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2018 Fixed Income Investor Update

Montréal – June 4, 2018

Toronto – June 5, 2018

Winnipeg – June 6, 2018

Speakers:

Sean Bovingdon – EVP & CFO

Stuart Preston – Treasurer



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

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

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

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

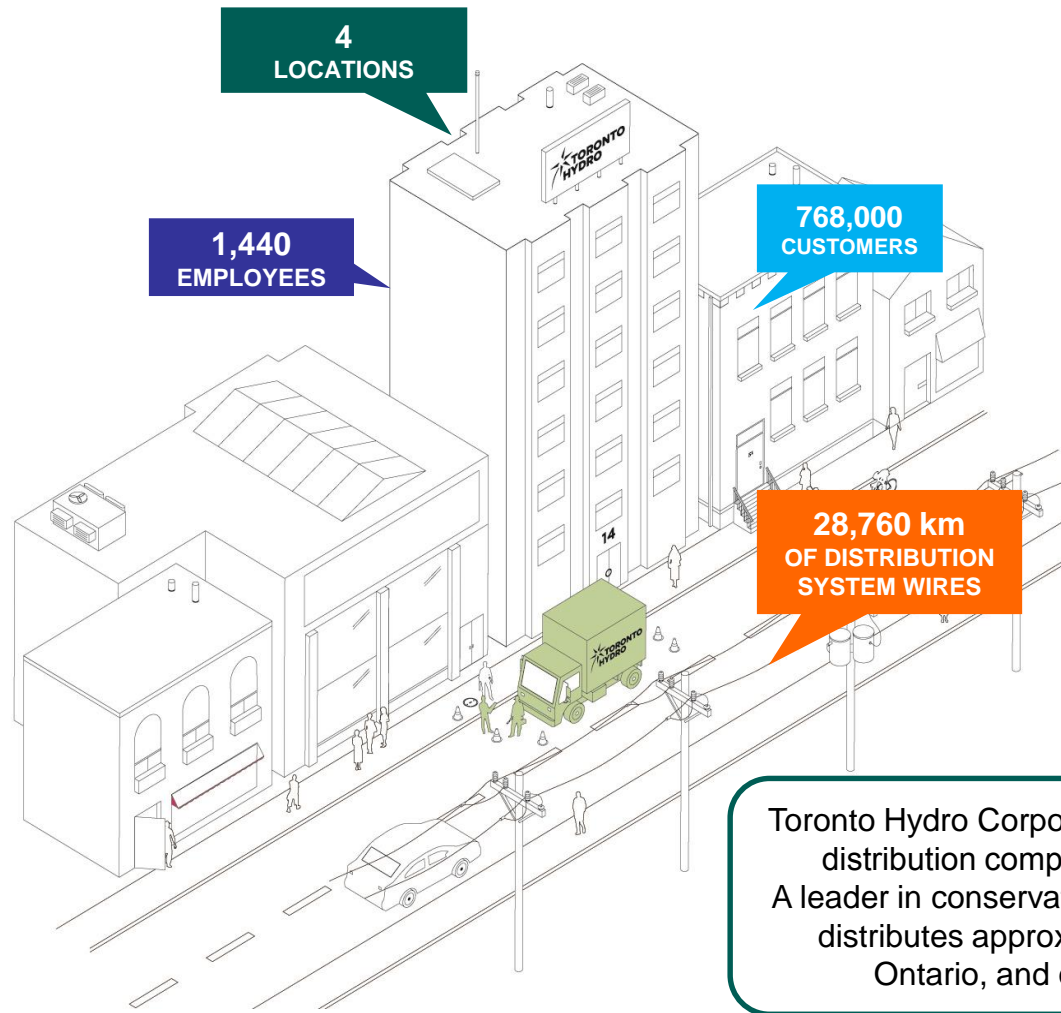
Agenda

1. About Toronto Hydro
2. Current Environment
3. Regulatory Affairs
4. Operational Updates
5. Financial Highlights



About Toronto Hydro

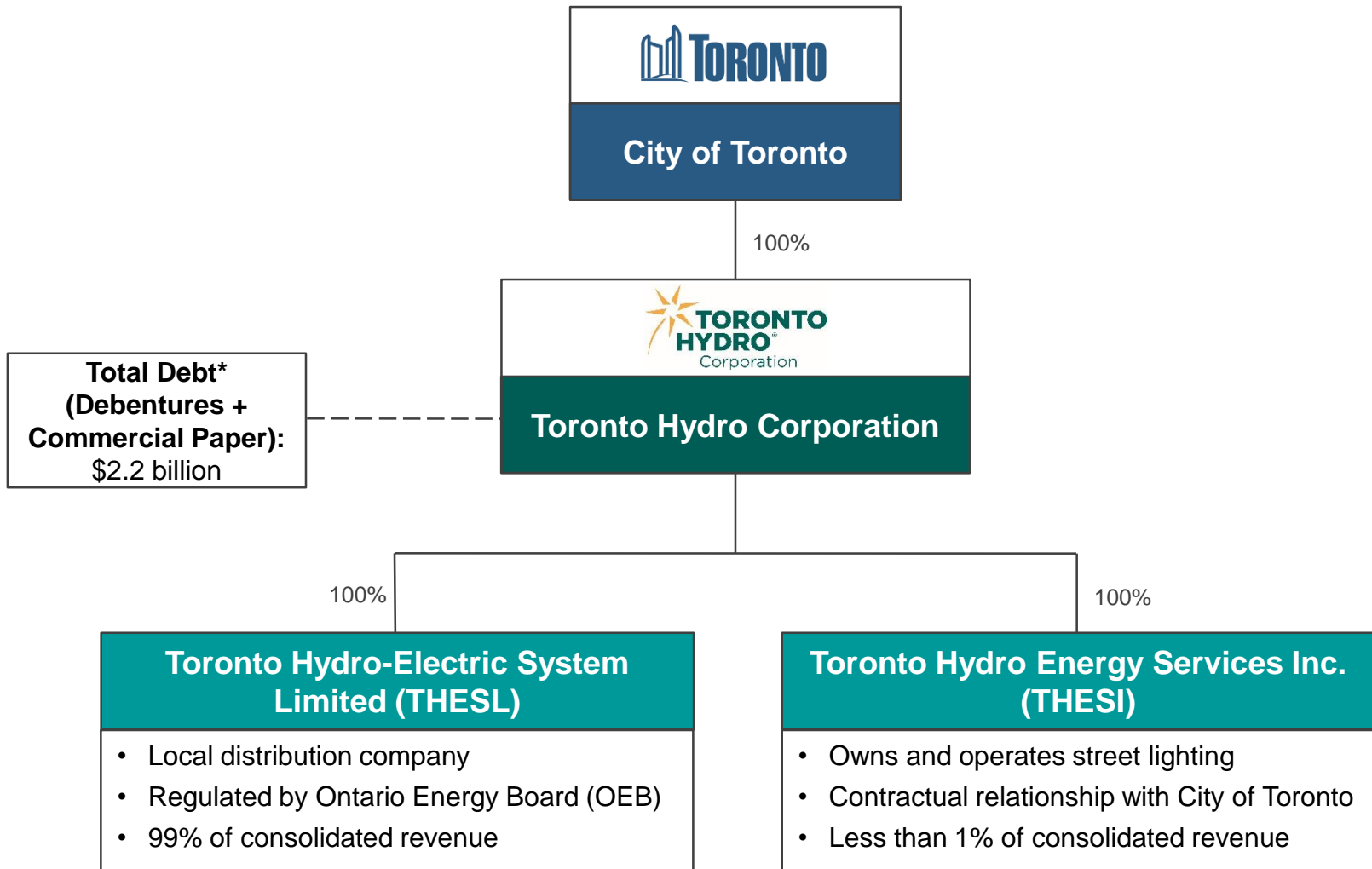
Company Overview



Toronto Hydro Corporation (THC) owns and operates the electricity distribution company serving Toronto, Canada's largest city. A leader in conservation and demand management, Toronto Hydro distributes approximately 19% of the electricity consumed in Ontario, and owns and operates \$5 billion of assets.

As at December 31, 2017

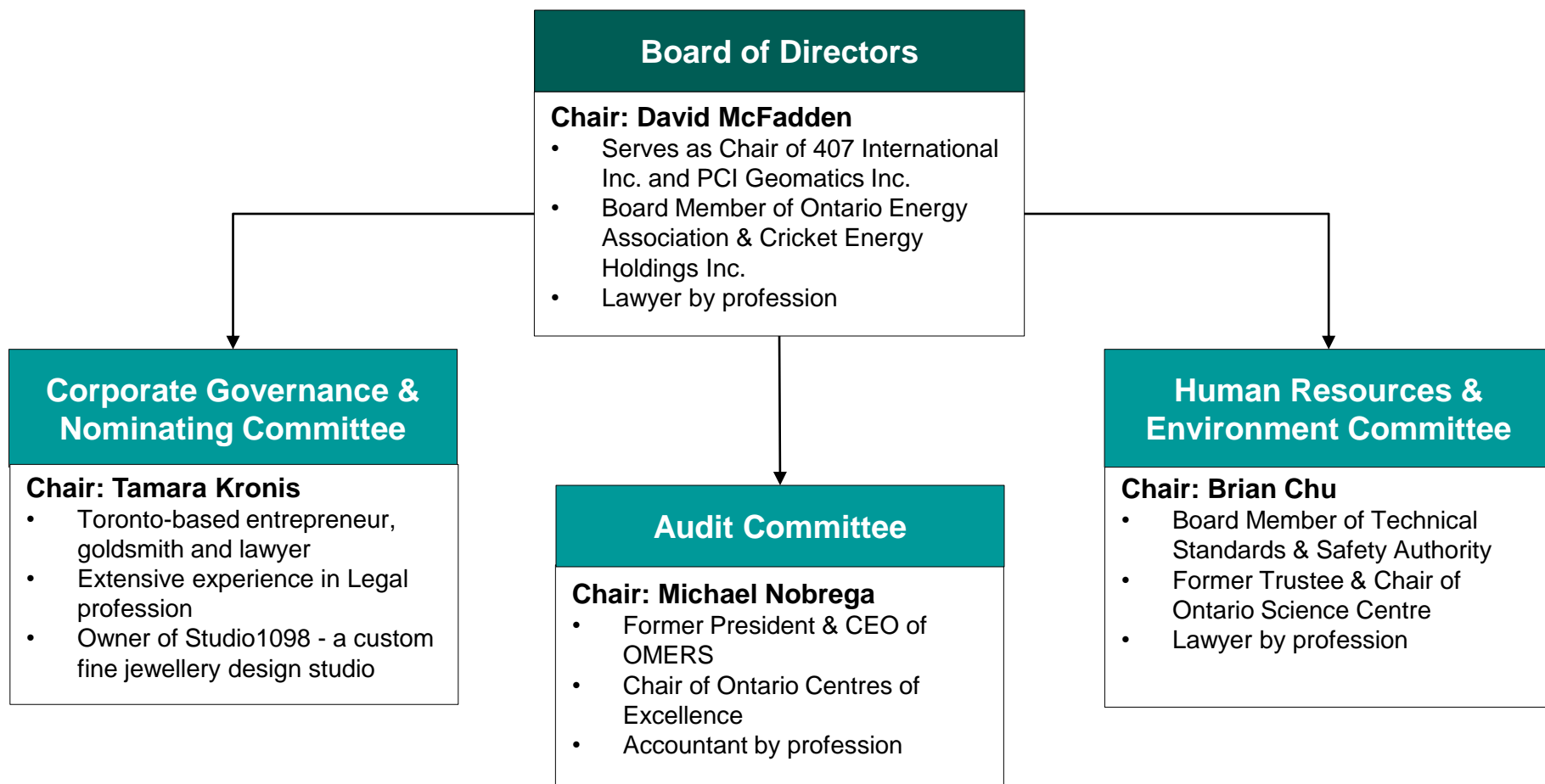
Corporate Structure



*As at March 31, 2018

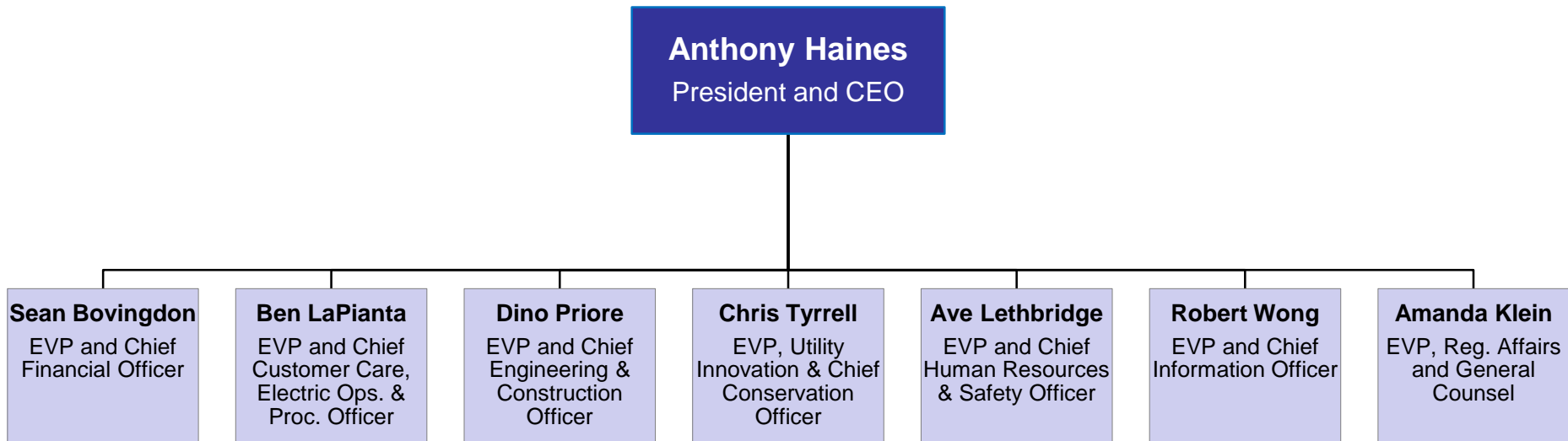
Board Composition & Committees

- Toronto Hydro Board is composed of 11 directors appointed by City Council:
 - 8 independent directors and 3 councillors

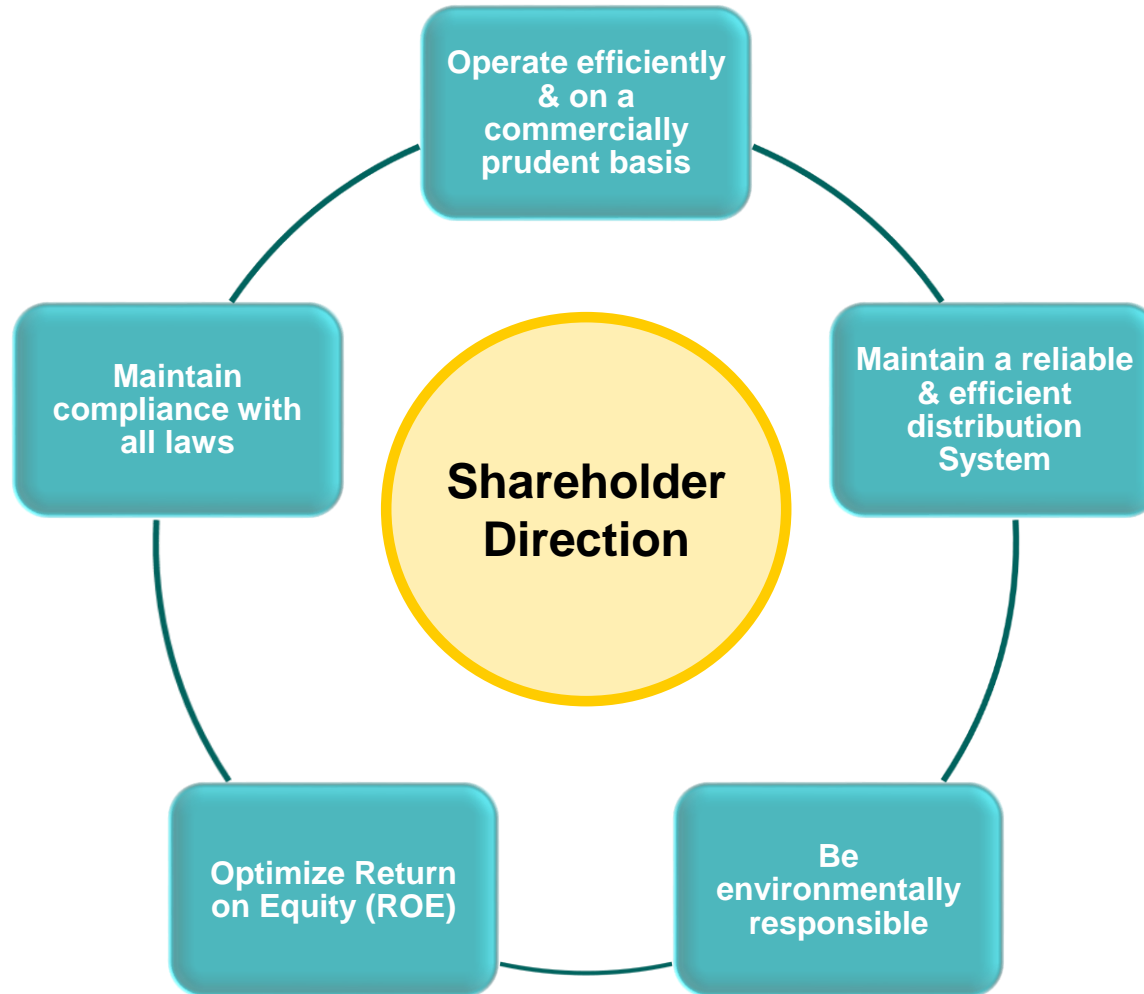


Executive Team

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



Shareholder Direction – Principles



Toronto Hydro's Four Pillars



CUSTOMER

- ✓ Provide long-term value for money
- ✓ Help you conserve energy



PEOPLE

- ✓ Provide a healthy and safe workplace
- ✓ Develop a skilled and knowledgeable workforce



OPERATIONS

- ✓ Build a grid that supports a modern city
- ✓ Keep our system safe

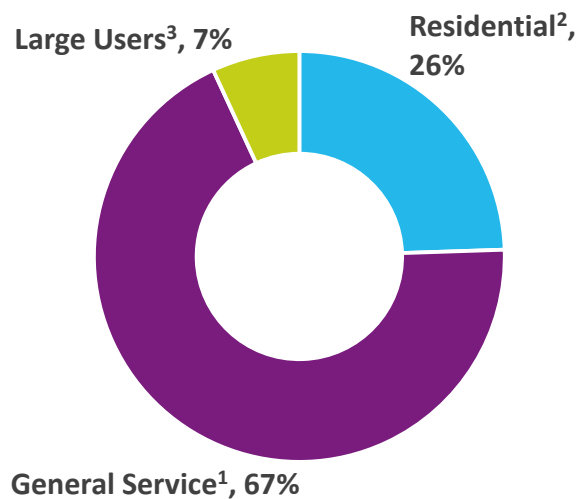


FINANCIAL

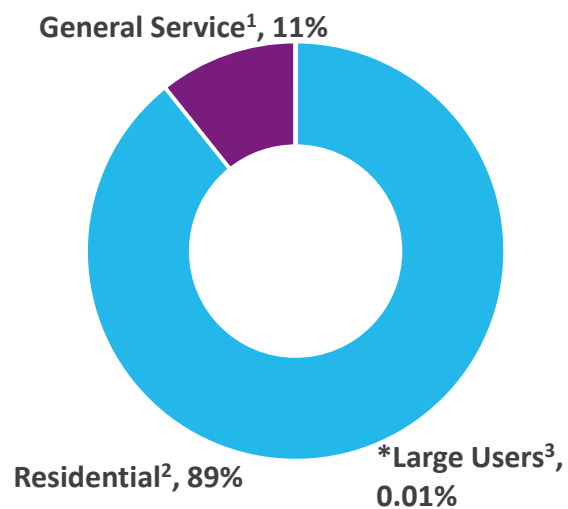
- ✓ Provide a fair return to our Shareholder
- ✓ Continue to increase Shareholder value

Customer Analysis

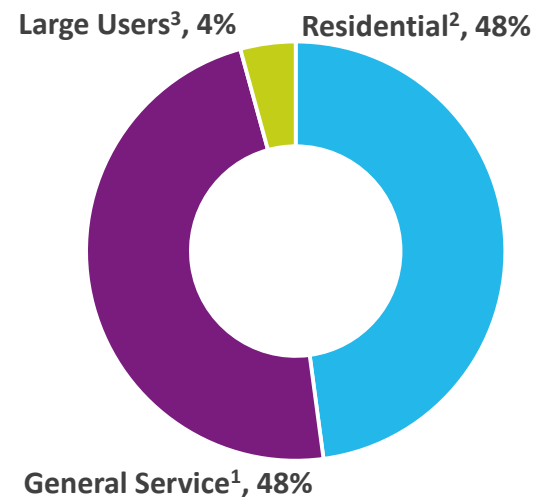
% of total service revenue



% of total number of customers



% of total distribution revenue



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

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

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

* Numbers are rounded and are as at and for the year ended December 31, 2017



Current Environment

Innovation – Utility of the Future



Business Development

Market Evolving – New Opportunities and synergies with core LDC business

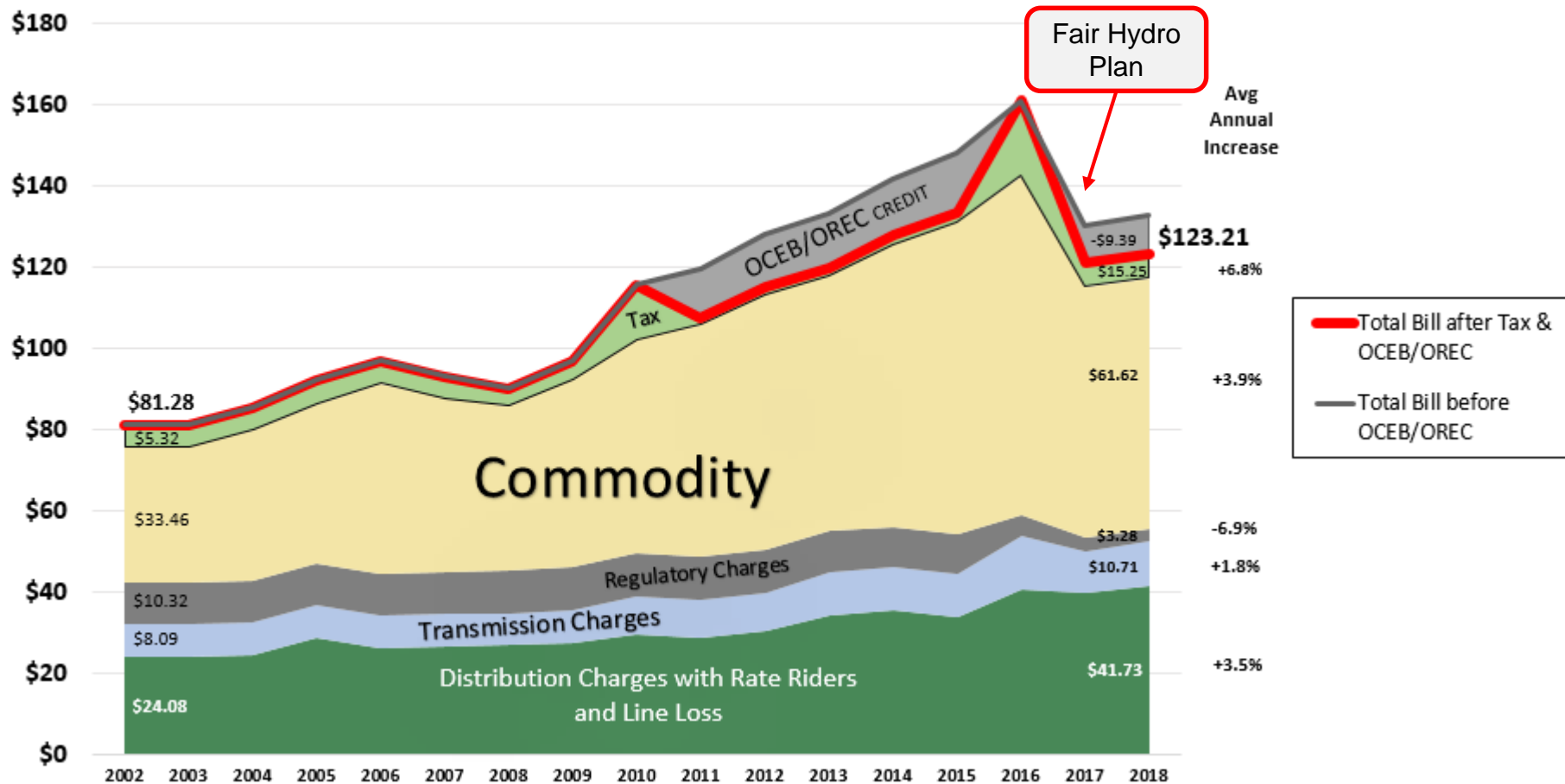
Strategy – Protect and Grow Toronto Hydro within seven strategic areas:

- Conservation and Demand Management / GreenON
- Distributed Energy Resource
- District Energy and Microgrids
- Energy Transactions
- Multi-Residential Suite Metering
- Streetlighting
- Transportation Electrification

Pilot Projects

Residential Price Components

- Since 2002, residential rates have increased by an average annual rate of 2.6%

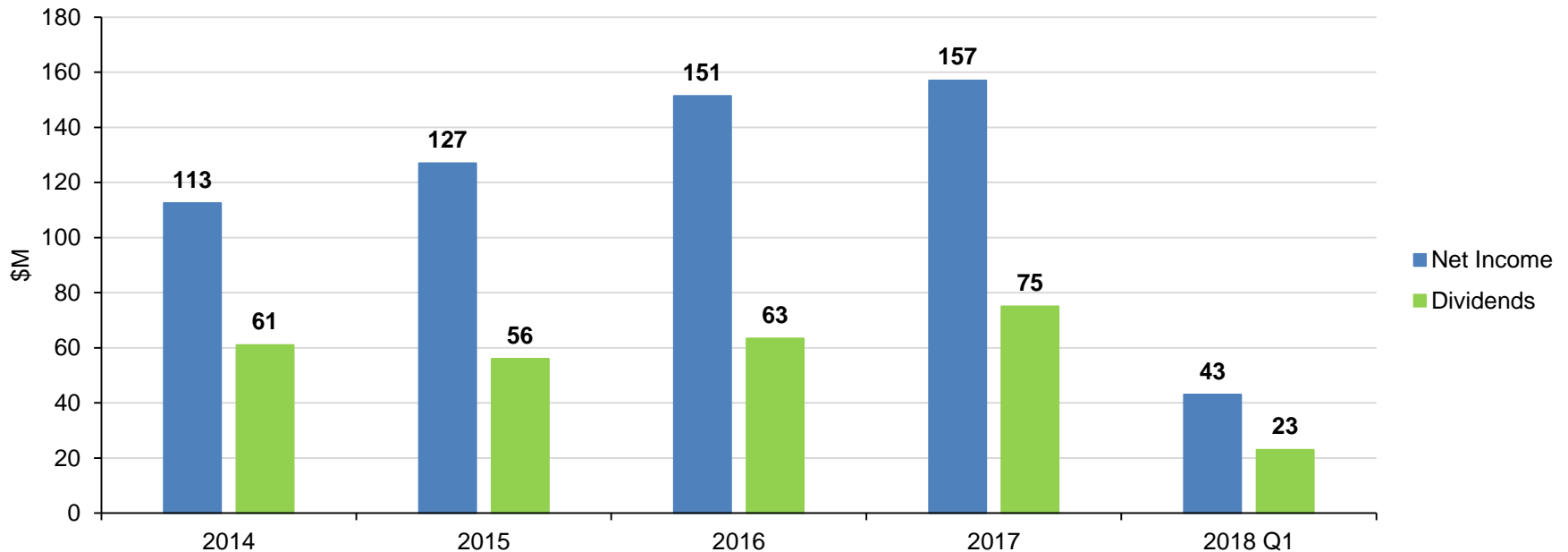


- Residential historical sample bills based on a monthly consumption of 750kWh/30 days
- OCEB stands for "Ontario Clean Energy Benefit", and OREC stands for "Ontario Rebate for Electricity Consumers"
- 2018 values reflect rates as of Jan 2018

Net Income & Dividends

- The Shareholder Direction provides that 60% of the Corporation's annual consolidated net income for the prior fiscal year is payable as a dividend to the City (pre-2018 was 50%)
- Dividends are payable in four equal quarterly installments
 - \$23.475M was paid to the City in Q1 2018

Historical Net Income & Dividends Paid



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



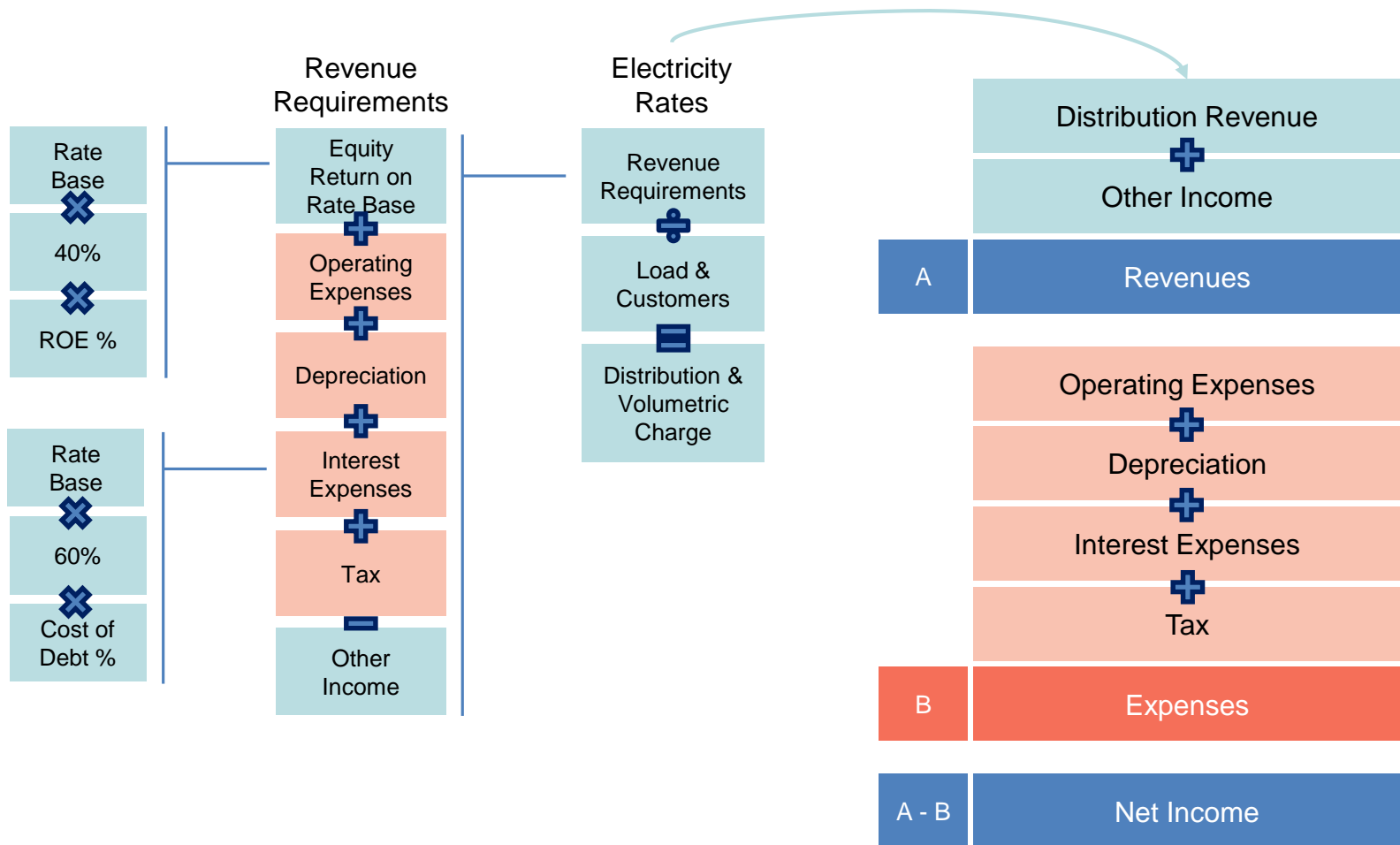
Regulatory Update

Regulatory Update

- Toronto Hydro enjoys a sustainable business model supported by a robust regulatory framework
- THESL is currently in its 4th year of the Custom Incentive Regulation (CIR) Application with an approved:
 - Rate base of \$3.2B for 2015 and subsequent annual rate adjustments for the period commencing January 2016 and ending December 2019
 - Stable return on equity of 9.30%
 - Funding certainty for 5 years
 - Investment flexibility
- Deemed capital structure of 60% debt / 40% equity; actual of 56% / 44% as at March 31, 2018
- Preparing to submit CIR Application for 2020-2024 period in mid 2018
 - Interrogatories and Hearing process expected to take up to a year
 - Decision should be possible prior to January 1, 2020

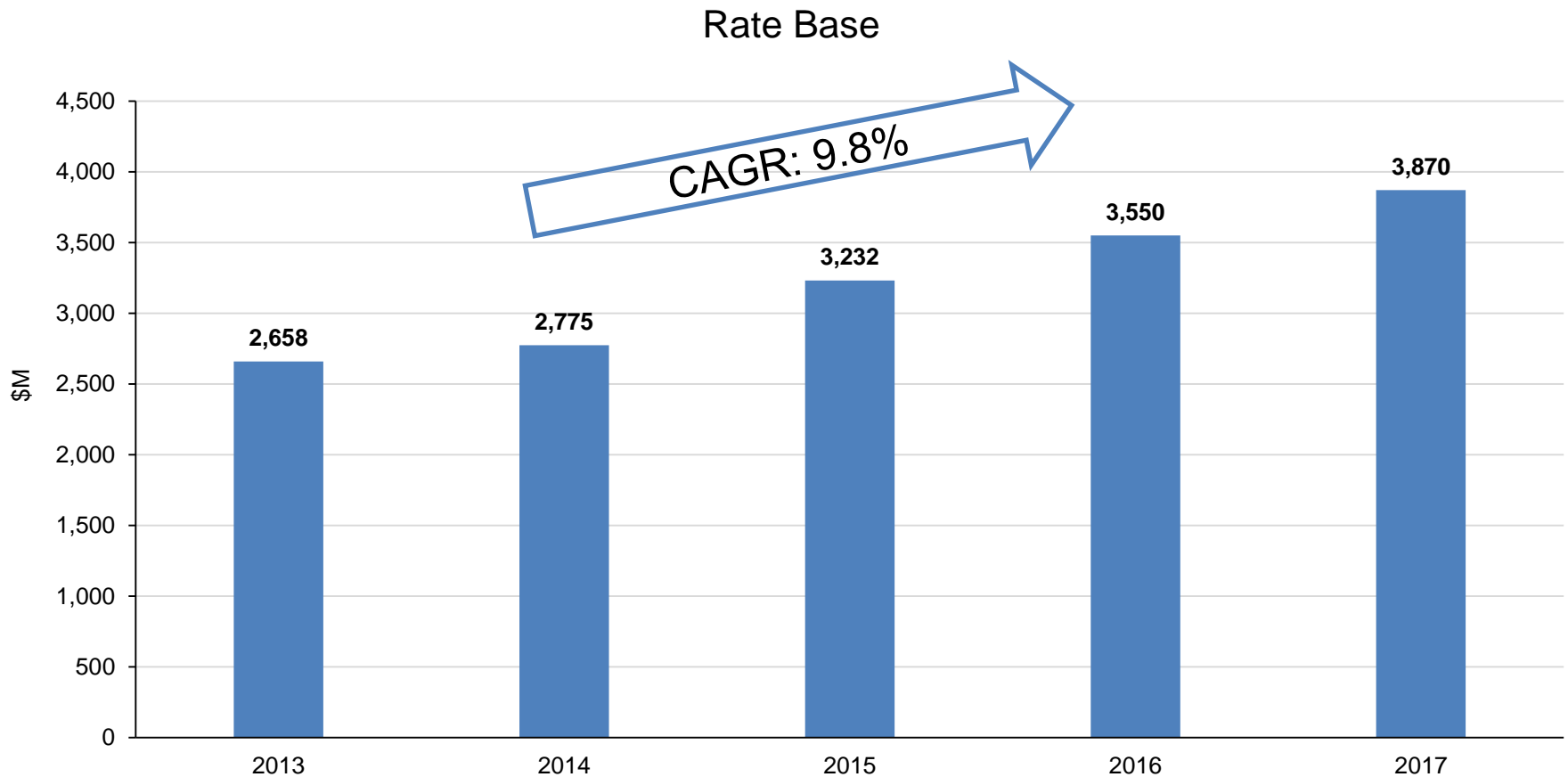
Net Income Components

- Interest Expenses, along with other Cost of Service items such as Operating Expenses, Depreciation and Tax are effectively a flow-through for Toronto Hydro



Rate Base

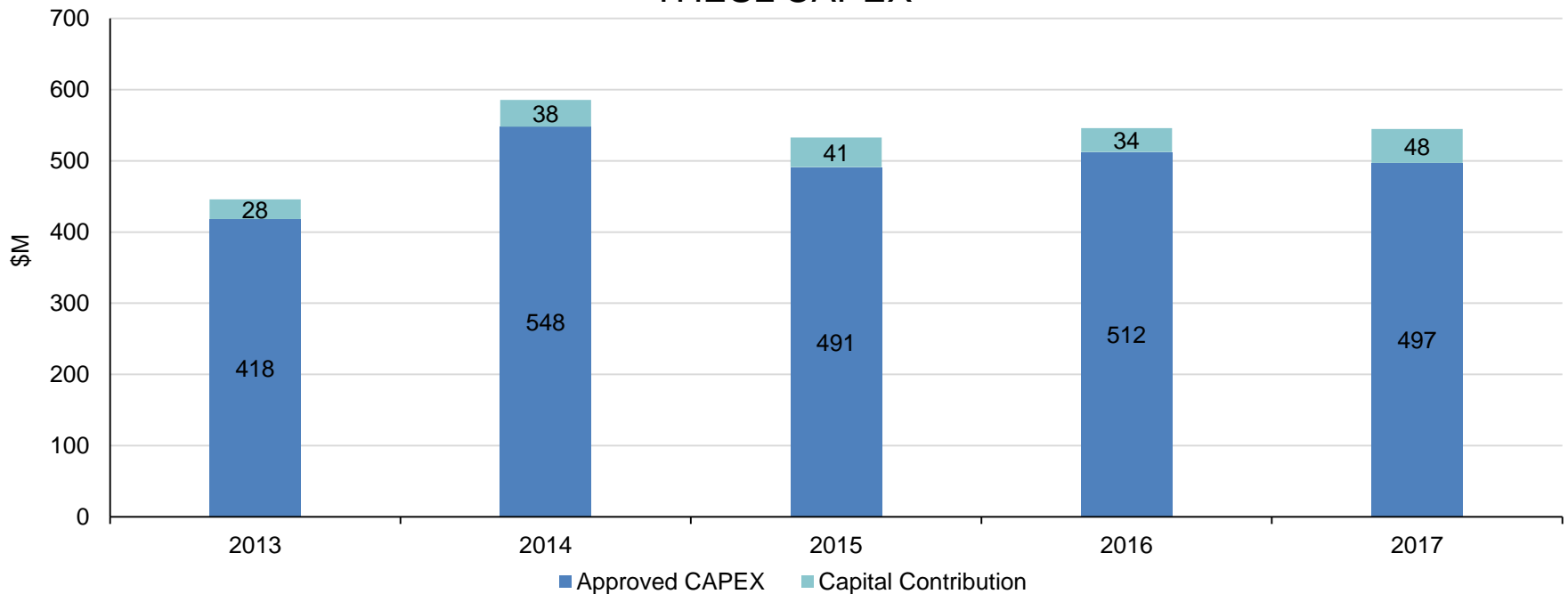
- THESL has experienced steady growth over the years, generating stable and consistent financial results



Capital Expenditures

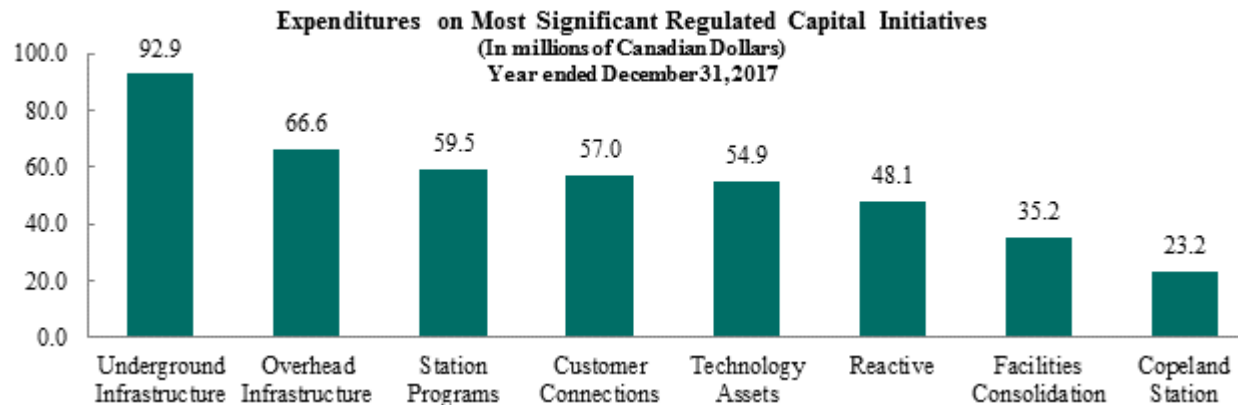
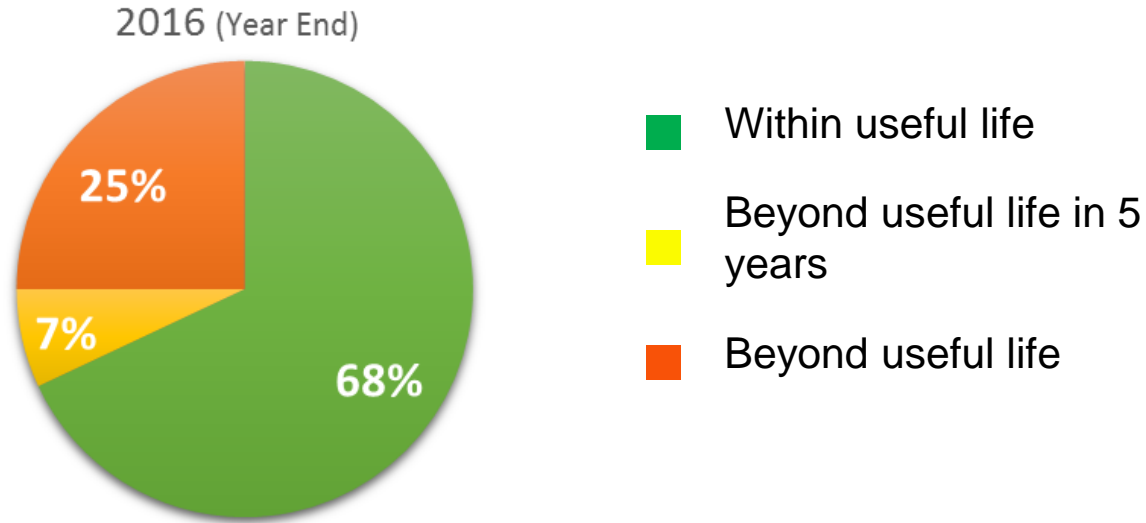
- OEB approved over \$2B in funding for THESL's capital expenditure programs for 2015-2019
- THESL chose a paced approach to its capital spending in order to balance operational and customer needs

THESL CAPEX



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

Asset Age Profile & Breakdown of Capital Expenditures



Copeland Transformer Station

- Invested approx. \$200M to build Copeland Station in downtown Toronto
- Expected energization date by Q4 2018
- Once completed, the station will provide several benefits:

Project Benefit	Description
Additional capacity	72 MVA to supply new load (~ approx. 35 condo towers)
Future capacity	Provision for 144 MVA capacity
Modernization	Designed for safety and high reliability
Reliability	Decreased downtime at the station level
Flexibility	Switching capability between stations
Asset opportunity	Own and operate high voltage transformer and switchgear



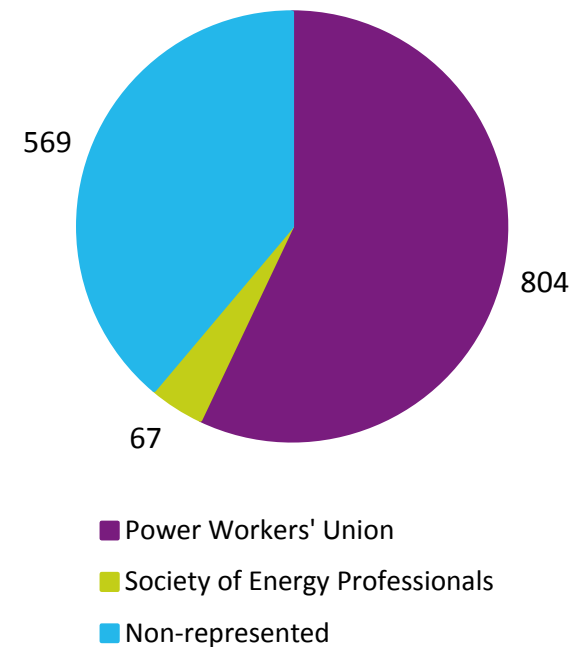


Operational Update

Toronto Hydro's Workforce

- Toronto Hydro enjoys positive relations with its workforce:
 - Has a collective agreement in place with Society of Energy Professionals until December 31, 2019
 - Currently negotiating a new contract with Power Workers' Union (PWU); media blackout in effect on these negotiations

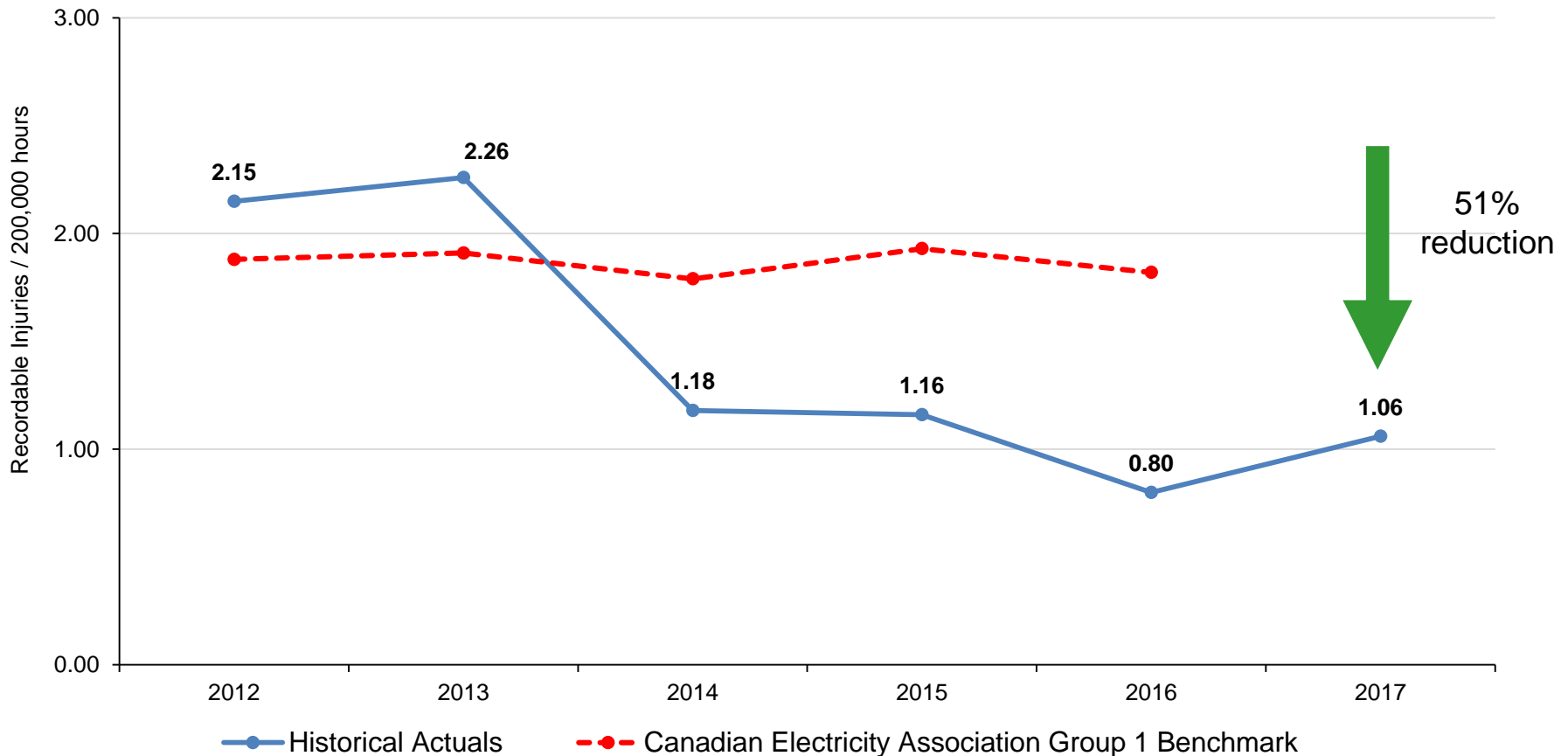
Number of employees



Number of employees as at December 31, 2017

Safety: Total Recordable Injury Frequency

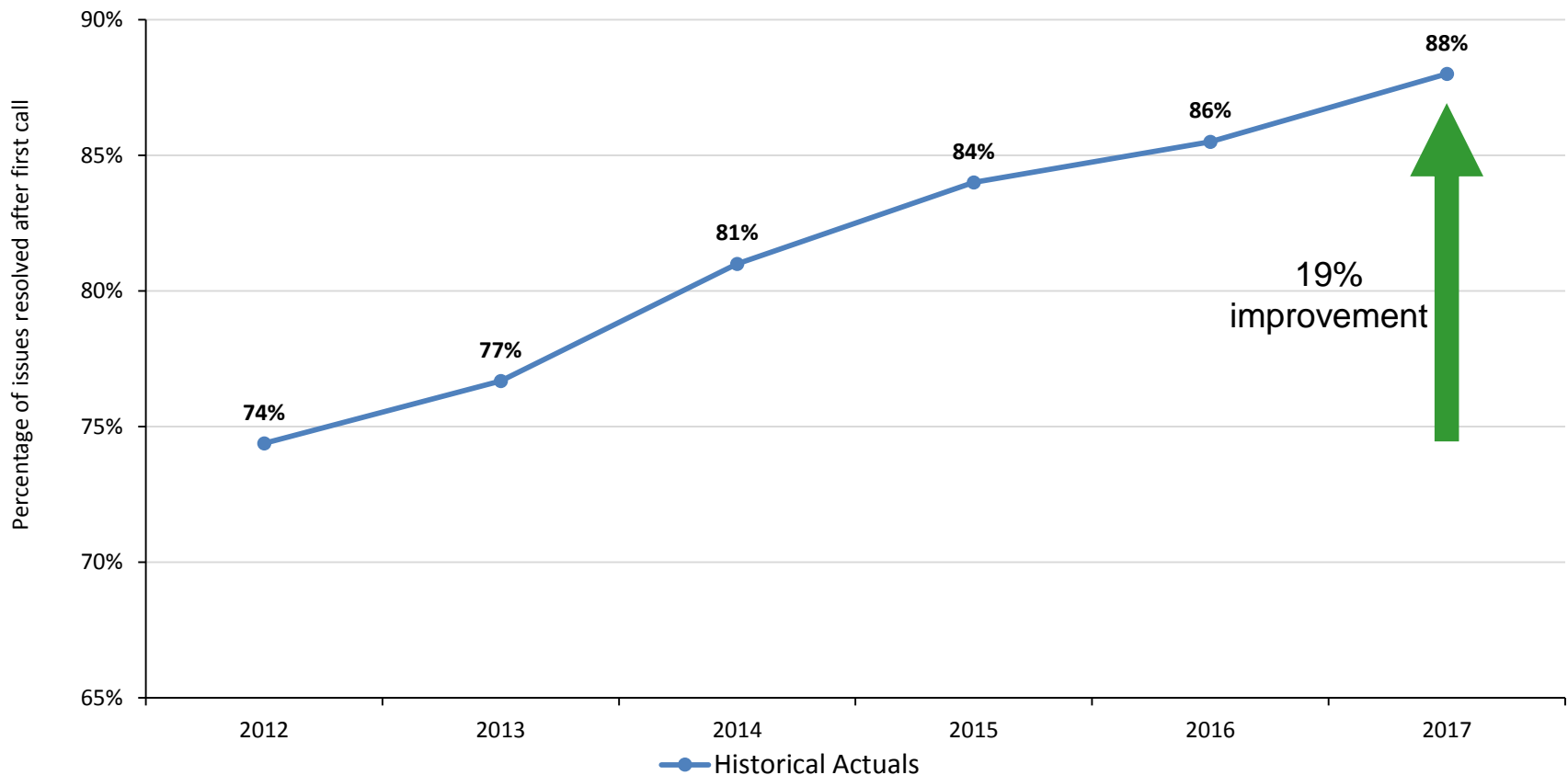
- Toronto Hydro places great emphasis on safety in the workplace and has significantly improved its safety statistics over the last few years



2017 CEA data is not yet available

Customer Focus: First Call Resolution

- Increased customer focus has improved Toronto Hydro's First Call Resolution statistics over the last five years



First Call Resolution means percentage of telephone enquiries resolved within one call, within a 21-day time period



Financial Highlights

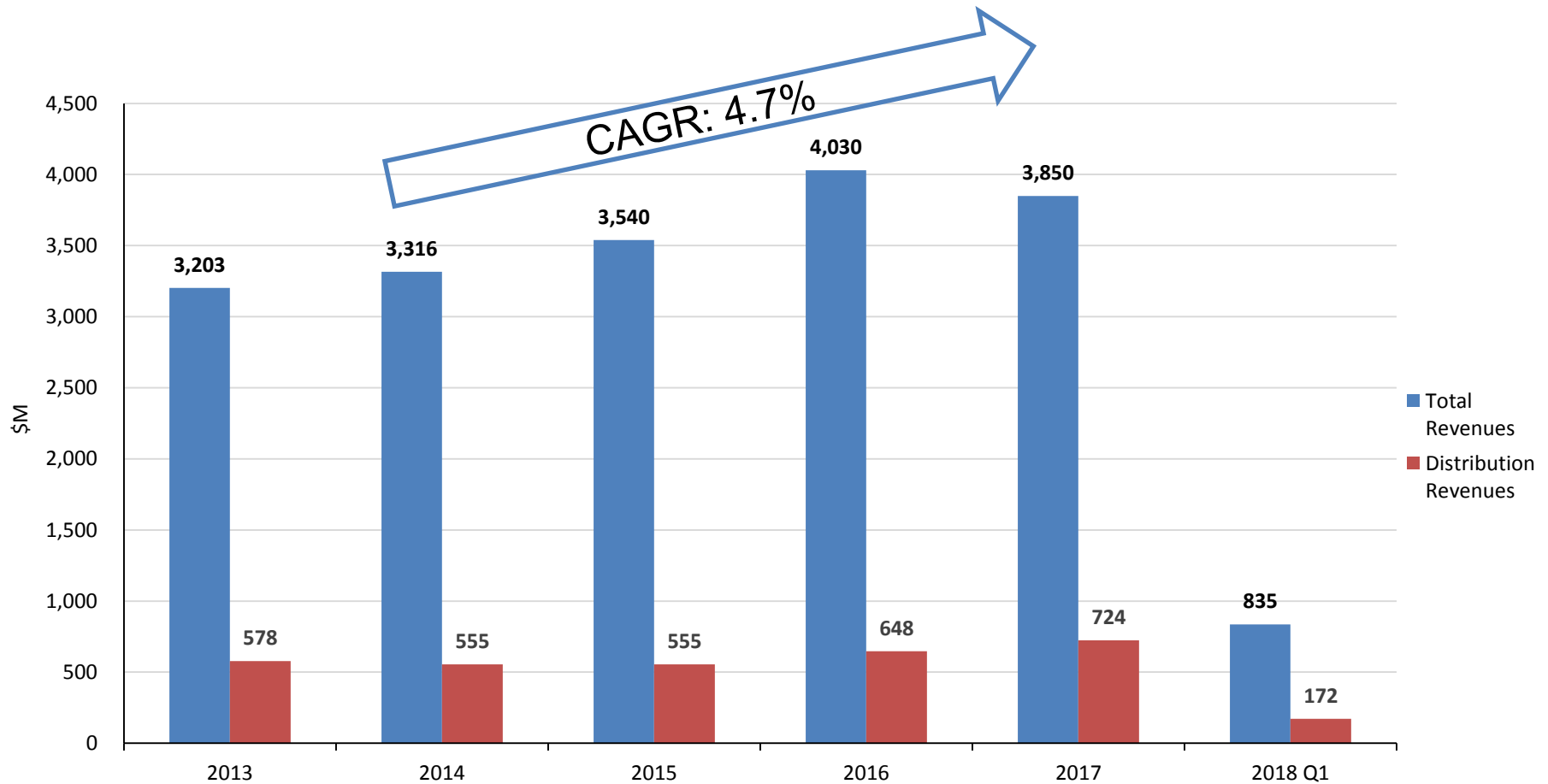
Credit Ratings

- In April 2018, both S&P and DBRS confirmed Toronto Hydro's "A" credit rating with Stable trends

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

Key Financials – Revenues

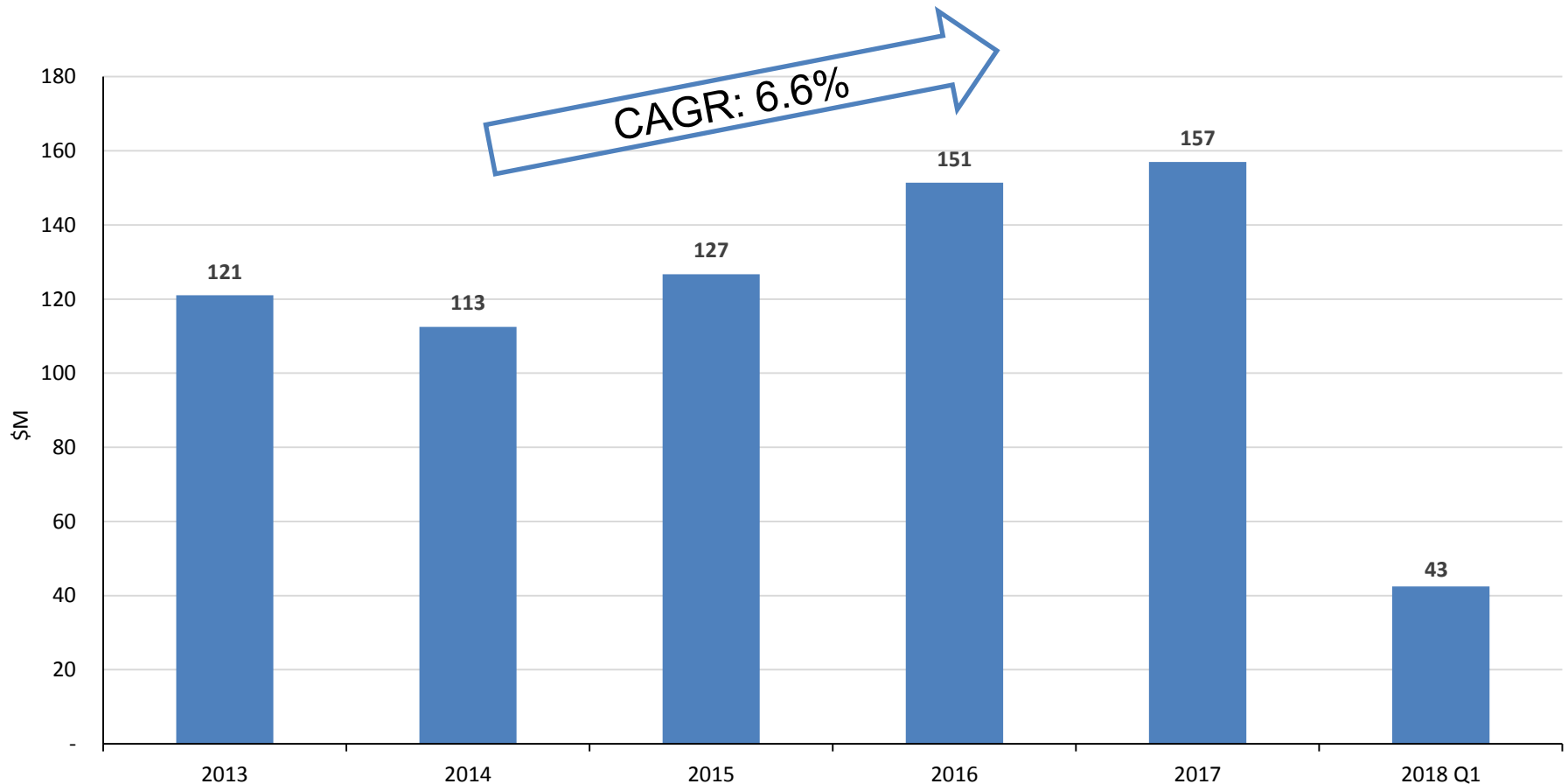
- Toronto Hydro continues to show stable financial performance



Numbers up to 2014 are based on US GAAP and numbers beyond 2014 are based on IFRS accounting standards
CAGR calculation is on Total Revenues and does not include 2018 Q1

Key Financials – Net Income

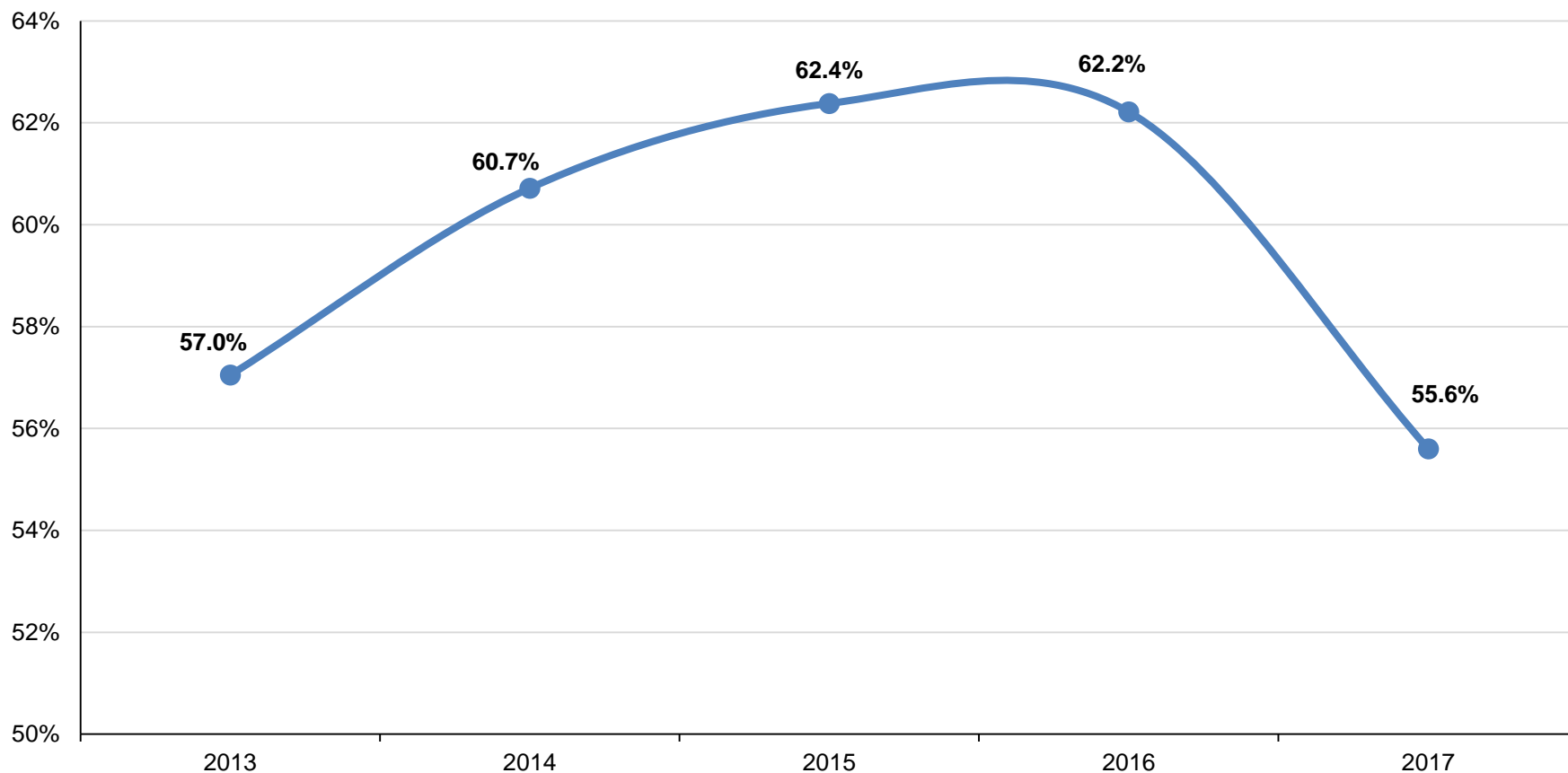
- With strong bottom line results, Toronto Hydro continues to add value for the shareholder



Numbers up to 2014 are based on US GAAP and numbers beyond 2014 are based on IFRS accounting standards
CAGR calculation does not include 2018 Q1

Credit Metrics: Debt-to-Capitalization

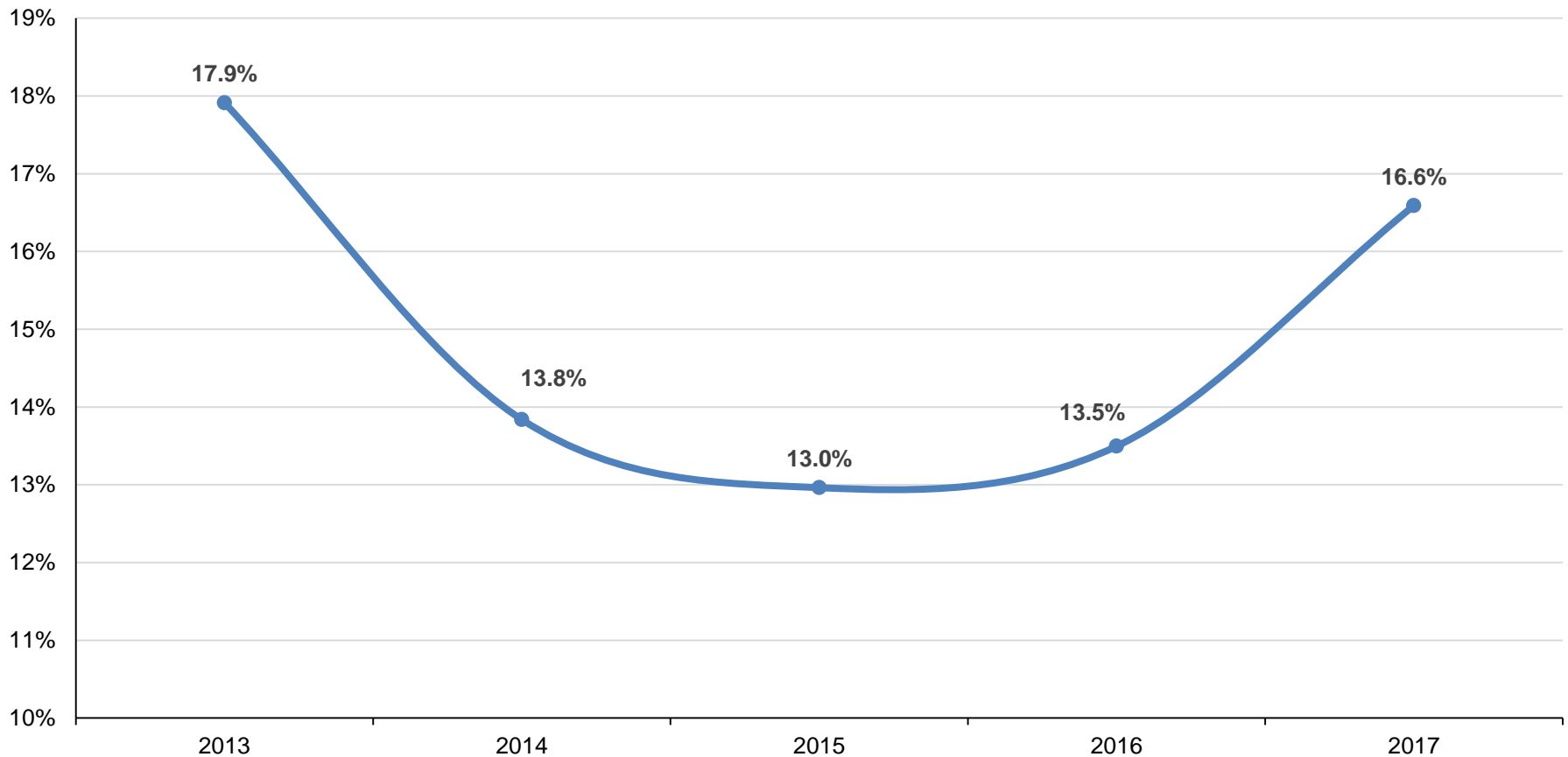
- Equity contribution from the City allowed Toronto Hydro to tackle growing pressures on its capital structure



Debt is calculated as Working Capital Facility plus Commercial Paper plus Debentures (current and long-term)

Credit Metrics: AFFO-to-Total Debt

- Stable financial performance and strong bottom line results has allowed Toronto Hydro to improve and maintain its credit metrics



AFFO is calculated as EBITDA - Net financing charges - Current tax + Net movements in Regulatory Accounts adjusted for Gain on disposals

Liquidity

- Treasury's objective is to ensure sufficient liquidity is available to meet the needs of the business while minimizing financing costs
- We have a Commercial Paper Program backed by a revolving credit facility
 - For the three months ended March 31, 2018, Toronto Hydro's average short-term debt outstanding was \$213M with a weighted average interest rate of 1.45%

Liquidity as of March 31, 2018

Facility Type	Size	Available
Revolving Credit Facility* (maturing Oct. 2022)	\$800M	\$594M
Working Capital Facility	\$20M	\$15M
Total	\$820M	\$609M

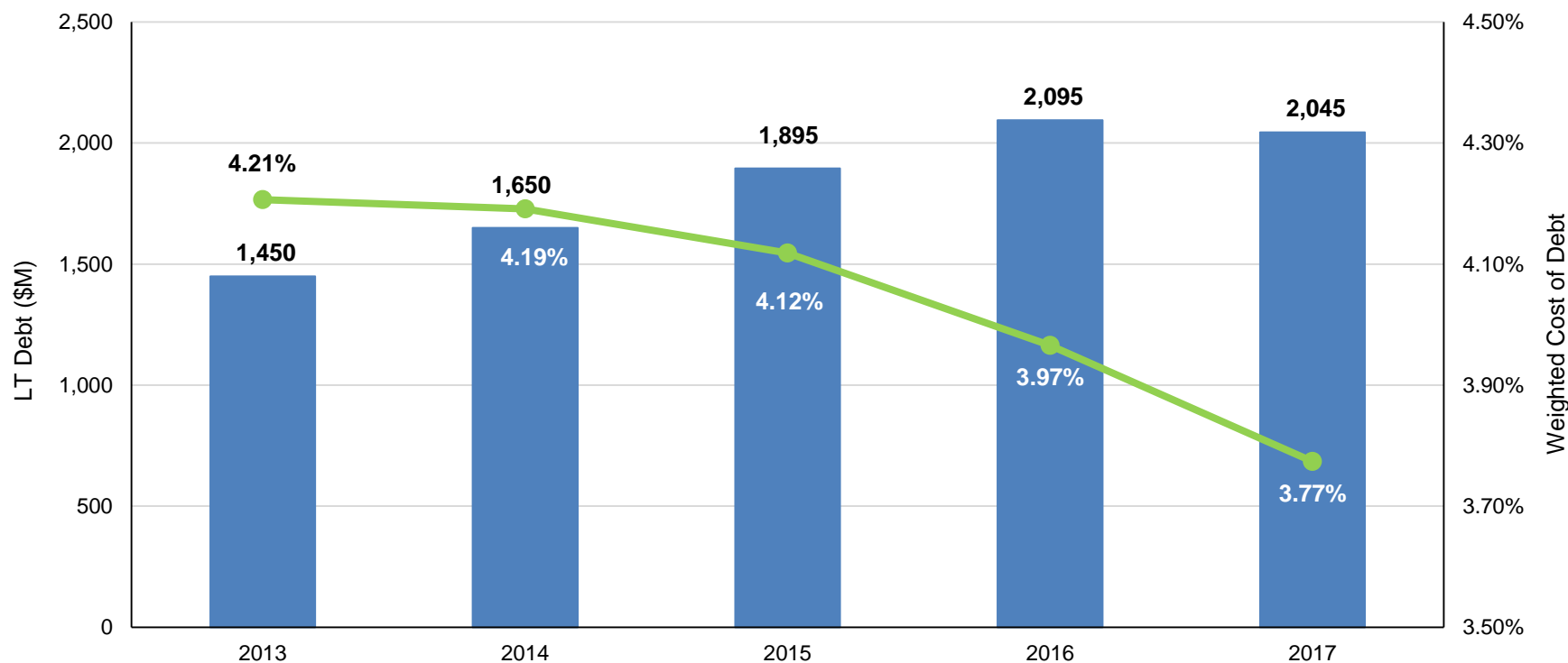
- Toronto Hydro has a \$75M Prudential Facility for LCs of which \$37M was available as at March 31, 2018
- Additional liquidity was provided from the sale of 5800 Yonge in Q2 2018

* Includes Commercial Paper Program, which has a limit of \$600M, of which \$206M was outstanding as of March 31, 2018

Weighted Average Cost of Debt

- Prudent capital management has enabled Toronto Hydro to reduce its long-term weighted average borrowing cost to 3.77% with a weighted average term of ~23 years

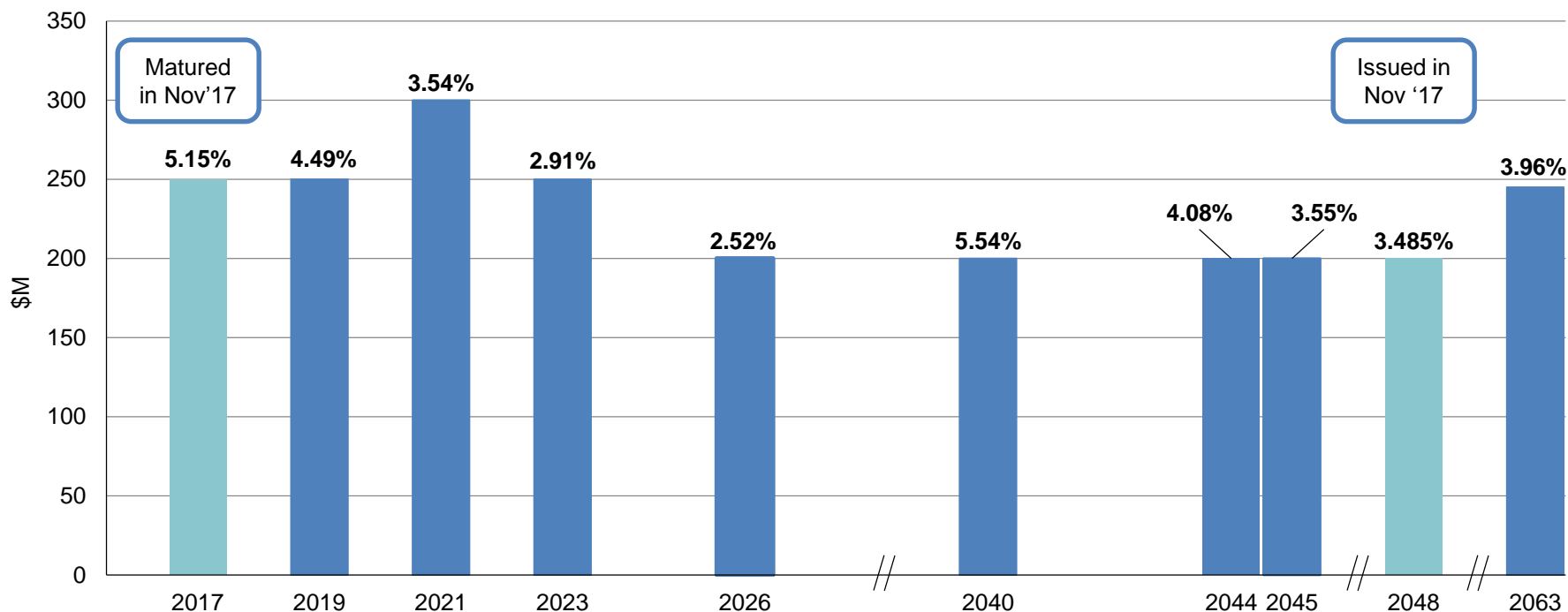
Weighted Average Cost of LT Debt



Numbers as at year-end

Debt Maturity Profile

- On May 8, 2017, Toronto Hydro filed a base shelf prospectus allowing the Corporation to make offerings of unsecured debt securities of up to \$1B during the following 25-month period
 - On Nov 14, 2017, Toronto Hydro issued \$200M of 30-year senior unsecured debentures with a coupon of 3.485%



Toronto Hydro In a Nutshell

Pure play in regulated local distribution

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

Strong franchise area

- Serves Canada's largest city

Favourable customer mix

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

Solid financial profile

- Stable regulated earnings and cash flow

Stable regulatory environment

- Low-risk monopoly electricity business

CONTACT INFORMATION

Toronto Hydro Corporation

14 Carlton Street
Toronto, Ontario
M5B 1K5

Stuart Preston
(416) 542-2515
spreston@torontohydro.com

