

PROMISSORY NOTE

Principal Sum Cdn \$180,000,000

FOR VALUE RECEIVED, the undersigned hereby unconditionally promises to pay to the order of Toronto Hydro Corporation ("THC") on May 6th, 2013 (the "Due Date") the principal sum of **(ONE-HUNDRED EIGHTY MILLION DOLLARS)** (\$180,000,000) (the "Principal Sum") in lawful money of Canada at 14 Carlton Street, Toronto, Ontario M5B 1K5, or such other place as THC may designate by notice in writing to the undersigned and to pay interest on the Principal Sum at the rate of 6.16% per annum calculated and accruing from the date hereof to the Due Date and thereafter until the Principal Sum is repaid to THC. Interest shall be calculated and payable semi-annually in arrears on the 7th of May and 7th of November in each year at the same address with the first payment payable on November 7, 2003. Interest both before and after default and judgement on the principal amount and overdue interest shall be payable at the aforementioned rate.

All payments or any part thereof may be extended, rearranged, renewed or postponed by THC. No delay or failure by THC to exercise any right or remedy against the undersigned shall be construed as a waiver of that or any right or remedy nor shall any waiver hereunder be deemed to be a waiver of subsequent default. On the Due Date, THC may, after consultation with the undersigned, replace this promissory note for one or more debt instruments of the undersigned with any change to any provision hereunder, including reducing or increasing the rate of interest payable on the principal amount owing at the time of replacement, extending the date on which the principal amount hereunder is due and payable or adjusting the principal sum payable hereunder, all as evidenced by the written acceptance by said debt instrument or instruments by the Treasurer of THC.

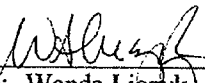
The undersigned hereby waives presentment, demand, protest or other notice of every kind in the enforcement of this promissory note. All amounts owing hereunder will be paid by the undersigned without regard for any equities between the undersigned and THC or any right of set-off or cross-claim.


In the event of a default hereunder the undersigned agrees to pay all expenses, including without limitation, reasonable legal fees (on a solicitor and his own client basis), incurred by THC in endeavoring to enforce its rights hereunder. All such amounts shall bear interest at the rate mentioned above.

This promissory note is non-negotiable and non-assignable without the prior written consent of the undersigned.

DATED at Toronto, Ontario, as of the 7th day of May, 2003.

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

By: 
Name: Wanda Liczyk
Title: Senior Vice-President & Chief Financial Officer

By: 
Name: Pankaj Sardana
Title: Vice-President, Treasurer

AMENDED AND RESTATED PROMISSORY NOTE

Principal Sum: Cdn\$980,230,955

Date: May 1, 2006

RECITALS:

A. The undersigned (the **"Issuer"**) issued a promissory note (the **"Original Note"**) dated May 7, 2003 to Toronto Hydro Corporation (the **"Holder"**) in the principal sum of **NINE HUNDRED AND EIGHTY MILLION, TWO HUNDRED AND THIRTY THOUSAND, NINE HUNDRED AND FIFTY-FIVE CANADIAN DOLLARS** (Cdn\$980,230,955) (the **"Principal Sum"**).

B. The Issuer has paid all interest on the Principal Sum payable under the Original Note up to and including April 30, 2006.

C. The Issuer and the Holder have agreed to amend and restate the Original Note effective May 1, 2006 by changing the interest rate payable by the Issuer to the Holder and providing a schedule for payment of the Principal Sum, including the dates on which payments are to be made and the amount of the Principal Sum to be paid on such dates, including the Expiry Date.

FOR VALUE RECEIVED, the Issuer hereby unconditionally promises to pay to or to the order of the Holder at 14 Carlton Street, Toronto, Ontario M5B 1K5, or at such other place in Canada as the Holder may designate by notice in writing to the Issuer:

- (a) the Principal Sum in accordance with the payment schedule set out in Section 2.1, and
- (b) interest on the unpaid Principal Sum from time to time from the date hereof, both before and after maturity, default and judgment and until actual payment, at the Interest Rate, calculated quarterly in arrears and payable on each Interest Payment Date.

1. INTERPRETATION

1.1 Definitions.

"Business Day" shall mean any day other than a Saturday or Sunday or a day on which banks are not open for business in Toronto, Canada.

"Expiry Date" shall mean May 6, 2013.

"Event of Default" shall mean:

- (a) failure to pay principal on the Promissory Note when due;
- (b) failure to pay interest on the Promissory Note when due, if such failure continues for a period of 30 days;

- (c) the sale, transfer, lease or other disposition, in a transaction or series of related transactions, of all or substantially all of the property and assets of the Issuer;
- (d) failure by the Issuer to pay principal, premium (if any) or interest due on any indebtedness, the principal amount of which is more than \$50 million in the aggregate, beyond the applicable grace period, if any, under the terms of such indebtedness;
- (e) failure by the Issuer to observe or perform any provision of any agreement under which indebtedness is created if such failure has the effect of causing more than \$50 million of such indebtedness in the aggregate to become due and payable or to be required to be redeemed or repurchased before its stated maturity;
- (f) the rendering by a court of competent jurisdiction of one or more judgments against the Issuer in an aggregate amount of more than \$50 million if the judgments remain undischarged or unstayed for more than 30 days;
- (g) proceedings are commenced for the winding-up, liquidation or dissolution of the Issuer, a decree or order of a court of competent jurisdiction is entered adjudging the Issuer a bankrupt or insolvent, or a petition seeking reorganization, arrangement or adjustment of or in respect of the Issuer is approved under applicable law relating to bankruptcy, insolvency or relief of debtors, unless such proceedings, decrees, orders or approvals are actively and diligently contested by the Issuer in good faith and are dismissed or stayed within 60 days of commencement;
- (h) the Issuer makes an assignment for the benefit of its creditors, or petitions or applies to any court or tribunal for the appointment of a receiver or trustee for itself or any substantial part of its property, or commences for itself or acquiesces in any proceeding under any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt law or statute or any proceeding for the appointment of a receiver or trustee for itself or any substantial part of its property, or suffers any such receivership or trusteeship and allows it to remain undischarged or unstayed for 30 days; or
- (i) a resolution is passed for the winding-up or liquidation of the Issuer.

“Interest Payment Date” shall mean the last day of March, June, September and December in each year or part year before the Expiry Date, and the Expiry Date.

“Interest Rate” shall mean 6.16% per annum.

“Promissory Note” shall mean this Amended and Restated Promissory Note.

1.2 Interpretation Not Affected by Headings. The division of the Promissory Note into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the Promissory Note.

1.3 Extended Meanings. Unless the context otherwise requires, words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neuter genders.

1.4 Invalidity of Provisions. Each provision of the Promissory Note is distinct and severable and a declaration of invalidity or unenforceability of any provision by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision.

1.5 Exercise of Remedies, etc. No delay or failure by the Holder to exercise any right or remedy that it may have against the Issuer under the Promissory Note shall be construed or operate as a waiver of that or any other right or remedy that the Holder may have. No waiver by the Holder of any default by the Issuer under the Promissory Note shall be construed or operate as a waiver of any other or subsequent default.

1.6 Successors and Assigns. The Promissory Note shall enure to the benefit of the Holder and its successors and assigns and shall be binding upon the Issuer and its successors and permitted assigns.

1.7 Governing Law. The Promissory Note is governed by, and shall be construed and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario.

2. PAYMENT

2.1 Payment Schedule. The Issuer shall pay the Principal Sum to the Holder in instalments as follows: the sum of **TWO HUNDRED AND FORTY-FIVE MILLION, FIFTY-SEVEN THOUSAND, SEVEN HUNDRED AND THIRTY-EIGHT CANADIAN DOLLARS AND SEVENTY-FIVE CANADIAN CENTS** (Cdn\$245,057,738.75) (each a “Scheduled Payment”) on each of the following dates (each, a “Scheduled Payment Date”):

- (a) the last Business Day before December 31, 2007,
- (b) the last Business Day before December 31, 2009,
- (c) the last Business Day before December 31, 2011, and
- (d) the Expiry Date.

2.2 Waiver. The Issuer hereby waives presentment, demand, protest or other notice of every kind in the enforcement of the Promissory Note. All amounts owing under the Promissory Note shall be paid by the Issuer without regard for any equities between the Issuer and the Holder or any right of set-off or cross-claim.

2.3 Ranking. The obligations of the Issuer under the Promissory Note are direct, unsecured obligations of the Issuer and rank equally and *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer.

3. OTHER

3.1 Event of Default. Upon the occurrence of an Event of Default:

- (a) the Holder may declare the outstanding Principal Sum and all interest accrued and unpaid thereon to be immediately due and payable, and the same shall immediately be paid by the Issuer to the Holder; and
- (b) in addition to all other amounts payable by it hereunder, the Issuer agrees to pay all expenses incurred by the Holder in endeavouring to enforce its rights under the Promissory Note including, without limitation, reasonable legal fees (on a solicitor and his own client basis) and all such amounts shall bear interest at the Interest Rate.

3.2 No Assignment. The Holder may not, without the prior written consent of the Issuer, negotiate or assign the Promissory Note, in whole or in part, to another person.

3.3 Notices. Any notice or other communication required to be given under the Promissory Note shall be in writing and delivered by hand or sent by facsimile transmission to the party to which it is to be given as follows:

- (a) if to the Holder at:

14 Carlton Street
Toronto, Ontario
M5B 1K5

Attention: Chief Financial Officer
Facsimile No.: (416) 542-2676

- (b) if to the Issuer at:

14 Carlton Street
Toronto, Ontario
M5B 1K5

Attention: Chief Financial Officer
Facsimile No.: (416) 542-2676

or to such other address or facsimile number as is specified by a party by notice to the other party. Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted or, if such day is not a business day, on the next following business day.

DATED at Toronto, Ontario as of the 1st day of May 2006.

**TORONTO HYDRO-ELECTRIC
SYSTEM LIMITED**

By: _____

Name: Jean-Sebastien Couillard

Title: Chief Financial Officer

By: _____

Name: Lawrence Wilde

Title: Vice President, General Counsel

Consolidated Financial Statements

Toronto Hydro Corporation

DECEMBER 31, 2008

Toronto Hydro Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2008

10. OTHER ASSETS

Other assets consist of the following:

	2008 \$	2007 \$
Prepaid leases	7,544	—
Other	318	485
	7,862	485

11. BANK INDEBTEDNESS, BANKERS' ACCEPTANCES AND LETTERS OF CREDIT

On December 17, 2007, the Corporation amended and extended its revolving credit facility with a syndicate of Canadian banks [the "Revolving Credit Facility"] for a two-year period to May 3, 2010. Under the terms of the revolving credit facility, the Corporation may borrow up to \$500,000,000, of which:

- [a] \$500,000,000 less the amount utilized under [b] is available for working capital and LDC capital expenditure purposes in the form of prime rate loans in Canadian dollars and bankers' acceptances; and
- [b] up to \$175,000,000 is available in the form of letters of credit to support the prudential requirements of LDC and TH Energy and general credit requirements of the Corporation and its subsidiaries.

The facility contains a negative pledge, customary covenants and events of default.

At December 31, 2008, \$45,078,000 [December 31, 2007 - \$45,083,000] had been utilized under the revolving credit facility in the form of letters of credit to primarily support the prudential requirements of LDC. At December 31, 2008, no amounts had been drawn for working capital purposes [December 31, 2007 - \$nil].

The Corporation also has a bilateral demand line of credit for \$20,000,000 with a Canadian chartered bank. The line of credit bears interest at the bank's prime rate. At December 31, 2008, no amounts had been drawn on the line of credit [December 31, 2007 - \$nil].

Toronto Hydro Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2008

12. CURRENT PORTION OF OTHER LIABILITIES

Current portion of other long-term liabilities consists of the following:

	2008 \$	2007 \$
Current portion of obligations under capital leases <i>[note 23]</i>	199	190
Customers' advance deposits	16,402	17,677
Other	781	1,109
	17,382	18,976

13. LONG-TERM DEBT

Long-term debt consists of the following:

	2008 \$	2007 \$
Senior unsecured debentures		
Series 1 - 6.11% due May 7, 2013	223,001	222,620
Series 2 - 5.15% due November 14, 2017	248,520	248,395
Promissory note payable to the City	735,173	735,173
	1,206,694	1,206,188
Less: Current portion of promissory note payable to the City	245,058	—
Long-term debt	961,636	1,206,188
Comprising:		
Debentures	471,521	471,015
Promissory note payable to the City	490,115	735,173

All long-term debt of the Corporation ranks equally.

Toronto Hydro Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[all tabular amounts in thousands of dollars]

December 31, 2008

a) Senior unsecured debentures

On May 7, 2003, the Corporation issued \$225,000,000 10-year senior unsecured debentures ["Series 1"]. The Series 1 debentures bear interest at the rate of 6.11% per annum, payable semi-annually in arrears in equal instalments on May 7 and November 7 of each year. The Series 1 debentures mature on May 7, 2013.

On November 14, 2007, the Corporation issued \$250,000,000 10-year senior unsecured debentures ["Series 2"]. The Series 2 debentures bear interest at the rate of 5.15% per annum, payable semi-annually in arrears in equal instalments on May 14 and November 14 of each year. The Series 2 debentures mature on November 14, 2017.

The Corporation may redeem some or all of the debentures at any time prior to maturity at a price equal to the greater of the Canada Yield Price (determined in accordance with the terms of the debentures) and par, plus accrued and unpaid interest up to but excluding the date fixed for redemption. Also, the Corporation may, at any time and from time to time, purchase debentures for cancellation, in the open market, by tender or by private contract, at any price. The debentures have the benefit of certain covenants which, subject to certain exceptions, restrict the ability of the Corporation and LDC to create security interests, incur additional indebtedness or dispose of all or substantially all of their assets.

b) Promissory note payable to the City

On July 1, 1999, LDC issued a promissory note to the City ["Initial Note"] in the principal amount of \$947,000,000 in partial consideration for the assets in respect of the electricity distribution system transferred by the Toronto Hydro-Electric Commission and the City to LDC effective July 1, 1999. The Initial Note was non-interest bearing until December 31, 1999 and interest bearing thereafter at the rate of 6% per annum. Pursuant to the Transfer By-law, the principal amount of the Initial Note was adjusted effective January 1, 2000 to \$980,231,000 to reflect the deemed debt to equity structure of LDC permitted by the OEB. At the same time, the Initial Note was replaced by a promissory note ["Replacement Note"] issued by LDC, which was interest bearing at the rate of 6.8% per annum. At December 31, 2002, the Replacement Note was payable on the earlier of demand and December 31, 2003.

Concurrent with the closing of the debenture offering on May 7, 2003, the City transferred the Replacement Note to the Corporation in consideration for the issue by the Corporation to the City of a new promissory note in the principal amount of \$980,231,000 [the "City Note"].

On September 5, 2006, the Corporation announced that it and the City had amended and restated the City Note effective May 1, 2006 by fixing the interest rate at 6.11% and establishing an agreed repayment schedule. The Corporation is required to pay the principal amount of the note as follows: \$245,058,000 on the last business day before each of December 31, 2007, December 31, 2009, December 31, 2011 and on May 6, 2013. On December 31, 2007, the Corporation made the first scheduled payment of \$245,058,000 to the City in accordance with the terms of the City Note. As a result of the next scheduled payment for December 31, 2009, \$245,058,000 of the principal amount outstanding under the City Note is classified as a short-term liability, with the remainder being classified as a long-term liability. Interest is calculated and payable quarterly in arrears on the last business day of March, June, September and December of each year.



**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2008**

March 10, 2009

entities, or that defined geographical areas within LDC's service area may be electrically supplied by a means other than through LDC's system.

PART 8 - CAPITAL STRUCTURE

8.1 Share Capital

The authorized capital of the Corporation consists of an unlimited number of common shares of which 1,000 common shares are issued and outstanding as at the date of this AIF. The City of Toronto is the sole shareholder of the Corporation. See note 21 to the Consolidated Financial Statements.

8.2 Debentures

On May 7, 2003, the Corporation issued \$225.0 million 6.11% senior unsecured Debentures due May 7, 2013. On November 14, 2007 the Corporation issued \$250.0 million 5.15% senior unsecured Debentures due November 14, 2017. See note 13(a) to the Consolidated Financial Statements.

On December 12, 2008, the Corporation filed under its MTN Program a new shelf prospectus for \$1,000,000,000 to replace the previous shelf prospectus that had expired in February 2008. The net proceeds from the sale of debentures issued under the shelf prospectus will be used by the Corporation for general corporate purposes which may include the repayment of existing indebtedness outstanding to the City of Toronto under the terms of the City Note.

As at the date of this AIF, the Debentures are rated "A" by DBRS and "A" by S&P.

DBRS rates long-term debt instruments by rating categories ranging from a high of "AAA" to a low of "D". A DBRS rating may be modified by the addition of "high" or "low" to indicate relative standing within the major rating categories. The "A" category is characterized as "satisfactory credit quality". S&P rates long-term debt instruments by rating categories ranging from a high of "AAA" to a low of "D". An S&P rating may be modified by the addition of a plus or minus to indicate relative standing within the major rating categories. The "A" category is characterized as somewhat more susceptible to the adverse changes in circumstances and economic conditions than obligations in higher categories; however, the obligor's capacity to meet the financial commitment on the obligation is still strong.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency.

The Debentures are not listed, posted for trading or quoted on any stock exchange or quotation system.

The Debentures have been issued under the CDSX book entry system administered by CDS Clearing and Depository Services Inc. ("CDS") with CIBC Mellon Trust Company as trustee. Accordingly, a nominee of CDS is the registered holder of the Debentures and beneficial ownership of the Debentures is evidenced through book entry credits to securities accounts of CDS participants (e.g., banks, trust companies and securities dealers), who act as agents on behalf of beneficial owners who are their customers, rather than by physical certificates representing the Debentures.

PART 9 - DIRECTORS AND OFFICERS

9.1 Directors and Officers

The following table sets forth, for each of the directors and officers of the Corporation, the name, municipality of residence, office, principal occupation and, if a director, the date on which the person became a director. The City is the sole shareholder of the Corporation and has adopted the Shareholder Direction which sets out corporate governance principles with respect to Toronto Hydro. See "Part 5 - Relationship with the City of Toronto". The City elects or appoints all of the directors of the Corporation. There are currently 11 directors. Three of the directors are councillors of the City of Toronto and are not considered independent because of their positions. None of the other directors has a direct or indirect material relationship with the Corporation and are independent.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

A copy of this preliminary short form prospectus has been filed with the securities regulatory authority in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This short form prospectus has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities to be issued hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States or to United States persons. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Investment Relations Officer of Toronto Hydro Corporation, 14 Carlton Street, Toronto, Ontario, M5B 1K5, (416) 542-2707 and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS

New Issue

December 5, 2008



TORONTO HYDRO CORPORATION

\$1,000,000,000 DEBENTURES (unsecured)

Toronto Hydro Corporation (the "Corporation") may offer and issue from time to time unsecured debentures (the "Debentures") in one or more series in an aggregate principal amount of up to \$1,000,000,000 (or the equivalent thereof in foreign currencies or currency units if any of the Debentures are denominated in foreign currencies or currency units) during the twenty-five months from the date of this prospectus. The Debentures will be offered pursuant to an MTN program established by the Corporation.

The Debentures will be issued under a trust indenture dated May 7, 2003 (as supplemented from time to time by supplemental indentures), will be direct unsecured obligations of the Corporation and will rank equally (except as to sinking funds and to the extent prescribed by law) with all other unsecured and unsubordinated indebtedness of the Corporation. The Debentures will have a term to maturity of not less than one year and will be issuable in denominations of \$1,000 or more. The Debentures may be issued in Canadian dollars or any foreign currency or currency unit determined at the time of issue.

The specific terms of an offering of Debentures (including the aggregate principal amount of the Debentures being offered, the currency or currencies, the issue and delivery date, the form, the maturity date, the interest rate, the issue price, the interest payment date(s), any redemption or repayment provisions, any provisions entitling the Corporation to extend the maturity date of the Debentures, the name(s) of the dealer(s) offering the Debentures, the commission payable to such dealer(s), the method of distribution and the net proceeds to the Corporation) will be set forth in a pricing supplement which will be delivered to purchasers together with this prospectus. The Corporation reserves the right to set forth in a pricing supplement specific terms of Debentures which are not within the parameters set forth in this prospectus.

The sole shareholder of the Corporation is the City of Toronto. **The Debentures will not be obligations of, and will not be guaranteed in any manner by, the City of Toronto.**

There is no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of issuer regulation. See "Risk Factors". Unless otherwise indicated in a pricing supplement, the Debentures will not be listed on any securities exchange.

(continued on next page)

(continued from cover)

RATES ON APPLICATION

The Debentures may be offered by one or more dealers as selected from time to time by the Corporation (collectively, the "Dealers"), in each case, acting as agent of the Corporation or as principal. Where the Debentures are offered by the Dealer(s) as agent(s), the commissions payable by the Corporation in connection with sales of such Debentures shall be agreed from time to time between the Corporation and any such Dealer(s). Where the Debentures are purchased by the Dealer(s) as principal, the Debentures shall be purchased at such prices and with such commissions as may be agreed from time to time between the Corporation and any such Dealer(s) for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will increase or decrease by the amount by which the aggregate price paid for Debentures by purchasers exceeds or is less than the price paid by the Dealer, acting as principal, to the Corporation. The commissions payable in connection with sales of Debentures will be set forth in a pricing supplement which will be delivered to purchasers together with this prospectus. The Corporation may also offer the Debentures directly to potential purchasers pursuant to applicable statutory exemptions at prices and upon terms negotiated between the purchaser and the Corporation. The Corporation and, if applicable, the Dealers, may reject any offer to purchase the Debentures in whole or in part. The Corporation also reserves the right to withdraw, cancel or modify the offering of the Debentures under this prospectus without notice. The Dealers may over-allot or effect transactions which stabilize or maintain the market price of the Debentures offered at a level above that which might otherwise prevail in the open market. See "Plan of Distribution".

The offering of the Debentures is subject to the approval of certain legal matters on behalf of the Corporation by McMillan LLP.

The registered and head office of the Corporation is located at 14 Carlton Street, Toronto, Ontario, M5B 1K5.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation filed with the provincial securities regulatory authorities in Canada are incorporated by reference in this prospectus for the purposes of the offering of Debentures hereunder:

- (a) the annual information form (the "AIF") of the Corporation dated March 6, 2008 (including management's discussion and analysis of financial condition and results of operations of the Corporation for the year ended December 31, 2007);
- (b) the comparative audited consolidated financial statements of the Corporation together with the auditors' report thereon and the notes thereto as at and for the years ended December 31, 2007 and December 31, 2006;
- (c) the comparative unaudited interim consolidated financial statements of the Corporation together with the notes thereto as at and for the nine months ended September 30, 2008 and September 30, 2007 and management's discussion and analysis relating thereto; and
- (d) a material change report dated June 23, 2008 relating to sale by the Corporation of its shares of Toronto Hydro Telecom Inc. (a wholly-owned subsidiary of the Corporation) to Cogeco Cable Inc.

All material change reports and unaudited interim consolidated financial statements of the Corporation (and management's discussion and analysis relating thereto) filed by the Corporation after the date of this prospectus with the securities regulatory authorities in Canada will be deemed to be incorporated by reference in this prospectus for the purposes of the offering of Debentures hereunder.

Updated earnings coverage ratios will be filed quarterly with the provincial securities regulatory authorities in Canada and will be deemed to be incorporated by reference in this prospectus for the purposes of the offering of Debentures hereunder.

When new documents of the type referred to in paragraphs (a) and (b) above are filed by the Corporation with and, where required, accepted by the provincial securities regulatory authorities in Canada during the currency of this prospectus, such documents will be deemed to be incorporated by reference in this prospectus and the previous documents of the type referred to in paragraphs (a) and (b) above and all material change reports, unaudited interim consolidated financial statements (and management's discussion and analysis relating thereto) and prospectus supplements filed by the Corporation with the provincial securities regulatory authorities in Canada before the commencement of the Corporation's financial year in which the new documents are filed will no longer be deemed to be incorporated by reference in this prospectus for the purposes of the future offering of Debentures hereunder.

A pricing supplement containing the specific variable terms for an issue of Debentures will be delivered to purchasers of such Debentures together with this prospectus and will be deemed to be incorporated by reference in this prospectus as of the date of the pricing supplement, solely for the purposes of the Debentures issued under that pricing supplement.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for purposes of this prospectus, to the extent that a statement contained herein or in a document incorporated or deemed to be incorporated by reference herein modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not constitute a part of this prospectus, except as so modified or superseded.

FORWARD-LOOKING INFORMATION

Certain information included or incorporated by reference in this prospectus constitutes “forward-looking information”. Forward-looking information means disclosure regarding possible events, conditions or results that is based on assumptions about future economic conditions and courses of action. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other comparable terminology. In addition, certain information included or incorporated by reference in this prospectus may contain forward-looking information attributable to third parties. Although the Corporation believes that it has a reasonable basis for the forward-looking information included or incorporated by reference in this prospectus, such information is subject to a number of risks and uncertainties that may cause actual events, conditions or results to differ materially from those contemplated by the forward-looking information. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, the ratings assigned to the Corporation or its debt securities by rating agencies and general economic conditions. The Corporation does not undertake any obligation to update publicly or to revise any of the forward-looking information included or incorporated by reference in this prospectus after the date thereof, whether as a result of new information, future events or otherwise.

CURRENCY

Unless otherwise specified, all references to dollars contained in this prospectus are to Canadian dollars.

TORONTO HYDRO

Toronto Hydro Corporation (the “Corporation” and, together with its subsidiaries, “Toronto Hydro”) is a holding company which, through its wholly-owned subsidiaries:

- *Toronto Hydro-Electric System Limited* (“LDC”) – distributes electricity and engages in conservation and demand management activities; and
- *Toronto Hydro Energy Services Inc.* – provides street lighting services and develops energy efficiency products and services.

The principal business of Toronto Hydro is the distribution of electricity by LDC. LDC owns and operates an electricity distribution system which delivers electricity to approximately 684,000 customers located in the City of Toronto. LDC is the largest municipal electricity distribution company in Canada. The business of LDC is regulated by the Ontario Energy Board (“OEB”) which has broad powers relating to licensing and standards of conduct and service and the regulation of rates charged by LDC and other electricity distributors.

The sole shareholder of the Corporation is the City of Toronto.

USE OF PROCEEDS

The net proceeds from the sale of Debentures will be used by the Corporation for general corporate purposes which may include the repayment of existing indebtedness outstanding to the City of Toronto under the terms of an amended and restated promissory note dated May 1, 2006 (the “City Note”). A copy of the City Note is available electronically at www.sedar.com. Proceeds from the sale of the Debentures may also be used to reduce indebtedness that the Corporation may have with the bank affiliates of one or more of the Dealers (as defined below).

PLAN OF DISTRIBUTION

The Debentures may be offered by one or more dealers as selected from time to time by the Corporation (collectively, the “Dealers”), in each case, acting as agent of the Corporation or as principal. Where the Debentures are offered by the Dealer(s) as agent(s), the commissions payable by the Corporation in connection with sales of such Debentures shall be agreed from time to time between the Corporation and any such Dealer(s). Where the Debentures are purchased by the Dealer(s) as principal, the Debentures shall be purchased at such prices and with such commissions as may be agreed from time to time between the Corporation and any such Dealer(s) for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer’s compensation will increase or decrease by the amount by which the aggregate price paid for Debentures by purchasers exceeds or is less than the price paid by the Dealer, acting as principal, to the Corporation. The commissions payable in connection with sales of Debentures will be set forth in a pricing supplement which will be delivered to purchasers together with this prospectus. The Corporation may also offer the Debentures directly to potential purchasers pursuant to applicable statutory exemptions at prices and upon terms negotiated between the purchaser and the Corporation.

The Corporation may enter into one or more dealer agreements with the Dealers relating to the sale of Debentures under this prospectus. A copy of the dealer agreement(s) will be filed with the securities regulatory authorities in each of the provinces of Canada following its execution.

The Corporation and, if applicable, the Dealers, may reject any offer to purchase the Debentures in whole or in part. The Corporation also reserves the right to withdraw, cancel or modify the offering of the Debentures under this prospectus without notice.

In connection with any offering of Debentures, the Dealers may over-allot or effect transactions which stabilize or maintain the market price of the Debentures offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. In addition, the Dealers may from time to time purchase and sell the Debentures in the secondary market but are not obliged to do so. There can be no assurance that there will be a secondary market for the Debentures. The offering price and other terms for such sales in the secondary market may, from time to time, be varied by the Dealers.

The Debentures have not and will not be registered under the United States *Securities Act of 1933*, as amended (the “U.S. Securities Act”), or any state securities laws, and may not be offered or sold within the United States or to United States persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption therefrom is available. Each of the Dealers will agree not to buy or offer to buy, to sell or offer to sell, or solicit any offer to buy any Debentures in the United States of America, its territories or possessions, or to or for the account or benefit of United States persons, except to “qualified institutional buyers” in accordance with Rule 144A under the U.S. Securities Act. Debentures issued to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will be represented by definitive certificates and will be subject to certain restrictions on transfer set forth therein and in the supplemental indenture and will bear a legend regarding such restrictions as set forth in the supplemental indenture. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Debentures in the United States. In addition, until 40 days after the commencement of the offering of an issue of Debentures, an offer or sale of that issue within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

RATINGS

The Debentures have been assigned a rating of “A” with a positive trend by DBRS Limited (“DBRS”) and “A” with a stable outlook by Standard & Poor’s (“S&P”).

DBRS rates long-term debt instruments by rating categories ranging from a high of “AAA” to a low of “D”. A DBRS rating may be modified by the addition of “high” or “low” to indicate relative standing within the major rating categories. The “A” category is characterized as “satisfactory credit quality”. An A rating is the second of the three sub-categories within the third of the ten rating categories. S&P rates long-term debt instruments by rating categories ranging from a high of “AAA” to a low of “D”. An S&P rating may be modified by the addition of a plus or minus sign to indicate relative standing within the major rating categories. The “A” category is characterized as somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor’s capacity to meet its financial commitment on the obligation is still strong. An A rating is the second of the three sub-categories within the third of the ten rating categories.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency.

EARNINGS COVERAGE

The following table sets forth the earnings coverage ratio for the Corporation derived from the Corporation’s audited consolidated annual financial statements for the twelve-month period ended December 31, 2007 and the twelve-month period ended September 30, 2008 based on unaudited information:

	December 31, 2007	September 30, 2008
Earnings coverage on long-term debt obligations ⁽¹⁾	2.64 times	3.62 times

- (1) The earnings coverage ratio on long-term debt (including any current portion) is equal to earnings (before interest and “payments in lieu” of corporate income taxes) divided by interest expense on long-term debt (including any current portion). Interest expense excludes any amounts in respect of amortization that were included in interest expense as shown in the consolidated statement of earnings of the Corporation for the period.

The Corporation’s interest requirements on long-term debt amounted to \$75.3 million for the twelve-month period ended December 31, 2007 and \$73.7 million for the twelve-month period ended September 30, 2008. The Corporation’s earnings before interest expense and “payments in lieu” of corporate income taxes for the twelve-month period ended December 31, 2007 and the 12-month period ended September 30, 2008 were \$199.1 million and \$266.8 million, respectively, which is 2.64 times and 3.62 times the Corporation’s interest requirements on long-term debt for such periods.

The earnings coverage ratios and associated financial information presented above do not give effect to the issuance of Debentures that may be issued pursuant to this prospectus since the aggregate principal amounts and the terms of such debt securities are not presently known.

DESCRIPTION OF THE DEBENTURES

The Debentures will be issued in one or more series under a trust indenture dated May 7, 2003 between the Corporation and CIBC Mellon Trust Company (the "Trustee"), as supplemented from time to time by supplemental indentures (together, the "Indenture"). The Indenture permits the issuance of an unlimited principal amount of debentures of the Corporation in one or more series. The terms of each series of debentures issued pursuant to the Indenture will be specified in a supplemental indenture to the Indenture. A copy of the Indenture is available electronically at www.sedar.com.

The specific terms of an offering of Debentures (including the aggregate principal amount of the Debentures being offered, the currency or currencies, the issue and delivery date, the form, the maturity date, the interest rate, the issue price, the interest payment date(s), any redemption or repayment provisions, any provisions entitling the Corporation to extend the maturity date of the Debentures, the name(s) of the Dealer(s) offering the Debentures, the commission payable to such Dealer(s), the method of distribution and the net proceeds to the Corporation) will be set forth in a pricing supplement which will be delivered to purchasers together with this prospectus. Unless otherwise indicated in a pricing supplement, the Debentures will not be listed on any securities exchange. The Corporation reserves the right to set forth in a pricing supplement specific terms of Debentures which are not within the parameters set forth in this prospectus.

The following is a summary of the material attributes of the Debentures. This summary does not purport to be complete. For a complete description of the Debentures, reference should be made to the Indenture. Certain capitalized terms used in this summary are defined below under "Definitions".

Term, Denomination and Currency

The Debentures will have a term to maturity of not less than one year and will be issuable in denominations of \$1,000 or more. The Debentures may be issued in Canadian dollars or any foreign currency or currency unit determined at the time of issue.

Interest

The Debentures will bear interest at fixed or floating rates as set out in the applicable pricing supplement to this prospectus.

Rank

The Debentures will be direct unsecured obligations of the Corporation and will rank equally (except as to sinking funds and to the extent prescribed by law) with all other unsecured and unsubordinated indebtedness of the Corporation, including indebtedness of the Corporation under the City Note, a \$500 million revolving credit facility with a syndicate of Canadian banks (the "THC Revolving Credit Facility") and debentures of every other series issued pursuant to the Indenture.

The Debentures will not be obligations of, and will not be guaranteed in any manner by, the City of Toronto.

Redemption

If so specified in the applicable pricing supplement, a series of Debentures may be redeemed, at the Corporation's option, in whole at any time or in part from time to time, prior to maturity, on not more than 60 and not less than 15 business days prior notice, at the redemption price, together in each case with accrued and unpaid interest to, but not including, the date fixed for redemption. The applicable pricing supplement will specify the redemption price (or the manner of calculating the redemption price), if any, for the series of Debentures.

If less than all Debentures of any series of Debentures are to be redeemed, the Debentures to be redeemed will be selected by the Trustee on a *pro rata* basis or by lot or such other means as the Trustee may deem equitable and expedient.

Purchase for Cancellation

The Corporation may, at any time, purchase Debentures for cancellation, in the open market, by tender or by private contract, at any price.

Covenants

Negative Pledge

The Corporation will not, and will not permit any Designated Subsidiary to, create, assume or suffer to exist any Security Interest, other than Permitted Encumbrances, on or over any of its assets (present or future) to secure any Obligation, unless at the same time it shall secure equally and rateably therewith all the debentures issued pursuant to the Indenture then outstanding.

Limitation on Funded Indebtedness

The Corporation will not, and will not permit any Designated Subsidiary to, directly or indirectly, issue, incur, assume or otherwise become liable for or in respect of any Funded Indebtedness unless, after giving effect thereto, Consolidated Funded Indebtedness would not exceed 75% of Total Consolidated Capitalization. This covenant will not operate to prevent the Corporation or a Designated Subsidiary from issuing, incurring, assuming or otherwise becoming liable for or in respect of any Inter-Company Indebtedness and Non-Speculative Financial Instrument Obligations. This covenant will operate to prevent the Corporation or a Designated Subsidiary from assigning any Inter-Company Indebtedness to a person other than the Corporation or a Designated Subsidiary.

Limitation on Designated Subsidiary Indebtedness

The Corporation will not permit a Designated Subsidiary to, directly or indirectly, issue, incur, assume or otherwise become liable for or in respect of any Indebtedness except:

- (a) Inter-Company Indebtedness of the Designated Subsidiary;
- (b) Non-Recourse Debt of the Designated Subsidiary;
- (c) Non-Speculative Financial Instrument Obligations of the Designated Subsidiary;
- (d) Permitted Capital Lease Obligations of the Designated Subsidiary;
- (e) Prudential and Bilateral Credit Support Obligations of the Designated Subsidiary;
- (f) Purchase Money Obligations of the Designated Subsidiary; and
- (g) any other Indebtedness of the Designated Subsidiary (in addition to the Indebtedness referred to in paragraphs (a) to (f)) if, after giving effect to the Indebtedness, the aggregate amount of all Indebtedness of all Designated Subsidiaries permitted by this paragraph (g) only would not exceed 5% of Consolidated Net Worth.

For the purposes of this covenant, the assignment by the Corporation to a third party of Inter-Company Indebtedness owing by a Designated Subsidiary will be considered to be an incurrence of Indebtedness by such Designated Subsidiary.

Designation of Subsidiaries as Designated Subsidiaries

LDC is a Designated Subsidiary. The board of directors of the Corporation may designate a subsidiary of the Corporation in addition to LDC as a Designated Subsidiary if:

- (a) at the time of and after giving effect to the designation, no Event of Default or event that, with the passing of time or the giving of notice or both, would constitute an Event of Default has occurred and is continuing;
- (b) after giving effect to the designation, the Corporation would be entitled under the Indenture to issue Funded Indebtedness in the amount of at least \$1.00; and
- (c) none of the shares of the subsidiary is owned by another subsidiary of the Corporation that is not a Designated Subsidiary.

The board of directors of the Corporation may terminate the designation of a subsidiary of the Corporation other than LDC as a Designated Subsidiary if:

- (a) at the time of and after giving effect to the termination, no Event of Default or event that, with the passing of time or the giving of notice or both, would constitute an Event of Default has occurred and is continuing;
- (b) after giving effect to the termination, the Corporation would be entitled under the Indenture to issue Funded Indebtedness in the amount of at least \$1.00; and
- (c) the subsidiary does not own any Funded Indebtedness of the Corporation or any shares or Funded Indebtedness of any other Designated Subsidiary.

Restriction on Mergers and Dispositions

The Corporation will not, directly or indirectly through a Designated Subsidiary, enter into a transaction or series of transactions in which all or substantially all of the undertaking, property and assets of the Corporation and its Designated Subsidiaries determined on a consolidated basis would become the property of any other person, whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale, lease or otherwise, unless:

- (a) the person is a corporation organized and existing under the laws of Canada or a province or territory thereof and expressly assumes, by a supplemental indenture satisfactory in form to the Trustee and its counsel and executed and delivered to the Trustee, all of the covenants and obligations of the Corporation under the Indenture and all debentures issued pursuant to the Indenture; and
- (b) at the time of and after giving effect to the reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale, lease or other transaction, no Event of Default or event that, with the passing of time or the giving of notice or both, would constitute an Event of Default has occurred and is continuing.

Amendment of City Note

The Corporation will not amend or waive compliance with any term of the City Note or effect any conversion of the City Note, in each case, unless such amendment, waiver or conversion does not, and could not reasonably be expected to, materially adversely affect the rights or interests of the holders of debentures issued pursuant to the Indenture (including the Debentures), including the Corporation's ability to observe or perform any of its obligations under such debentures or the Indenture and the Trustee has received an opinion of counsel retained by the Trustee to that effect. Notwithstanding the foregoing and for greater certainty, any conversion of the City Note into debentures issued pursuant to the Indenture (including the Debentures) shall be deemed not to materially adversely affect the rights or interests of the holders of debentures issued pursuant to the Indenture if the maximum principal amount becoming due and payable to the City under such debentures, together with any amount that could become due and payable under the City Note, does not exceed in the aggregate \$330 million during any twelve-month period.

Events of Default

The following are Events of Default applicable to all series of debentures, including each series of Debentures, issued pursuant to the Indenture:

- (a) failure to pay principal or premium (if any) on the debentures when due;
- (b) failure to pay interest on the debentures when due if such failure continues for a period of 30 days;
- (c) the sale, transfer, lease or other disposition of all or substantially all of the property and assets of the Corporation and its Designated Subsidiaries determined on a consolidated basis other than in accordance with the covenants described above under " – Covenants – Restriction on Mergers and Dispositions";
- (d) failure to observe or perform any other covenant or condition contained in the Indenture if such failure continues for a period of 60 days after written notice thereof has been given to the Corporation by the Trustee or the holders of at least 25% in principal amount of the debentures of any affected series then outstanding;
- (e) failure by the Corporation or any Material Subsidiary to pay principal, premium (if any) or interest due on any Indebtedness, the principal amount of which is more than \$50 million in the aggregate, beyond the applicable grace period;

- (f) failure by the Corporation or any Material Subsidiary to observe or perform any provision of any agreement under which Indebtedness is created if such failure has the effect of causing more than \$50 million of such Indebtedness in the aggregate to become due and payable or to be required to be redeemed or repurchased before its stated maturity;
- (g) the rendering by a court of competent jurisdiction of one or more judgments against the Corporation or any Material Subsidiary in an aggregate amount of more than \$50 million if the judgments remain undischarged or unstayed for more than 30 days; and
- (h) specified events of bankruptcy, insolvency or reorganization affecting the Corporation or any Material Subsidiary.

Default

If an Event of Default described in paragraphs (a) to (g) above occurs and is continuing, the Trustee or the holders of not less than 25% of the principal amount of debentures of a series of debentures issued pursuant to the Indenture then outstanding may declare the principal amount of, and the premium (if any) and accrued and unpaid interest on all debentures of that series then outstanding to be due and payable immediately.

If an Event of Default described in paragraph (h) above occurs and is continuing, the principal amount of and the premium (if any) and accrued and unpaid interest on all debentures issued pursuant to the Indenture then outstanding shall be due and payable immediately without any declaration or other action by the Trustee or the holders of the debentures.

Protection of Trustee

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an event of default applicable to a series of debentures issued pursuant to the Indenture occurs and is continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any holders of such debentures unless the Trustee is sufficiently indemnified in accordance with the provisions of the Indenture. Subject to the provisions of the Indenture providing for the indemnification of the Trustee, the holders of the requisite principal amount of such debentures will have the right to direct the time, method and place of conducting any proceedings for any remedy available to the Trustee or exercising any rights or powers of the Trustee in respect of such debentures.

Modification

The Indenture provides that certain rights, privileges, restrictions and conditions of debentures issued and outstanding under the Indenture may be modified if such modifications are authorized by extraordinary resolution.

The term “extraordinary resolution” is defined in the Indenture to mean:

- (a) in the case of modifications which affect a particular series of debentures issued pursuant to the Indenture, a resolution passed by the affirmative votes of the holders of not less than 66⅔% in principal amount of debentures of that series then outstanding represented and voting at a meeting or an instrument in writing signed by the holders of not less than 66⅔% in principal amount of debentures of that series then outstanding; and
- (b) in the case of modifications which affect all debentures issued pursuant to the Indenture, a resolution passed by the affirmative votes of the holders of not less than 66⅔% in principal amount of all debentures then outstanding represented and voting at a meeting or an instrument in writing signed by the holders of not less than 66⅔% in principal amount of all debentures then outstanding, treated in each case as a single class.

Defeasance

The Indenture requires the Trustee to release the Corporation from its obligations in respect of a series of debentures issued pursuant to the Indenture if specified conditions are met, including the deposit by the Corporation of cash or certain cash-equivalent securities for the payment of all principal and interest and any other amounts on the debentures of such series and the payment of the expenses of the Trustee.

Form, Transfer and Payment Mechanics

Except as described under “Plan of Distribution” or as set out in a pricing supplement, the Debentures will be represented by one or more global Debentures (collectively, the “Global Debenture”) registered in the name of CDS Clearing and Depository Services Inc. or a successor thereof (the “Depository”) or its nominee and held by or on behalf of the Depository as custodian for institutions (including the Dealers) which participate directly or indirectly in the Depository’s book-entry only registration system (“BEO Participants”). Interests in the Debentures represented by the Global Debenture will be evidenced by credits to book-entry accounts of BEO Participants maintained with the Depository. Interests of the owners of Debentures represented by the Global Debenture will be evidenced by credits to accounts maintained with such BEO Participants on behalf of such owners.

Except as described under “Plan of Distribution” and as described below or as set out in a pricing supplement, purchasers of Debentures represented by the Global Debenture will not be entitled to certificates or other instruments from the Corporation or the Depository evidencing their ownership of Debentures. Beneficial owners of Debentures represented by the Global Debenture will not be shown on the registers maintained by the Trustee or the records maintained by the Depository but will be shown through book-entry accounts of BEO Participants. The rights of beneficial owners of Debentures represented by the Global Debenture may be exercised only through the BEO Participants with which such book-entry accounts are maintained. Purchasers of Debentures represented by the Global Debenture will receive a customer confirmation of purchase from the selling Dealer.

Purchasers of Debentures represented by the Global Debenture will receive definitive Debentures registered in their name only:

- (a) if the Corporation determines that the Depository is no longer willing, able or qualified to discharge properly its responsibilities as holder of the Global Debenture in connection with the Debentures and the Corporation is unable to locate a qualified successor;
- (b) if the Corporation elects to terminate the book-entry only registration of Debentures through the Depository; or
- (c) in certain other specified circumstances.

Transfers of interests in Debentures represented by the Global Debenture will be effected through records maintained by the Depository or its nominee (with respect to interests of BEO Participants) and on the records of BEO Participants (with respect to interests of persons other than BEO Participants). Beneficial owners of Debentures represented by the Global Debenture who are not BEO Participants but who desire to transfer any interest in Debentures may do so only through BEO Participants.

Payments of interest and principal on the Global Debenture will be made to the Depository or its nominee as registered holder of the Global Debenture. As long as the Depository or its nominee is the registered owner of the Global Debenture, the Depository or its nominee will be considered the sole owner of the Global Debenture for the purposes of receiving payment on the Global Debenture and for all other purposes under the Indenture and the Global Debenture.

The Corporation expects that the Depository or its nominee, upon receipt of any payment of principal or interest in respect of the Global Debenture, will credit the accounts of BEO Participants, on the date principal or interest is payable, with payments in amounts proportionate to their respective interests in the principal amount of the Global Debenture as shown on the records of the Depository or its nominee. The Corporation also expects that payments of principal and interest by BEO Participants to the owners of interests in the Debentures represented by the Global Debenture held through accounts maintained with BEO Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of BEO Participants. The responsibility and liability of the Corporation and the Trustee in respect of Debentures represented by the Global Debenture is limited to making payment of any principal and interest due on the Global Debenture to the Depository or its nominee.

Governing Law

The Indenture is and the Debentures will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

Definitions

The following defined terms used in this section of the prospectus are defined in the Indenture substantially as set out below.

“Capital Lease” means, with respect to a person, a lease or other arrangement in respect of real or personal property that is required to be classified and accounted for as a capital lease on a balance sheet of the person in accordance with Canadian generally accepted accounting principles.

“Capital Lease Obligation” means, with respect to a person, the obligation of the person to pay rent or other amounts under a Capital Lease.

“City Note” means the City Note and any promissory note issued by the Corporation in replacement thereof.

“Consolidated Funded Indebtedness” means the aggregate amount of all Funded Indebtedness of the Corporation and its Designated Subsidiaries determined on a consolidated basis in accordance with Canadian generally accepted accounting principles.

“Consolidated Net Worth” means the shareholder’s equity of the Corporation and its Designated Subsidiaries determined on a consolidated basis in accordance with Canadian generally accepted accounting principles. For greater certainty, the shareholder’s equity of a subsidiary of the Corporation that is not a Designated Subsidiary will not be included in making such determination.

“Contingent Liability” means, with respect to a person, any agreement, undertaking or arrangement by which the person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the obligation, debt or other liability of any other person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other person. The amount of any Contingent Liability will, subject to any limitation contained therein, be deemed to be the outstanding principal amount (or maximum principal amount, if larger) of the obligation, debt or other liability to which the Contingent Liability relates.

“Deferred Purchase Price Obligation” means, with respect to a person, an obligation issued, incurred or assumed by the person in connection with the acquisition by the person of an asset in respect of the deferred purchase price of the asset.

“Designated Subsidiary” means Toronto Hydro-Electric System Limited and, until such designation is terminated in accordance with the covenants described above under “ – Covenants – Designation of Subsidiaries as Designated Subsidiaries”, any other subsidiary of the Corporation designated as a Designated Subsidiary by the board of directors of the Corporation in accordance with the covenants described above under “ – Covenants – Designation of Subsidiaries as Designated Subsidiaries”.

“Event of Default” means an event of default under the Indenture.

“Financial Instrument Obligations” means, with respect to any person, obligations arising under:

- (a) interest rate swap agreements, forward rate agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into or guaranteed by the person where the subject matter thereof is interest rates or the price, value or amount payable thereunder is dependent or based upon interest rates or fluctuations in interest rates in effect from time to time (but excluding conventional floating rate indebtedness);
- (b) currency swap agreements, cross-currency agreements, forward agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into or guaranteed by the person where the subject matter thereof is currency exchange rates or the price, value or amount payable thereunder is dependent or based upon currency exchange rates or fluctuations in currency exchange rates in effect from time to time; and
- (c) any agreement for the making or taking of any commodity (including coal, natural gas, oil and electricity), swap agreement, floor, cap or collar agreement or commodity future or option or other similar agreement or arrangement, or any combination thereof, entered into or guaranteed by the

person where the subject matter thereof is any commodity or the price, value or amount payable thereunder is dependent or based upon the price or fluctuations in the price of any commodity;

or any other similar transaction, including any option to enter into any of the foregoing, or any combination of the foregoing, in each case to the extent of the net amount due or accruing due by the person under the obligations determined by marking the obligations to market in accordance with their terms.

“Funded Indebtedness” means Indebtedness (other than Subordinated Indebtedness) that, on the date of issue or assumption of liability, has a term to maturity (including any right of extension or renewal) greater than 18 months. For greater certainty, Indebtedness of the Corporation under the City Note (and any Indebtedness into which the City Note is converted) is Funded Indebtedness of the Corporation and the term to maturity of any Indebtedness will be determined by reference to the term to maturity (including any right of extension or renewal) of the obligation underlying such Indebtedness.

“Indebtedness” means, with respect to a person, without duplication:

- (a) all obligations of the person for borrowed money, including obligations with respect to bankers' acceptances and contingent reimbursement obligations relating to letters of credit and other financial instruments;
- (b) all Financial Instrument Obligations of the person;
- (c) all Deferred Purchase Price Obligations of the person;
- (d) all Capital Lease Obligations and Purchase Money Obligations of the person;
- (e) all Prudential and Bilateral Credit Support Obligations of the person; and
- (f) all Contingent Liabilities of the person with respect to obligations of another person if such obligations are of the type referred to in paragraphs (a) to (e).

“Inter-Company Indebtedness” means, with respect to the Corporation, indebtedness of the Corporation to a Designated Subsidiary and, with respect to a Designated Subsidiary, indebtedness of the Designated Subsidiary to the Corporation or to another Designated Subsidiary.

“Material Subsidiary” means a Designated Subsidiary and any other subsidiary of the Corporation:

- (a) the total assets of which represent more than 10% of the total assets of the Corporation and its Designated Subsidiaries determined on a consolidated basis in accordance with Canadian generally accepted accounting principles; or
- (b) the total revenues of which represent more than 10% of the total revenues of the Corporation and its Designated Subsidiaries determined on a consolidated basis in accordance with Canadian generally accepted accounting principles.

For greater certainty, the assets and revenues of a subsidiary of the Corporation that is not a Designated Subsidiary will not be included in making such determinations.

“Non-Recourse Debt” means, with respect to a person, any indebtedness incurred to finance the creation, development, construction or acquisition of an asset of the person (and any extensions, renewals or refunding of any such indebtedness) provided that the recourse of the obligee thereof against the person is limited in all circumstances (other than in respect of false or misleading representations or warranties) to the asset (including all rights and benefits related to or arising out of the asset).

“Non-Speculative Financial Instrument Obligations” means, with respect to a person, Financial Instrument Obligations of the person entered into by the person in the ordinary course of business for risk management purposes and not for speculative or capital raising purposes.

“Obligations” means, with respect to a person, without duplication, all items which, in accordance with Canadian generally accepted accounting principles, would be included as liabilities on the liability side of the balance sheet of the person and all Contingent Liabilities of the person.

“Permitted Capital Lease Obligations” means, with respect to a Designated Subsidiary, the obligation of the Designated Subsidiary to pay rent or other amounts under a Capital Lease, other than a Capital Lease entered into as part of a Sale and Leaseback Transaction unless:

- (a) the property which is the subject matter of the Sale and Leaseback Transaction is owned by the Designated Subsidiary;
- (b) the proceeds of sale of such property have been determined by the board of directors of the Designated Subsidiary to be at least equal to its fair value; and
- (c) either of the following is applicable:
 - (1) at the time of the Sale and Leaseback Transaction, the cost of acquiring such property could have been financed pursuant to a Purchase Money Obligation; or
 - (2) within 120 days after completion of the Sale and Leaseback Transaction, the Designated Subsidiary reduces its Indebtedness, other than Indebtedness permitted pursuant to paragraphs (a) to (e) above under “ – Covenants – Limitation on Designated Subsidiary Indebtedness”, by an amount at least equal to the net proceeds from the Sale and Leaseback Transaction.

“Permitted Encumbrances” means:

- (a) any Security Interest securing Obligations of a Designated Subsidiary that:
 - (1) exists before and at the time that the Designated Subsidiary becomes a Designated Subsidiary;
 - (2) was not created or assumed in contemplation or as a result of the Designated Subsidiary becoming a Designated Subsidiary; and
 - (3) immediately before and after the Designated Subsidiary becomes a Designated Subsidiary, does not attach to the assets or secure Obligations of the Corporation or any other Designated Subsidiary;
- (b) any Purchase Money Mortgage or Capital Lease of the Corporation or a Designated Subsidiary;
- (c) any Security Interest in an asset created or assumed by the Corporation or a Designated Subsidiary to secure Non-Recourse Debt of the Corporation or the Designated Subsidiary in respect of such asset;
- (d) any Security Interest in cash, marketable debt securities or accounts receivable created or assumed by the Corporation or a Designated Subsidiary to or in favour of a bank or other lending institution to secure indebtedness of the Corporation or the Designated Subsidiary that is payable on demand or that, on the date of issue or assumption of liability, has a term to maturity (including any right of extension or renewal) of 18 months or less and that is incurred by the Corporation or the Designated Subsidiary in the ordinary course of business and for the purpose of carrying on the same;
- (e) any Security Interest in cash or marketable debt securities created or assumed by the Corporation to secure Non-Speculative Financial Instrument Obligations of the Corporation if the aggregate value of such cash and marketable debt securities is not more than 105% of the aggregate amount of the Non-Speculative Financial Instrument Obligations;
- (f) any Security Interest created or assumed by a Designated Subsidiary in favour of the Corporation or any Wholly-Owned Designated Subsidiary;
- (g) any Security Interest in an asset acquired by the Corporation or a Designated Subsidiary that secures Obligations of any other person, whether or not such Obligations are assumed by the Corporation or the Designated Subsidiary provided that the Security Interest:
 - (1) exists before and at the time that the asset is acquired by the Corporation or the Designated Subsidiary;

- (2) was not created or assumed in contemplation or as a result of the asset being acquired by the Corporation or the Designated Subsidiary; and
- (3) immediately before and after the asset is acquired by the Corporation or the Designated Subsidiary, does not attach to the assets or secure Obligations of the Corporation or any other Designated Subsidiary;
- (h) any Security Interest in cash or marketable debt securities in a sinking fund account established by the Corporation in support of a series of debentures issued pursuant to the Indenture;
- (i) any Security Interest or deposit under workers' compensation, social security or similar legislation or in connection with bids, tenders, leases, contracts or expropriation proceedings or to secure public or statutory obligations, surety and appeal bonds or costs of litigation where required by law;
- (j) any Security Interest or privilege imposed by law, such as builders', mechanics, material men's, carriers', warehousemen's and landlords' liens and privileges; or any Security Interest or privilege arising out of judgments or awards with respect to which the Corporation or a Designated Subsidiary at the time is prosecuting an appeal or proceedings for review and with respect to which it has secured a stay of execution pending such appeal or proceedings for review; or any Security Interest for taxes, assessments or governmental charges or levies not at the time due and delinquent or the validity of which is being contested at the time by the Corporation or a Designated Subsidiary in good faith; or any undetermined or inchoate Security Interest or privilege incidental to current operations that has not been filed pursuant to law against the Corporation or a Designated Subsidiary or that relates to obligations not due or delinquent; or the deposit of cash or securities in connection with any Security Interest or privilege referred to in this paragraph (j);
- (k) any right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, licence, franchise, grant or permit held or acquired by the Corporation or a Designated Subsidiary, or by any statutory provision, to terminate the lease, licence, franchise, grant or permit or to purchase assets used in connection therewith or to require annual or other periodic payments as a condition of the continuance thereof;
- (l) any Security Interest or right of distress reserved in or exercisable under any lease for rent to which the Corporation or a Designated Subsidiary is a party and for compliance with the terms of the lease;
- (m) any Security Interest created or assumed by the Corporation or a Designated Subsidiary in favour of a public utility or any municipality or governmental or other public authority when required by the utility, municipality or other authority in connection with the operations of the Corporation or a Designated Subsidiary;
- (n) any reservations, limitations, provisos and conditions expressed in original grants from the Crown;
- (o) any minor encumbrances, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipelines and other similar purposes, or zoning or other restrictions applicable to the Corporation's or a Designated Subsidiary's use of real property, that do not in the aggregate materially detract from the value of the property or materially impair its use in the operation of the business of the Corporation or the Designated Subsidiary;
- (p) any extension, renewal, alteration, substitution or replacement, in whole or in part, of a Security Interest referred to in paragraphs (a) to (o) provided that the Security Interest is limited to all or part of the same assets, the principal amount of the secured Obligations is not increased by that action, the term of the secured Obligations is not shortened and the terms and conditions of the Security Interest are no more restrictive in any material respect than the Security Interest so extended; and
- (q) any other Security Interest created or assumed by the Corporation or a Designated Subsidiary (in addition to the Security Interests referred to in paragraphs (a) to (p)) if, after giving effect to the Security Interest, the aggregate amount of all Indebtedness secured by Security Interests permitted by this paragraph only does not at that time exceed 5% of Consolidated Net Worth.

“Prudential and Bilateral Credit Support Obligations” means, without duplication, the following obligations:

- (a) all contingent reimbursement obligations of the Corporation relating to letters of credit and other financial instruments and all Contingent Liabilities of the Corporation in respect of Obligations of a subsidiary of the Corporation for the purchase or sale of electricity or natural gas; and
- (b) all obligations of a Designated Subsidiary for borrowed money, including contingent reimbursement obligations relating to letters of credit and other financial instruments under credit facilities established for participants in the wholesale market for electricity administered by the Independent Electricity System Operator (“IESO”), in respect of the Obligations of the Designated Subsidiary for the purchase or sale of electricity or natural gas;

if such obligations were incurred or assumed to satisfy:

- (x) prescribed prudential requirements in the wholesale market for electricity administered by the IESO;
- (y) credit support arrangements required by electricity distribution companies under the terms of the Retail Settlement Code established by the OEB; or
- (z) credit support requirements of counterparties under bilateral contracts or customers under purchase contracts.

“Purchase Money Mortgage” means, with respect to a person, any Security Interest created or assumed by the person to secure a Purchase Money Obligation provided that such Security Interest is limited to the asset financed by such Purchase Money Obligation and is created or assumed not later than three months after such Purchase Money Obligation is issued, incurred or assumed.

“Purchase Money Obligation” means, with respect to a person, indebtedness of the person issued, incurred or assumed to finance all or part of the cost of acquiring any asset for the person, other than shares, bonds and other securities, or constructing, installing or improving any real property or fixtures of the person, provided that the indebtedness is issued, incurred or assumed within twelve months after such acquisition, construction, installation or improvement, and includes any extension, renewal or refunding of such indebtedness so long as the principal amount thereof outstanding on the date of such extension, renewal or refunding is not increased.

“Sale and Leaseback Transaction” means, with respect to a person, a transaction or series of transactions pursuant to which the person sells or transfers real or personal property owned by the person to a third party and subsequently leases such real or personal property.

“Security Interest” means any security interest, assignment by way of security, mortgage, charge (whether fixed or floating), hypothec, pledge, lien or other encumbrance on or interest in property or assets that secures the payment of Obligations.

“Subordinated Indebtedness” means all indebtedness of the Corporation in respect of which, upon any distribution of assets of the Corporation upon any dissolution, winding-up, liquidation or reorganization of the Corporation (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Corporation or otherwise), the payment of all indebtedness and liabilities of the Corporation in connection with all debentures issued pursuant to the Indenture including principal, interest, fees and expenses, must be satisfied in full prior to any amount being applied to such indebtedness.

“Total Consolidated Capitalization” means, without duplication, the sum of:

- (a) the principal amount of all Consolidated Funded Indebtedness;
- (b) the principal amount of all Subordinated Indebtedness; and
- (c) the Consolidated Net Worth;

in each case, as determined by the Corporation and its Designated Subsidiaries.

“Wholly-Owned Designated Subsidiary” means a Designated Subsidiary all of the outstanding shares in the capital of which are owned by the Corporation or one or more Wholly-Owned Designated Subsidiaries.

ELIGIBILITY FOR INVESTMENT

Each pricing supplement will set out whether the Debentures offered thereunder would be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans and deferred profit sharing plans under the *Income Tax Act* (Canada) (the “ITA”). The Debentures will not be qualified investments for a trust governed by a deferred profit sharing plan for which any employer is the Corporation or an employer that does not deal at arm’s length with the Corporation for purposes of the ITA.

RISK FACTORS

In addition to the risks described in the Corporation’s AIF under “Risk Factors” and “Annex C (Management’s Discussion and Analysis of Financial Condition and Results of Operations – Risks and Uncertainties)”, prospective purchasers should consider the risks described below before purchasing Debentures.

Rank of Debentures and Holding Company Structure

The Debentures will be direct unsecured obligations of the Corporation and will rank equally with all other unsecured and unsubordinated indebtedness of the Corporation, including indebtedness of the Corporation under the City Note and the THC Revolving Credit Facility. A default by the Corporation under the Indenture will constitute an event of default under the City Note and the THC Revolving Credit Facility. There can be no assurance that sufficient funds would be available at the time of any such default to make any required payment under the Debentures.

The Corporation is a holding company and substantially all of its business activities are carried on by its subsidiaries. Because the Corporation is a holding company, the Debentures will be effectively subordinated to all existing and future liabilities, including trade payables and other indebtedness, of the Corporation’s subsidiaries. In addition, as a holding company, the Corporation’s ability to meet its financial obligations is dependent primarily upon the receipt of interest and principal, management fees, cash dividends and other payments from its subsidiaries, together with proceeds raised by the Corporation through the issuance of debt. The Corporation is wholly-owned by the City of Toronto and does not currently raise funds through the issuance of share capital. The Corporation’s subsidiaries are distinct legal entities and have no legal obligation, contingent or otherwise, to pay any amount due under the Debentures or to make any amounts available therefor. In addition, the payment of dividends and the making of loans, advances and other payments to the Corporation by its subsidiaries may be subject to statutory or contractual restrictions, will depend on the earnings of the subsidiaries and will be subject to various business and other considerations.

Absence of Public Market for the Debentures

The Debentures will be newly issued securities for which there is no existing trading market. The Corporation does not intend to list the Debentures on any Canadian, U.S. or other securities exchange. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of issuer regulation. There can be no assurance that a secondary market will develop for the Debentures or that any secondary market that does develop will continue. Accordingly, purchasers may not be able to sell the Debentures. In addition, if a trading market develops for the Debentures, the Debentures could trade at prices that may be higher or lower than their initial offering prices, depending on many factors, including prevailing interest rates, the Corporation’s results of operations and financial position, the ratings assigned to the Debentures and the Corporation’s other debt securities and the markets for similar debt securities.

Ratings

There is no assurance that any rating assigned to the Debentures issued hereunder will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering or withdrawal of such rating may have an adverse effect on the market value of the Debentures.

Interest Rate Risks

Prevailing interest rates will affect the market price or value of the Debentures. Generally, the market price or value of the Debentures will decline as prevailing interest rates for comparable debt instruments rise and increase as prevailing interest rates for comparable debt instruments decline. Fluctuations in interest rates may also impact borrowing costs of the Corporation which may adversely affect its creditworthiness.

Risks Associated with Floating Rate Notes

The Debentures will bear interest at fixed or floating rates as set out in the applicable pricing supplement to this prospectus. Investments in floating rate Debentures entail risks not associated with investments in fixed rate Debentures. The resetting of the applicable rate on a floating rate Debenture may result in a lower interest rate as compared to a fixed rate Debenture issued at the same time. The applicable rate on a floating rate Debenture will fluctuate in accordance with fluctuations in the instrument or obligation or other measure on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Corporation has no control.

Foreign Currency Risks

An investment in Debentures that are denominated or payable in other than Canadian dollars entails significant risks that are not associated with a similar investment in a security denominated in Canadian dollars. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the Canadian dollar and the applicable foreign currency unit, the possibility of the imposition or modification of foreign exchange controls by either the Canadian or foreign governments and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and, where appropriate, will be more fully described in a pricing supplement.

This prospectus does not describe all the risks of an investment in the Debentures denominated or payable other than in Canadian dollars and prospective investors should consult their own financial and legal advisor as to the risk entailed with respect thereto. Debentures denominated in other than Canadian dollars are not appropriate investments for investors who are unfamiliar with foreign currency transactions.

The Debentures will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. A judgment by a Canadian court relating to any Debenture may be awarded only in Canadian currency and such judgment may be based on a rate of exchange in existence on a day other than the day of payment.

City Note and Shareholder Direction

The City of Toronto may decide to assign the City Note in whole or in part. In this event, the assigned debt will no longer be held by the holder of shares of the Corporation and the ratings of the Debentures may be negatively affected.

Council of the City of Toronto has adopted a shareholder direction (the "Shareholder Direction") which sets out certain corporate governance principles with respect to Toronto Hydro. The Shareholder Direction is summarized in the AIF under "Relationship with the City of Toronto". The Shareholder Direction is not for the benefit of, or enforceable by, the holders of the Debentures.

LEGAL MATTERS

Certain legal matters relating to the offering will be passed on for the Corporation by McMillan LLP. The partners and associates of McMillan LLP beneficially own, directly or indirectly, less than one per cent of the securities of the Corporation or any associate or affiliate of the Corporation.

AUDITORS

The Corporation's auditors are Ernst & Young LLP, Chartered Accountants. Ernst & Young LLP is independent in Ontario in accordance with its rules of professional conduct.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus, the accompanying prospectus supplement and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages if the prospectus, the accompanying prospectus supplement and any amendment contain a misrepresentation or are not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the preliminary short form base shelf prospectus [the "Prospectus"] of Toronto Hydro Corporation [the "Corporation"] dated December 5, 2008 relating to the issuance in an aggregate principal amount of up to \$1,000,000,000 of Debentures of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the Prospectus of our report to the shareholder of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2007 and 2006, and the consolidated statements of income, retained earnings and cash flows of each of the years in the two-year period ended December 31, 2007. Our report is dated February 20, 2008 [except as to note 27, which is as of March 5, 2008].

Toronto, Canada
December 5, 2008

(Signed) ERNST & YOUNG LLP
Chartered Accountants
Licensed Public Accountants