

## Toronto Hydro Corporation – Financial Statements

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|--------------|---|
| <b>Date:</b> | May 19, 2009                                    |
| <b>To:</b>   | Executive Committee                             |
| <b>From:</b> | Deputy City Manager and Chief Financial Officer |

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### Disclosure of Financial Results:

Section 6.6 of the Toronto Hydro Shareholder Direction requires the Corporation to deliver its audited consolidated annual financial statements to the Shareholder within 120 days of its fiscal year end. These documents are included as Appendix ‘A’ to this report and are filed with the City Clerk’s office, posted on the internet on the Toronto Hydro Corporation website ([www.torontohydro.com](http://www.torontohydro.com)) and via the SEDAR website for Canadian public securities documents.

The consolidated statements are public documents upon their release. The corporation’s unconsolidated statements (relating to its subsidiary companies and the holding company) remain confidential.

The *Business Corporations Act*, Ontario ("OBCA") (s.94) requires that an annual meeting of shareholders be called no later than 15 months after the last preceding annual meeting. The last annual general meeting of the Corporation was held at the Council meeting of June 23 and 24, 2008 (Executive Committee Report No., EX21.6).

### Financial Results

For the fiscal year ended December 31, 2008, the Corporation generated a consolidated net income of \$169.0 million compared with \$82.9 million for 2007. Selected consolidated results of Toronto Hydro Corporation (“the Corporation”) are as follows:

| <b>Selected Consolidated Results of Toronto Hydro Corporation</b> |                                    |                                    |
|---|------------------------------------|------------------------------------|
| <b>(\$ millions)</b>  |                                    |                                    |
|   | <b>Year ended<br/>Dec 31, 2008</b> | <b>Year ended<br/>Dec 31, 2007</b> |
|   | <b>Actual</b>                      | <b>Actual</b>                      |
| Net Income  | \$169.0                            | \$82.9                             |
| Shareholder’s Equity  | \$981.3                            | \$928.7                            |
| Total Assets  | \$2,779.8                          | \$2,695.8                          |
| Cash at end of period   | \$340.5                            | \$216.0                            |
| Dividends to City   | \$116.4                            | \$46.2                             |
| Interest Paid   | \$44.9                             | \$59.9                             |

For 2008, net income of \$169 million is comprised of \$46.3 million from Continuing Operations, plus \$122.7 million from Discontinued Operations (primarily from the sale of the Telecom unit).

This compares with prior year net income of \$82.9 million comprised of \$54.1 million from Continuing Operations plus \$28.8 million from Discontinued Operations (primarily from the sale of the Water Heater business).

The year over year decline in earnings from continuing operations of \$7.8 million (\$46.3 million vs \$54.1 million) is summarized in the table below.

Change in Consolidated Net Income 2008 vs 2007 (\$'s million)

|   | <b>2008</b>  | <b>2007</b> | <b>Change</b> |
|---|--------------|-------------|---------------|
| Net Revenues                                    | 498.2        | 497.6       | 0.6           |
| Operating Expenses                              | 205.5        | 190.4       | ( 15.1)       |
| Depreciation and Amortization                   | 156.3        | 143.9       | ( 12.4)       |
| Impairment of Investments held to Maturity      | 22.0         | 13.0        | ( 9.0)        |
| Provision for PIL's                             | 5.7          | 37.8        | 32.1          |
| Net Interest Expense                            | 62.4         | 60.0        | (2.4)         |
| Other   | -            | (1.6)       | (1.6)         |
| <b>Total Income from Continuing Operations</b>  | <b>46.3</b>  | <b>54.1</b> | <b>(7.8)</b>  |
| <b>Add: Income from Discontinued Operations</b> | <b>122.7</b> | <b>28.8</b> | <b>93.9</b>   |
| <b>Total Net Income</b>                         | <b>169.0</b> | <b>82.9</b> | <b>86.1</b>   |

During fiscal 2008, the City received interest payments of \$44.9 million, and Shareholder dividend payments totalling \$116.4 million, which included a special dividend of \$75 million resulting from the sale of the Telecom subsidiary and placed in a reserve fund to be used for social housing capital repairs.

Toronto Hydro continues to focus on and execute a significantly expanded infrastructure renewal program that is expected to increase the rate base and increase earnings in the future.

#### Subsequent Events

On February 24, 2009, the OEB revised the allowed return on equity for the electricity distribution component of electrical utilities in Ontario. The 2009 percentage was set at 8.01% (8.57% for 2008).

On January 21, 2009, the Corporation received replacement notes and an initial payment of \$2.7 million under an Ontario Superior Court approved restructuring plan for 'Asset Backed Commercial Paper' notes. This amount will be included in the determination of the fair value of the replacement notes as at March 31, 2009, and contribute to 2009 earnings.

On March 10, 2009, the Corporation declared dividends of \$6.2 million, comprised of a \$6 million first quarterly dividend instalment as required under the Shareholder Direction, payable to the City of Toronto March 31, 2009 and \$0.2 million payment related to earnings in fiscal 2008.

## **CONTACT**

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## **SIGNATURE**

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Cam Weldon  
Deputy City Manager and Chief Financial Officer