQUENT EVENTS

The Corporation has evaluated the events and transactions occurring after the condensed interim consolidated balance sheet date through to August 15, 2024 when the Corporation's Interim Financial Statements were authorized for issuance by the Corporation's Board of Directors, and has identified the following events and transactions which required disclosure in the notes to the Interim Financial Statements.

Dividends

On August 14, 2024, the Board of Directors of the Corporation declared a dividend in the amount of $21.0 million with respect to the third quarter of 2024 (third quarter of 2023 – $24.6 million), payable to the City by September 27, 2024.