

BMO 13th Annual Infrastructure & Utilities Conference

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Treasurer

February 4, 2016



Disclaimer

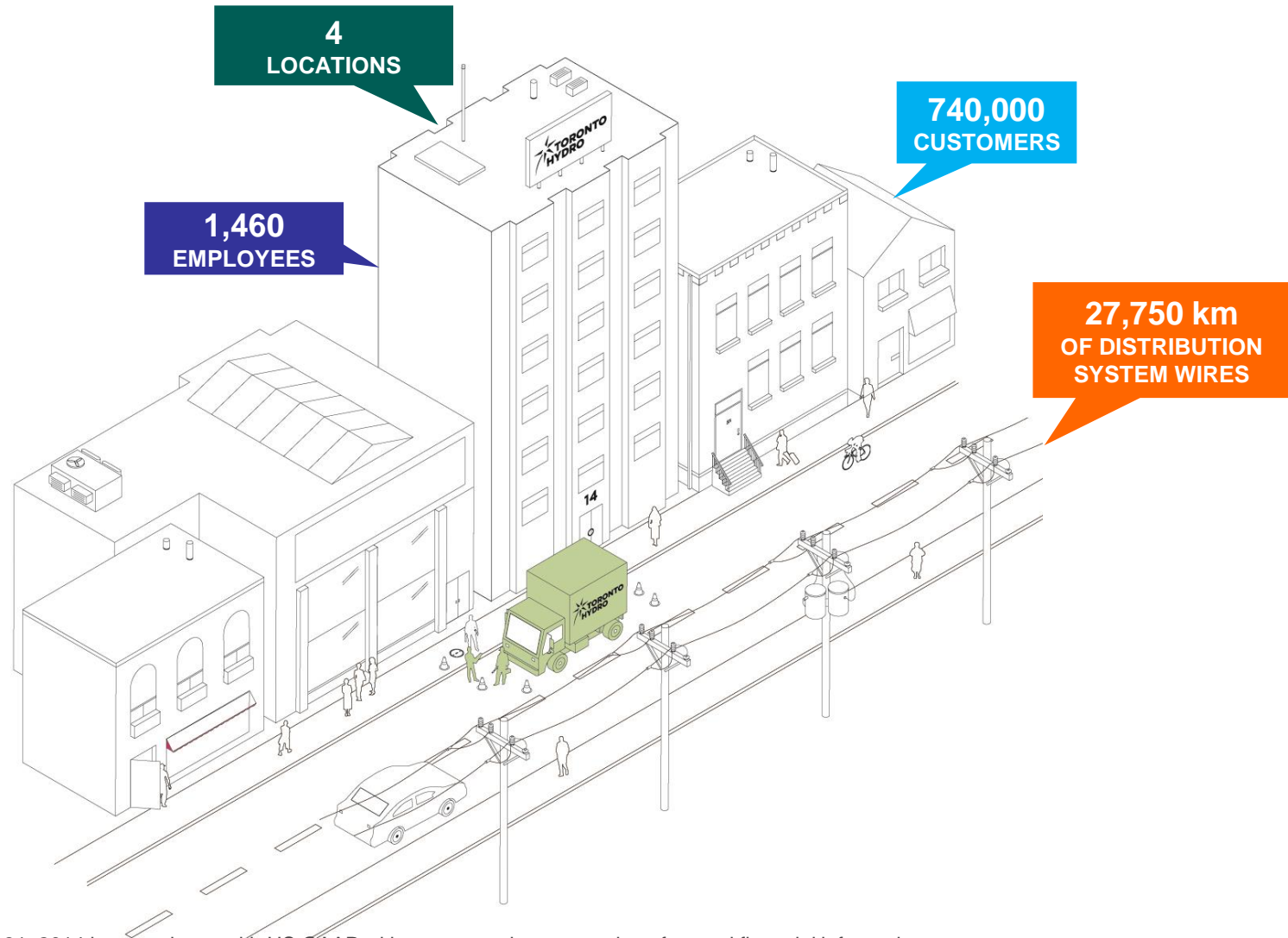
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Toronto Hydro Corporation (THC)

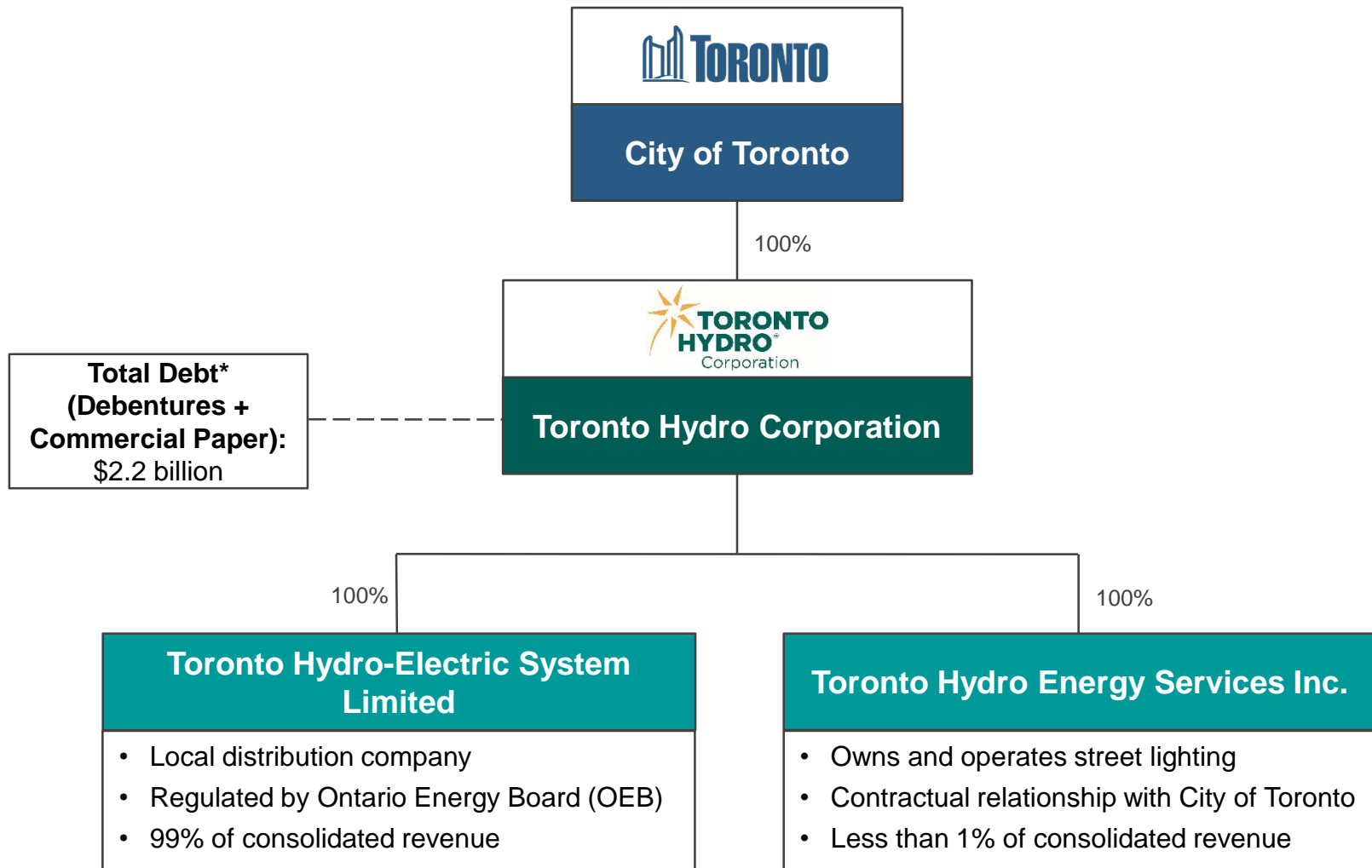
THC owns the largest municipal electricity distribution company in Canada which distributes approximately 19% of the electricity consumed in Ontario.

THC owns and operates \$3.0 billion of capital assets, generating \$3.3 billion in revenue and \$113 million in profit.



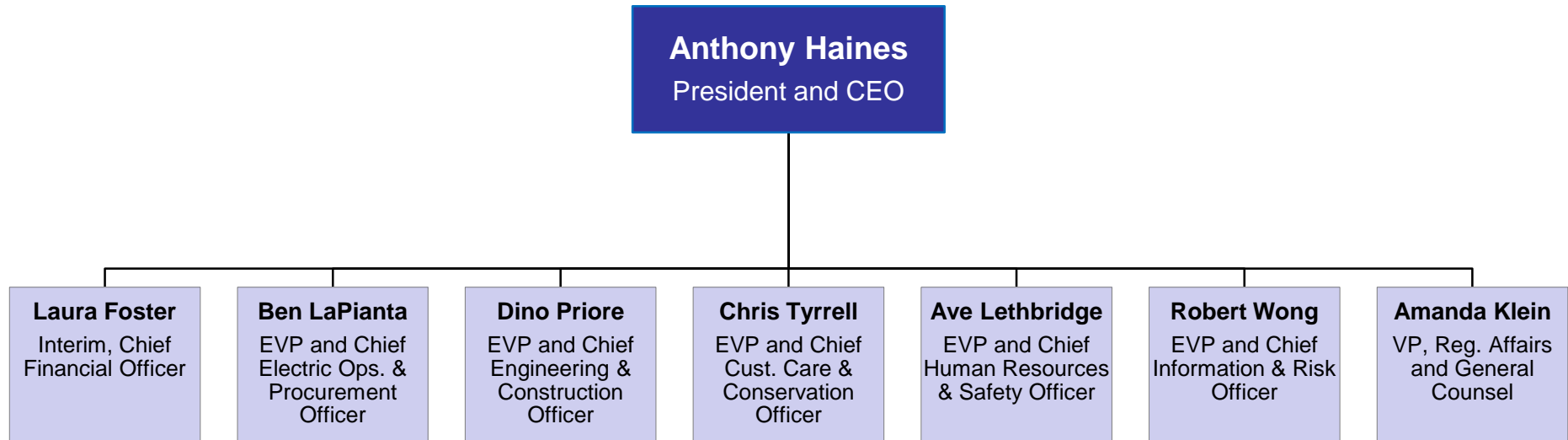
As at December 31, 2014 in accordance with US GAAP with respect to the preparation of annual financial information.

THC is wholly owned by the City of Toronto.



* As at September 30, 2015.

Members of our executive team have been at Toronto Hydro for an average of 18 years.



Our Vision is to continuously maximize customer and stakeholders' satisfaction by being safe, reliable and environmentally responsible at optimal costs.

OUR FOCUS IN 2016



CUSTOMER

Value for Money



PEOPLE

Fully-engaged, safe and healthy workforce that meets the changing business environment



OPERATIONS

Improve reliability through optimal and sustainable system management



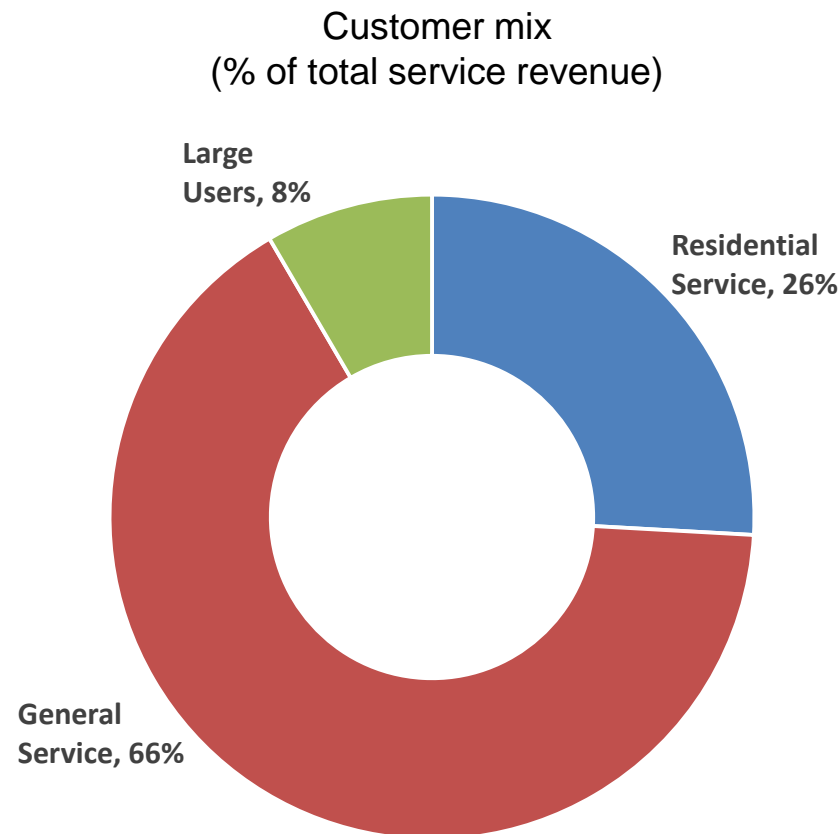
FINANCIAL

Meet financial objectives of the Shareholder

Toronto Hydro-Electric System Limited (THESL) collects a total revenue of \$3.3 billion from three service categories*.

THESL's service categories include:

- Residential Service¹
- General Service²
- Large Users³



* As at December 31, 2014 in accordance with US GAAP with respect to the preparation of annual financial information.

¹ Domestic or household purposes (including single family or individually metered multi-family units and seasonal occupancy)

² Premises receiving other than "Residential Service" with a monthly peak demand of less than 5,000kW.

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



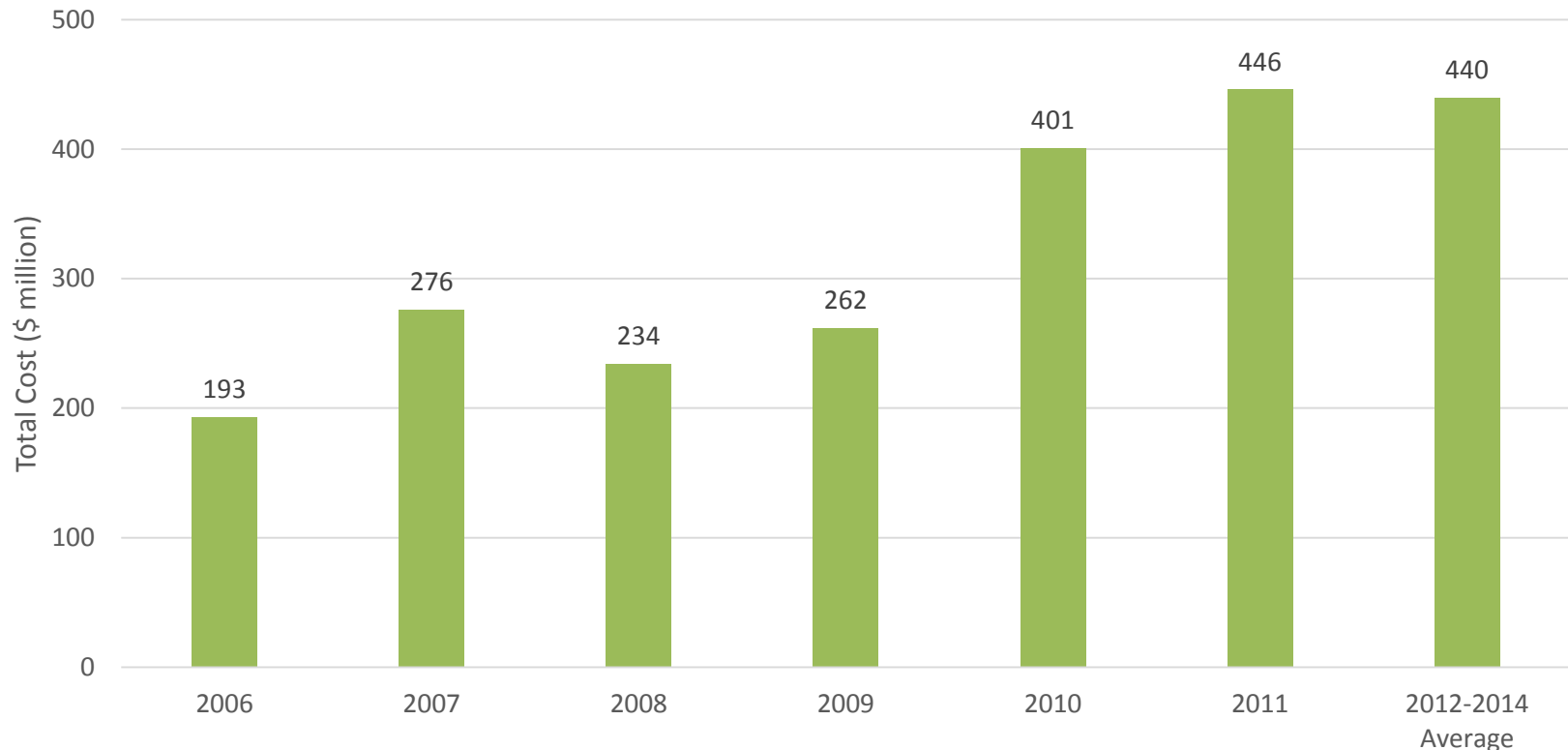
Capital Plan

Toronto Hydro is in the midst of a period of sustained capital investment to replace and expand the City's aging distribution infrastructure.

The Ontario Energy Board (OEB) approved a CAPEX of \$2.2 billion for 2015-19.

- Toronto Hydro chose a paced approach to its capital spending in order to balance operational and customer needs.

THESL's historical CAPEX



Toronto Hydro supports Toronto's vibrant growth.

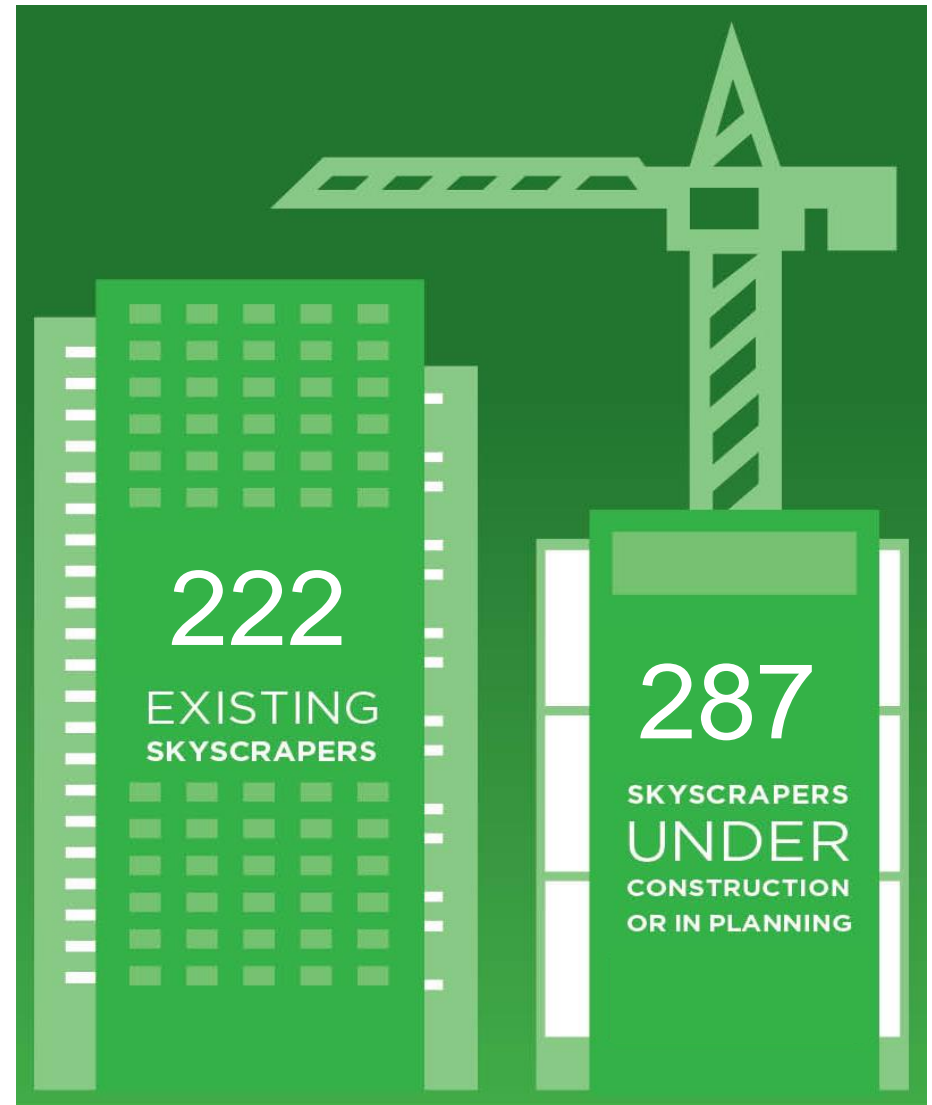
- Toronto is becoming skyscraper city boosting demand for electricity in the downtown core.

High rises Under Construction or in Planning		
1	New York City	350
2	Toronto	287
3	Houston	230
4	Chicago	164
5	Mexico City	103

- Electricity will play an ever-increasing role in our city's future



Source: Emporis, November 6th, 2015



Toronto Hydro is clearing a path to the City's transformation by installing additional infrastructure and relocating existing assets to meet future growth.

- Transformation of Downtown Toronto

Pan Am
Athletes' Village

Waterfront
Toronto

Union Station
Revitalization

Expanding
Transit

- Toronto Hydro is investing \$195 million to build Copeland Station in downtown Toronto.
 - In March 2015, Copeland's gas-insulated transformers underwent testing.
 - In June 2015, Toronto Hydro finished building a 600-metre-long tunnel below the city's downtown area.





Regulatory Affairs

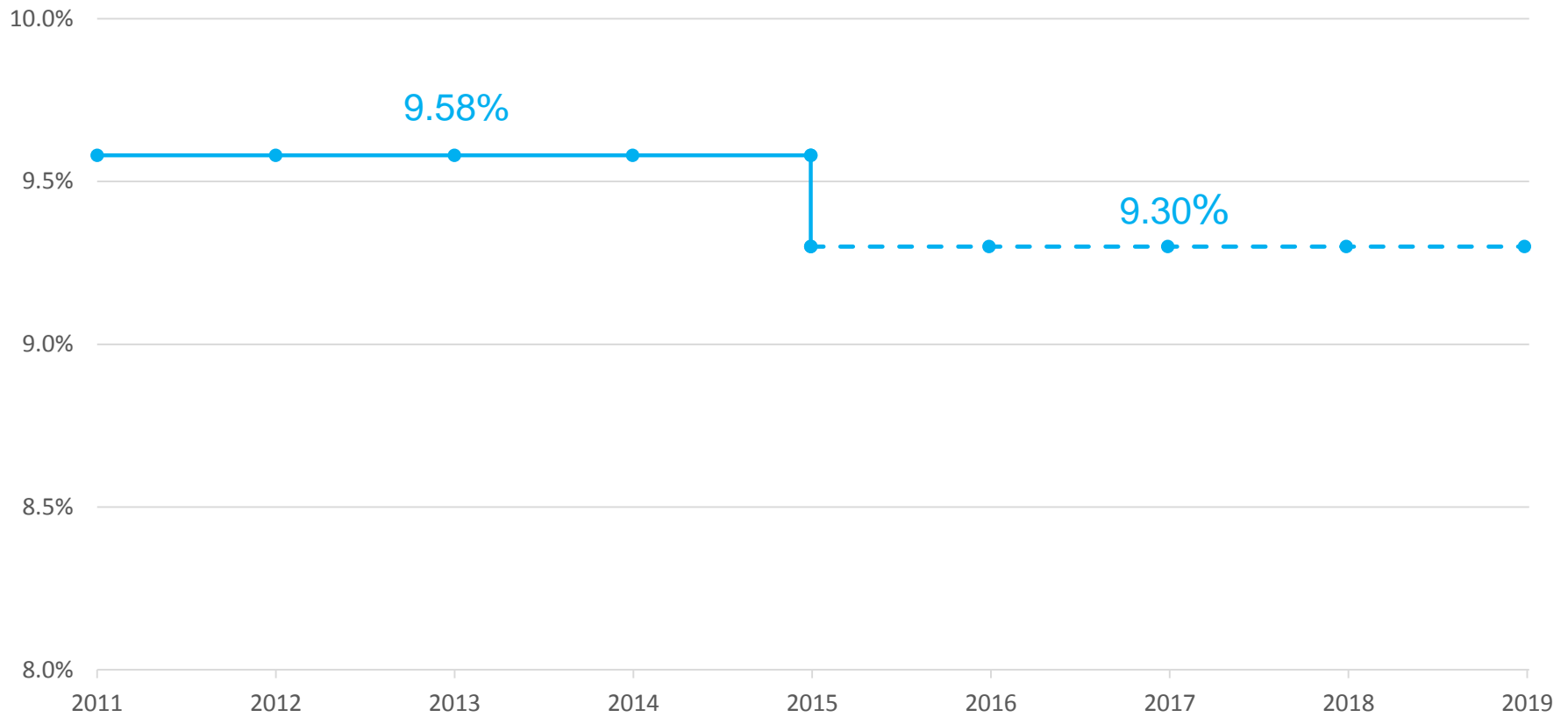
Sustainable business model reinforced by a sustainable regulatory framework.

THESL has the benefit of a Sustainable Regulatory Framework.

- From 2011-2012 THESL advocated for a more sustainable ratemaking methodology that would allow for customized treatment of utility-specific funding needs (especially infrastructure build and renewal)
- Ontario Energy Board (“OEB”) adopted a Renewed Regulatory Framework for Electricity (“RRFE”) in October 2012
- Detailed RRFE rules and requirements developed in 2013, including the Custom Incentive Ratemaking (“Custom IR” or “CIR”) methodology
- July 2014, THESL filed a CIR Application.
- December 2015, the OEB issued its Decision on THESL’s Custom IR Application, which provides:
 - Funding certainty for 5 years
 - Investment flexibility across years and capital projects
 - Light-handed incremental oversight and reporting throughout the rate cycle
- Final Rate Order process is ongoing.

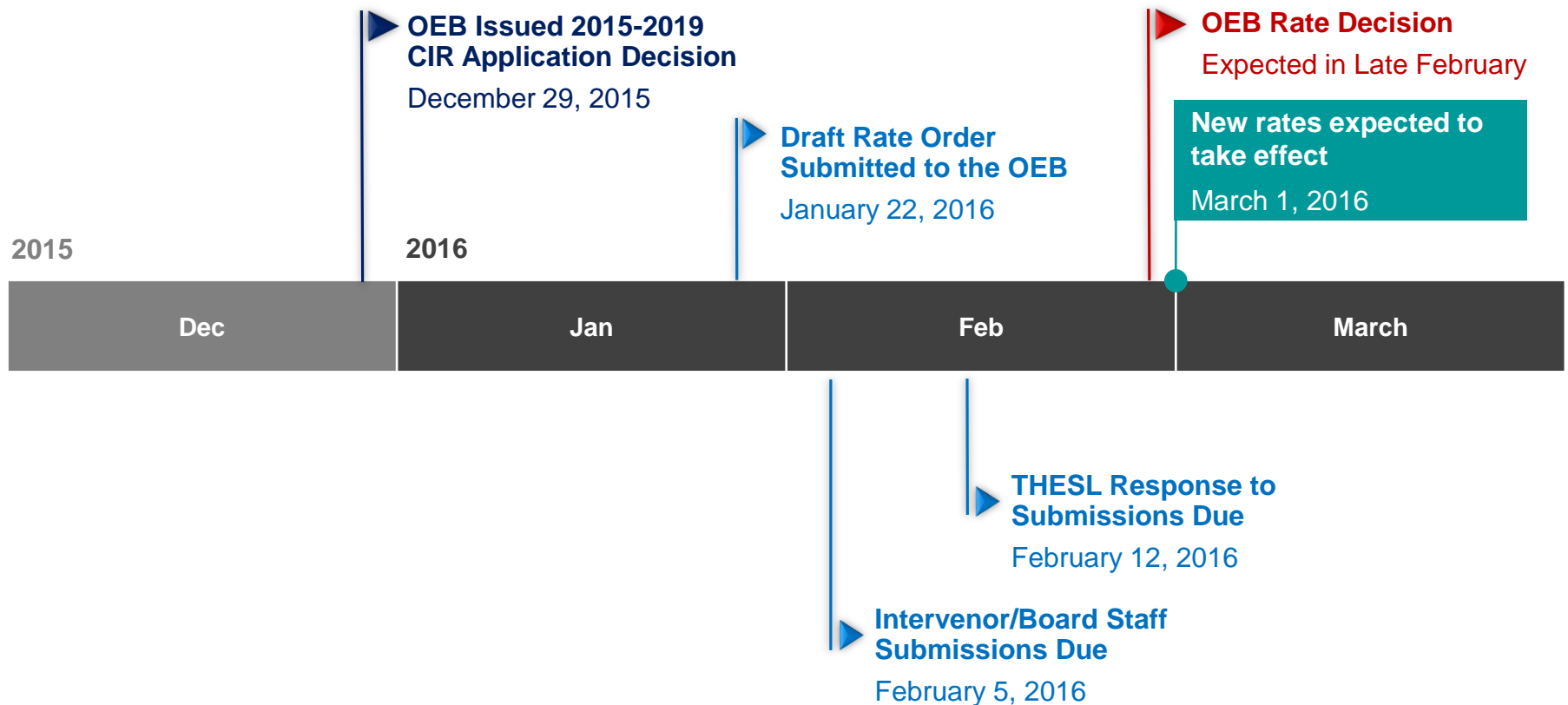
THESL's approved allowable ROE is 9.30% until 2019.

- The OEB's policy for eligibility to seek cost recovery where unexpected material (i.e. Z-Factor) events arise, continues to apply to THESL.



New rates expected to take effect in March 1, 2016.

- THESL is funded through rates.
- The OEB's Final Rate Order will establish those rates and therefore finalize the specifics of the funding for 2015-2019.



THESL will migrate to 100% fixed monthly rate and monthly billing for residential customers.

In April 2015, the OEB issued a new policy¹ and amended the distribution system code² for residential customers to require distributors to:

1. Transition all residential customers to a fully fixed distribution service charge over a 4-year period commencing in 2017 in order to:
 - Encourage energy conservation;
 - Provide a fairer way for utilities to recover costs of providing services; and
 - Provide revenue certainty for shareholders.
2. Issue monthly bills to residential customers, to be implemented by the end of 2016.

¹ The OEB Policy: A New Distribution rate Design for Residential Customers, April 2, 2015, EB-2012-0410.

² Amendments to the Distribution System Code, April 15, 2015, EB-2014-0198.

THESL is meeting its conservation objectives.

- As at December 31, 2014, THESL estimated that approx. \$5.7 million qualified as cost-efficiency incentives.
- On April 30, 2015, THESL submitted a joint Conservation and Demand Management (CDM) plan with Oakville Hydro for the delivery of CDM programs over the 2015-2020 period
 - THESL will achieve 50% higher benefits under the joint CDM plan.
 - Independent Electricity System Operator (IESO) approved combined funding of approx. \$425.0 million and an energy savings target of approx. 24% of IESO's 6-year reduction target.
 - Total cost efficiency incentives under this plan would be up to \$25 million.

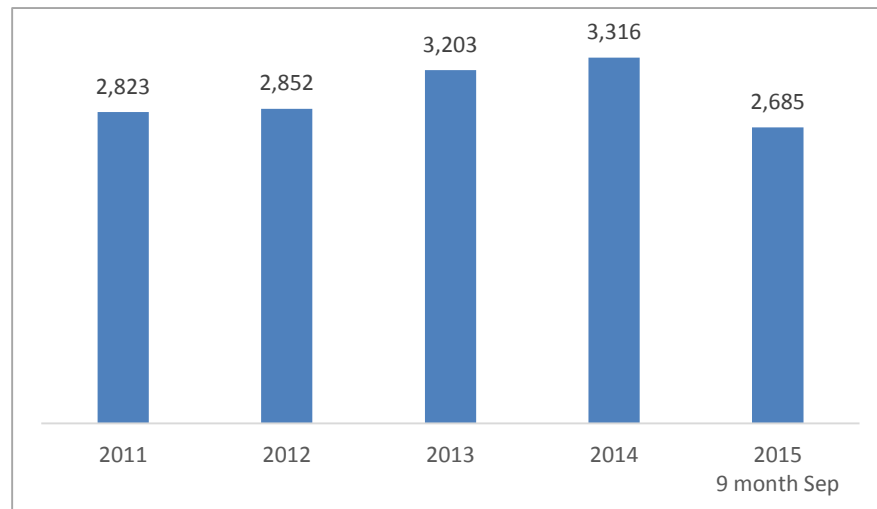


Financial Highlights

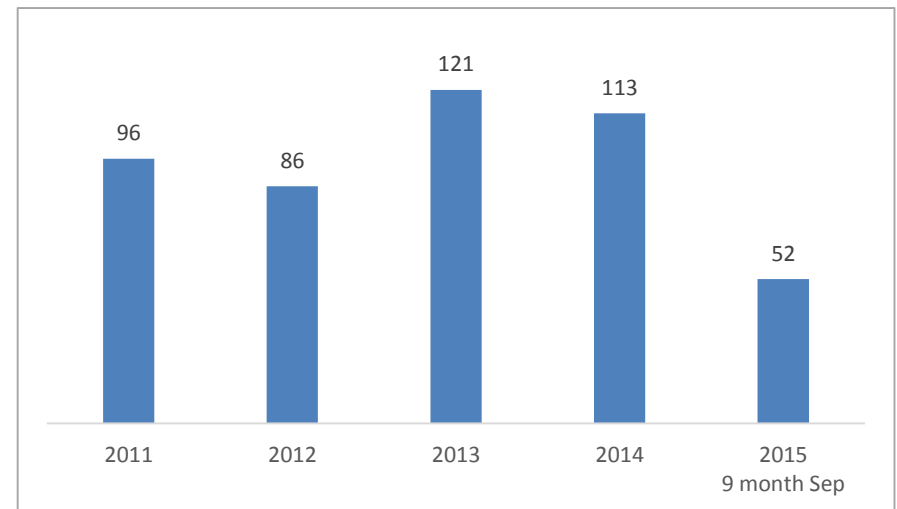
THC's net income will be higher in fourth quarter of 2015 following OEB's decision to approve an increase in funding through the Custom IR application.

- In April 2015, the OEB approved interim rates at the existing funding level for THESL, pending the outcome of the Custom IR Application.
- This resulted in lower net income for the second and third quarter of 2015.

Revenue (\$M)



Net Income (\$M)

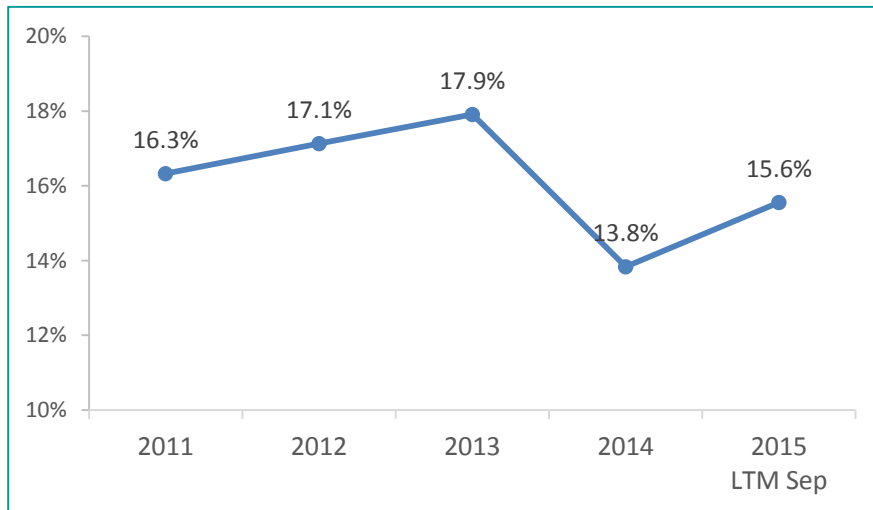


Toronto Hydro's long-term debt is A rated by both DBRS and S&P with stable outlook.

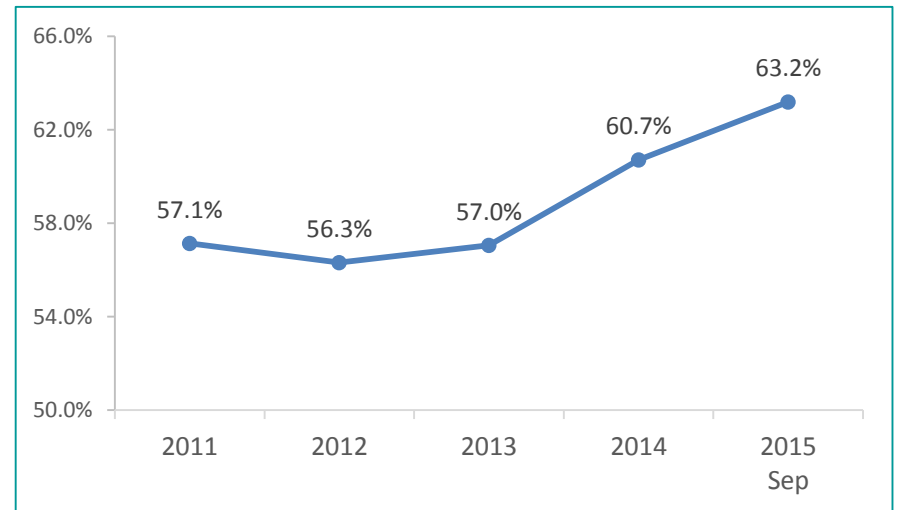
Credit Ratings

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

FFO/Debt



Debt-to-Capitalization



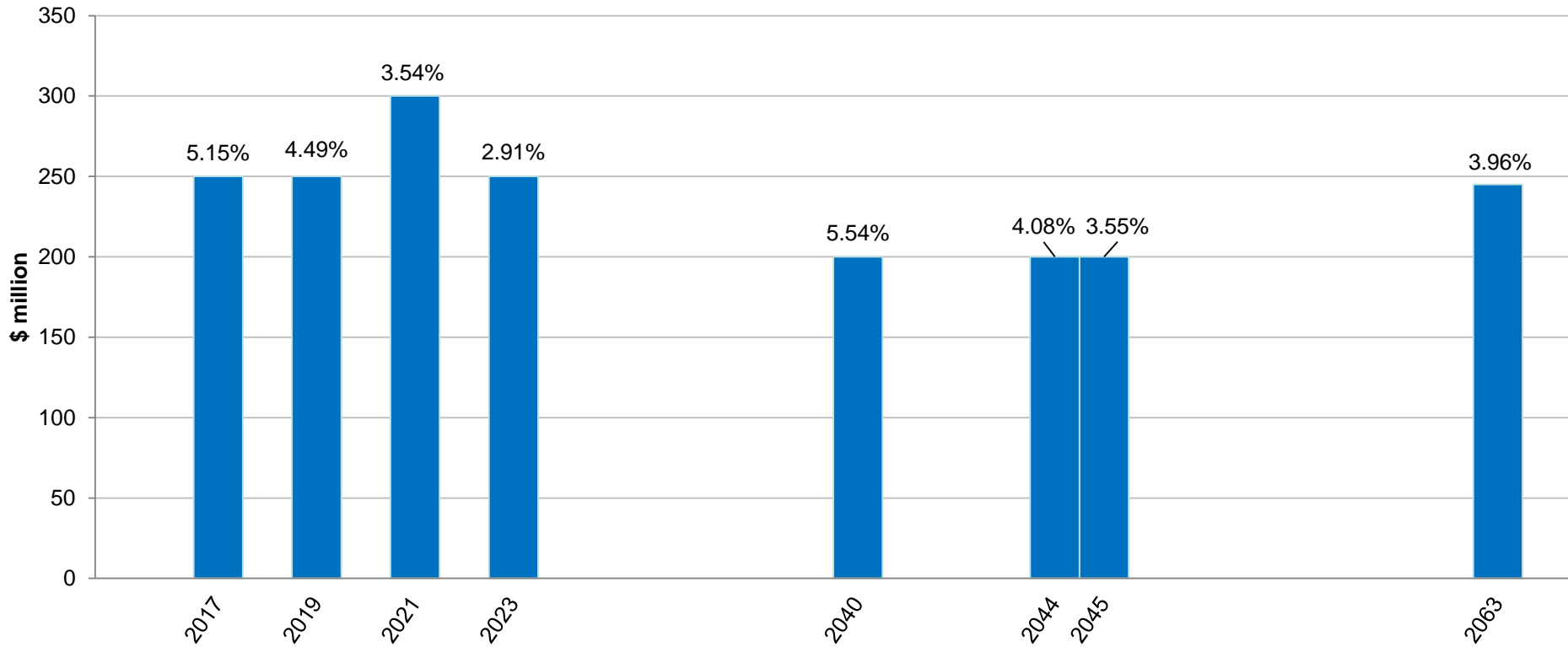
Toronto Hydro's treasury objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing finance costs.

- Toronto Hydro's has three types of short-term borrowing facilities:
 - Revolving Credit Facility (expiring in 2020);
 - Prudential Facility; and
 - Working Capital Facility.
- It also has a Commercial Paper Program backed by the revolving credit facility.
 - Toronto Hydro's average rate on its short-term debt of \$291 million was 0.91% for the 9-months ending September 2015.

Liquidity as of Sep. 30, 2015		
Facility Type	Size	Availability
Revolving Credit Facility	\$800M*	\$509M
Prudential Facility (LC)	\$75M	\$44M
Working Capital Facility	\$20M	\$20M
Total	\$895M	\$573M

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

Prudent capital management has enabled Toronto Hydro to maintain a well-laddered maturity profile with a weighted average borrowing cost of 4.12%.



Credit agencies highlighted stable and low-risk profile of Toronto Hydro in their latest credit reports.

Pure play in regulated local distribution

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

Strong franchise area

- Largest municipal local distribution company in Canada

Favourable customer mix

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

Solid financial profile

- Stable regulated earnings and cash flow

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