

The logo for Hydro One, featuring the word "hydro" in a black sans-serif font and "One" in a red sans-serif font, with a red circle around the letter "O".

hydro **One**

CIBC Institutional Investor Conference

September 21, 2016

One of North America's largest electric utilities

TSX: H



DISCLAIMERS

In this presentation, all amounts are in Canadian dollars, unless otherwise indicated. Any graphs, tables or other information in this presentation demonstrating the historical performance of the Company or any other entity contained in this presentation are intended only to illustrate past performance of such entities and are not necessarily indicative of future performance of Hydro One. In this presentation, “Hydro One” refers to Hydro One Limited and its subsidiaries and other investments, taken together as a whole.

Forward-Looking Information

This presentation contains “forward-looking information” within the meaning of applicable Canadian securities laws. Forward-looking information in this presentation is based on current expectations, estimates, forecasts and projections about Hydro One’s business and the industry in which Hydro One operates and includes beliefs of and assumptions made by management. Such statements include, but are not limited to: statements related to dividends, including expectations regarding the ability of continued rate base expansion through capital investments to drive growth in dividends; statements related to the Great Lakes Power transmission acquisition; expectations regarding the core priorities of the Company; statements regarding the Company’s maturing debt, shelf registrations, and credit facilities; expectations regarding funding for planned capital investments; and statements related to rate applications.

Words such as “aim”, “could”, “would”, “expect”, “anticipate”, “intend”, “attempt”, “may”, “plan”, “will”, “believe”, “seek”, “estimate”, “goal”, “target”, and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking information. Hydro One does not intend, and it disclaims any obligation to update any forward-looking information, except as required by law.

The forward-looking information in this presentation is based on a variety of factors and assumptions, as described in the financial statements and management’s discussion and analysis. Actual results may differ materially from those predicted by such forward-looking information. While Hydro One does not know what impact any of these differences may have, Hydro One’s business, results of operations and financial condition may be materially adversely affected if any such differences occur. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information are described in the financial statements and management’s discussion and analysis.

Non-GAAP Measures

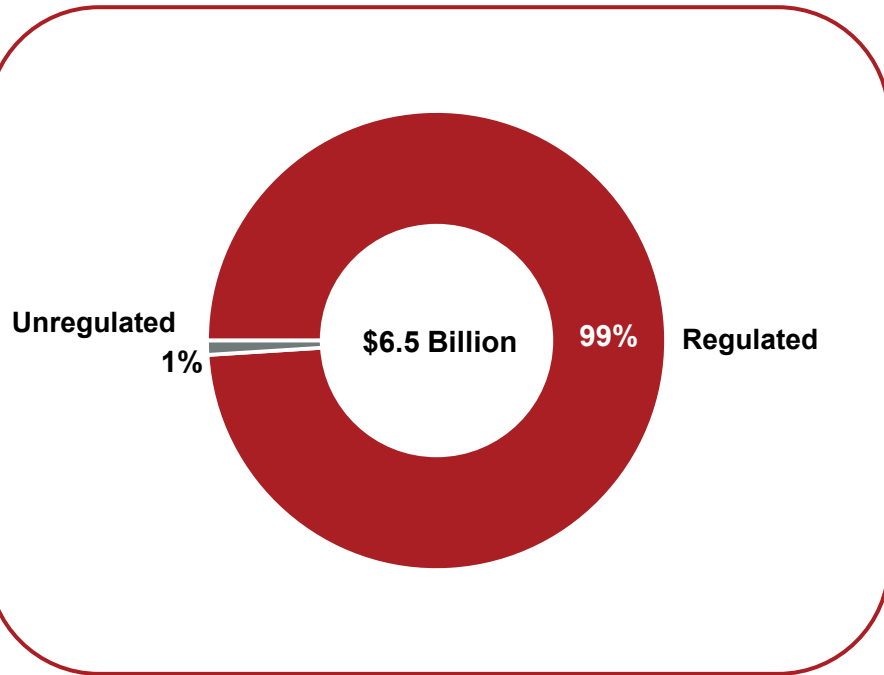
Hydro One prepares and presents its financial statements in accordance with U.S. GAAP. “Funds from Operations” or “FFO” and “Adjusted Earnings Per Share” are not recognized measures under U.S. GAAP and do not have a standardized meanings prescribed by U.S. GAAP. This is therefore unlikely to be comparable to similar measures presented by other companies. Funds from Operations should not be considered in isolation nor as a substitute for analysis of Hydro One’s financial information reported under U.S. GAAP. “Funds from Operations” or “FFO” is defined as net cash from operating activities, adjusted for the following: (i) changes in non-cash balances related to operations, (ii) dividends paid on preferred shares, and (iii) non-controlling interest distributions. Adjusted EPS utilizes the end of period shares outstanding instead of an average which would otherwise include share amounts for a prior entity prior to Hydro One Limited’s IPO. Management believes that these measures will be helpful as a supplemental measure of the Company’s operating cash flows and earnings. For more information, see “Non-GAAP Measures” in the Initial Public Offering Prospectus.

- One of the largest electric utilities in North America, with a market capitalization of +\$15 billion
- Significant scale and leadership position in Ontario, home to ~38% of Canada's population
- Transmission network serves 96% of Ontario, together with a local distribution network serving ~25% of end customers in the Province
- Privatization initiative by Province of Ontario to divest 60% of Hydro One well underway post November 2015 IPO (15%) and April 2016 secondary (15%) offering
- Blue chip independent Board together with legislated governance agreement ensure autonomous commercial operations with Province as an investor and not a manager
- Stable and growing cash flows with 99% of overall business fully rate-regulated
- Predictable self-funding growth profile with ~5% expected rate base expansion exceeding depreciation under multi-year capital investment plan to upgrade aging infrastructure
- No material exposure to commodity prices or generation as the cost of electricity is passed directly to consumers
- Strong balance sheet with "A" investment grade credit ratings and significant available liquidity
- 70% - 80% target dividend payout ratio with annualized dividend of \$0.84 per share

A unique opportunity to invest in the transformation of a premium, large scale, stable electric utility

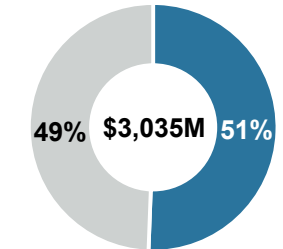
Hydro One at a Glance (Full Year 2015)

Total Revenue (Hydro One Limited)

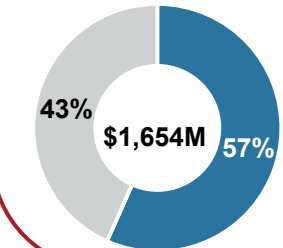


Overview of Regulated Business (Hydro One Inc.)

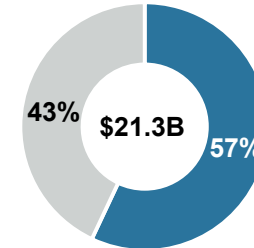
Revenue Net of Purchased Power¹



Capital Investments

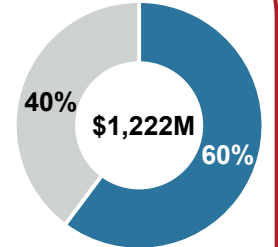


Total Assets

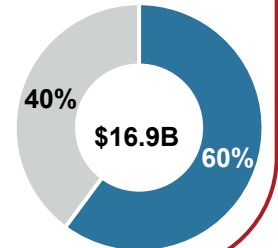


■ Transmission
■ Distribution

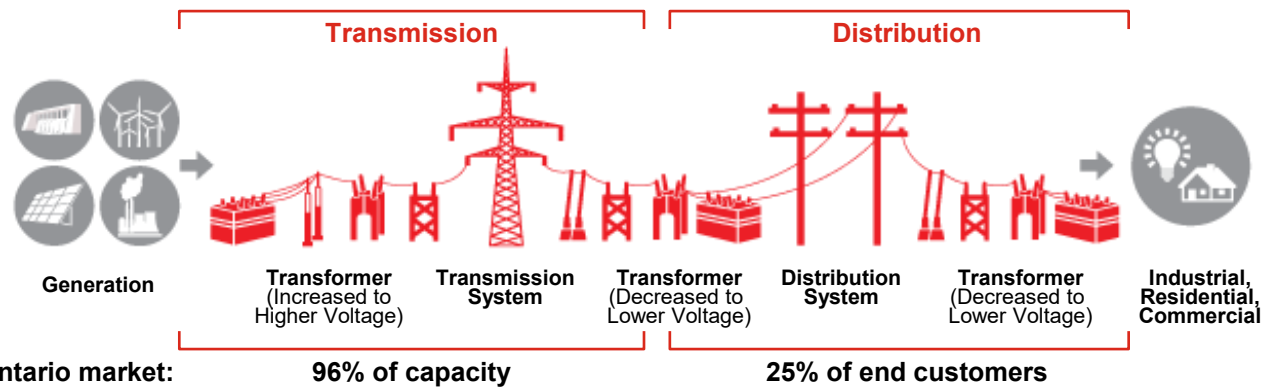
EBIT



Rate Base²



Hydro One's Role in the Electric System



A large scale, pure-play electric transmission and distribution utility

(1) Purchased power is a flow through to customers; (2) Transmission Rate Base Includes 100% of B2M JV Rate Base and excludes pending GLPT acquisition

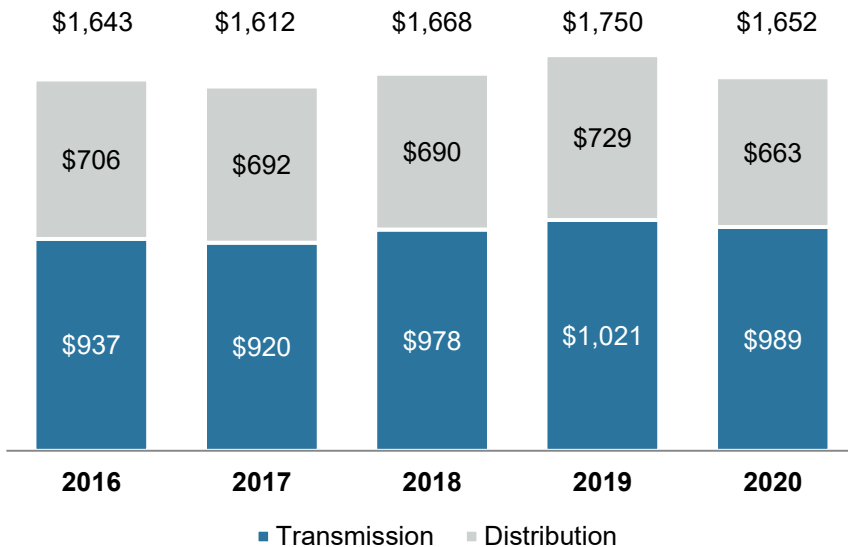


- Reinvigorated focus on integrating customer needs into business decision making
- Increased concentration on efficiency and productivity
- Accelerating effectiveness and efficiency of capital deployment as stewards of the grid
- Making Hydro One a more rewarding and safer place to work for employees
- Deliver best in class operating metrics and position Hydro One for accelerated growth
- Successfully transition from cost of service to incentive based rate regulation
- Adapt to the emerging industry technology landscape

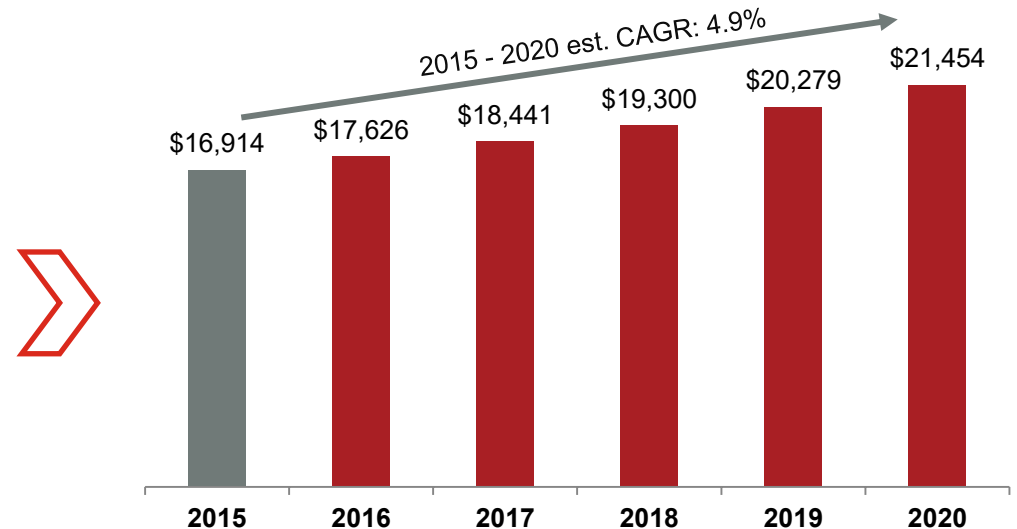
Building commercial excellence to transform Hydro One from good to great

Regulated Capital Investment

Projected Capital Investments* (\$M)



Projected Rate Base Growth*



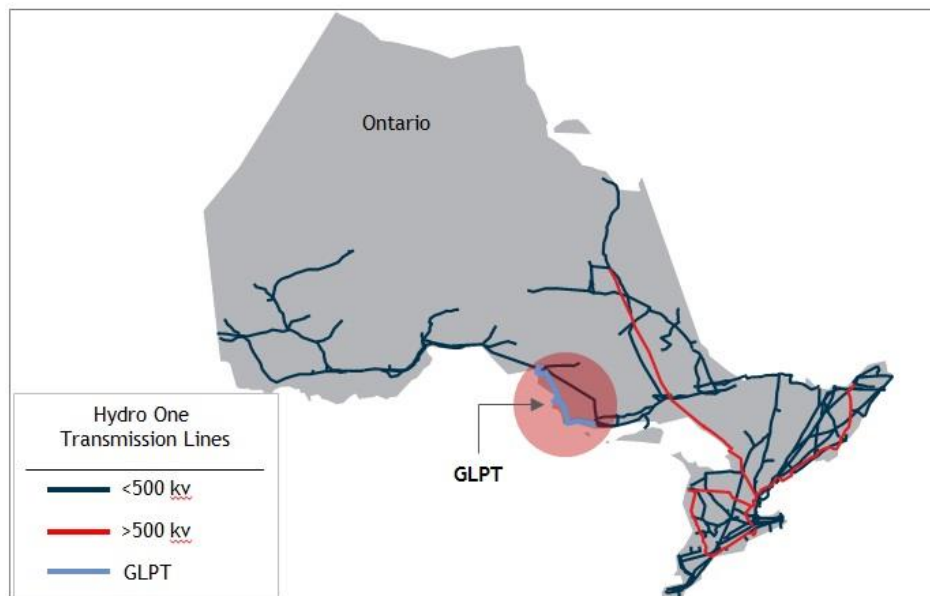
* Company estimates subject to change, excluding upward impact of 5/31/16 transmission rate filing until approved

Comments

- Organic growth underpinned by continued rate base expansion
- Material amounts of end-of-service life infrastructure must be upgraded or replaced
- Estimated average annual capital investments of over ~\$1.6 billion per year over the next five years
- Little concentration risk as most projects within capex envelope are small to medium relative to total
- Capital expenditures generally not undertaken prior to reasonable assurance of regulatory recovery
- Equity issuance not anticipated to fund planned five year self-funded capital investment program

Robust and predictable organic growth profile driven by required replacement of aging infrastructure

GLPT Relative to Hydro One Transmission Operations



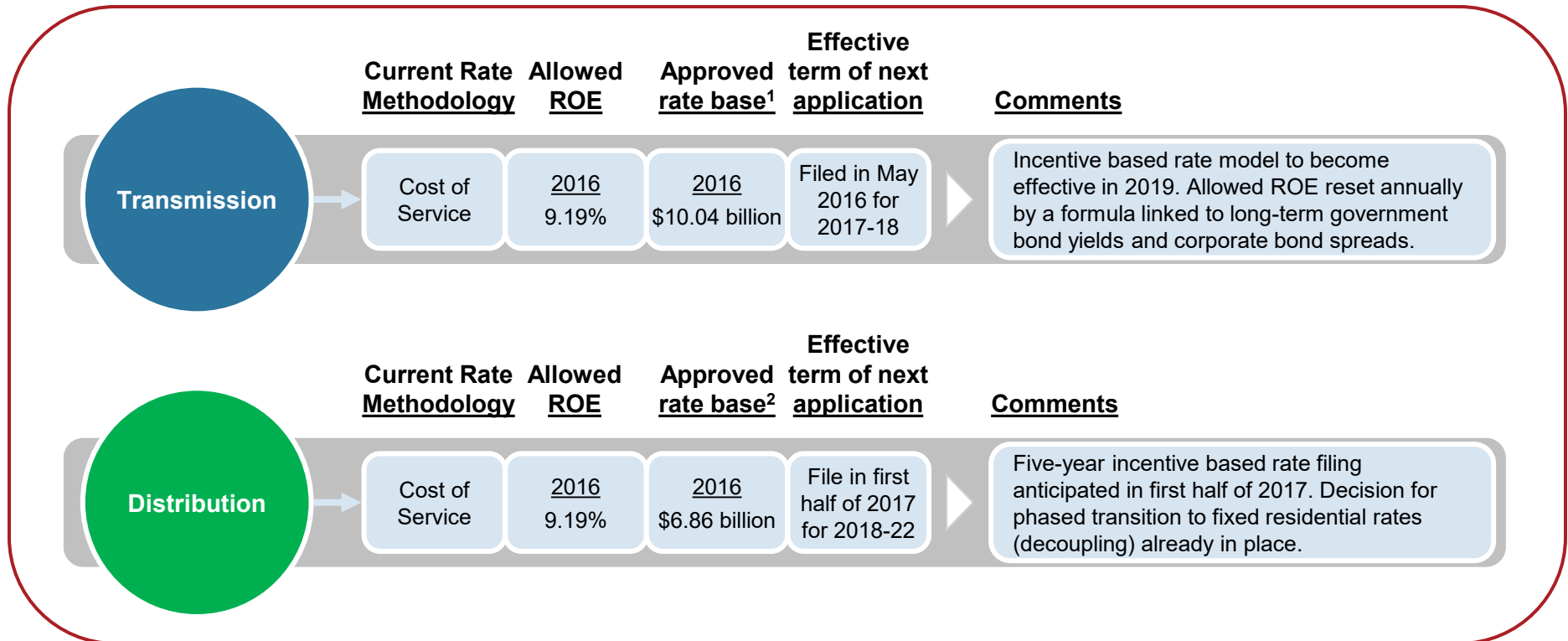
Key Points

- “No-action” letter received from the Competition Bureau in July, 2016
- Rare opportunity to expand already significant transmission footprint in Ontario
- Increases Hydro One’s transmission coverage to ~98% of province-wide grid
- Expected to be earnings accretive in first year
- 560km of high voltage transmission lines, towers and stations
- \$222 million cash purchase price plus \$151 million of assumed debt
- Targeted transaction closing second half of 2016 subject to OEB approval

A contiguous and already interconnected strategic transmission asset

Constructive Rate Regulator (OEB)

- Transmission and distribution businesses rate-regulated by the Ontario Energy Board (OEB)
- Deemed debt / equity ratio of 60% / 40% for both transmission and distribution segments
- Hydro One has earned or exceeded its allowed ROE on a consolidated basis over past five years



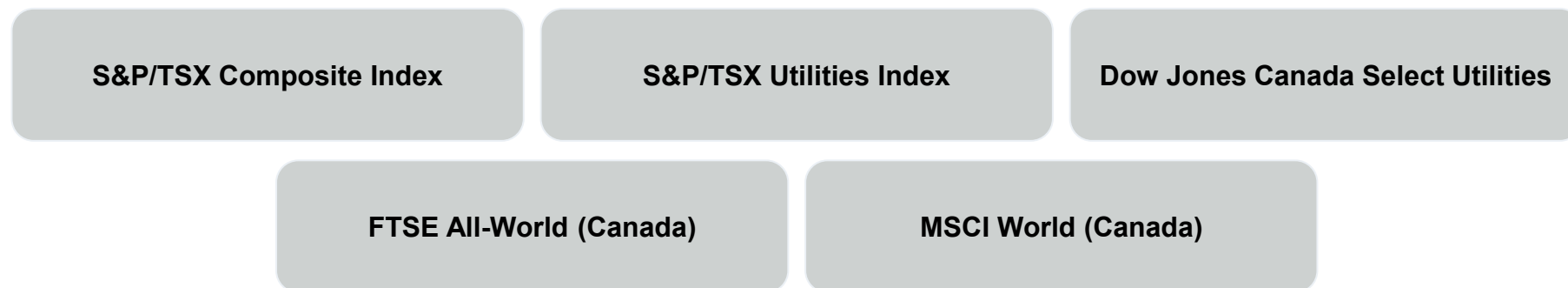
“The Ontario Energy Board’s mandate is embodied in provincial legislation, regulation and directives. The Board’s mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services that are cost effective.”

Consistent, independent regulator with a transparent, predictable rate setting process

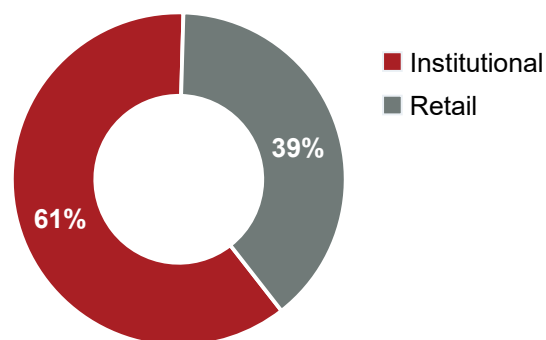
(1) Transmission Rate Base excludes 100% of B2M JV Rate Base and excludes pending GLPT acquisition (2) Distribution Rate Base excludes recent acquisitions and Remotes

Equity Market Cap Overview

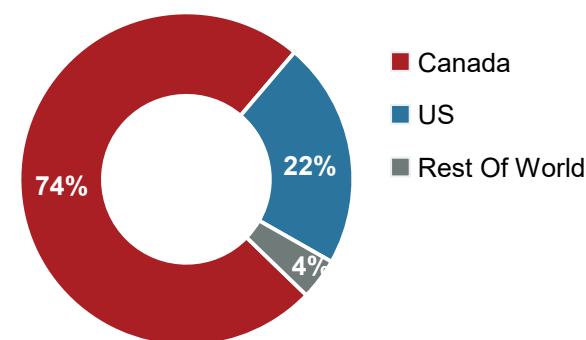
- 595 million common shares outstanding, listed on Toronto Stock Exchange (TSX:H)
- Equity market capitalization of ~\$15 billion and public float of ~\$4.5 billion
- Average daily trading volume of ~1 million shares
- Equity market capitalization amongst the top 30 of all listed Canadian companies
- Secondary offerings by Province increase liquidity without diluting public shareholders
- Equity index inclusions to date:



Approximate Ownership of Public Float



Approximate Geographic Dispersion of Public Float



Why Invest in Hydro One

- One of the largest electric utilities in North America with significant scale and leadership position in Canada's most populated province
- Unique combination of electric transmission and local distribution, with no material exposure to commodity prices or generation
- 99% of business is rate-regulated in a constructive, stable, transparent and collaborative regulatory environment
- Predictable growth profile with expanding rate base and cash flows, together with broad support for refurbishment of aging infrastructure
- Opportunities to transform to a performance driven culture, capture productivity improvements and transition to incentive based regulatory model
- One of the strongest investment grade balance sheets in the utility sector
- \$0.84 annualized dividend with 70% - 80% target payout ratio and opportunity for growth with rate base expansion and continued consolidation
- Float and liquidity increasing without dilution as phased privatization by Province of Ontario progresses
- Fully independent blue chip board together with legislated governance structure allow company to operate autonomously, transform culture and drive shareholder value creation on multiple fronts
- Proven management with demonstrated experience transforming organizations, accelerating performance and creating significant shareholder value

A unique opportunity to participate in the transformation of a premium, large scale electric utility

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