

2016 Fixed Income Investor Update

Montréal – April 6, 2016

Toronto – April 7, 2016

Winnipeg – April 8, 2016

Laura Foster

Interim, Chief Financial Officer

François Bérubé

Treasurer



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Agenda

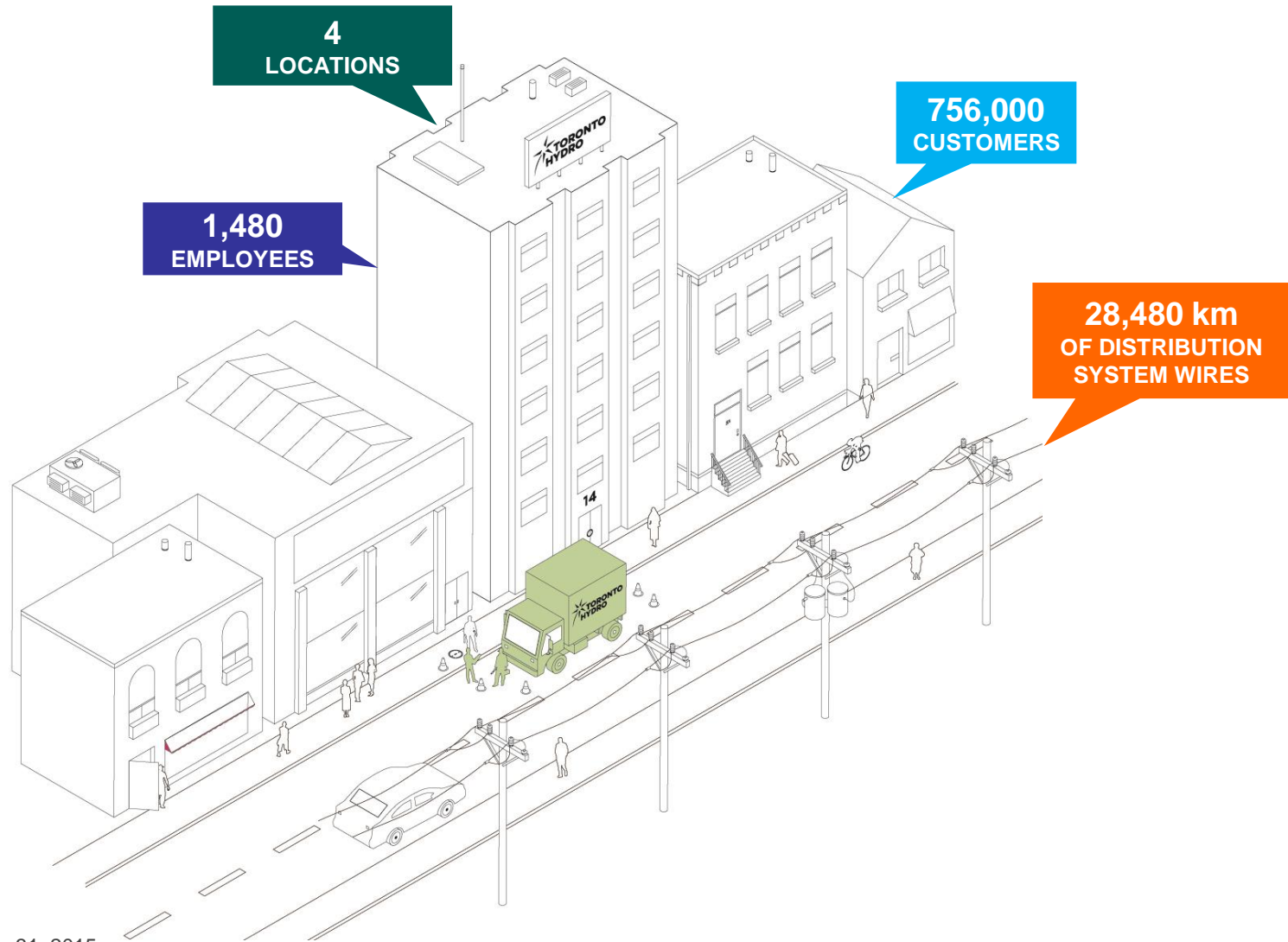
1. About Toronto Hydro
2. Capital Plan
3. Regulatory Affairs
4. Financial Highlights



Toronto Hydro Corporation (THC)

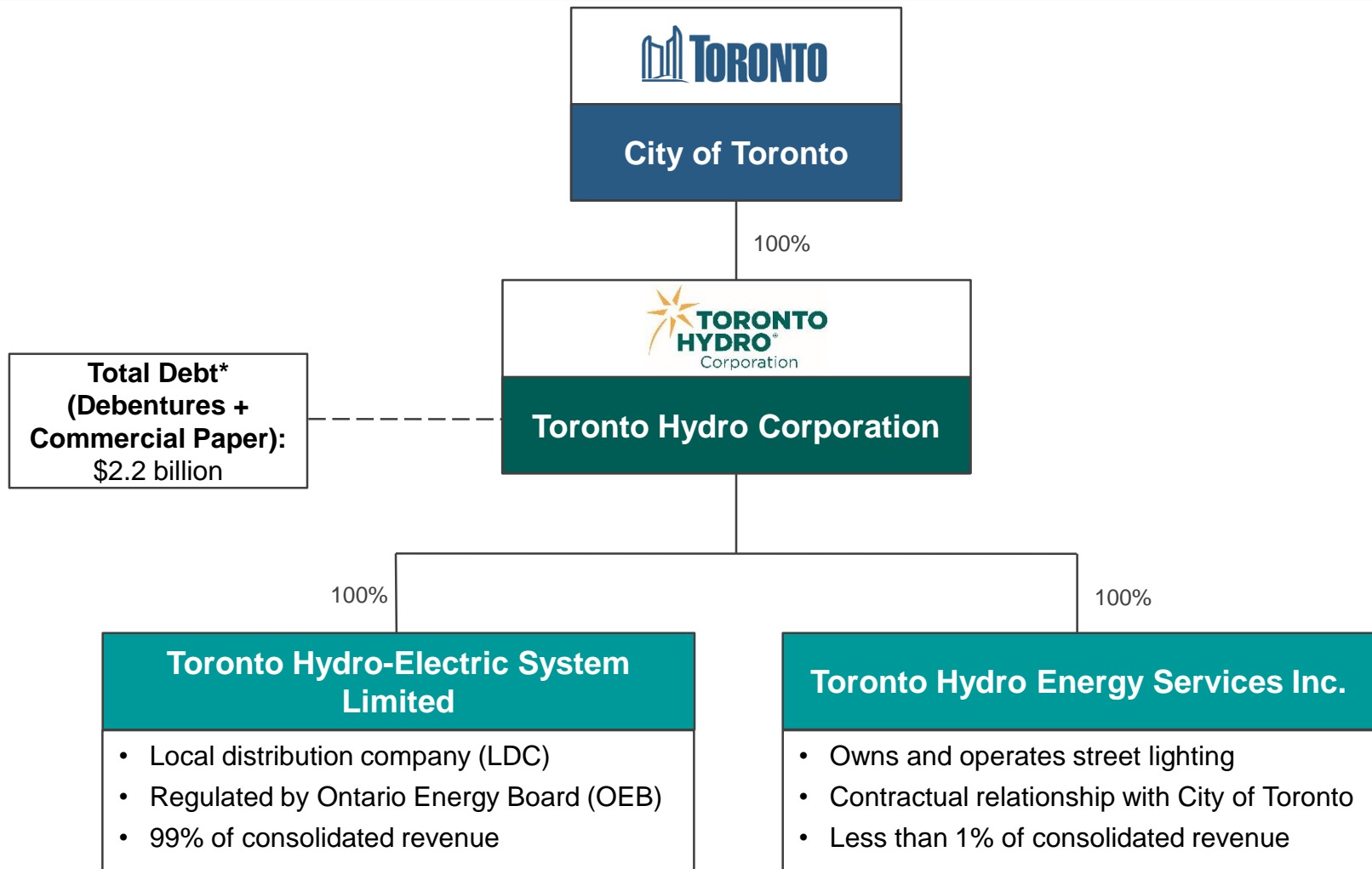
THC owns the largest municipal electricity distribution company in Canada, distributing approximately 19% of the electricity consumed in Ontario.

THC owns and operates \$3.8 billion of capital assets, generating \$3.5 billion in revenue and \$127 million in net income.



* As at December 31, 2015.

THC is wholly owned by the City of Toronto.



* As at December 31, 2015.

Toronto Hydro is operated independently and treated as an investment by the City.

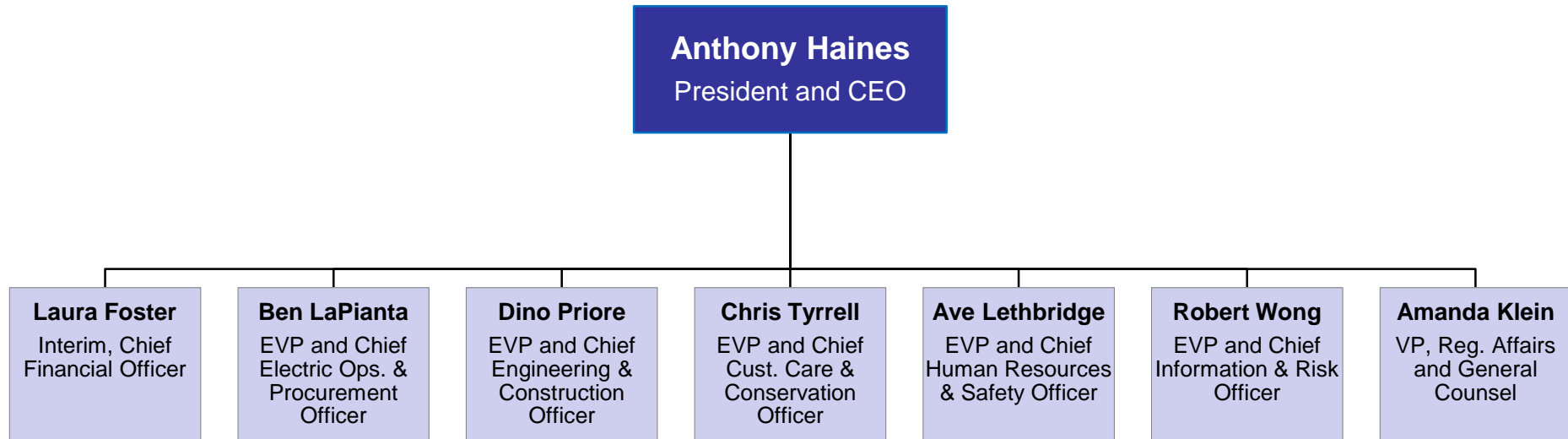
- Board composed of 11 directors appointed by City Council (including 8 independent directors and 3 councillors).
 - There is currently one vacancy on the Board of Directors.
- Shareholder Direction issued by the City outlines key financial objectives:
 - Pay dividends to the City each year equal to the greater of \$25.0 million or 50% of the Corporation's consolidated net income for the prior fiscal year.
 - Obtain and maintain rating of A- or higher on senior debt securities.



Shareholder Direction: Principles

Operate efficiently and on a commercially prudent basis	Maintain a reliable and efficient distribution system	Be environmentally responsible	Optimize return on equity	Maintain compliance with all laws
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Members of our executive team have been working 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 cost.

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

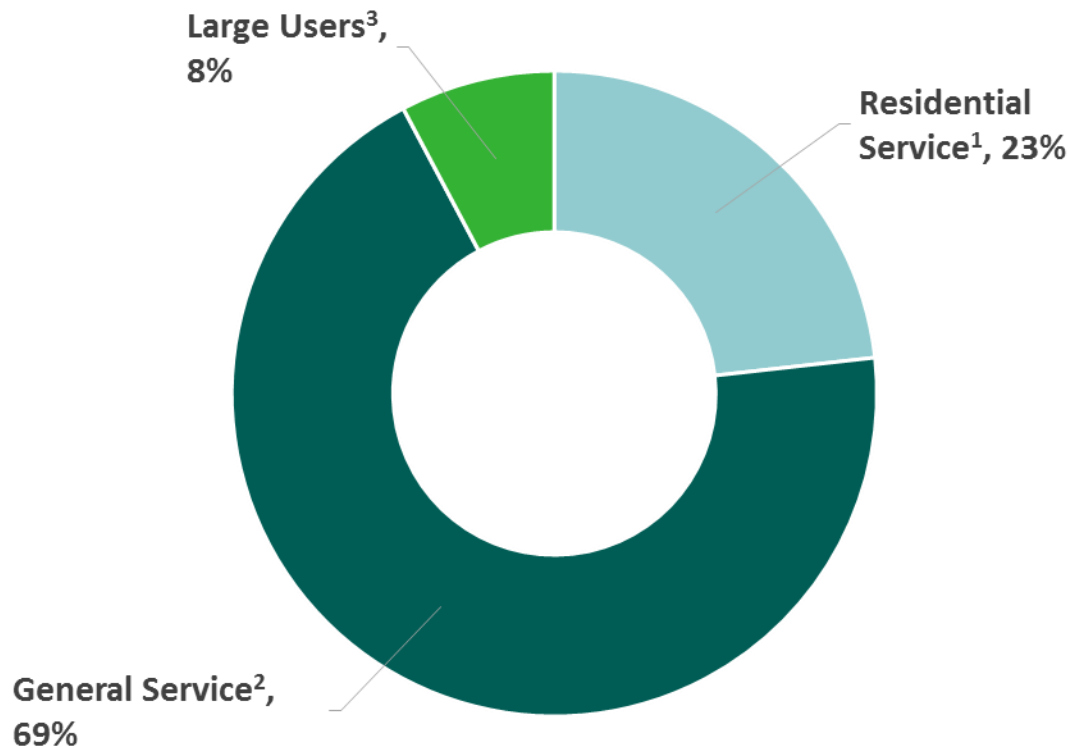


FINANCIAL

Meet financial objectives of the Shareholder

Toronto Hydro-Electric System Limited (THESL) collected a total revenue of \$3.5 billion in 2015 from three service categories.

Customer mix
(% of total service revenue)



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

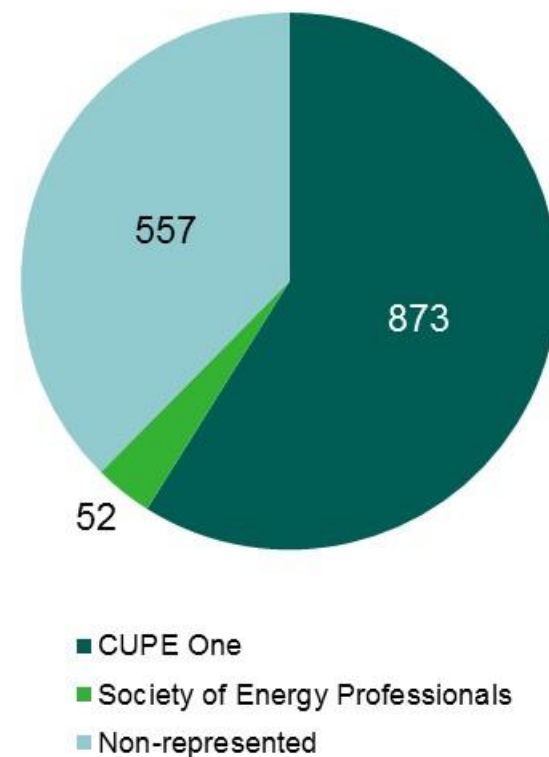
² Premises receiving other than "Residential Service" with a monthly peak demand of less than 5,000kW.

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

Approximately two-thirds of our workforce is unionized, and we enjoy positive relations with both the unionized and non-unionized members of our workforce.

- The Canadian Union of Public Employees, Local One (CUPE One) represents 94% of our unionized workforce.
 - 4-year collective agreement expiring January 31, 2018.
- The Society of Energy Professionals represents 6% of our unionized workforce.
 - 4-year collective agreement expired December 31, 2015.
 - Negotiations are ongoing.

Workforce Overview:
Total number of employees - 1482



* As at December 31, 2015.

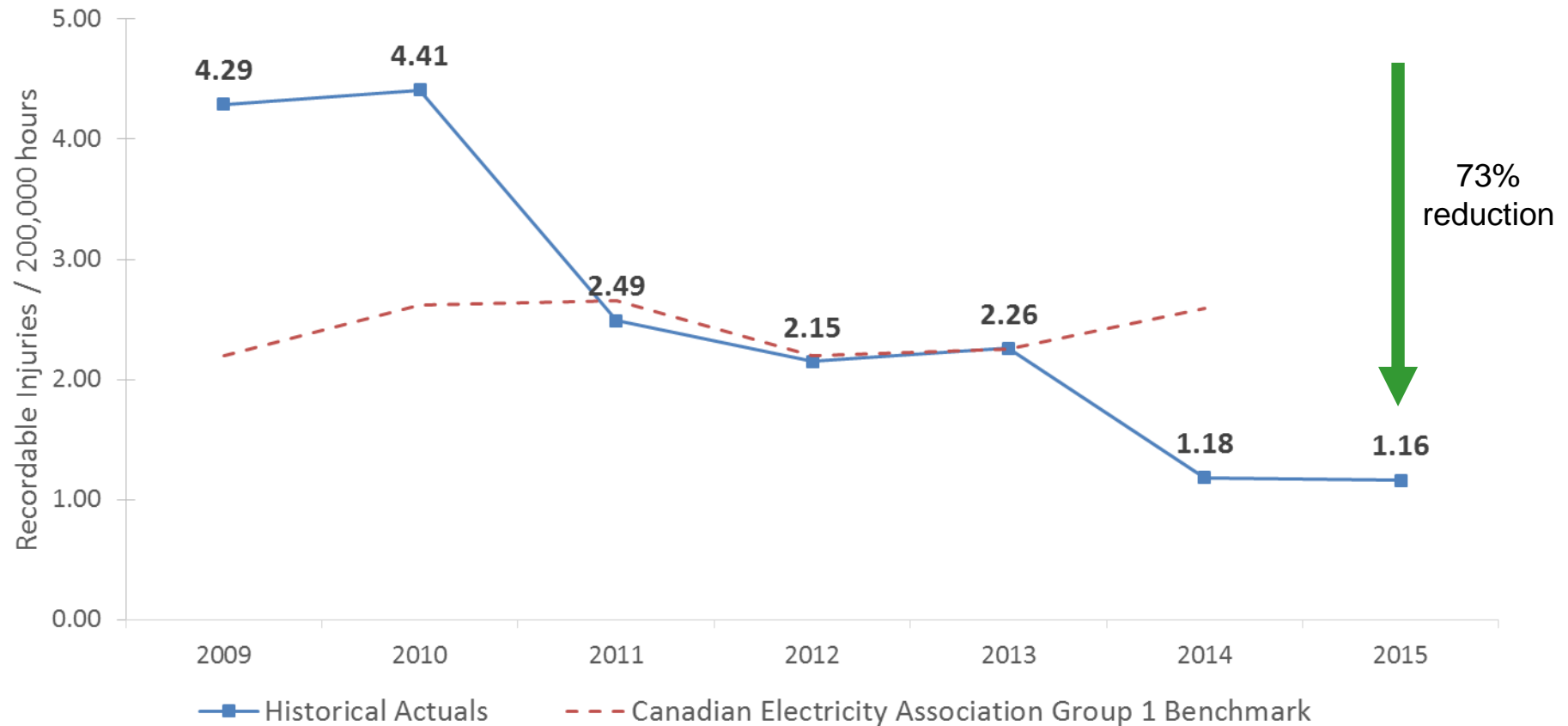
PEOPLE



Total Recordable Injury Frequency has decreased by _____ since 2009.

- A. 20%
- B. 37%
- C. 65%
- D. 73%**

Safety: Toronto Hydro's workforce recently achieved 4 million consecutive hours of work with no lost time injury.



Toronto Hydro has invested heavily in the last few years to improve its asset age profile.

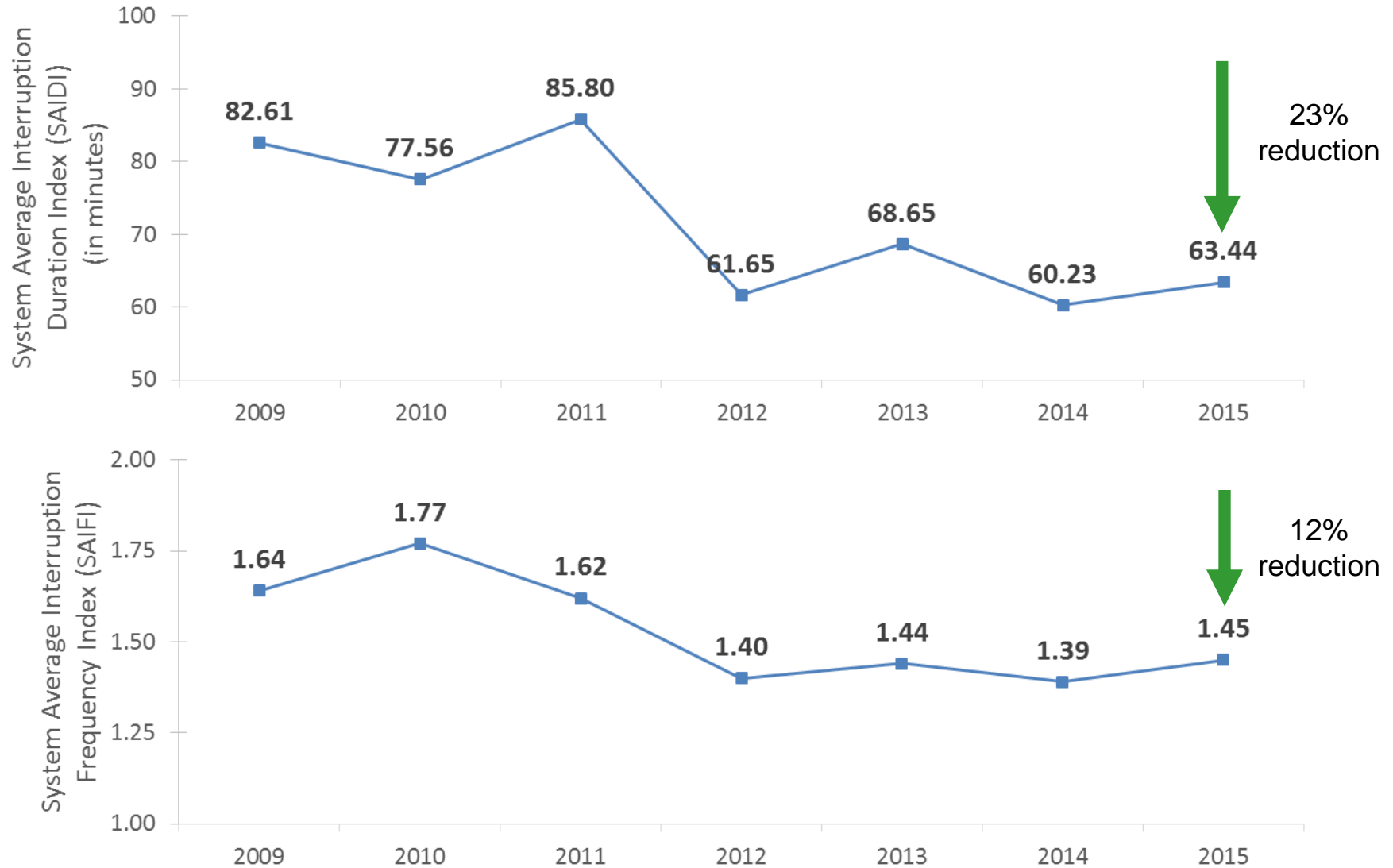
OPERATIONS



In 2015, approximately _____ of interruptions were caused by defective equipment.

- A. 7%
- B. 15%
- C. 40%
- D. 52%

System reliability indices have improved over the past 6 years.





Capital Plan

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

Toronto Hydro supports Toronto's vibrant growth.

- Toronto is becoming a 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 supports Toronto's vibrant growth.

OPERATIONS



Toronto Hydro was involved in _____ construction projects in 2015.

- A. 13
- B. 29
- C. 152
- D. 321**

Toronto Hydro is facilitating 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.
 - All construction work related to the 600-metre tunnel below the city's downtown area was completed in 2015;
 - Placement of roof concrete is near completion; and
 - Completion expected in 2017.



The Operating Centres Consolidation Program will allow Toronto Hydro to permanently lower operating centre cost.

- Number of major operating centers to be reduced by two (from five to three).
 - Proceeds from sale of 28 Underwriters & 5800 Yonge providing direct benefits to ratepayers.
- Two leased facilities (6 Monogram & 601 Milner) to be replaced by two owned facilities (71 Rexdale & 715 Milner).





Regulatory Affairs

Sustainable business model reinforced by a strong regulatory framework.

The OEB approved rate funding for THESL that supports \$2.2 billion in CAPEX for 2015-19.

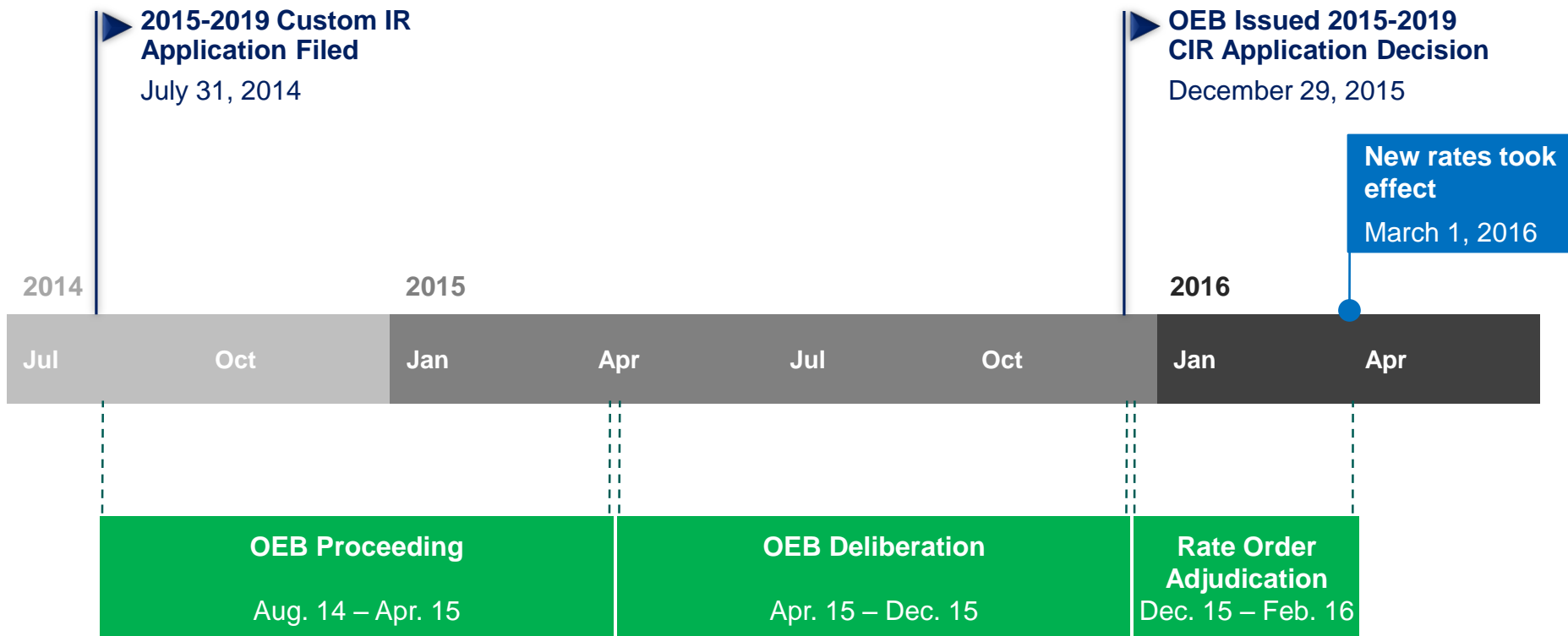
- This represents an increase of 20% (\$80 million per year in CAPEX) from last OEB-approved funding amount.

THESL's Historical CAPEX Approval Trend*

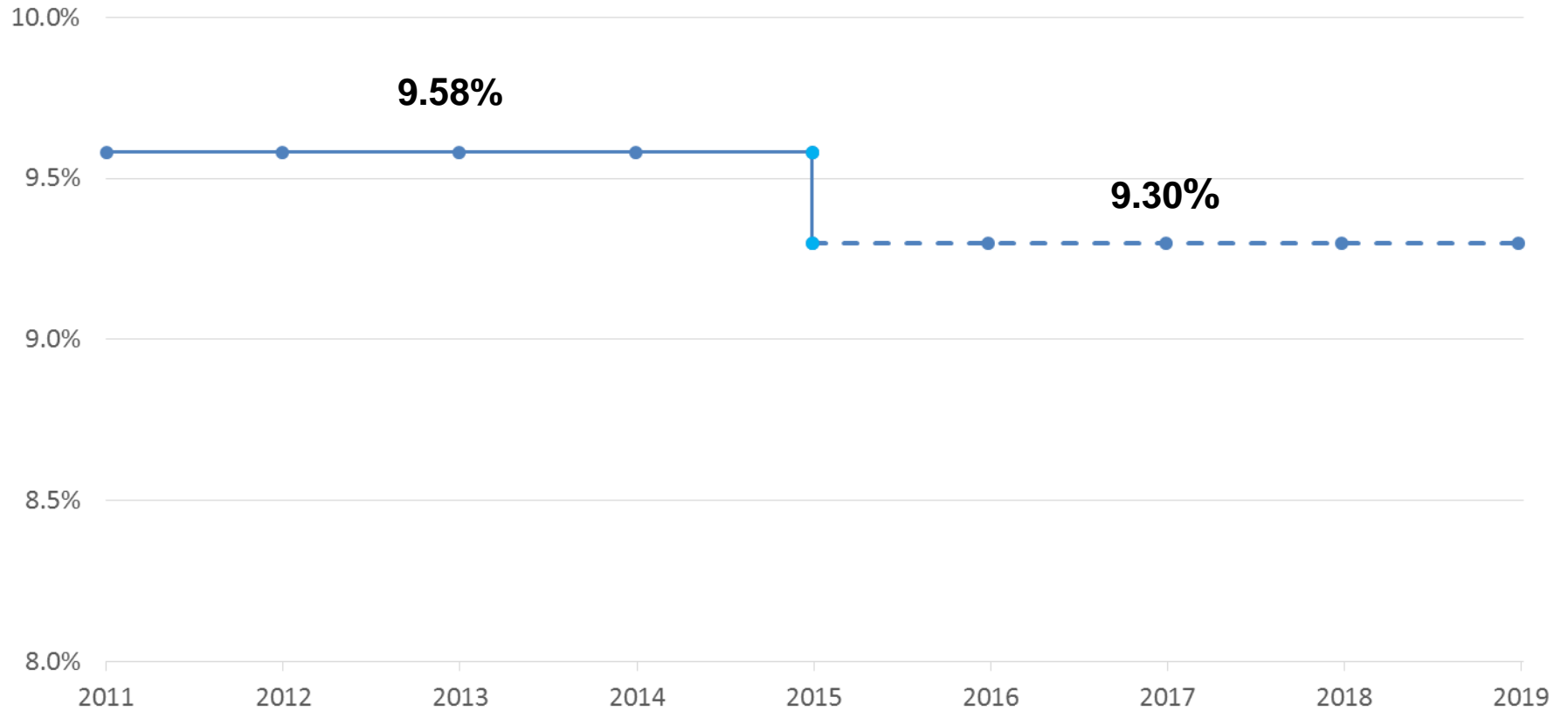


* Approximate amounts.

Toronto Hydro's Custom Incentive Rate-setting (Custom IR) application involved 14 months of pre-filing planning and preparation.



THESL's approved allowable Return on Equity (ROE) is 9.30% until 2019.



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

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

The image shows a sample Toronto Hydro electricity bill. The header includes the company name 'Toronto Hydro-Electric System Limited' and 'YOUR ELECTRICITY BILL' in a green banner, along with the 'TORONTO HYDRO' logo. The bill details include:

- Account Number:** 0123456789 (To be used for payments)
- Phone number:** 416-943-8000
- Statement Date:** Jul 02 2012
- Amount Due:** \$293.47
- Due Date:** Jul 24 2012
- Amount Paid:** \$16,143.000
- Website:** www.torontohydro.com

Customer information includes Meter Number 01234567, Residential Tiered-Rate Customer, and Service Location: 5 MAKE BELIEVE DR, NORTH YORK.

The bill is titled 'Your Electricity Charges' and lists the following charges:

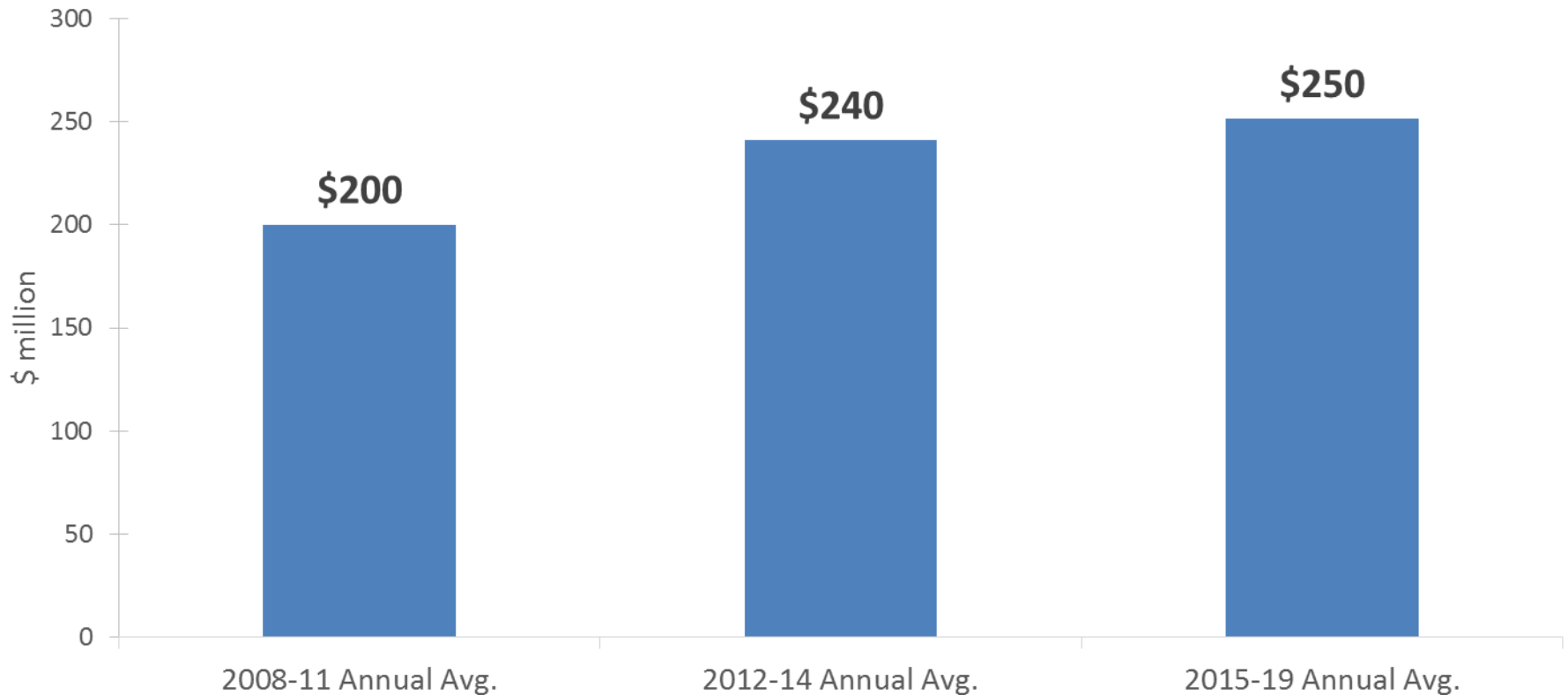
Category	Amount
Electricity	
1,200 kWh at \$0.019 per kWh	\$22.80
875,000 kWh at \$0.008 per kWh	\$7.00
Delivery	\$3.00

Additional text includes 'Electricity supplied by Toronto Hydro through Standard Supply Service', 'Billing frequency: 1000 kWh (1000 kWh)', and 'Compare your daily usage' with a bar chart area.

THESL has been increasingly successful in securing Operating, Maintenance and Administration (OM&A) funding to sustain the growth and complexities of its operations.

- This represents an increase of 4% (\$10 million per year) from previous OEB-approved funding amount.

THESL's Approved Operational Funding*



* Approximate amounts.

The Independent Electricity System Operator (IESO) is implementing a new six-year conservation framework.

- The target is to reduce electricity consumption in Ontario by 7 TWh by December 31, 2020.
 - THESL's share is approximately 1.6 TWh.
- THESL is eligible to receive up to \$24 million in performance incentives.
- Our energy savings target is equivalent to:



123,000

total tonnes of carbon dioxide



64,000

electrically heated homes



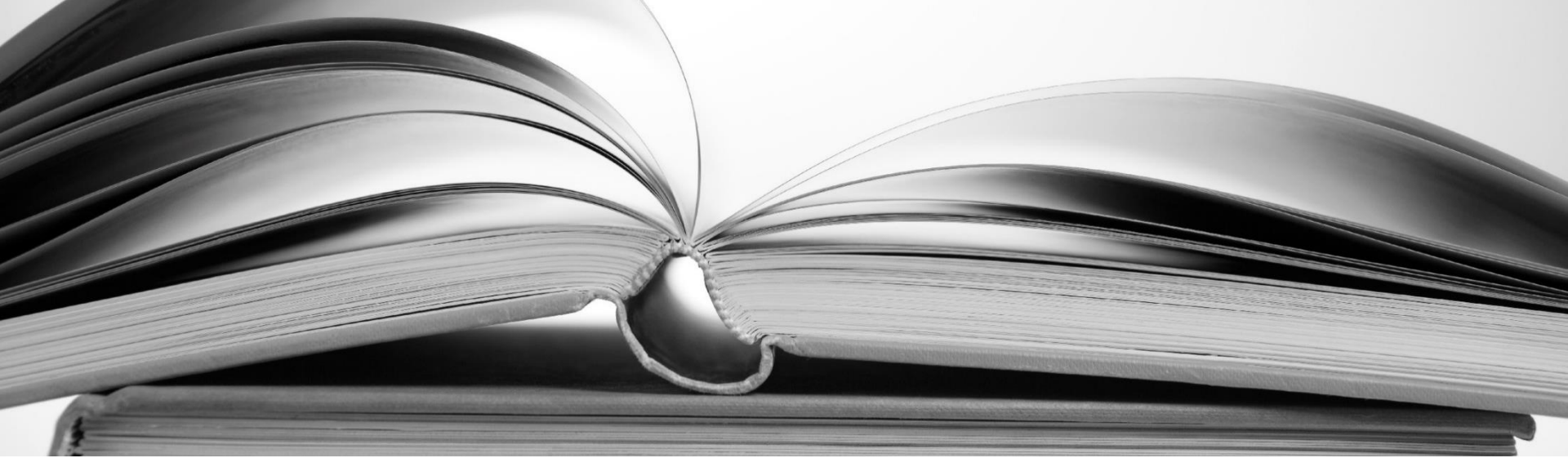
35,000

compact cars removed from the road



3.4
MILLION

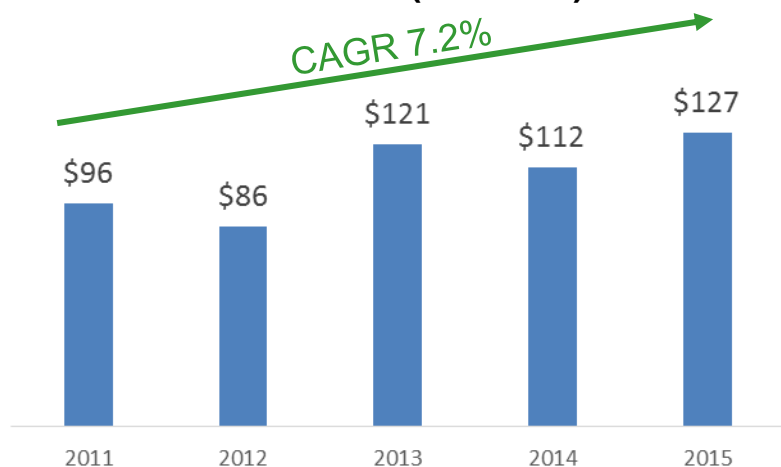
The carbon equivalence of full sized trees



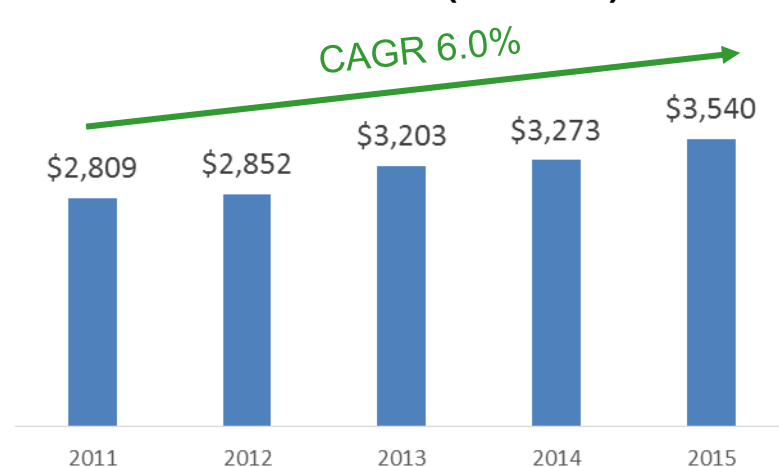
Financial Highlights

In 2015, THC achieved strong net income after net movements in regulatory balances of \$126.7 million while making prudent capital investments.

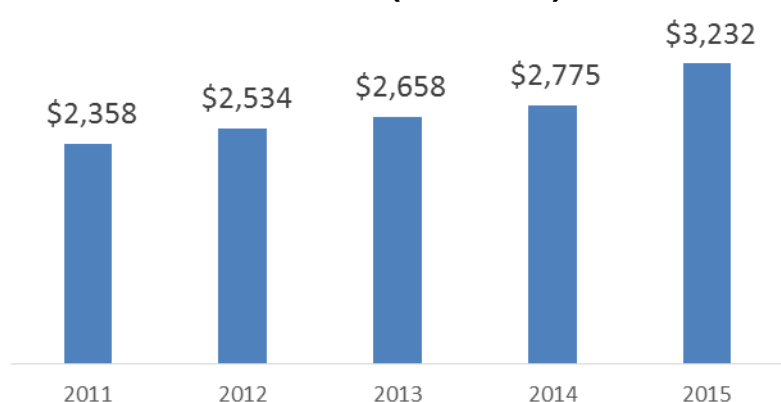
Net Income (\$ million)



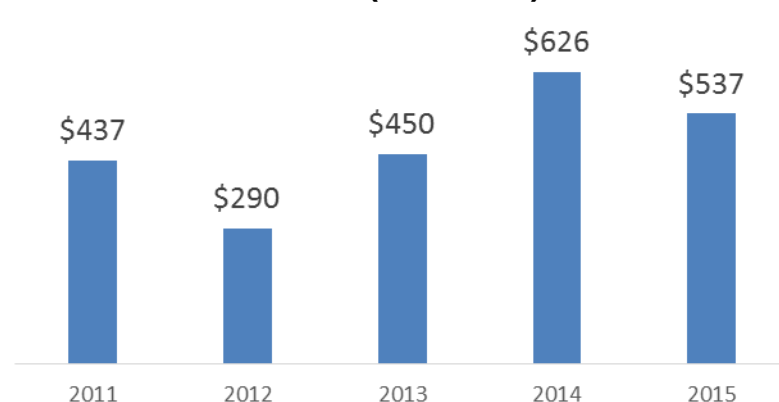
Total Revenue (\$ million)



Rate Base (\$ million)



CAPEX (\$ million)



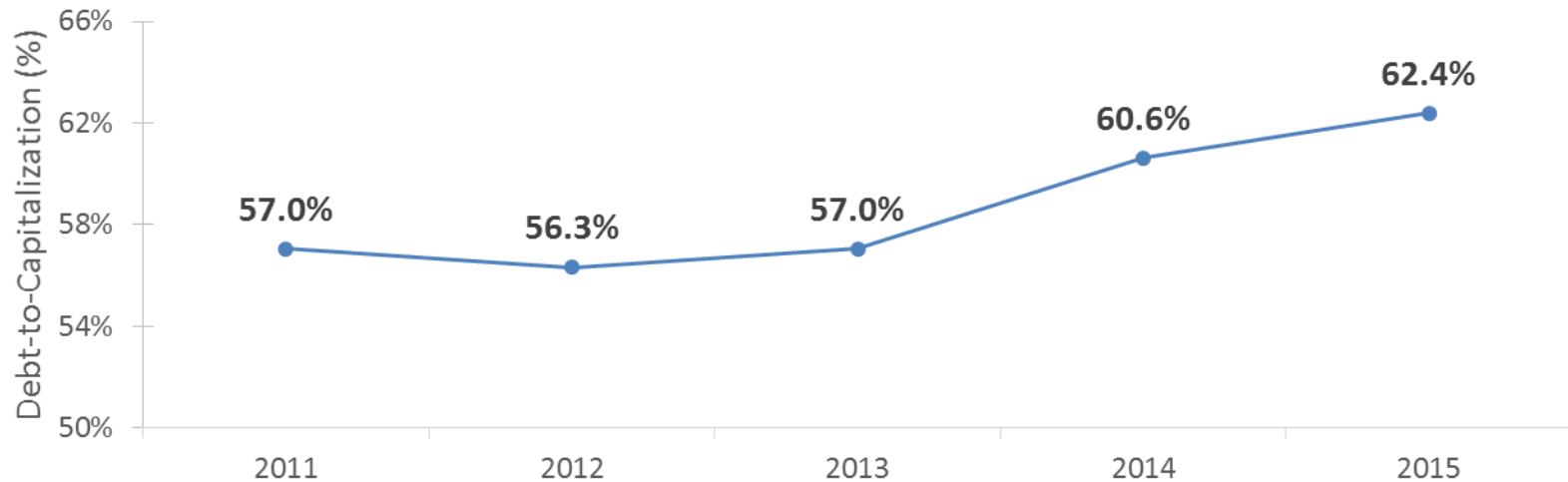
* 2011-2013 presented under US GAAP, 2014-2015 presented under IFRS.

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

Credit Ratings

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

Debt-to-Capitalization



* 2011-2013 presented under US GAAP, 2014-2015 presented under IFRS.

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.

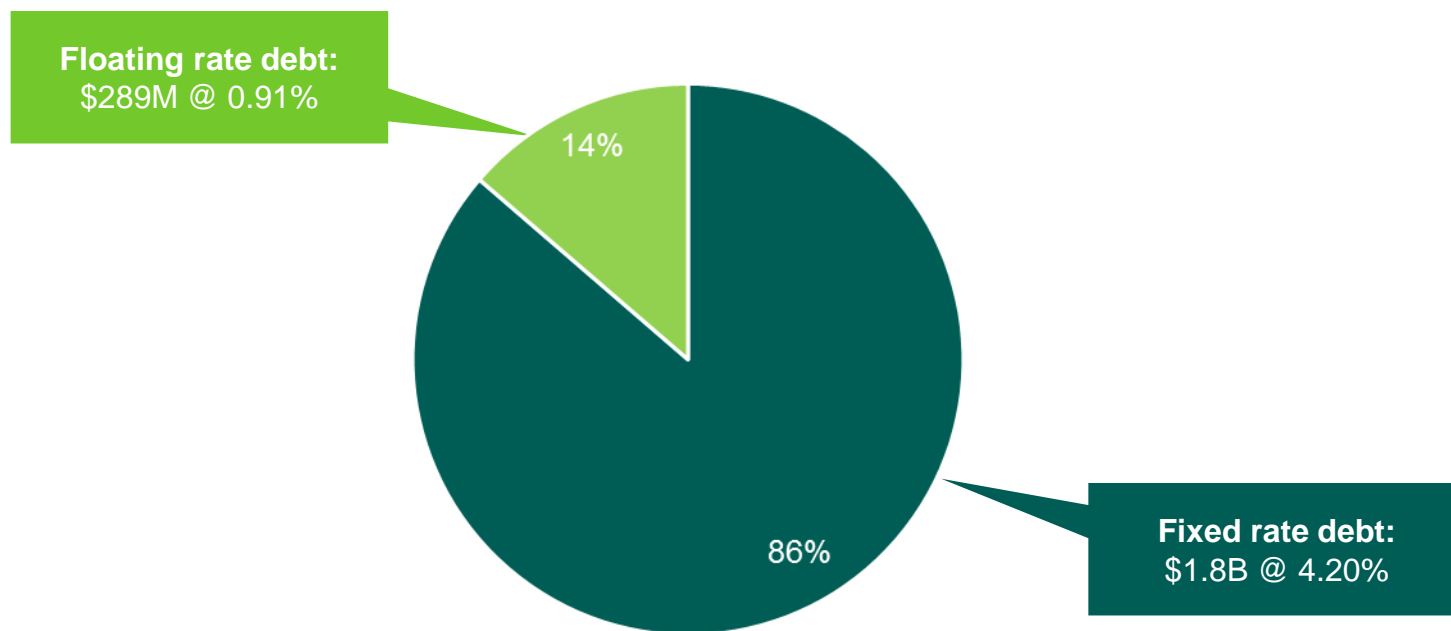
Liquidity as at Dec. 31, 2015		
Facility Type	Size	Availability
Revolving Credit Facility	\$800M*	\$476M
Prudential Facility (LC)	\$75M	\$43M
Working Capital Facility	\$20M	\$6M
Total	\$895M	\$525M

- Toronto Hydro's \$800 million Revolving Credit Facility expires in 2020.
- Toronto Hydro's \$600 million Commercial Paper Program is backed by the Revolving Credit Facility.

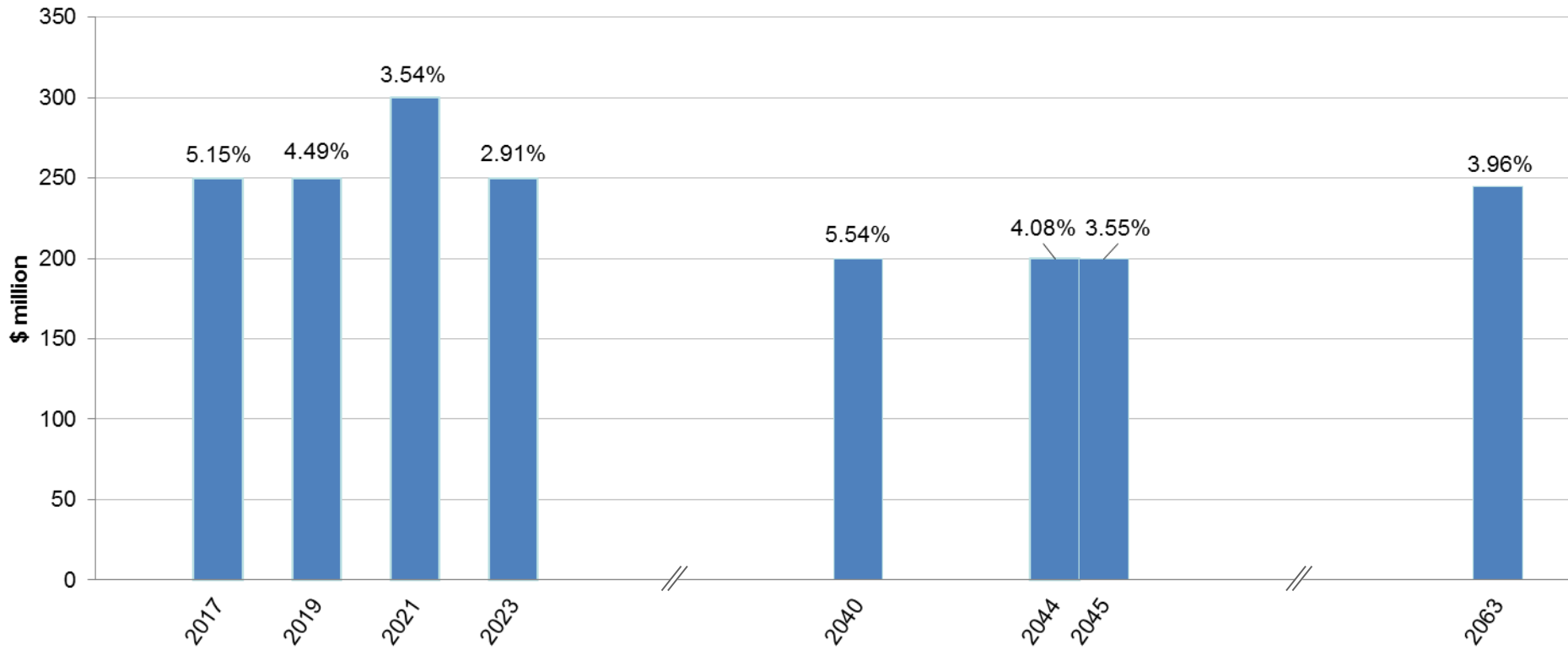
* Includes Commercial Paper Program, which has a limit of \$600M.

THC continues to have access to very attractive funding sources.

- Average aggregate outstanding Commercial Paper in 2015 was \$289 million with a weighted average interest rate of 0.91%.
- In March 2015, THC issued \$200 million of 3.55% senior unsecured debentures due July 28, 2045 (Series 11).
- In September 2015, THC re-opened its Series 9 offering and issued an additional \$45.0 million of 3.96% senior unsecured debentures due April 9, 2063.



Prudent capital management has enabled Toronto Hydro to maintain a well-laddered maturity profile.



Toronto Hydro in a nutshell.

Pure-play regulated LDC

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

Strong franchise area

- Largest municipal local distribution company in Canada.

Strong regulatory structure

- Ontario Energy Board's regulatory structure is transparent, predictable, consistent and independent.

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.
- Long-term debt is A rated by both DBRS and S&P with stable trend/outlook.

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