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H.TO - Hydro One Ltd Investor Day in Toronto

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David Lebeter *Hydro One Limited - COO*

Jason Fitzsimmons *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

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Ava Hill *- Former Chief of the Six Nations of Grand River*

PRESENTATION

Omar Javed - *Hydro One Limited - VP of IR*

Well, welcome, everybody. It's great to have everybody here today at our first inaugural Investor Day. Thank you again. I see a few familiar faces and some faces that I actually don't know. For those of you who don't know me, my name is Omar Javed, I'm the Vice President of Investor Relations for Hydro One, and it is my pleasure to host you today, and I look forward to meeting you if I haven't met you already.

This is a very important day for us at Hydro One. It's a chance to introduce you to a broad cross-section of our senior team, including some relatively new faces, and discuss in greater depth our new strategy.

Before we start, we want to acknowledge that we are hosting today's events on indigenous lands. We acknowledge the land we are meeting on today is the traditional territory of the many nations, including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Huron-Wendat people, and now home to many First Nations, Inuit, and Métis people as well. But more than that, while we are sitting here today, Hydro One operates across the province. 104 First Nations communities are served by Hydro One networks and Hydro One remote communities. We have ties with indigenous leaders in communities across the province and are committed to building respectful and positive relationships with indigenous communities. We firmly believe that this proactive approach will benefit all communities as well as enable growth across the province. So we acknowledge all the traditional territories upon which our company operates.

As with every meeting we hold at Hydro One, I'd like to start the morning with a safety moment. The coronavirus is top of mind these days, and being safety-oriented, we urge everyone to ensure a proper hand-washing routine. The National Institute of Health estimated that proper



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I want to bring your attention to the location of the exits, so we make sure everyone is aware in case of an emergency. There are 2 marked emergency exits on this floor outside this room. One is in between the hallway and the washrooms, and the other one is behind the elevator foyer. Both lead to the back alley down by Bay Street, and our designated meeting spot is the Bay Adelaide Centre across the road.

Let me now go over the agenda for today. This morning, you will hear presentations from our CEO, Mark Poweska; our Chief Safety Officer, Darlene Bradley; our Chief Operating Officer, David Lebeter. Following that, there will be a fireside chat hosted by our Chief Corporate Affairs and Customer Care Officer, Jason Fitzsimmons. He will have the great pleasure of talking to Peter Quiring, owner and President of Nature Fresh Farms, one of the largest independent greenhouse produce growers in Canada, and former Chief Ava Hill of Six Nations of the Grand River.

After a short break, our CFO, Chris Lopez, will give his presentation. This will be followed by a Q&A session where you will have the opportunity to ask questions, which undoubtedly will unfold through the day. We ask that you hold your questions until this group Q&A, and that will facilitate a much easier process. We will then have a buffet lunch. It will give us a chance to chat, and I encourage you to reach out and meet other Hydro One attendees and get to know them here. After lunch, we will begin our showcase where you will have the opportunity to break into small groups and meet our vice presidents and other subject matter experts. There'll be a great chance to learn more about topics such as regulatory state of play, ESG, customer-centric organization that we're building. And for those of you who are attending the showcase, your table numbers will be indicated in the back of your name tag.

Before we get into the content, I would like to refer you to our forward-looking statements, which you will see behind me on the screen. For those of you on the webcast, you will see it on the first page of the investor presentation that was posted on the website this morning. Refreshment and pastries are available in the foyer and on the tables. If you haven't had a chance to grab coffee, please do that, and grab a muffin or 2 if you have a sweet tooth like me. And in terms of washrooms, they're all the way down the hallway to the left.

Thank you again for joining us on this exciting day. We hope that you will come away knowing more about Hydro One and, importantly, getting to know more of our people. I know it's going to be a great day. Let's get started.

I would like to introduce you to Mark Poweska, our President and CEO. Since joining Hydro One last spring, Mark has propelled the company to new heights. Mark has deep industry knowledge and an ability to develop enduring relationships with industry partners, unions, indigenous communities, regulators and all levels of government. During his more than 25 years at BC Hydro, Mark has proven that he can build a strong safety culture, exceed customer expectations and improve operational performance. Mark by background is an engineer and with experience in all levels of electricity -- of the electricity industry, from frontline to executive leadership.

Please join me in welcoming Mark to kick off our Investor Day.

Mark Poweska - *Hydro One Limited - President & CEO*

Well, thanks, Omar, and good morning, everyone, and welcome to our first-ever Hydro One Investor Day. We're really pleased that you've joined us today, and we hope we have a very exciting day and informative day for you ahead.

We've put together what we think really does provide an informative and interactive day in which you will be able to gain a more in-depth understanding of our company. You will meet some of our leadership team, discussions with 2 of our key stakeholders who are here today as well as an illustrative table discussion during the Hydro One showcase.

We're in the business of energizing life, and our vision for this company is to provide a better and brighter future for all. Today is about delving into exactly what does that entail. We're going to spend much of the day talking about our strategy moving forward, but I wanted to ground up the day in really talking about who we are as a company and giving you an overview. So I'll start with that.



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and population make up almost 40% of Canada's total. And we operate across this entire vast province. Our history traces back almost 100 years to the early 1900s when what was known as Ontario Hydro was really formed. Almost 100 years later, in 1999, Ontario Hydro split into 5 companies, and that's when Hydro One was created with a mandate to transmit and distribute energy across this province. And then as you all know, a little over 4 years ago, we became a publicly traded company in November of 2015. The IPO was really a watershed moment for us as a company because it really began a shift to a more customer-centric and efficient organization. Since then, we have seen tremendous progress in all facets of our business, from customer satisfaction to productivity and innovation. Today, we are Ontario's largest electrical transmission and distribution company, operating 98% of Ontario's transmission grid and serving about 1/4 of the distribution clients in this province. We serve close to 1.4 million residential and business customers and supply most of the local distribution companies in this province with electricity. We are one of the largest pure-play electric and transmission, distribution companies in North America. We operate in a consistent and stable rate-regulated environment with little or no exposure to commodities or generation.

We are also demonstrating leadership in environmental, social and governance by aligning to emerging standards such as SASB, which is Sustainability Accounting Standards Board, and the task force on climate-related financial disclosures. This will provide transparency on what we believe to be a strong commitment to ESG-related matters across the company. We have strong alignment and oversight from our Board on best practices and governance, and we are making decisions for the future generations in mind.

We have approximately \$27.1 billion in assets, a rate base of \$20.7 billion and 2019 annual revenues of \$6.5 billion. In addition to our vast transmission and distribution assets, we also provide advanced broadband telecommunication services on a wholesale basis.

We are responsible for providing a better and brighter future for all. And while doing so, we have a tremendous opportunity to grow our business right here in Ontario. Let me show you who we are.

(presentation)

Mark Poweska - *Hydro One Limited - President & CEO*

So I want to talk about the electric power industry overall. Overall, it is undergoing a large and profound change. The strong push for decarbonization, greater decentralization of power generation and changing technologies are shaping how and when we provide electricity services. Ontario as a province is a leader in the efforts with over 90% of the energy produced in this province being supplied by nonemitting resources. It is our job to transmit and distribute this low carbon source of energy.

Here in Ontario, we expect an increase in demand for electricity. This is in part from the electrification and decarbonization of transport, a booming agriculture section, which you'll hear about later today, and some growth in the residential and commercial sectors. You will hear from one of our important customers later today about how we worked with the agriculture growers to advocate for a new line to Southern Ontario, an investment which will help drive the greenhouse industry while placing downward pressure on electricity rates. We're also involved in encouraging more rapid growth and adoption of electric vehicles. Working with an industry partner, we are building one of Ontario's largest, most connected electric vehicle fast-charging networks. By the end of 2021, the Ivy fast-charging network is expected to have 73 strategically located charging stations across Ontario. This will allow people to travel from Québec to Manitoba or from Michigan to Timmins on one connected fast-charging network. This is both good for the environment, but it's also good for our customers.

But it's not just increasing and changing demand that is affecting how we do business. As we prepare for more frequent severe storms, we will incorporate climate change into our planning to increase resiliency and hardening of our grid. The effects of climate change on our industry are very real and only expected to increase. To address climate change, amongst other things, we are also greening our own fleet to help with the problem. Increasing adoption of distributed energy resources such as solar, storage and wind are also further changing our industry, with implications for Hydro One. As these energy sources are implemented, they will need to be supported by new infrastructure.



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most efficient utility; third, being a trusted partner; fourth, being an advocate for our customers; and finally, innovating and growing our business. This strategy reaffirms our commitment to Ontario and the provision of safe, reliable and affordable power. These priorities are really what matters most to our stakeholders, and we know that because we asked them. We heard they want an unwavering commitment to exceptional customer safety, our customer service to safety, efficiency and sustainability. And they want us to look out for the future of electricity for them. Through focusing on these things, I believe we will also enhance shareholder value. Allow me to elaborate on these priorities underpinning this strategy.

The first, building a grid for the future. David Lebeter, the newest member of our leadership team, will speak more about this a little later, but let me touch on it here. Building a grid for the future means making necessary investments in our grid today to ensure that we have a strong, resilient grid for the future. We need a grid that can withstand both physical and cyber threats and will incorporate climate change considerations while working to reduce our GHG emissions. We will embrace distributed energy resources to enable customer choice while delivering exceptional value to our customers through best-in-class asset management practices.

Next is safety and efficiency. We will transform and improve our safety culture through robust safety analytics and a grassroots engagement of our employees. Let me speak personally for a moment here. While we are a top-performing safety organization with very low total recordable injuries, we have experienced traumatic and tragic events over the past couple of years. You're going to hear from our Chief Safety Officer, Darlene Bradley, and she will elaborate how we will eliminate serious injuries from happening in this company. Something that I've noticed during my years in the industry is when we adopt a steadfast focus on safety, a mindset of ownership takes hold, and an ownership and accountability takes hold in every part of our organization. We become a company that is more careful, more systematic, more driven by proven, repeatable processes. And this makes us a better managed company. It also makes us a more efficient company. And we have a great track record over the last few years of becoming more efficient. In 2019, Hydro One achieved productivity savings of over \$202 million and operating cost reductions of \$51 million. Expect to see more of this disciplined approach as we aim to become one of the safest and most efficient utilities. As part of our plan, our field crews will be enabled and empowered to drive efficiency, productivity and reliability. We will remove barriers to a productive day as our teams can spend more time doing their core jobs and less time doing administrative tasks. This priority speaks to what all our customers and key stakeholders want from us. For customers, efficiency is about affordability. For our employees, efficiency is about removing barriers. And for investors, we believe it's about doing what we say we will do. So you'll see us dig even deeper as we generate efficiencies in both our OM&A and in our delivery of our capital expenditures. And Chris Lopez, our CFO, will be taking you through that later today.

Our third priority focuses on our efforts to build and grow relationships with indigenous peoples, with governments, with industry partners and with the communities that we serve. We will proactively address community concerns and establish strong partnerships with our customers and community leaders through local investment and economic development for the benefit of Ontarians. We're committed to developing and maintaining respectful and positive relationships with indigenous communities across this province. We own and operate transmission assets across 23 First Nations reserves in this province, and we serve 104 First Nations communities directly with electricity. Last year, we purchased over \$41 million worth of goods and services from indigenous companies, the highest in Hydro One's history. We also completed the Niagara Reinforcement Line with our equity partners, the Six Nations of the Grand River Development Corporation and the Mississaugas of the Credit First Nation. This 76-kilometer transmission line was brought to completion by A6N, an indigenous-owned contractor. Our efforts earned us recognition from the Canadian Council of Aboriginal Businesses as an indigenous procurement champion and from the Canadian Electricity Association for our commitment to continuous improvement of indigenous procurement. You will have the opportunity to hear from Jason Fitzsimmons, our Chief Corporate Affairs and Customer Care Officer, a little later when he sits down with Ava Hill, former Chief of the Six Nations of the Grand River, who is an amazing leader and visionary for her community.

So let me spend a few minutes now talking about the provincial government. I would characterize our relationship as having improved substantially. I've had several meetings with key players in the provincial government, and there's a great deal of support and alignment for our new strategy. We have an agreement with the province that clearly outlines the government's framework that we have. But our relationship is much more than that. We consulted with the government on the modernization of the Ontario Energy Board, advocating for structure and program changes that will reduce red tape while improving overall transparency of the regulatory process. This led to the provincial government tabling Bill 87, which changed the governance structure of the OEB. We've also worked closely with local governments in the pursuit of new transmission lines, resolving local issues, community investment initiatives and consolidating the fragmented distribution sector. We continue to work closely with the Ontario

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modernization review panel, and the recommendations that came out of that panel were supported by us and all in the electricity industry. Under his leadership, we hope for a period of continued constructive rate regulation in Ontario that helps efforts to support Ontario's growth and our customers' interests. The OEB, of course, sets our rates and the rates we charge. The rates allow us to recover costs associated with our distribution and transmission business and to earn a formulaic-based rate of return. We believe this method is a constructive leading practice for rate regulation.

Our fourth priority is to make it easier to do business with Hydro One. I spoke earlier about our industry -- about how our industry is changing and so, too, are the needs of our customers. More of our customers are relying on mobile technology and self-service options, and we are building and enhancing our digital capabilities in response. We will help our customers make informed decisions by providing them with deeper insights, and we will leverage our position as energy experts to meet our customers' evolving energy needs. We are currently scoring very well on customer satisfaction. In 2019, our residential and small business customers with our highest in over a decade at 86%. Transmission and customers scored us even higher at 97 -- or 87%. And First Nation's customers and telecom customers scored us at 90%. These are impressive results, but we know we can do even better. And that is why we are modernizing our customer contact center and launching a dedicated web portal for our commercial and industrial customers. We also announced an investment of approximately \$150 million to build a state-of-the-art Grid Control Centre in Orillia, which is -- which will serve as one of our innovative technology hubs and ensure safe, reliable power to electricity delivery to our customers.

Finally, growth and innovation. We will continue to provide value to our customer and our shareholders through growing and innovating in this company. We will continue to invest responsibly in our transmission and distribution business. Much of our transmission and distribution system was built in the 1950s and 1960s and is in need of repair, replacement or upgrades to equipment in almost every community across this province. For some assets, almost 1/3 are at end of their expected useful life. Just last year, we invested \$1.7 billion in capital investments in our grid, and over the next 5 years, we will invest another \$10 billion in our transmission and distribution system to ensure a reliable grid for the future.

Besides these critical investments, there is considerable fragmentation in Ontario in the energy market. There are almost 60 LDCs in Ontario, presenting meaningful opportunity for us to be a consolidator while helping take inefficiencies out of the overall system, which is good for our customers and for the rate payers of the province. As I mentioned earlier, the main focus of our business will and will always be our primary regulated business. However, there is also innovative unregulated opportunities right here in Ontario. Pursuing these opportunities diversifies our portfolio, responds to the changing needs of the market and fosters a culture of entrepreneurship and innovation at Hydro One. Our Hydro One telecom subsidiary is one vehicle for these initiatives. It offers 9,000 kilometers of fiber-optic cable capacity to organizations with broadband network requirements and provides enhanced suite of cloud services, data backup tools and secure data storage options to our clients. Chris Lopez will be going into this in more detail around our strategic growth opportunities later this morning.

I hope you enjoy today, and I look forward to meeting some of the new faces in the room and catching up with some of you that I've already met and some great discussions about the future of Hydro One. Now let's dive deeper into the strategy and our company and our people. I will ask Darlene Bradley to come up first. I mentioned the importance of safety to our company and to me. As a first step when I took on this role, I appointed and created the role of the Chief Safety Officer. I'm delighted that Darlene agreed to take on this role. She has more than 30 years experience in the utility business starting in Hydro One in 1988 and serving in a number of roles across our company, including the acting Chief -- sorry, Chief Operating Officer and the Vice President of Planning and Growth. She knows our business, and she knows how we can make it safer. Darlene?

Darlene Ann Bradley - *Hydro One Limited - Chief Safety Officer*

Thank you, everyone, for joining us today. And thank you, Mark, for providing context around our focus on safety. As Mark emphasized, safety is one of our core values. And now with the appointment -- or the establishment of the Chief Safety Officer, a position which I'm honored to be taking on, it's at the forefront like never before. This office is a testament to our commitment to safety as a top priority because we recognize we must do everything possible to ensure that every one of our employees goes home safely at the end of a fulfilling day of work. And when our employees understand our unwavering commitment to safety, they feel supported to do their best work every day.

It's important that we recognize that safety is not only the accountability of the Chief Safety Officer and my team. It takes coordinated effort across the entire organization to ensure the safe practices and standards that we uphold are applied in the workplace. We work in partnership with our



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As Mark touched on, our goals include transforming and improving our safety culture through robust safety analytics and a grassroots safety engagement. Today, I'll discuss how we're working towards achieving our safety-related goals. I'd like to start by giving you a bit of background on our safety program over the last 10 years.

We work in an environment that is unforgiving. We employ staff in occupations that are statistically amongst the most dangerous. Forestry trades, trucking, electricity line workers are working in unforgiving environments. They're unforgiving professions, but they're essential to our business. We collaborate with our peers in many industry organizations, and we benchmark well. As Mark mentioned, we have top class safety performance. No matter how well we benchmark with the type of work we do, we need to continuously focus on our safety culture and ensuring our employees are working in the safest conditions possible.

In 2010, we launched our continuous improvement program called Journey to Zero. For the last decade, this has been the cornerstone of our commitment to safety and an injury-free workplace. Specifically, Journey to Zero has been about reducing the number of recordable injuries that we experience with a target of getting to less than one. For your context, the recordable injury rate tracks the number of incidents requiring medical attention, things like stitches, twisted ankles, anything that requires a medical attention type of injury. And it captures the number of these incidents per 200,000 hours worked or for every 100 employees.

In 2008 and '09, our recordable injury rate was around 5, 5 incidents for every 100 employees. In 2015, the year of our IPO, we had reduced that number to 1.71. Fast forward to '19 and we achieved a recordable injury rate of 0.78. That's a fabulous result. That is definitely an industry-leading result, and it shows the outcomes of the continuous improvement across the company through many aspects of our safety practices, equipment standards, training and communications. We focused on this year-over-year, and you can see the improved results.

However, while Hydro One's recordable injury rates have declined in recent years and are considered industry-leading, we have seen an increase in serious injuries. Serious injuries are the subset of recordable injuries that can be life-changing events or worse. In March of last year, we tragically lost one of our colleagues who sustained a fatal injury during a forestry incident. Three years ago, we lost 4 of our colleagues in a helicopter incident. This is not acceptable to me. It's not acceptable to any of us. Following these incidents, we made changes to our safety policies and procedures and have a renewed commitment to eliminating serious injuries from our organization.

A number of peers are experiencing the same thing. They're making progress in the reduction of recordable injuries, but they aren't seeing the corresponding reduction in serious injuries. The great thing about the utility industry is that we're all willing to work together and learn from each other, especially when it comes to safety. We're working with many North American industries and utilities to focus on finding ways to eliminate serious injuries and fatalities from our business. We all agree that the tragic and devastating impact to all those involved when an employee is injured and killed is something we must eliminate. As I mentioned earlier, it's the responsible (sic) [responsibility] of everyone to ensure employees make it home safely after a fulfilling day of work. So how do we do that?

Earlier this year, we completed our safety plan, a plan to build a stronger safety culture at Hydro One with the goal of eliminating serious injuries by 2024. To achieve that goal, we were focused on 3 elements: first, demonstrating safety leadership through Hydro One; the second is continuously improving and strengthening our safety management systems; and finally, focusing on listening, learning and taking action based on input from our team and from others. With respect to safety leadership, the creation of my role on the executive leadership team was one of the first steps in this plan. It's my responsibility to have a high-performing safety organization and clear safety-related accountabilities throughout the organization. I have already started looking at our operating model and how we can enhance what we do and the impact that we have throughout the company. Communication is incredibly important. The vast territory across Ontario and the fact that the majority of our employees are working in field-type environments makes it really important that we'd be focused on enhancing information sharing and ensuring important safety messages get through to our teams.

The next element of my safety plan is strengthening our safety management system. Through focusing on connecting with people and making it really clear and forefront in their minds why we work safely drives an emotional connection to safe work practices. Realizing that our people are



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have a direct impact on the processes and procedures that they use each and every day. And in the last 5 years, we've seen an increase in the incidence among our apprentices. Being the mother of 4 boys in their early 20s just out getting their first jobs, this one really resonates with me, and it's something I'm very passionate about. And ensuring that we are looking at how we develop, how we mentor and train on our apprentices, ensure we have consistent policies and procedures across the province and the programs that we have, and ensuring we use industry best practices in how we are recruiting and retaining the right talent will be all reviewed as part of this focus on apprentice safety.

The final element of our plan is around listening, learning and taking action. We can learn from listening to the experience of the people we have across the company, the people who know best about working safely. We've launched a new safety improvement team made of a diverse group of employees from across the company. This team is going to travel to work centers across the province to hear from our employees. We all know that peer-to-peer discussions are the most open and honest, and we need to hear what they have to say. This team will also engage with other organizations, utilities and other industries, to find best-in-class safety programs that can contribute to our goal of 0 serious injuries. I'm very eager to hear their recommendations later this year.

Lastly, we'll implement industry-leading reporting systems, enabling us to report, learn and benchmark across the industry and across Hydro One. If we keep a focus on near incidents and safety observations, this will enable us to do some analysis and take prompt and meaningful action.

I'd like to wrap up by saying we have demonstrated we can drive continuous improvement and achieve great results. We are tightening our focus on serious injuries and broadening our reach across the company to meaningfully move thousands of people. A big part of what we have to do is a culture shift. We need to transform our mindset around safety, and we will do this.

What is a culture shift? Think about our societal cultural journey with seatbelts. When I was growing up, seatbelts weren't mandatory. And to this day, when I get in the car with my parents, they may or may not buckle up. I would say on the 400-series highways, they do, but around town, they may not. My husband and I always buckle up. But my children would never get in a car without buckling up, and they would not think twice about telling other people that they need to buckle up for their safety before the car gets put in gear. That's a culture shift. That's -- they feel it's incumbent upon them to tell other people about what they need to do for their safety. We can't take generations to do that, but we believe this plan will help accelerate by getting to the heart of some of the barriers, the large and small barriers that enable us to have the safest work environment, an environment where we're clear in our expectations and accountabilities, where we support each other, we listen and learn from daily experiences and take action to remove barriers. We have a culture where everyone buckles up and looks out for each other. We're creating an environment where employees feel supported and where we deliver strong bottom line results for our shareholders. I'm proud to be Hydro One's first Chief Safety Officer and even more proud to be working in a company that has shown itself to be uncompromising when it comes to safety.

Thank you for your commitment to Hydro One. I'll now turn the floor over to David Lebeter, our new Chief Operating Officer.

David Lebeter - *Hydro One Limited* - COO

Thank you, Darlene, and good morning, everyone. And Darlene, thank you for reminding us of the importance of safety in our journey to become the best utility we can become. Beyond being the right thing to do for our employees, safety, the processes, the procedures and the culture that you create to have great safety performance are also good for the business. It's those same processes, procedures and cultures that make you efficient, effective and lead to a productive workforce. It's a real pleasure to be here today in my role as the Chief Operating Officer for Hydro One. And in that role, the Chief Operating Officer, I have the real pleasure to lead 4 of our key business units: transmission, distribution, system operations and Hydro One remotes. Collectively, these are the business units which maintain, build and operate our electric system. But since I haven't met many of you yet, I thought I'd just take a few minutes and give you a brief history of myself.

Prior to joining Hydro One, I spent 15 years with BC Hydro. At BC Hydro, I had the roles of Senior Vice President of Safety; Vice President, Transmission and Distribution Operations; and Director of Generation Operations. It was at BC Hydro where I first had the pleasure to meet and then subsequently work with Mark Poweska. Prior to joining the utility industry, I spent over 20 years in the forest industry working in operational roles both in the field and in manufacturing.



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I'm so excited to be here today.

I came to this role with the goal of building on the great progress that's been made by Hydro One since the Hydro One's IPO. Since the IPO, Hydro One has become safer, more efficient and more productive. As a result of that, our customers are happier. In my role, I get to lead a great team of dedicated and skilled people, some of whom you'll meet later on today as we mingle around the room. These are the people who, along with the executive team, will lead the implementation of our strategy and deliver the returns that you expect.

As Mark said, we have a large footprint in the province of Ontario. We operate approximately 30,000 circuit kilometers of transmission line or 98% of the province's transmission capacity. Approximately 23,000 circuit kilometers of distribution lines, over 300 transmission stations, and we serve 1.4 million residential, commercial and industrial customers.

Also, as Mark said, much of our infrastructure was built in the 1950s and 1960s, which means many of our assets are either at or are approaching the end of their useful life. On top of that, Ontario's economy is growing, which means as we reinvest to connect new customers, we also have to meet new energy needs. It's a great opportunity for Hydro One because not only we're making significant investments in replacing and maintaining our assets in electric system, we are also using these investments to build a grid of the future. It's a great opportunity for our investors because it means we see a long-term need for Hydro to continue to invest in our assets.

Since the IPO, we have successfully invested almost \$7 billion into our electric system. This year, 2020, we plan to invest \$1.9 billion. And over the next 10 years, we will invest \$10 billion into our electric system. Through to 2024, this means we're going to invest \$1.2 billion to \$1.4 billion annually into our transmission system and \$690 million to \$750 million annually into our distribution system. The capital investments in our transmission and distribution system underpin our steady rate base growth and provide our transmission and distribution businesses the opportunity to earn an allowed ROE of approximately 8.52% and 9%, respectively, through to 2022. Through these investments, we are building and maintaining an electric grid that will meet the needs of Ontario today, tomorrow and in the future.

Now I'd like to give you a sampling of some of these investments we're making so you can have a better understanding of what I'm talking about. Steel transmission towers have a life expectancy of about 90 years. We use conditions assessments to determine which ones need to be replaced and which ones we can extend their life through an intervention such as coating, more commonly known as painting. Transmission circuit breakers have an expected life of 40 to 55 years. We are renewing our fleet of transmission circuit breakers with modern breakers which are more reliable, require less maintenance, occupy less real estate and are easier to install.

In our distribution business, we are investing in wooden power poles. And you saw on an earlier slide, we have 1.6 million of them. Wooden power poles have a lifespan of approximately 60 years. Last year, we replaced thousands of them. And in future, we will continue to replace thousands.

Distribution stations. Previously, when a distribution station reaches the end of its life, we would have replaced it. Today, through innovation, we're sometimes able to replace small distribution stations with pad-mounted transformers. That reduced the cost of replacing distribution stations -- transformer by 50%.

Smart switches, reclosers and sensors. Over the past year -- couple of years, Hydro One has installed over 1,000 of these devices, bringing our total to almost 1,200. In the coming years, we will continue to deploy thousands more as they're a cost-effective way to improve reliability and improve customer service.

I just want to take a minute to talk about one of those devices called reclosers. These are an amazing device because they improve safety, they reduce the number of outages, they reduce the duration of outages and they make our crews more efficient. What a recloser does, it senses a fault on a line. And when it senses a fault, it opens a circuit break in the flow of electrons. Then after a predetermined time, measured in milliseconds, it recloses. If the fault was transitory, an outage has been avoided. And that time that it is open is so short, you as a customer do not even notice it. Transitory faults may be caused by a bird strike or perhaps the lines swinging in a strong wind. If it's a permanent fault, then it remains open. But, and here's the best part, only the customers' downstream of that device are without power. All the customers' upstream of that device have power.

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As if that isn't enough, we can control these devices from our control room. We can open the circuits and close them if we have a need. More importantly, we can change the trip settings that determine how long that device will stay open and how quickly it trips open. And that's really important because that means in the summer, we can make the settings more sensitive which helps us avoid fires. As a direct result of investments like this in our 2019 grid modernization program, we've eliminated 5.8 million customer minutes of outages. Said another way, 4,000 customer days, or my favorite, 11 customer years of outages avoided.

One investment which contributes to both transmission and distribution reliability improvement is tree management. Over 30% of our outages are caused by trees. Two years ago, we increased the frequency of tree trimming from once every 8 to 10 years to every 3 years. As a result, last year, our [bench] crews inspected and maintained over 32,000 kilometers of lines and treated a record number of trees. This simple change in frequency reduced the number of tree-related outages by 19%. And on top of that, was well received by our customers because the final product looks so much more natural. In February, I had the pleasure to visit our Bracebridge forestry crews when they were out working on a circuit. I expected to see a tree that obviously looked like it had been pruned. What I saw was a tree that looked very natural and was set the appropriate distance back from the lines. That is why our customers like it, and that is why this program is so effective.

As a result of all the investments and process changes Hydro One has made, our customer average interruption duration index -- that's a mouthful, so we'd just like to call it CAIDI, a key measure of success in delivering reliable power improved by 9.7% in 2019.

But that's not all. We're also investing in technology. Some examples that will bring that to life, Move to Mobile. This program replaced our paper-based system used to create work, plan work and transmit work to the crews in the field with a digital system. Like all paper-based systems, our paper-based system was slow, inefficient, prone to errors and limited amount of data we can capture. Our digital system is the exact opposite. It's more efficient, less prone to errors, it's quick and allows us to capture valuable data that will be used to inform future decisions. This business solution alone generated \$16 million of savings the first fiscal year.

Another example, Telematics. This platform provides statistics on our vehicle fleet, statistics about vehicle usage, idling time and efficiency. This allows us to optimize our fleet. Through this business initiative, we were able to reduce our fleet replacement budget by \$29 million.

Cybersecurity. According to the government of Canada, cybersecurity results in over \$3 billion of economic loss in Canada every year. The risk to critical infrastructure such as the electric system like ours is particularly acute as the tax run the risk of compromising national security and creating public safety. That's why we are investing in cybersecurity and providing defense in depth. As an example, we have extended our cybersecurity monitoring deep into our transmission and distribution businesses, providing 24/7 monitoring and alarming. We're also working with government agencies such as the Canadian Centre for Cyber Security and nongovernment agencies such as the North American Electricity Reliability Council to share insights, trends and defense mechanisms. Additionally, we are investing in our employees and training them. My first week at BC Hydro, I received an e-mail which didn't look quite right to me but being new to the company. I thought I would click on it and open it, which I did. It immediately identified itself as an internally generated phishing e-mail, so I'd been caught. More importantly, what that did is showed me the clues I should have identified to identify it as a phishing e-mail and not opened it. I'm pleased to say I haven't been caught since, and I know there's been additional phishing e-mails sent out.

I hope this gives you a sense of the investments we are making, why our investments will continue and how these investments are contributing to safety, reliability and productivity improvements. Prior to joining Hydro One, Mark shared with me how impressed he was with the team and the pride they take in their work. I haven't been here long, but I can clearly see that. We have a great strategy, as Mark outlined. But a great strategy is only useful if it's implemented well. Great execution requires a diverse, skilled and empowered workforce. I have full confidence we have the right team in place to deliver that great strategy.

One area we are focusing on to strengthen our Hydro One team is diversity. We all know diversity matters. Diversity leads to a team which is more creative, more responsive and more sensitive to the needs of our customers because it reflects the communities in which we operate and the customers we serve. We foster diversity at every level. Our Board is now 50% men, 50% women, reflecting the best practices on Board diversity



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Union, 5 of those 11 apprentices were female. This is a great outcome and demonstrates the proof of what we can accomplish when we focus on an outcome.

At the employee level, we support diversity through our many employee resource groups, 2 of which I'll mention here today. Our longest-standing resource group, Women in Trades, Technology and Engineering. This network promotes women, encourages mentorship among women. It promotes women in nontraditional roles and it recognizes women's accomplishments. Our second group I'll highlight is Men Advocating for Real Change, or MARC, which promotes gender equity. As a testament to our success of promoting diversity, we recently received a Workplace Diversity and Inclusion award from Electricity Human Resources Canada. And in 2020, for the fifth year in a row, Forbes nominated -- awarded us Canada's Best Employers -- one of Canada's Best Employers. Holding ourselves the highest standards is one of the ways we attract and retain top talent.

I hope my remarks have helped you to see why I'm so excited to be at Hydro One and why I think it's an exciting time for Hydro One in the coming years. I am so proud of the team I get to work with and have full confidence we will deliver the results you expect.

Thank you. And now I'd like to invite Jason Fitzsimmons, our Chief Corporate Affairs and Customer Care Officer; as long -- as well as former Chief Ava Hill of the Six Nations of the Grand River; and one of our large customers, Peter Quiring, CEO of Nature Fresh Farms.

At Hydro One, we strive to build strong partnerships in our business, because whether it be indigenous communities or customers, we will all benefit from working together. Thank you for your attention.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Good morning. We're going to do -- switch gears a little bit and switch to a fireside chat in case the effects of the morning caffeine are starting to wane. I am the Chief of Corporate Affairs and Customer Officer at Hydro One. In this role, I have oversight of the company's customer service, external relations, communications, marketing, sustainability and, importantly, our indigenous relations function. Today, I'm honored to have 2 very important partners with us here today who will join me for a fireside chat, both Ava Hill and Peter Quiring.

As you've heard in our new corporate strategy, we're focused on things that matter most to us and moving us into the future. More specifically, we're focused on being a trusted partner. This is something that is near and dear to my heart as we focus on community engagement and building positive relationships and strengthening our brand. In recent years, we've been a lot more focused on partners and partnerships, partnerships with customers, partnerships with indigenous communities, industry and the communities that we serve. And that's why this fireside chat and this discussion is so important today.

So without further ado, let me do a few introductions. Let me start by welcoming a very prominent leader and former Chief of Six Nations of the Grand River, which is the largest First Nation in Canada by population and the second largest by size. And I often continue to refer to Ava as the Chief. She will always be the Chief to me. Ava is a Mohawk Wolf Clan and former elected Chief of the Six Nations of Grand River. She has been instrumental in her advocacy and her leadership in moving industry and government, in forming strong and mutually beneficial partnerships. Six Nations of the Grand River has been a partner of ours in many ways, but most recently as an equity partner on our transmission project, as Mark mentioned earlier, the Niagara Reinforcement Line.

She's active on international files and attending the UN permanent focus on indigenous issues. Ava has extensive experience working with many First Nations and aboriginal organizations locally, regionally and nationally. And if you please welcome her to the stage.

Yes. It's your choice.

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Okay.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Whatever you like.

Ava Hill - *Former Chief of the Six Nations of Grand River*

Where's the fire?

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

I was wondering that. Omar, what do you -- when you do kind of a fireside chat, safety first, good answer.

Secondly, I'd like to introduce a very strategic customer, Peter Quiring. Peter is the President and CEO of Nature Fresh Farms. Peter Quiring is a customer that recently partnered with us to advocate for increased power supply to the [Leamington] area to support the booming greenhouse sector. Peter is a highly impressive entrepreneur. He is to the agriculture sector what Jonathan Goldsmith was to Dos Equis. He is the most interesting man in agriculture.

Based 350 kilometers southwest of Toronto in Leamington, Ontario, Nature Fresh Farms has grown to be one of the largest independent greenhouse producers in Canada. Last September, Nature Fresh celebrated their 20-year growing milestone and began the first season at their newly completed 32-acre greenhouse. Peter is joining us today to share a little bit more about his business, his expertise and his experience as a Hydro One customer. So without further ado, please welcome me in joining Peter to the stage.

Great. Do you want to sit here, Peter, so you can...

Peter Quiring - *Nature Fresh Farms - CEO*

Good, if you want me to.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Yes, if you could, please.

Peter Quiring - *Nature Fresh Farms - CEO*

Sure.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

So both of you are not ping-ponging back and forth. So welcome, and thanks for joining us. We've talked about partnerships, and so I wonder if I can start with a more of a broad and open question about how has our partnership at Hydro One helped in supporting the goals of your respective communities? And maybe, Ava, I could start with you.



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QUESTIONS AND ANSWERS

Ava Hill - *Former Chief of the Six Nations of Grand River*

Well, one of the things we've done, as you mentioned, we're a First Nation, and we traditionally, and over the years, we've always depended on the federal government, who has a fiduciary responsibility to provide funding and services to First Nations across the country. Firstly, because we're the first peoples here, our land was taken from us and we were never compensated for it, and then there's the Indian Act that came in, which legislated that they have that authority to provide services to us. And I know that when I was a young person, everything -- well, health care, for example, was provided, such as it was at that time. That was a long time ago. And over the years, what we've experienced is we've experienced cutbacks into services and the funding that has been provided to each First Nation from the federal government, which has that responsibility. And in fact, our community now gets more money from the province than we do from the federal government. And our population continues to grow. People -- we're getting more people, and more of our younger people want to go to post-secondary education. And we just didn't have the financial resources to assist them. So we decided that we needed to start generating our own revenue in our community so that we can continue to provide services to our people.

And one of the things that we did as a council during my time is -- I was a councilor before I was the chief, is we decided that we needed to focus more on business and partnerships. And one of the things we did is we took the business away from the elected council under their purview and then we formed the Six Nations Development Corporation, which has its own Boards made of community members. And their main purpose was to go out and secure those businesses and start to generate our own revenue for our community. And that's what we've done. It's been in business for about 2 or 3 years and it's starting to generate revenue coming back to our community and as partnerships like the one we have with Hydro One that has helped us to do that.

So what's important? It's important -- the partnerships that we develop are important so that we can start to generate revenue to give back to our people. The other important part about the education is the whole creating of jobs, giving jobs to our people. Because whenever we get into a partnership, if there's work near our community, they hire our own people.

But another important part, I think, and something that I always like to say whenever I speak, particularly to a crowd of people where the majority are nonindigenous, is that you need to take the time to learn about us, as indigenous people, as the first peoples in this land, learn about our history, learn about our culture and learn to understand the things that have happened to our people over the last 150, 500 years, and why we continue to have so many struggles. And I think when we become partners, that's what happens as well.

People find out and they learn more about who we are as the indigenous people. So those are the 3 main things, I think, for developing partnerships with any business.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Right. Yes. Thank you. Peter?

Peter Quiring - *Nature Fresh Farms - CEO*

Well, as you know, I'm in the greenhouse business, but I'm also in the constructing greenhouses business. And so I built -- my company has built, for sure, more than half of the greenhouses in Ontario, which is somewhere, I think -- I've built more than 2,500 acres over the last 25 years or so. And one of the struggles that we have is that we compete with imports from Mexico and other third world countries. And it's extremely difficult to compete in that environment because when we're in production, they're still in production. Then the summertime comes along and we compete with gardens and people going on vacation and so on. So we really -- and in the fall, there's an overlap again. So we really needed to be -- any retailer will tell you that the most important thing in the world for them is their product on the shelf. You can't make money from no product. High prices are a problem, but no product is a much bigger problem. And I think if I ask for show of hands in this room, the amount of people that have



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in the marketplace, we need year-round supply.

And [Lila] was very -- [Lila Garcia] was very instrumental, and others at Hydro One, very instrumental in bringing the power line into Leamington. The challenge that we had in the past is that it was very difficult to talk to anybody at Hydro One. It was an arm -- bureaucratic arm of the government basically. And it behaved that way. And that has all changed. One of the best things about dealing with Hydro One today is you really care about your customer. You care about what the needs of the customer are, how, when and by what method and what rates electricity is delivered. With the expansion of the lines into Leamington, I now have 45 acres. By the way, I built 45 acres of greenhouses in Ohio, where I could get -- the electricity was readily available, and it was at a very affordable price, a fairly reasonable price. So I built over there and some others and my competitors did as well. I think it got the government's attention. And so maybe that was part of what inspired the line into Leamington. But I now have 64 acres in Leamington with lights. I'm also in the cannabis business at some point here, I guess. We've built -- we're waiting for licensing. It's a bit of a process. But there will be another 32 acres. So I'll have over 100 acres of lights by the end of this year. And it's going really well.

The only problem that we have is that it's not expanding quickly enough. But it's been a fantastic partnership so far.

Jason Fitzsimmons - Hydro One Limited - Chief Corporate Affairs & Customer Care Officer

Yes. So I think that sort of leads me to another question, and I think you touched on this just a bit. How critical is the electrical infrastructure to the greenhouse sector and, particularly, your own business?

Peter Quiring - Nature Fresh Farms - CEO

I think -- you're asking me?

Jason Fitzsimmons - Hydro One Limited - Chief Corporate Affairs & Customer Care Officer

Yes.

Peter Quiring - Nature Fresh Farms - CEO

I think Mark touched on it earlier that we have like 1950-esque infrastructure out there. I think that might be actually almost an overstatement. I think, in some cases, more like 1930s. So it definitely needs some upgrade. I really like the open-mindedness of Hydro One these days. I think there's a place for the microgrid concept. But I think large generators are just a fact of life, and we need large generators as well. So we need large power lines. But like I said, I really like the open-mindedness to see what do we need and how does Hydro One service the customer.

I think in the past, it was how did the customer service Hydro One? Now it's the other way around, which is kind of how it should be. I like being the customer.

Jason Fitzsimmons - Hydro One Limited - Chief Corporate Affairs & Customer Care Officer

And we love you as a customer. Thank you dearly for that, both of you. We're talking about partnerships, and I don't mean this to sound trite at all, but partnerships are founded upon trust. Maybe we could talk about ways in which Hydro One has established trust. Peter, you touched on our focus with customer service and giving a lot more attention where it was due. But I wonder if I could just start with a big question on partnerships and trust and how we've worked to establish that trust with both you. Maybe, Ava, I could start with you.



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Well, one of the things I think is, as I mentioned earlier, getting to know who we are, learning about our history, learning about our culture and also getting to know us individually, people that we have to work with and developing that trust and becoming to know each other well, and also to understand the importance that we as indigenous people hold for the land, like (inaudible) the land is Mother Earth to us, and to ensure that the proper environmental, archeological assessments and everything that needs to be done. And to include us and to include us every step of the way, right from the get-go as to the beginning of any partnership.

You mentioned that I go out to the UN, and one of the slogans I picked up there, which I use everywhere, is "nothing about us without us." And I think Hydro One has done that right from the get-go. Like we sat there. I've had some pretty heated discussions with some of your predecessors, which I'm sure they can tell you about and with some colorful language included. But -- and that just goes to say how we have developed that trust because I've been known as a no B.S. chief. So that telling it like it is. And I think that helps to build the relationship, and I felt comfortable in being able to do that.

And I think the other thing is getting involved in our community, visiting our community and taking part in events, like we've got a large community, we're only an hour away from here. There's large gatherings of indigenous people all the time, and when you can put up information booths and get to know people and talking and having questions.

And the other -- whenever we have a project, like when we did the Niagara Reinforcement Line, we had community engagement sessions. Now mind you, we can't get the community to always come out, but the sessions are there. And to have Hydro One -- we had Hydro One officials there that were available and visible to the community members and able to answer questions and explain any risks and also outline the potential for success. And those, I think, are so important to know that they're easily accessible and they're to help us educate our own community members about the project.

The other thing is, I think, developing that trust is, a few years ago, Hydro One, I think, had the very first time, had a summit here in downtown Toronto with indigenous leaders. And then they had another one, and I -- that was the first that was held. And I found those to be very important and very helpful in helping to build up that trust and that relationship.

One last thing I know and I'm shamelessly always aggressive at doing, is seeking sponsorships, as you know, Jason, for various events. And we have a huge hockey tournament coming up here in Mississauga on -- starting on March 15. It's called the Little NHL, Little Native Hockey League. And there are 230 minor hockey teams that are coming there for the young people from all over the province. They plan it year-by-year, and I am very glad to know that Hydro One is a huge sponsor of that. They've also been a huge sponsor of other events, like our Firefighters' Gala. I hit you up for everything. And he was at our Firefighters' Gala, and I went over to his table and said, "Can I hit you up to get to pay for tickets to the opening game of the Toronto Rock?" And you said, "Yes, but at the same time, Hydro One had a whole front row at the game." But those things are so important...

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

I do want one of those firefighter hats.

Ava Hill - *Former Chief of the Six Nations of Grand River*

But those things are important.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Deprived as a child.

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Yes. Those types of things are important. And I'm always appreciative to developing that trust that's so important to have a good partnership there.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Yes. Great. Thank you. Peter?

Peter Quiring - *Nature Fresh Farms - CEO*

Well, I'm not exactly sure how to answer that, except that it's relatively simple and painless. We sit down with Hydro One. We explain what our needs are, what our plans are, where our goals are. I think nobody really -- or at least not very many people really understood the magnitude of growth that was going to happen.

In the past, it was kind of normal practice that government would build infrastructure, and business would come and run businesses, create and run businesses. And today, it's a little bit almost the other way around. Government seems to want to tell us how to run our business, but they want us to pay for the infrastructure. And so that makes it a lot more difficult because we're competing with jurisdictions that don't have those issues.

But Hydro One is very proactive in finding ways of reducing cost for us. We -- when you're in the food business, it's a pretty frugal bunch of people, and we need to be. Farmers often get blamed for the higher prices of food. But in fact, would it surprise you if 50 years ago, the farmer got the -- in fact, a little bit more back to the farm for tomatoes, for example, than we do today? So we actually produce far more at a lower cost than we did 50 years ago. So -- and Hydro One is a key piece of that.

And it's not just Hydro One. It's also Enbridge, used to be Union Gas, I guess, but it's Enbridge. So we need to partner with government. We do need government at the table. It takes a little bit too long to get a permit to do something. And I think Hydro One has that pain as well. But it's getting that -- the more we work together with utilities, with stakeholders and with government, the more we can expedite some of these processes that they will always get done. But to get them done quickly and efficiently, that's the key. And I think that's exactly where Hydro One's headed at these days.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Yes -- no, I fairly believe that the best way to get on with things with government is actually to have industry partnering aligned and speaking with a single voice. That's proven to be very, very successful.

Ava, I wonder if I can just come back to you for a moment. So when you opened up, you spoke about the needs in the community and you're speaking about a lot of basic needs, like health care and education. And I sometimes find it astonishing as they see various First Nations communities across the province, how bad things actually are. And I think we're at a very good point in Canada in terms of awareness and commitment. I think there's a very long ways to go, but I think corporate Canada is waking up and paying attention to its role with indigenous communities and indigenous partners. But I wonder if you can just share with us for a moment. We've talked about sponsorships and the like, the things that are actually going on in the community in terms of the economics on some of the industry partnerships you have, particularly with us, like how are those benefits actually being derived or realized in the communities?

Ava Hill - *Former Chief of the Six Nations of Grand River*

Well, what we're doing is we're trying to build our own indigenous economy. I know, like, as you know, we're one of the largest First Nations, and we're making much more progress and -- than some of the other indigenous communities. And there are 633 communities across the country and 133 in Ontario. So I was impressed when Mark said that you are dealing with like 104. There's 133, and just in this province alone, and most of them



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to reach them. And even also -- the other thing we've started doing at Six Nations, like we're a little bit more progressive because of our location and our size, and because all our people there are very smart. But there's a lot of small businesses, too, that I think that need to be supported. Whenever we get into partnerships like procurement to use those small businesses for whatever services they can provide, and we try to do that. We did a linkage study in our community a few years back and found out that most of the money was being spent in the surrounding communities. And so we got to start spending money in our own communities. And I think when we get into partnerships, particularly -- I'll mention the reinforcement line that we did, in any partnerships we do now, we say that if it's nearer in our community, we want a certain percentage of money spent back in our community, whether it's in restaurants, stores or wherever, to help build that economy.

The other thing is the Chiefs -- when I was the Chief of Ontario, I sat on what was called the Wealth Creation Committee, and we start having more summits and trying to build economic development and partnerships. And we invited businesses like Hydro One. I think when we had it, your former CEO, Mayo, was there. He attended it along, and they were, again, a big sponsor. And it's those kinds of things that we're appreciative that Hydro One does, that everyone else needs to do.

And not too long ago, there was this whole Supreme Court decision about duty to consult and accommodate First Nations whenever you're going to do any kind of development work on our traditional territory. And I think with that, we're seeing a lot more of these partnerships developing because we are being included. And we're becoming equity owners, like as we are in the Niagara Reinforcement Line. And I think that's something that everybody should be doing with all of the First Nations so that we can help that.

There are also a number of organizations, like you mentioned, the Canadian Council on Aboriginal Business, and I congratulate you on your indigenous procurement award. We have our development corporation, which its sole purpose is to help build that economy and develop those partnerships. And they've done tremendous work. They have -- in the third year of operation, or second or third year, were awarded the Development Corporation of the Year Award by the Canada Council on Aboriginal business. And so far, we've generated that -- development corporation has generated over \$10 million, which goes directly back to our community to help with -- and it's not just handed over and given, we have to apply. Even the council had to apply for -- the fire department had to apply, and they didn't always get what they wanted because there's only so much money to spread around, but it's a good start, and it's going back into our community. And I think that's something that we need to do.

And the other thing is the jobs. Our people want jobs. The unemployment rate, as I said, even in our community, even though it's large, it's still very high, you still have poverty. Not as bad as they do in the isolated remote communities, but it's still there. And if we can get jobs and training, there are indigenous training institutes throughout the province where people can go and get trained in any number of areas. We've got an [automated] bay at (inaudible), a welding bay. They're doing horticultural training, and they're always open to do new programming. So if Hydro One has -- like, we have specific requirements in different areas, I'm sure that the partnership between them and one of our training institutes to start training people so that they can take those jobs would be something that we'd look at.

And then more recruitment, more recruitment of indigenous employees. I know that, at the [Rama] Summit we had, there was a big -- the number of Hydro One employees that spoke and how much they enjoy their jobs there, but I think we need more. And I want to acknowledge Derek Chum, who is the Aboriginal liaison here at Hydro One. I think he's doing a fantastic job. But we need more Dereks at that level. And we need more indigenous people at the senior levels in all corporations, not only working, but on corporate boards. And I think that's something that corporate Canada should be pushing. And we should be encouraging our own -- like on my part, encouraging our own people to get to that level so that they can do that.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Yes. Great. Thank you.



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There are a few things.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Great. Thanks. Yes. And maybe people don't realize when you're actually talking, I mean, from a sustainment perspective, like Six Nations has built its own fire department. That's...

Ava Hill - *Former Chief of the Six Nations of Grand River*

Yes, we do. Because as I mentioned, the federal government has the responsibility to provide services. And we, as the First Nations community, don't rely on a tax base, like municipalities do, because we're not a municipality, we're tax exempt. And so we have to try and generate money for our own fire and police. Because for some stupid reason, the federal government doesn't think that fire services is an essential services for First Nations communities because that puts a different tag on how the funding flows, if it's considered an essential service. So we do whatever we can. And then we were lucky that one of the businesses in our community, Grand River Enterprises, which is a tobacco manufacturing company, gave us money to build a new fire hall. And we started having the Firefighter Gala to generate money so that our firemen could buy the expertise, the equipment and do more training. And they developed their own training academy as well and they do training for firemen from across the province.

So yes, you're right. And there's many, many needs. And the needs just continue to rise and the cost continues to rise. And the funding from the government continues to go down. So we've got to make our own.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Yes. And you've done very well, you've done very well.

Peter, I wonder -- certainly I want to talk to you. You've given us a sense about how your business is doing and what's going on. In 2009, in the province, there was a lot of industry that left, and that's actually contributed to electricity prices. You've got a few cars traveling on the highway, so fewer people paying for the same highway. Can you give us a sense on what the future looks like for agriculture in Ontario? Are we going to continue to see growth at the pace that you've been experiencing over the last few years?

Peter Quiring - *Nature Fresh Farms - CEO*

Sure. Well, for example, from Leamington, and I don't think it's any different from here, in one day's truck drive, we reach about 175 million people. So -- and I think that's 13 hours right now. And so to be able to reach 175 million people within one day is pretty good. The food will be very fresh. This is where Mexico and other jurisdictions have a hard time competing with us because they have a much, much longer travel.

People are very concerned about pesticides, and I think that's very realistic. That's very real. We should be concerned about pesticides and chemicals in our food, especially. So that's another big reason why there's a big switch to greenhouse from traditional, let's say, Florida field where they broadcast airplane spray -- spray with airplanes and so on. We don't do that. We have 0 herbicides.

A lot of people are getting away from meats. I personally enjoy steak very much. But I think, today, I'm much more -- even I am much more balanced. I've kind of adopted that half my plate has to be produce or vegetables of some kind and maybe the other half can be something else. So all of those things -- the really, really big shift toward greenhouse has been the inconsistency of the food supply. So like I said earlier, the one really big problem for a food service provider, like a Wendy's or a McDonald's or any restaurant or a retailer like Loblaws, is if they just can't get stuff to put on the shelf, it's really hard to make money when there's nothing on the shelf. And so the consumer, we've all gotten very accustomed to getting what we want, when we want it, how we want it in the convenience that we want it. Home delivery is a big part of that. So all of those things put together have really elevated the greenhouse produce popularity.



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now, is on a path to source everything that they possibly can from greenhouse. Just that 15% lift in green pepper sales is 15 tractor trailer loads a week. And so that would be like 200 and something in their total. That's just green peppers. And so there's a tremendous amount of growth possible.

The average cucumber consumption in Texas is 1/3 of 1 cucumber per person per year. In Ontario, it's like 30 or something. It's much higher. So we're much healthier than the Longhorn eaters from Texas. But so there's a tremendous opportunity in Canada, but especially in the U.S.

And by the way, 80% -- 75% to 80% of my produce go south. So we're a huge exporter of produce. Really, really important to us. We really like the exchange rate that we're seeing today. Interest rates are just incredibly good for investment today. All things are leading us to believe that there's a really long, great future in store for the greenhouse industry, for all of those and probably some reasons that I can't think of right now. But -- and even food security. We need to make sure we have food. At some point in the future, if some crazy geopolitical thing happens, like this crazy virus that's going around now, we want to have food available close to us. So these are all reasons why I think the future of the greenhouse industry is really, really bright, literally, in terms of lights, pun intended.

But I think -- oh, the other thing I wanted to mention, we are the best customers to Hydro One or to any generator, and including the rate payer of Ontario. Why? Because we take power starting September. We take a lot of power starting September to power lights. We use those lights all around. We can shut down at a moment's notice. We can be off for a couple of hours, it doesn't matter. We don't prefer it, but it really doesn't hurt us too badly. And then by mid-April, lights are off. So when the power needs of the province the most, which is mostly air conditioning load, we actually use the least. We don't use very much at all. And even then, we have backup generation. We can shut down all of our power if we need to, going backup generation for half hour, 2 hours, whatever. When the peak is gone, we kick back into the regular grid. And so we're a pretty good customer. We're not like in the auto plant, where if they shut down for one minute, it's tens of thousands or hundreds of thousands of dollars that's lost. It might be more than that, actually. But overall, the more power that we can consume offpeak, the better off the rate payer is. I don't think it's a very big secret that we're still paying generators to not generate electricity. I wish somebody would pay me to not grow tomatoes or peppers, I would sign up, especially if they're going to pay me to do it.

Jason Fitzsimmons - Hydro One Limited - Chief Corporate Affairs & Customer Care Officer

It's not a bad deal.

Peter Quiring - Nature Fresh Farms - CEO

Yes, it's a pretty good deal. But that's -- so obviously, that's not a good situation for the ratepayers. And we're exporting a ton of power still at extremely low or negative prices still to the U.S. and to other jurisdictions. This is not good.

Obviously, it's like saying that if I don't drive my car, I'll save money on car insurance. That doesn't really happen like that. So the more power we can consume offpeak, without having to add additional load by generators or by the province, the better off everybody actually is.

Jason Fitzsimmons - Hydro One Limited - Chief Corporate Affairs & Customer Care Officer

Great. Great. A question for you. I'm sure a lot of investors in the room want to know as well, cannabis. Is the gold rush over? Is it going to continue at the rates that was expected? Is it -- or stocks keep yo-yo-ing around on the cannabis stocks.

Peter Quiring - Nature Fresh Farms - CEO

Yes, that's a really dangerous question to answer. You know what, I think, I only know how to be fairly open and blunt, so I'll just tell it like it is.



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quickly than what some of us first thought. There's going to be some more big corrections in the market. Many people are -- their costs are far too high. I think the people that will be successful in this business in the long run, people who know how to deal with large groups of labor. If you've never dealt with a large labor force and one day you have hundreds of people, I think you have a very big problem.

Another thing is if -- because somebody grew 20 plants in a basement illegally somewhere doesn't make them a grower. It doesn't make them good at really anything, especially in a completely unregulated market. So also, the infrastructure that's built, I think there was a massive rush to get into the market quickly because a lot of people saw that it was going to be a sharp decline at some point, which is obviously what's happened. So the folks that rushed into this and did a bunch of retrofits on -- I've seen 60- and 70-year-old greenhouses retrofitted. They could have built a new for cheaper and faster. But there wasn't a lot of thinking involved.

A lot of people got a lot of money really fast and they like to spend it really fast, and they did, and there are casualties. There will be more casualties. Hopefully, I'm not one of them. But we're pretty confident. We've done this for a long time. We know how to grow plants. We know how to deal with large groups of labor. And we're semi regulated these days already with CFA and so on. Health Canada is another whole different situation.

But the other thing that's happened is there was a big rush to legalization, and then not too many people thought about the downstream. So for example, we're growing enough weed right now, I think, in the Leamington area alone. I'm not kidding. Maybe it's bigger than I think. But at the end of the day, where do you buy it? There's not a legal pot store until you get to London. From Windsor to London, there's not one legal pot store, and I think there's only 4 in London. How many in Toronto? 10 or 20. That's a joke. You should have 200 in the GTA.

I mean how many LCBOs or beer stores are there? Many, many. So the way that it's all happened has been a little bit fumbling and stumbling around. The market will always figure itself out. It will weed out the...

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

No pun intended?

Peter Quiring - *Nature Fresh Farms - CEO*

Yes. I'm serious. No pun intended. But I do think the weak will be, pun intended this time, weeded out and the strong will survive, and it will be a good business. So I think it's a great business. There's obviously lots and lots of health benefits. I think another thing that should be done is lots of research should be happening, and I don't think it's happening to the extent that it should to really sustain this market in the long run. I think Canada, right now, is in an excellent position to supply any country that will let us supply them with good quality medicinal cannabis.

But again, it happened really fast. There is a market correction going on right now. There would be more correction. And then it will figure itself out, and then it will be a great business. That's my prediction.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Yes. Very insightful. Thanks. I just want to say that these are 2 partnerships that we have with -- Both are here for various reasons that have just been hugely strategically important to Hydro One and inspiring for the culture in Hydro One on working together and really making a difference in people's lives.

I just want to say, on behalf of the entire executive team and Mark, how much we appreciate you being here today and talking to us about partnerships. But I'll leave you with any last thoughts you have on partnerships or any messages for the broader audience here today. Would you go first?



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Well, I just wanted to -- I know we talked very briefly, and Mark mentioned the Niagara Reinforcement Line and the -- one of the big players in that construction of that was our own company, A6N, which is another partnership we have. It's a partnership between Six Nations and Aecon, hence the name A6N, and it employed a lot of our own people. And it was -- and I think that partnership and that project has become a real model for other communities to say -- and I've often said in many meetings with government officials, if you want to get a model or a good champion of what a partnership with corporate business can be, then look at this project. Six Nations is ready to be that champion when referencing the Niagara Reinforcement Line because that's what it has done. It's not only created jobs in our community, money was spent in our community, and it's, as I said, it's built that trust.

One of the things I do want to mention, and -- but before, I want to talk about the customer service. But before I do that, I just want to say that I'm going to continue to promote economic development. And I sit on another committee with the University of Victoria. It's called National Consortium on Indian Economic Development. It's something I'm doing now that I'm retired, doing things that I like, which is encouraging people to get more involved in that.

And I just want to acknowledge as well the -- when Hydro One became a publicly owned company, the Chiefs of Ontario became one of the owners. And we've established our own Board called the Sovereign Wealth Fund, which is going to generate money for all of the First Nations in Ontario once that money starts flowing.

And I want to acknowledge 2 of the Board Members that are here, Ron Jamieson, who sits on the Board on behalf of Six Nations. Then way back in a corner is Jason Batisse. I'm pointing them out so that you can talk to them after when we have a break. And Jason is the representative for Matachewan First Nation, which is a lot of the northern isolated communities up in northern part of Ontario, and I thank them for both being here and acknowledge the work they're doing.

And I just want to talk a bit about customer service because that's really how our relationship -- Six Nation's relationship with Hydro One started. When I first became Chief, I had people continuously banging on my door about their hydro bills. They couldn't pay their hydro bills. They were enormous. What are you going to do? Do I pay my -- do I buy food or do I pay my hydro bill? That's what it was for some people. People were getting cut off and not being -- so it just became a continuous problem for us and for our people. So I started researching and looking at the bills. And I think when Bob Chiarelli was still the Minister of Energy at the time, and realize that the delivery charge that was being charged to people was based on density. Well, although First Nations communities are the least dense but the delivery charge was higher as opposed to downtown Toronto. And I remember saying that to Bob Chiarelli, and he had Hydro One there, he had OEB there, he had IESO over there. They were all sitting there saying nothing while I was attacking him and -- about this. And he was just staring at me like a deer staring into headlights, like he didn't know what the hell I was talking about. I said, look at the bills, figure it out, do your own research. Anyway, I'm pretty persistent in dealing with the government officials, and with you guys, too, I guess.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

I know.

Ava Hill - *Former Chief of the Six Nations of Grand River*

So -- and that's why I say, get things done. I'm glad to see some women here. When I first got here this morning, I only see men. So -- and I said, no offense to the men, but when women are leading things, they get done.

So anyway, so we kept working on it. And then I started working with Hydro One officials on this about the delivery charge. And so when Glenn Thibeault first became the Minister of Energy, I remember he came into a meeting and he said that they are directing Ontario Energy Board to come up with an Ontario First Nations rate, hydro rate, which led to community engagement sessions. We worked with OEB, Ontario Energy Board. Rose Leclair and I became good friends, so she's moved on now. And so eventually, we talked about what would be the way to help people. And



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Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

He's here today.

Ava Hill - *Former Chief of the Six Nations of Grand River*

Yes. And they'll all remember that. And so -- and I'll never forget the day when the Ontario Fair Hydro Plan was announced by the Wynne government. And Glenn Thibeault and I met early in the morning, and he said the delivery charge is gone. We have an Ontario First Nations on reserve rate. So every First Nations resident in Ontario who lives on a reserve does not have to pay that delivery charge now. And that was huge. And that couldn't have been done without the partnership we had with Hydro One because they helped work with us, they helped with the OEB, they helped with the community engagement sessions throughout the province, and they helped to work with their own infrastructure to make sure that, that's done. And thankfully, it's still happening. And so that's one of the things I just wanted to acknowledge.

And over the course of that, as I said, we became good friends. And that friendship has been passed on to yourself and Mark, you know the guys, and I'm still friends with those other guys, too. Now I'm dealing with Ferio at Air Canada. But those are long-lasting friendships. And when you do that, and when we as First Nations feel that we're being treated fairly and respectfully and that people understand our struggles, our history and our culture and how proud we are that things can happen and we can become models, and I'm just happy to be here be able to say that to all of you people and encourage those partnerships to continue.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Yes. Thank you for that.

Ava Hill - *Former Chief of the Six Nations of Grand River*

Thank you very much for having me.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Thank you. Peter, you give the last word.

Peter Quiring - *Nature Fresh Farms - CEO*

Okay. I'm pretty good at getting the last word in usually. First of all, I'd like to commend Six Nations for their efforts in investing in becoming self-sufficient. I think that's absolutely wonderful. It's the only way -- that's the only sustainable way forward, I think. So that's wonderful. And then I'd like to wrap it up by -- and maybe for the people in the room that don't know much about how much power we actually use in the greenhouse. So for vegetables, we use about 0.5 megawatt per acre. So -- and just for reference, my company this year is building 271 acres for various customers around the province. And so not all of them are putting in lights, in fairness. But if they did, that would be automatically 130-some megawatts, actually, probably more like 150 megawatts. So a substantial amount of power that we use every year.

There would be more people hooking up lights right now if the power was available in our area. And if you're wondering why not just build somewhere else? Well, there's a bunch of reasons. But the #1 reason is the Essex County has kind of a micro climate because of the Great Lakes surrounding us. And so we do have a micro climate. And when all of the infrastructure is there, it's just a whole lot easier as well.



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We can't wait 8 years to hook up more power. The government is listening. They are listening. They are proactive. They are moving forward. And so, obviously, they're a big part of this. And then the other big part is Hydro One.

If there was 2,000 megawatts in the Leamington area available today, I don't know how long it would be, but it wouldn't be very long, and it would be all spoken for. And I think a lot of people in this room know, but when the transmission station was built in Leamington, it wasn't yet turned on, it was fully subscribed. And they went to Phase 2 immediately. And before they got that even close to done, it was fully subscribed. And so it continues on.

And so unless there's some crazy geopolitical things that happens somewhere, which is always possible, but we can't live our life in fear, I think the future, again, is, pun intended, is really bright. And we're going to continue to grow lots of food and export it to all of North America.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Yes. That's great. Well, I want to thank you both today. Very, very, very insightful and engaging discussion. Thanks for taking time out of your busy schedules and being with us. I think we have some small tokens of appreciation.

Peter Quiring - *Nature Fresh Farms - CEO*

That's why I came.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Yes. Great. Thank you very much.

Ava Hill - *Former Chief of the Six Nations of Grand River*

Thank you, Jason.

Jason Fitzsimmons - *Hydro One Limited - Chief Corporate Affairs & Customer Care Officer*

Thanks for joining us. Big round of applause.

Omar Javed - *Hydro One Limited - VP of IR*

Thank you. We'll be taking a 15-minute break, and we'll come back at 10:34, Chris' remarks.

(Break)



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Christopher Felix Lopez - *Hydro One Limited - CFO*

Okay, let's get started. First of all, welcome back. I hope you all found the discussion with Former Chief Hill and Mr. Quiring as enlightening as I did. Also, let me add my thanks to you all for joining us here today. While I get the chance to speak with many of you throughout the year, I'm pleased you're getting to meet some of my talented colleagues who run important elements of our business and lead a team of about 8,800 people. I was inspired by the discussion with Mr. Quiring and Former Chief Hill, and what I got out of that was balance from Mr. Quiring and getting to know each other from Former Chief Hill.

So I know you can read my bio online. I'm going to tell you a little bit about me personally. No points for guessing I'm Australian. The accent gives it away. But a little bit about my background and how my values are very well aligned to the role I have at Hydro One and Hydro One itself. And it really comes from how I was brought up from very young, so from my father and mother. My father is from a small town in Northern Spain. The town was built by the Romans, so you have the cobbled roads. He was an engineer who became a serial entrepreneur, moved across the world through France and down to Australia.

So what he imparted on me was, he would like to teach you things, but they were always through fables and always through historical accounts. And one anecdote I'd like to share with you is, he would always say this one to me. In the land of 0, 1 and 2 came. 1 went to the left, became 10; and 2 went to the right and stayed 2. And what that taught me was to always be creative and innovative and look to optimize the outcomes that you get. And the only way you can do that is by being inclusive. So that ties into getting to know each other and working as a team.

From my mother, I mean, you don't expect this from that side, but this is the way it goes. She was the Australian tapping champion, good sport. I came from a family of 5, and my sister was also the Australian tapping champion. I was the next in line. So a CEO was a much better option for me. But what I got out of that was, if you went to a school sports day or whatever, and you came second, there was no clapping for second. It was, okay, so what could you have done better? What did you make a mistake on? How do you improve the next outcome? So what she taught me was to be competitive and resilient.

So again, those things always tie back into what I do in my role each and every day.

With that said, I'll start on my formal remarks. Mark spoke in his presentation about the opportunities that lie ahead for our company. We are embarking on an important new strategy, designed to support the many changing components of the electricity market right here in Ontario.

David spoke to the condition of our assets and the need to continue to invest in those assets today and going forward to realize a brighter future for all. He also touched on some of the ongoing efficiency initiatives at Hydro One.

Darlene and Jason spoke to the importance and value of an effective safety culture and our relationships with customers and indigenous peoples.

I'd like to go over the results, talk about some key enablers of value for the business and, as promised, update you on the outlook. So how are we performing?

Following the release of our 2019 results, we are well on the way to delivering the financial and operational results that you, our shareholders, expect. We achieved a total shareholder return of 29% this past year, reflecting strong sector fundamentals and stable growth as well as the company's ability to capture efficiencies and reduce operating costs. Some key highlights include, we invested approximately \$1.7 billion in capital to strengthen the grid; we achieved a 49.3% increase in annual productivity; savings with about \$202 million saved in 2019 alone; we reduced annual operating costs by approximately \$51 million; and we made substantial contributions to the Ontario economy through our procurement of local goods and services.

It is a good year when we can deliver strong returns to our shareholders, invest in our assets, modernize our infrastructure, become more productive and efficient and foster economic growth in the province.



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share compound average annual growth rate of over 7%. Our productivity push has saved almost \$0.5 billion. And we see continued opportunities to boost that total through the use of technology and improved work processes.

I will now touch on the primary enablers of our financial performance, which are all guided by our strategy. Strategy -- our strategy delivers value by serving the people of the province first and foremost. Ontario has a robust economy, which contributes to and has a substantial influence on Canada's economic growth. Our growth strategy is Ontario-focused so we can capitalize on this exciting opportunity. Economic growth in Ontario will continue to fuel demand for safe and reliable power as the economy, including traditional industries such as vehicles and transit continue to be electrified.

Our strategy also addresses a factor that had our share price performance lag some of our peers. Our relationship with the provincial government is something that investors are watching closely, and we understand. I can say that not only is our strategy the right one for Hydro One in this environment, but our focus on Ontario and operational excellence aligns with what all stakeholders want at this time. That is to provide a better and brighter future by delivering safe, reliable power in a cost-effective way to help our customers. Together, we are energizing life. To accomplish this, we must continue to invest in our assets. Our predictable capital expenditure program includes plans for investments to maintain the safety, reliability and integrity of our transmission and distribution system assets. It provides for the ongoing growth and modernization required to meet the expanding and evolving needs of our customers and the electricity market right here in Ontario. This is achieved through a combination of: sustaining capital investments, which are required to support the continued operation of Hydro One's existing assets; and development capital investments, which involve both additions to existing assets and large-scale projects, such as new transmission lines and stations.

Rate base growth is a key driver in meeting our financial targets, and it is largely based on these important capital investments, which David emphasized earlier, to be both prudent and necessary.

Consistent with what we disclosed during our recent earnings call, our capital plan now through 2024 will see the investment of \$10 billion or approximately \$2 billion annually. While Ontario is a robust and growing economy, it is actually the investments that sustain the grid that make up the majority of our future capital expenditures.

Investment here is critical, and more importantly, predictable. Over the next few years, our sustaining investments are projected to increase from \$1.2 billion to \$1.5 billion in '24. Development investments that address Ontario's growth are projected to be in the range of \$400 million to \$500 million over the same period. Since the initial public offering, we have shown tremendous discipline with regard to executing the capital plan and placing those assets into service. We have consistently met our targets as submitted to and approved by the Ontario Energy Board. Not only have we deployed the capital according to schedule, we have deployed it more efficiently. This track record of strong and disciplined execution gives us a foundation on which we will continue to build support together with our regulator and other stakeholders for future capital investments.

As mentioned earlier, our productivity gains have saved almost \$0.5 billion since 2015, which includes both capital and OM&A savings. An area where we have already made significant progress and we'll continue to focus on is improved efficiency in our operations. Hydro One realized a 49.3% increase in annual productivity savings with \$202 million saved in 2019 as compared to \$135 million in the prior year, 2018.

David spoke from an operational perspective about our efficiency initiatives. He touched on our savings of \$29 million from the ongoing use of technology in telematics in our vehicles. He also outlined our move to mobile program, which led to the realization of over \$16 million in savings from the introduction of more efficient and effective digital systems. He spoke to you about the benefits we are realizing through capital planning efficiencies, like the pad-mount transformers in distribution, which reduced end-of-life transformer costs by about 50%.

Procurement programs are also contributing to our efficiency drive. We're seeing significant capital savings through contract bundling, payment discounts and strategic sourcing. Spending efficiently on individual projects allows us to reallocate our capital to address the portfolio of aging assets. This will improve the reliability and resiliency of the grid, allowing Hydro One to be an efficient operator.



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in 2019. This includes a reduction in vacancies and external consulting spend as we better leveraged in-house expertise. In 2018, we insourced our customer call center. And in 2019, we accelerated the savings on that move. We also improved customer satisfaction.

Our primary focus for growth is our capital investment program, as I just outlined. But while doing this, we will also pursue regulated growth opportunities, such as participating in competitive processes for new transmission lines and completing strategic acquisitions of electric local distribution companies, or LDCs, within Ontario.

Ontario has a fragmented distribution sector with almost 60 LDCs distributing electricity to more than 5 million residential, business and industrial customers. There are substantial benefits of Hydro One being the consolidator of choice of LDCs here in Ontario. This range from reducing inefficiencies from duplication of facilities, equipment and regulatory oversight, to providing smaller LDCs with advanced technology to enhance cybersecurity, a risk which David highlighted earlier today. The ultimate objective of Hydro One's consolidation efforts is to reduce Ontario's hydro rates over time while improving safety and reliability for all.

While we have 2 acquisitions, that is Orillia Power and Peterborough distribution for which regulatory decisions are pending, our track record in consolidation has been substantial. We have successfully integrated over 90 LDCs since the late 1990s, which added to our customer base and gave us the scale and opportunity to generate the efficiencies you see today. We await the OEB's regulatory decision for both acquisitions, and hope to welcome them to the Hydro One family so they, too, may realize the benefits that we have outlined.

Let me spend a moment discussing unregulated growth opportunities. The unregulated segment is a small part of what we do and will remain that way for the foreseeable future. However, we can use the existing assets to drive incremental earnings for our shareholders.

One such existing asset is our telecom business. At its core, hydro and telecom fills the communication needs of our transmission system and plays an important role for our grid. Beyond servicing our operational requirements, an opportunity existed to create a commercially viable business by using the existing network throughout the province. This opportunity was taken up by Hydro One Telecom, with the provision of secure broadband connectivity in Ontario that leverages the existing fiber assets all across the province. Hydro One Telecom currently provides a comprehensive suite of services to enterprises and public agencies. However, pure fiber-based connectivity continues to become commoditized as the move towards cloud services intensifies. With this change, we saw a growth opportunity and have begun to pivot the company to offer value-added services and solutions to businesses.

Another opportunity that exists is energy management services, which will allow Hydro One to help commercial and industrial customers manage their energy usage to keep their costs low. These services could also help avoid uncertainty and volatility for the long-term business planning and could address reliability challenges caused by power outages, resulting in unexpected costs and business disruption. We are also exploring new and innovative partnerships that will benefit Ontario and help drive demand in electricity.

Mark made mention of the Ivy Charging Network in his remarks. Let me add a few more details about it now. As announced a few weeks ago, the Ivy Charging Network will be Ontario's largest, once connected, electric vehicle charging network that will make charging on the go easy, reliable and seamless. Ivy is a limited partnership with equal ownership between Hydro One and Ontario Power Generation, and it was announced several weeks ago at the Toronto Auto Show alongside Natural Resources Canada.

Ivy is a reflection of our commitment to making decisions that will benefit future generations, in this case by further enabling a cleaner transportation sector. But it's not just future generations that will benefit. Through the broader adoption of electric vehicles, it is anticipated that it could have a downward effect on electricity rates by increasing electricity usage in Ontario and spreading the system's fixed costs across more users. For context, the amount of power required for about 3 electric vehicles over the course of the year is roughly the same as needed by an entire household in Ontario. By entering this growing market, we will deliver greater value for customers, employees, communities and shareholders.

These unregulated opportunities are not projected to have a material capital expenditure requirement. Whether it's regulated growth or unregulated growth, important thing to note is that there is no anticipated need to raise external equity to finance the initiatives outlined here today. We are



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Moody's and DBRS, following positive rating actions by S&P and Moody's shortly after the release of our new strategy.

With our debt-to-capitalization ratio of 56.3%, we are broadly in line with the targeted regulated capital structure for financing for both our transmission and distribution segments. Hydro One currently has \$12.6 billion in public long-term debt outstanding under the Hydro One Inc.'s medium-term note program, including the recent \$1.1 billion issuance. The current medium-term note program prospectus, which expires next month, will be renewed in the first half of 2020.

Our long-term debt financing needs are approximately \$1 billion to \$1.5 billion annually, which we plan to use -- or to raise using the medium-term note program I just described. Hydro One Inc. also has a \$2.3 billion commercial paper program, which is supported by a \$2.3 billion revolving bank credit facility. Our commercial paper program provides significant flexibility in accessing long-term debt markets for funding at opportune times.

Apart from the debt portfolio, we also have on our balance sheet a deferred tax asset that provides a tax shield for earnings currently and for the foreseeable future. Our strong balance sheet provides us with substantial flexibility, as I just outlined. We have one of the lowest debt costs in the utility sector. We have taken opportunities and placed highly liquid debt issues across the yield curve.

Last week, we issued \$1.1 billion of debt in 5-, 10- and 30-year tranches. This issue was oversubscribed. The 30-year coupon rate of 2.71% and the 10-year coupon rate of 2.16% are the lowest rates ever achieved in 10- and 30-year borrowings by any corporate issuer in the Canadian debt market. This will make a difference to our ratepayers as they will see the benefit of these lower rates and lower debt costs in the longer-term for years to come. This is another example of us continuing to find ways to benefit our customers while demonstrating our strong financial performance.

All of these items described today by me or the team from a renewed focus on safety to growing our rate base, from delivering efficiencies to improving customer service, from enhancing employee engagement to our commitment to deliver some of the cleanest energy in North America will help us deliver significant benefits for our stakeholders. That said, for 2019 -- sorry, are we good? Now for the part you've all been waiting for. So I almost jumped ahead with the punchline. Lucky, the brain was working.

Now for the part you've all been waiting for. The, "So what's the bottom line," or the "Show me the money," slide. During our last earnings call, we indicated that we would provide normalized earnings for 2019, which can be used as a waypoint for our guidance. As most of you know, we are unique in the Canadian utility sector because we provide earnings guidance, along with projected rate base guidance and targeted dividend growth estimates. This not only demonstrates our faith that we have in our ability to execute, but also the stability and predictability of earnings in this business. That said -- now I can be here. For 2019, our view of normalized basic earnings per share is \$1.35, after adjusting for items that we view as nonrecurring.

The slide shows a number of onetime items that need to be normalized to get to \$1.35 from the \$1.3 basic earnings per share we reported on our Q4 call. The adjustments include subtracting the catch-up earnings attributable to 2018 for the distribution segment of \$0.11, normalizing earnings to the allowed return on equity for the distribution segment of \$0.08, and insurance proceeds of \$0.02 for the transmission segment. We then add back Avista costs of \$0.24 and Lake Superior Link costs of \$0.02 as these were related to the terminated transaction as well as the project write-off, which are onetime in nature and not representative of costs we expect to incur going forward.

We are also updating our earnings guidance and introducing a range for basic earnings per share for the period for 2022 of \$1.52 to \$1.65. This range translates into a compound annual growth rate of 4% to 7% over the period 2019 through 2022, our normalized 2019 basic earnings per share.

While we are issuing this earnings guidance for '22, the long-term projected rate base growth as well as the long-term targeted dividend growth remain unchanged at an average of 5%. We anticipate funding this growth through internally generated cash flows with no need for external equity issuance.



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segment. Due to the upcoming joint application for transmission and distribution for the period '23 through '27, we will not provide rolling guidance. Future guidance is expected to mirror the term of the rate filings.

In closing, this is an exciting time for Hydro One. We have a strong culture of performance. This is proven through our historical ability to deliver our predictable capital plan and our ability to realize significant operational efficiencies year-over-year. We have plans to grow our business through investment in our aging assets and in support of growing -- the growing economy of Ontario. Lastly, we have a strong balance sheet that provides stability and underpins our growth plans.

With that, I'd like to turn things back to Mark for final remarks. Thank you.

Mark Poweska - *Hydro One Limited - President & CEO*

Thanks, Chris.

Well, thank you, everyone. And I hope you enjoyed those presentations this morning. I want to thank Darlene and David and Chris for the informative presentations, and I want to thank Chief Ava Hill and Peter Quiring for participating in our panel. I hope you found that valuable and insightful on the way Hydro One is really progressing our business forward with partners like these two.

A couple of clarifications I want to make from those discussions this morning based on some asks or some conversations I had during the break. Peter talked a lot about the greenhouse industry and the growth in the greenhouse industry, and I think there might have been a bit of an impression that a lot of that growth is driven by cannabis. Just to put in perspective, right now in the growth of the greenhouses, about 3,500 acres are vegetables, about 200 acres of that is cannabis, and the growth is primarily driven by the vegetable economy. So that was a question that was asked earlier.

So I hope you have got some good insight into my executive team, at least some of them. There's others in the room as well that I hope you have an opportunity to talk to. I'm continually impressed with the depth of leadership we have in Hydro One. And I know it's every CEO's job to say that, but I truly do believe that we do have the best team out there. And I learned something new that we have a tap dancing champion on our executive team, something that I didn't know before today. So thank you, Chris, and we expect you to demonstrate later.

So it's not just the people that you saw today and standing up here today, but as you will see this afternoon in these sessions, which I hope you take the opportunity to meet more of the team this afternoon, you will see that we have significant depth across the entire organization. I can't wait for you to meet some of these and to learn even more about the things we do from our subject matter experts in the room. So take the opportunity to ask those questions to dig a little deeper and challenge our people on the things we're doing. I think you will be pleasantly surprised to find out how innovative and driven that Hydro One is and the people in this company are.

This morning, you heard about progress we've made in all aspects of our business, and you heard about our focus on operational excellence and safety. Throughout the rest of the day, you'll have the opportunity to meet leaders in the areas such as operations, strategic growth, regulatory, government relations, sustainability and relationship with indigenous peoples and with our customers and, of course, finance.

If I can leave you with a few final thoughts today, they would be these. We are delivering a strategy for our stakeholders and our shareholders that is focused on Ontario. Our focused strategy sets a clear vision for Hydro One for the future based on our 5 priorities that we outlined this morning: plan and design and build a grid for the future; be the safest and most efficient utility; be a trusted partner, which I hope you heard more about this morning; advocate for our customers. Again, you heard about from our panel members; and help them make informed decisions; and innovate and grow the business.



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as we work to provide the value to our shareholders, many of you in the room.

Now if I could ask our presenters to come back up on the stage for a Q&A session, and then we'll open up the floor to questions to all of you. Join, please. And I think we have -- do we have runners in the room or a small-enough room? We got runners. Okay.

I'll open it up to the room. Do we have a mic? Right there.

QUESTIONS AND ANSWERS

Linda Ezergailis - *TD Securities Equity Research - Research Analyst*

Linda Ezergailis, TD Securities. Maybe this is a question for Chris. We are all wondering in the room with your money slide, can you talk about what might cause your CAGR to range between 4% and 7%, and what the assumptions are behind that? I'm assuming there's no huge outliers in there, so can you talk about beyond weather, how that might vary?

Christopher Felix Lopez - *Hydro One Limited - CFO*

Okay. So previously, we provided guidance. I said 5% rate base equals 5% earnings, 5% dividend growth. We said the 2 outside to stay the same. The variability you might see from year-to-year and towards that period, you've pointed out one of them. So it's really those that might drive your ROE to be above or below the allowed.

So below would be the negative weather year, which, if it happened in the last year potentially could have you in the lower end of that limit. 4% may be still a little low, but it could be lower than the 5% if it happened in the last year. If it happened in between, that wouldn't matter. What could cause it to be at the upper end is we're in incentive rate making. So you can see on the slide that we have normalized for any amount -- we've normalized back to the allowed ROE, so that will leave it now to the investors to make their assessment of what our performance will be going forward. You know what it's been for the last 2 years, so moving forward. So that would be on the upside, so that would be productivity or a positive weather events.

The other item that would drive our earnings would be growth in the unregulated sector. So we've talked about some upside in the telecom business and potentially in the electric charging or the energy management services. So that potentially could add another 0.5% or something in that range.

Andrew M. Kuske - *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*

Andrew Kuske, Credit Suisse. So question's just on the runway of productivity capital. How long do you think that runway is to get productivity gains in the years and in the future? Obviously, it's a big transmission base. A lot of it is aged. So how long is the runway? And does that give you headroom to maintain returns out into the future?

Mark Poweska - *Hydro One Limited - President & CEO*

Maybe I'll start on that, and then I'll ask the team to pick it up from there. So you've seen our track record of productivity improvement, and we target to continue to get those levels of incremental productivity improvement each year. We see there is good opportunity across all segments to continue to drive those productivity, whether it be in properties, whether it be in our field locations, whether it be in procurement. So we see a good runway to do that, part of which is to offset some possible headwinds on that. And I don't know if my team wants to weigh in on any other specifics on that.

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Maybe I'll just add a little bit to that. We're a company of almost 8,800 people, and almost half of those people are field-based. And some of the examples I gave earlier today were ideas that the field rose up to management in how we can become more productive and more efficient. So as we continue to invest, we're going to have to continue to invest for a long period of time in our assets. There's ongoing opportunity to do it smarter, better and more efficiently. And we're going to leverage that workforce that we have to bring those ideas forward.

I mentioned earlier my background. I started in the forest industry. That was a highly competitive business. That was a commodity-based business. So I naturally bring in an instinct on how do we drive costs out of the business without compromising safety, productivity or customer service. And many of our employees have that same bend. So I think it was a good runway.

Andrew M. Kuske - *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*

And then maybe the follow-up is when you think about that runway and you think about the mechanical formula that exists in Ontario, do you see an evolution out of that because we've got the 10-year below 1% now? And so if you had a reset, again into the future, which there will be a reset period into the future, do you see a morphing away from that mechanical formula? Or do you have enough headroom with the productivity savings to maintain returns where they are now?

Mark Poweska - *Hydro One Limited - President & CEO*

So I'll start with responding to the first part, if our speculation on where the OEB may go with the formulaic. I can't speculate where they're going to go with that, but we do like the formulaic approach to setting ROEs. We think it's transparent. We think that it gives us certainty that we can understand it going in, as well as investors can. And we do have the opportunity as we see that to look into our business, how we can offset any reductions in that. And so we actually -- when we get asked by other jurisdictions and other regulators, they ask us about the formulaic approach, we actually see it as a constructive and a positive approach to that. So I can't speculate if the OEB's going to go away from that, but we actually like it.

Christopher Felix Lopez - *Hydro One Limited - CFO*

I'd like to -- going with Mark's point, I think it's fair, it's transparent. When I look at transmission this year at 8.52, that's a little lower. But at the end of the day, it's still, I believe, a fair process to go through. You can look at our other jurisdictions across North America. You can look to the West here in Canada. So Alberta is seeing some lower ROEs, and they don't have the formulaic, means that they have specialists come in and argue their points and it just depends on the day whether they argue a good point or not. I would rather for investors to see a formula where it's transparent. You can see what it means, you can see how we perform in the past, how we manage that. It's a much better way and transparent to manage that. And if you look down towards the U.S., you see headline numbers well above 10. They're probably dropping now because they're in the same process. So you see allowed ROEs at higher rates, but then their achieved ROEs are lower than that. So again, they are not all created equally, but I do like the system here in Ontario. And I do think we have a fair shot -- it's not easy, but a fair shot at continuing the productivity process going forward.

I came from the commodity side with Rio Tinto, and one of their philosophies was that the real price of commodities stays flat. That's it. So you have to offset inflation or changes every year. And you don't know what you're going to do 5 years from today, I agree with that. We have a very good sort of insight in the next 2 years and 3 years, but when you look out further, you know technology is going to change. You know something is going to happen. It's a matter of keeping your eye out that far and finding those opportunities that you can bring forward in time for the business to take advantage of it.



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And Andrew, the only thing I would add to that is I don't think we can look at the formulaic-based ROE in isolation of the overall framework of setting rates and the incentive-based rate making process we have here, which we think is a great incentive, which it's supposed to be for us to really drive further to allow us to over-earn to a certain point. And you put all that together, we think it's positive.

Maurice Choy - RBC Capital Markets, Research Division - MD & Analyst

This is Maurice Choy from RBC. My question is on LDC consolidation. What's your view of the pace of consolidation moving forward? And as a follow-up, in the guidance range for 2022, besides Orillia and Peterborough, are there any LDC acquisitions that you have in that range?

Mark Poweska - Hydro One Limited - President & CEO

I would say that our primary focus is on our regulated T&D business and reinvesting in those assets for organic rate base growth. So that is our primary focus. There is opportunity in the LDC realm. As you know, there's about \$9 billion worth of rate base out there, but you have to have a willing seller in order to consolidate that. I think that there is interest broadly in consolidation to drive out cost of the system because it is inefficient with that many different LDCs and the different players in the business.

We'll continue to look for those opportunities to be that consolidator. We're one of the few companies that actually can drive the level of savings that we can because, particularly in the rural areas around Toronto and the GTA, we surround those utilities. We have all the rural customers around those local communities. So we already have assets and trucks and things like that in those areas, so we can drive out immediate savings in that. If we can get those back to the rate payers, I think that's a positive, and we'll continue to push to try and enable that to happen.

Christopher Felix Lopez - Hydro One Limited - CFO

To answer the question directly, Maurice, it's not material. So the 2 that are currently in front of the Ontario Energy Board are -- rate base of \$150 million. It's a very small amount. They are in there. But if we end up getting additional LDC, say, in '21, the first year usually is breakeven. So it's not having a material impact on your earnings per share guidance that you're seeing there.

Maurice Choy - RBC Capital Markets, Research Division - MD & Analyst

And I guess, just a follow-up, is the biggest barrier effectively a willing seller? And I guess, with that, the price? Or is it red tape for that matter or is it regulatory? Is it the MAAD process? Where is the barrier?

Mark Poweska - Hydro One Limited - President & CEO

Yes. I would say that, obviously, you do have to have a willing seller. So we'll continue to work with the different LDCs on the opportunity there. I talked about in my speech, the OEB reform. And one of the elements of OEB reform is to look at the MAAD application process, which is a process we go through to purchase these LDCs. And there's a recognition that, that process right now is cumbersome and that it probably doesn't assign proper value back to the rate payers on these types of transactions. So we're hopeful and we're optimistic that is recognized by the OEB and the fact that they're reviewing that as part of the reform, we believe, is a positive.

Robert Hope - Scotiabank Global Banking and Markets, Research Division - Analyst

Rob Hope, Scotiabank. Two questions. First one, just in terms of your unregulated business, how big is that right now? And then when you look forward, is the expectation that you can maybe grow that to offset your corporate G&A?



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So the numbers in front of you is primarily being driven by the regulated business. So whatever assumption you make on what our productivity is, whether it's somewhere between 0 and 100 basis points overall, that would be the offset to G&A.

What I will say is that part of our corporate -- I did talk about it in my comments, part of our productivity push this year was really looking at our corporate costs, and we took -- and you guys can see that in the numbers. There was a significant amount of corporate cost taken out, and we will stay very vigilant there.

The corporate cost had increased in the past, and that was really because the company was focused on growing in North America. So to do that, you needed a broader corporate footprint. That's now being trimmed back or focused on Ontario. The cost of doing that is significantly less. And we'll continue to stay with that discipline.

Robert Hope - *Scotiabank Global Banking and Markets, Research Division - Analyst*

And then a follow-up, just on a kind of a different path. When you look at the variability, just in terms of weather, how much -- whether it's in a per share or \$1 million of income, what's kind of the band do you think we could see on a hot year versus a cold year?

Christopher Felix Lopez - *Hydro One Limited - CFO*

So I think you can look back to our past results, and you can probably work it out. But it's something in the order of -- in terms of earnings per share, something in the order of \$0.05 to \$0.07 would be sort of the outer limits. You could get a very tail-end event. But if you look back over the last few years, you've seen results in there. You're either up 5 or you're down 5. And that would account for the majority of that if you ended up with a tail-end event, where it's a 1-in-1000-year event or something that keeps happening these days, you could end up with something of that sort. But our models don't have that baked in today.

Mark Thomas Jarvi - *CIBC Capital Markets, Research Division - Director of Institutional Equity Research*

Mark Jarvi from CIBC. With a lot of the integrated electric utilities we hear about this OpEx to CapEx or fuel to asset savings, as you guys see opportunities around moving to mobile or whatnot, where are there further opportunities and maybe you just have to work with the OEB about getting their heads around it from moving from items you're expensing now to capitalizing it and putting that in a rate base?

Mark Poweska - *Hydro One Limited - President & CEO*

I'll start, and I'll hand it over. So we will continue to focus on those OpEx reductions. For every kind of dollar we save on OpEx, we can spend 10 more dollars on capital without affecting rates at all. So for us, the OpEx is a really important area to really look at where we drive efficiencies out of there. I'm not going to speculate on where the regulator may go with allowing certain current OpEx costs to be capitalized.

One of the big areas of debate, and I think broadly right now, are things like moving to cloud. So moving to a service-based IT service, which would become OpEx, whereas now, we invest in capital assets in order to do that ourselves. So those are the areas, I think, that are on the edges that are open for discussion right now. I don't know if anybody wants to add.

Christopher Felix Lopez - *Hydro One Limited - CFO*

I think, broadly speaking, we are under U.S. GAAP, and the regulatory framework follows that accounting. There are very few exceptions to that. I don't see that changing. The point that I would bring you back to is our performance on OM&A to date. So since the IPO, at the end of 2018, we

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straight back to the rate pay today. If we can reduce \$1 in OM&A, we can reinvest in the grid without any impact on the bill.

Mark Thomas Jarvi - *CIBC Capital Markets, Research Division - Director of Institutional Equity Research*

And then just going to the guidance on EPS. To get to the 7%, how much did the movement and where the debt markets have gone and where you guys issued debt, give you the confidence to put that 7% as the upper bound? And then as you think about sort of time, and going back with the distribution rate case beyond 2022, how much of that -- is that sort of renting earnings versus staying above the 5% rate base growth?

Christopher Felix Lopez - *Hydro One Limited - CFO*

Yes. I don't think it's driven by our confidence in debt cost staying low. I think what you'd point to is the reserve bank reduced and the Canadian Central bank reduced interest rates by 50 basis points at the front end. We're investing across the yield curve in the long end, so we don't see those same reductions. So that's not what's driving it. That's our confidence in the actual system and process that we have.

There is some natural offset when interest rates drop. So we've got a lower ROE in transmission of 8.52, and there is some natural offset in lower interest rates as we refinance. Again, that all goes back to the rate payer in the future, but that's not driving that earnings growth at all.

Patrick Kenny - *National Bank Financial, Inc., Research Division - MD*

Pat Kenny, National Bank. Over and above the \$2 billion annual capital program, how much financial capacity do you see the company having for LDC consolidation opportunities without needing to raise equity or compromise the A credit rating?

Christopher Felix Lopez - *Hydro One Limited - CFO*

So I won't give the exact number, but the targets that we go for is we want to stay at our regulated -- we'll target the regulated leverage that we're provided. We're currently at 56, so you can make the calculation yourself. It's 4% there. And then the other guidepost is our FFO to debt. And we have about 100 basis points of movement in that at the moment without triggering any concerns on our debt ratings. So we have substantial thinking about what's in front of the OEB today. We're talking about \$100 million, \$150 million of acquisitions. It's quite small. So we have substantial dry powder in that sense.

Patrick Kenny - *National Bank Financial, Inc., Research Division - MD*

Maybe a quick follow-up. Any opportunities to support rising exports to the U.S. or perhaps incremental imports from Québec? Any material capital investment opportunities on the horizon?

Mark Poweska - *Hydro One Limited - President & CEO*

So as you know, the province already imports and exports a lot, and there's capacity on the lines that we have today to continue to do that. It's not our call to do that. It's the IESO who really makes the determination on whether we need additional assets in the province, including interconnections with the others. So what I would say is there's enough capacity for the amount of trade that happens today on the system. So there's not a driver right now.

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Just 2 questions. One on LDC consolidation. Of the \$9 billion in potential rate base, how much is really in contiguous areas that you can get that 50% type of OM&A? And in those kind of markets, do you see competition in the Electro-type models? Or is this just a function of working with the seller to get those deals done?

Mark Poweska - *Hydro One Limited - President & CEO*

So in that \$9 billion -- and we don't actually include Electro in that. There's -- Toronto Hydro was the biggest one, obviously, and I think it's about \$4.5 billion. So the remainder, another \$4.5 billion, is spread across the remaining quasi 56 or 57 LDCs. So there's a lot of them. The range is anywhere from \$50 million to \$200 million to \$300 million rate base assets.

Unidentified Analyst

And all of those, you can get those types of cost savings that you target to get your returns?

Christopher Felix Lopez - *Hydro One Limited - CFO*

Yes, some a little more than others. Clearly, the map was up earlier, you could see a yellow dot in the middle of North Ontario that, absolutely, we're going to take a lot of cost out of that one. And ones that are closer to the south, there are others that's not -- we won't get as much. We won't get like a 50% reduction. But still, we would be the consolidator of choice from a cost and efficiency perspective.

Unidentified Analyst

And the second thing, just big picture, 10 years from now, say 2030, you're in an environment where storage plays a more important role than all the things you talked about with distributed generation, net metering, microgrids, et cetera, coming to fruition. Can you just talk about how the grid changes? How the value of transmission and distribution assets get viewed, and how you even think of the role of lower loads maybe impacting rates, and how this whole T&D industry might be impacted? Just curious on your big-picture perspectives on it.

Mark Poweska - *Hydro One Limited - President & CEO*

Yes. So I think there's 2 parts. There's the technical part on how things are going to change and then the kind of market and the economics part on how things might change.

On the technical part, we are investing in the grid for the future to both enable and foreshadow that the markets will change, and we will get more, call it, grid edge types of energy resources with distributor and energies. And so we're building a new control center, which will have the capabilities to have visibility into those and to control and operate if that's a requirement in the future.

As far as the economics of things and how it may work for T&D companies, as you know, we're moving towards a fixed connection cost on our distribution business. So quite frankly, in the future, even if the generation sources move from a centralized kind of source to a grid edge, we will be on fixed connection costs. So it's not going to have a big impact on that business.

On the transmission side, it may reduce the peaks and things like that, but a lot of that's going on today, and we are in that business, as Chris talked about. We are working with some customers on how we can help them to reduce their costs overall.

So I don't want to speculate on what it might look like in the future, but I think on both the technological side and looking at what it means to the markets and to the economics, we're looking out for both of those, and we're setting ourselves up for whatever eventuality might happen.



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So the grid, overall, is a very strategic asset for the State of Ontario, and the centralized generation they have with nuclear makes it a very low carbon grid -- at least it's low carbon or no carbon. So what our job is to do, and you heard Mr. Quiring say it when he was up onstage is, how do we increase the value of that to ratepayers throughout Ontario and to industry? The best way we can do that is to continue to electrify the economy, to bring more and more users to the electric side versus the carbon-based side.

So one is, I spoke about it in my comments, is electrifying the transport industry. The other one is, as Mr. Quiring said, there's a substantial load-out in Leamington that today, we export that, either we send it with a check or free. So we would rather use that power in Ontario. It gives us the chance to spread those fixed costs over more consumers. So the concern about rates gets addressed. So that's really what we're focused on. The Ivy Charging Network and our interest there is driven by that, is how do we make the grid more valuable to all Ontarians.

Mark Poweska - *Hydro One Limited - President & CEO*

Right here.

Unidentified Analyst

Okay. All right, good. [Ron Jameson] with the Sovereign Wealth Fund. I'll direct my question to Mark, and then if he chooses to pass it to someone else, that's fine. The consolidation of the LDCs in Ontario I think is a great strategy going forward. However, I would call it near-term strategy. And I just wonder, Mark, do you not see an opportunity outside of this province to perhaps look at acquisitions elsewhere in a longer-term scenario?

Mark Poweska - *Hydro One Limited - President & CEO*

Yes. So when we released our strategy in November, it really was an Ontario-based strategy. And what we recognized at that time, and still do, is that we have great value and opportunity for Hydro One right here in the province. Out into the future, beyond where our 5-year strategy is in that, if that picture changes, we will look at that. But at least for the next 4 or 5 years, 5 years, we will be focused on Ontario. And again, Chris put up where the kind of growth opportunities are for us, and we think that that's good, sustainable, low-risk growth that our investors are looking for us to focus on. And so we will continue just to focus on that.

Mona Nazir - *Laurentian Bank Securities, Inc., Research Division - Director of Research and Transportation & Infrastructure Analyst*

Mona Nazir, Laurentian Bank. Despite a highly regulated model, a good portion of time this morning was spent talking about softer touch points driven by a focus on betterment for your customers and your employees. I'm just wondering, versus your peers, where do you think you differ in your approach? And I was just also wondering, from a personal point of view, if you could address the current culture and how do you think that impacts your business, whether it be turnover, attracting expertise or productivity?

Mark Poweska - *Hydro One Limited - President & CEO*

Great questions. Maybe I'll start with the differentiator for Hydro One. And I think you heard it from one of our key customers, Peter, this morning, on the experience with Hydro One recently versus in the past. And we're really focused on that, and we're improving substantially.

I'll give you a bit of an anecdote, and I'm not going to name the person. But I was at the Electric Distributors Association Awards Gala earlier this week, and one of their -- or last week, I guess. And one of my peer CEOs at one of the local distribution companies -- one of the bigger ones, he came up to me and said, "I've got a bone to pick with you." And I said, "Okay, what is that?" And he said, "I lost out on my annual performance pay this year because of you," and I thought, "Well, how did I affect that?"



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me on a relative to our peers in the province, the improvements we're driving and the recognition that we're getting as a company.

I'll turn to the culture piece. And what I would say about our culture, and you've, I think, heard it a bit today, and I hope you'll see it more from the rest of the team that you'll see is this is really a culture of people that are proud of what they do. They're proud of the greater purpose of this company and the energizing life in this province. And you see it, we won -- we're one the top employers in the Forbes list again. Our employee engagement scores are really high. We have low turnover in our workforce. So those are test points for me to represent that we have an engaged culture, and we have an engaged workforce.

David Lebeter - *Hydro One Limited - COO*

Yes. I'll just add to the comments that Mark made. Yesterday, I held an all-managers meeting. There was about 160 of our field managers from across the province that attended. And as part of that meeting, we handed out 11x17 printout of our 5 pillars of our strategy. And we asked everyone around the table, under each one of those pillars, identify how you and your teams contribute to that. And I spent my time as well as a few others that were there walking around checking the tables. And I was amazed how everybody was able to fill out that page without any difficulty at all. And I'd expected some people to struggle. And the reason I bring that up is because it shows how aligned our employees are with our strategy and with our customers, and how they see that they can contribute to that. That's something I've never seen in any other company I have worked at, a culture that is that focused and had so little difficulty being able to identify on each one of those columns, how they personally and their teams can contribute to that.

Benjamin Pham - *BMO Capital Markets Equity Research - Analyst*

It's Ben Pham, BMO. A couple of comments on electrification of the grid. You talked about that most of the morning. Can you maybe point to perhaps some market share numbers that you can share in terms of electricity as a percent of energy usage or even just directionally where it's gone the last few years? Because it seems like the industry has been talking about this for a long time, so I'm curious has that actually moved that dramatically. And going forward, if you see penetration rates going up dramatically, isn't that going to be a huge cost burden for consumers that they need to bear?

Mark Poweska - *Hydro One Limited - President & CEO*

So I'm not sure I completely understand the first part of the question. But what I would point to is the recent IESO planning outlook document. So every year, the independent electric system operator puts out their forecast document. And what they do show is an increase overall in demand for electricity in this province over the next 20 years. A moderate increase, but primarily driven by the decarbonization of transport as well as the growth in agriculture and some growth in residential and commercial sectors.

And so I'm not sure if you were asking about fuel offset between gas and electricity, but obviously, with the push to decarbonization, one of the main focus areas is on the transport, but it is also on the other side. And we actually have a program in Hydro One, a fuel-switching program, where we're seeing people uptake that. In this province -- a lot of this province doesn't have natural gas either, and so a lot of people fuel their homes with fuel heating oil or with propane, which is more expensive than electricity. So we have a program that we will help people switch over into electricity furnaces and things like that. So I'm not sure if I got to the core of your question or...

Benjamin Pham - *BMO Capital Markets Equity Research - Analyst*

Yes, I think to some extent. I guess, when I think about a consumer, they can think about a gas utility who can burn gas or electricity, or you have trucks that use diesel and they can opt for electricity. So the thing about how that pie works, say, 1/4, 1/4, and then you guys are basically trying



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Mark Poweska - *Hydro One Limited - President & CEO*

Yes. Yes, and I think if you look at the IESO forecast, the biggest shift will be in transport and a small shift in fuel switching from carbon-based to electric in residential-type. But we're also seeing in some of the energy management services we're providing is to help customers to lower their bill, so they're less apt to switch the other way, off electricity on to gas. And we're helping to do that through the energy management services that we're starting to provide.

Christopher Felix Lopez - *Hydro One Limited - CFO*

Ben, I don't have the exact numbers, but what I will say is, absolutely. If we went back a few years, when I first joined Hydro One, you could see electricity consumption in the province going down. Now that's no longer happening. So it stopped, and it's going up slowly. So what that really means is any conservation efforts are being more than offset by either switching or economic growth. That's what's making the change.

Down in the U.S. now there is a push to now go after your heating appliances in your house, so your cooking. So if you're building your new house now, they want to make it that you can't use gas appliances anymore. Use electric. I was in a friend's house just recently, fairly modern one, and the heating is all electric. I was surprised. But it's very efficient. They heat water, they pump the water through forced air through coils. Mine is all gas-heated. But that's the new world. It's switching a lot of these appliances to electric. That's what I think you'll start to see. You may not see it in the next couple of years, but the push is going to come. You're seeing it a lot more in the U.S. at the moment.

Benjamin Pham - *BMO Capital Markets Equity Research - Analyst*

Okay. And may I ask maybe -- and I understand on 1/3 of your assets, end of use of life. So if you -- I mean, that's a very compelling reason to invest in a grid in your CapEx program. So when you sit here, say, 5 years from now, is it a situation where that percentage is coming down? Or is it more a matter of you have older assets aging, that it's about the same or maybe a little bit less than that?

Mark Poweska - *Hydro One Limited - President & CEO*

Yes. Based on our approved distribution rate case and the transmission rate case we have in front of the regulator right now, the level of investments we have in those just keeps it at the 1/3 being essentially at end of life. And on the distribution side, it actually degrades a little bit being that even more of those become end of life. So that is a long-term trajectory on that, that I don't see that dropping off anytime soon at the level of investments that we talked about today.

Christopher Felix Lopez - *Hydro One Limited - CFO*

So we're conscious of the effect on the bill. So the reason why that's the case, as we said, this is absolutely what the system needs to hold it where it is today, slight degradation in distribution. That's because we're sensitive to the impact on the bill. Down in the U.S., they switched from coal to gas. And when they did that, it actually got cheaper because gas prices were so low and they were able to reinvest and renew their grid. We've not done that here.

So here, what we need to occur is more consumption, so we're helping drive that through Leamington, trying to fuel switch into -- in transit and so on. That will reduce the cost per unit to all ratepayers. When you do that, in theory, there will be some bill headroom to reinvest and address some of these end-of-life assets that we've not done. So we think that beyond this rate case, so you talk about '23 to '27, we should start to see some bill headroom that allows us to address some of those. That would mean a higher capital investment in those used out there.



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Do you mind if I ask a third question? Is everyone getting hungry? M&A, I know it's small stuff you're looking at now, which is great for the industry. But can you actually affect or transact on a Toronto Hydro transaction that's not been public for the last 10 years, 20 years, 30 years? And your M&A strategy, is it more proactive where you're reaching out and trying to consolidate the industry? Or is it you're more waiting for folks to, say, put up a for-sale sign?

Mark Poweska - *Hydro One Limited - President & CEO*

So I think there is, has been, forever, a lot of speculation around Toronto Hydro. Chris is leading our growth strategy and our LDC consolidation strategy, and we are looking at where are the optimal ones. The savings we talked about earlier are the smaller ones where we can drive that level of savings. We can drive a level of savings if we consolidate it with Toronto Hydro as well. So we're looking at all opportunities out there, and if we have a willing seller that -- we would look at that. I would say the Toronto Hydro would require us to issue equity. We couldn't fund that on our balance sheet. Most of the others, we could fund on our balance sheet. And so it is in a different realm. Jim, yes?

Unidentified Analyst

Yes. So you've laid out a great path of how rate base growth should continue to at least trend at current levels, and you also talked about why you like formulaic ROE. My question is, what kind of forces you, yourself, to decrease your own rate base? Because is there a level of regulated ROE that you think is not economic or interesting? One of your biggest competitors is unhappy with an ROE that's maybe 200 bps higher than where you are. And so I'm just kind of curious, is there a level of regulated ROE where you would purposely slow down rate base growth because it's not economical and the best interest for shareholders?

Mark Poweska - *Hydro One Limited - President & CEO*

Do you want to take that one, Chris?

Christopher Felix Lopez - *Hydro One Limited - CFO*

Sure.

Mark Poweska - *Hydro One Limited - President & CEO*

It's good to be the boss.

Christopher Felix Lopez - *Hydro One Limited - CFO*

Yes. So I think it's a good ROE. I think it's a fair ROE. Again, I won't speak to competitors, but the biggest one -- for those who were down at the EEI last November, I think it was, Fitch put up a chart on "here are all the allowed ROEs in North America." Most of them were the U.S. But they're showing you 11s, 13s and so on. So you get this line up the top, and you think, "Wow, I wish I had those." And then you see a ladder, you see earned ROE, which is in the basement, right? It's a good 300% to 400% -- 300 to 400 basis points lower than that, which ultimately is lower than our earned ROE. So it's a difficult one.

Again, without going through specifics, I do believe a 9% allowed ROE and then the opportunity to earn 100 basis points over, I think that's a good return. I think that's a fair return. Would I like to see them higher? That would allow -- it may attract more capital, but I don't think that's a concern



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So again -- and I did do M&A in the U.S. in the past. And really, what happens down there is they have a lot of carve-outs. So they say that, yes, your allowed ROE is x, 13%. But the amount they allow you to put into rate base, and they use regulatory lag and so on, is a lot less. So remember, for us, we know exactly what our capital plan is going forward. We know exactly when it's going into service. We hit our numbers within 1%. There is no regulatory lag.

So again, I think I would caution you on saying what is the ROEs that I'm seeing in XYZ utility versus what you're seeing here. I think it's being borne out -- if you look at our share price, I think people are starting to recognize that, "Hang on. I see an ROE. The bottom line is -- these are the cash flows I'm seeing out of that particular investment." So I don't think we'll have a concern attracting capital with -- if, come 2023, we decide that we can tackle the 1/3 of assets being at end of life and we can invest more, I'm confident that we'll be able to address that.

Unidentified Analyst

Excellent day, thank you. A question on the evolving changes in weather patterns and how that's feeding into some sort of quantifiable systemic assessment of what the likely path forward is in your process for planning and also the regulatory process. And also how the PG&E experience with firefighters has really impacted your thinking on that type of risk?

Mark Poweska - Hydro One Limited - President & CEO

Yes. So we have seen an increase in severe storms and impacts on our system, and that's part of our strategy. Building the grid for the future recognizes that we have to harden our grid. David Lebeter talked about some of the technologies we're using to help harden that grid to recognize that there are more and severe storms, things like reclosers, things like fault locators. They also actually help with the fire risk because we can change the settings on those if they don't reset when you have a fault, because that's generally when fires start, is when you close back in after a power line falls to the ground. And so we're investing in the future of that. We're also improving our responses through the operations group, through our new grid control center. We're building more visibility into what's going on out there, which helps us to get ready for and respond to storms and things like that as opposed to waiting for them to happen and then getting out there.

The PG&E scenario is -- I think, it's one that a lot of people point to. And I think it's too early for me to tell on kind of what the root -- underlying causes are of why they got to where they are. There's all kinds of speculation out there, but I don't want to feed that thought there. But what I would say is a couple of things.

One is our jurisdiction is quite a bit different, both from a legal perspective on liability, as well as a physical perspective. If you look at Ontario, it's Canadian Shield country. People, very far, there's a lot of water and a lot of green space here. Very different than the hills of California where you have the San Andre winds and the dry landscape and a lot of communities in those. So we're going to continue to invest responsibly in our assets, keeping in mind that we need to harden our grid for all the reasons that I think you're raising. And we are -- if you look at our reliability performance over the last couple of years, even though the storms are getting worse, our reliability is improving because we're using technology and because we're improving our way to respond.

Christopher Felix Lopez - Hydro One Limited - CFO

I'll just say one thing to that. Sorry, it took a while to say it. But the peaks that we're seeing in the system, part of it's driven by the underlying demand, part of it's driven by the variability of the weather. So the hotter it gets in summer or the colder it gets in winter, the peaks are becoming more pronounced. So that's when your grid is worth more, 100%, right? So your grid's got to be able to take that on, and that's when you realize the value of your grid. So over the last few years, that's exactly what we've been seeing, is that the peaks have been increasing. A little bit driven by demand, but more what I think and what we see is driven by weather events. So we have a number of cold snaps in a row like the polar vortex. It increases the value of the grid here in Ontario because it has to cope with a higher level of power consumption, a higher peak for a period of time.



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Okay. Well, why don't we wrap the Q&A up there, and I want to thank everybody for joining us this morning and for those great questions. I hope you learned something today. I know that I did. And I really look forward to working with all of you going forward.

We do have lunch now. And then I hope you do all take advantage of participating in our roundtables this afternoon with more of our team. I'm really proud of the team that you're going to see here today, so please stick around and get to know some of them. So thank you very much.

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