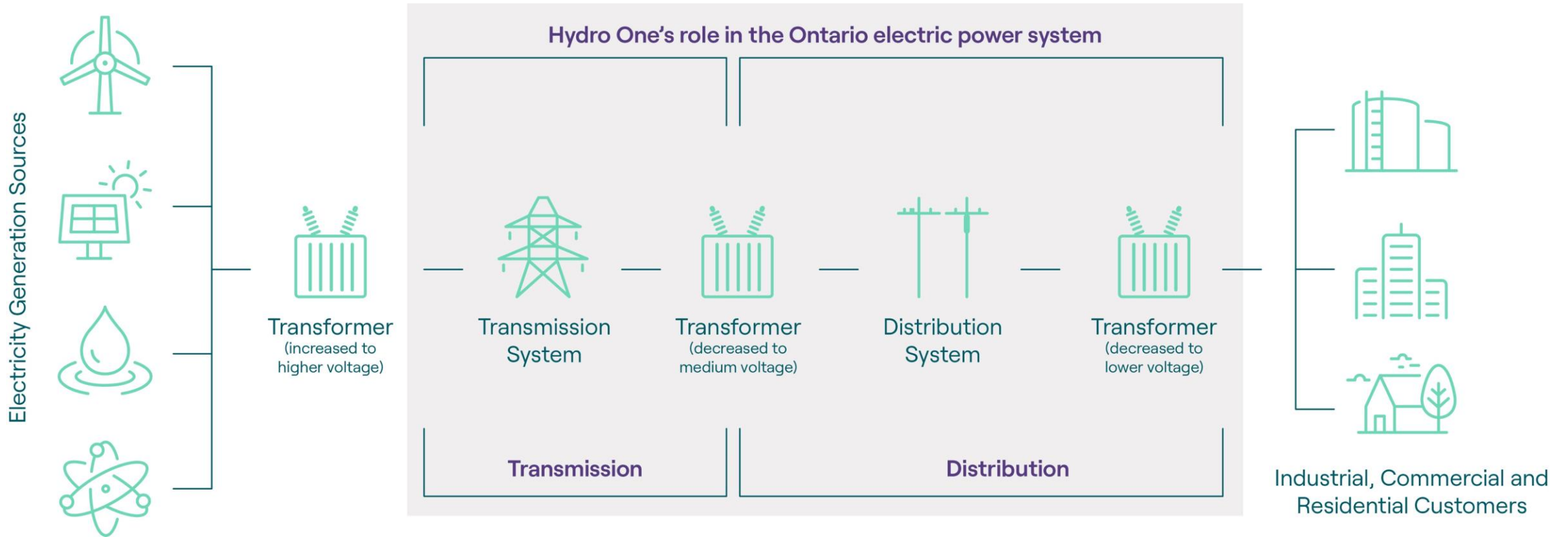




Powering Ontario

Hydro One's 2023-2027
Joint Rate Application Investment Plan
August 10, 2021

Our role in the electricity system



Ontario's largest electricity transmitter and distributor

We serve customers across diverse and challenging terrain.

Given the unique territory, the average Hydro One **customer experiences more frequent and longer outages** than the average Ontarian.

Distribution



1.6m
poles

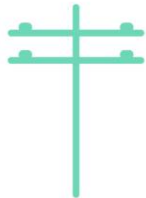


1.4m
customers

Our service territory covers
75%
of Ontario



That's about
1 pole per customer



Transmission

We energize approximately
40%
of Canada's economy

The province's clean energy mix means that
96%
of the electricity we deliver is clean



Attracting businesses to the province depends on a strong transmission system



Renewing or replacing critical infrastructure

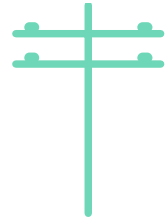
The majority of our system was built in the

1950s and **1960s**

4,000 km

of high voltage power lines need to be replaced

1 in every **20**
wooden poles is
now at risk of failure



Nearly **1** in **4**
steel transmission
towers are more than
80 years old



Improving resiliency and reliability and preparing for the impacts of climate change



We are experiencing more frequent and severe storms.

In 2019, the average Hydro One customer was without power for more than

2.5 times
the average Ontarian.

Between 2018 to 2020, an average of

100,000 customers

in hard-to-reach communities experienced more than

48 hours

a year without power.



What customers told us

Every dollar we invest comes at a cost to our customers. We have developed an investment plan that directly reflects feedback from close to 50,000 Ontarians.

85%

of customers want us to replace aging infrastructure when or before it starts to deteriorate

60%

would support proactive investments to prepare the system for more severe weather

77%

want Hydro One to make the investments necessary to keep businesses running safely and reliably

About **Half**

of customers wanted us to invest in infrastructure faster than our draft plan



Based on residential customers

2023-2027 Investment Plan

- On August 5, Hydro One filed our **2023-2027 investment plan for transmission and distribution** (“Joint Rate Application”).
- The Plan proposes **average annual capital investments of ~\$1.5 billion in Transmission and ~\$1.0 billion in Distribution in 2023-27.**
 - The Investment Plan **balances prudent investments** to support reliability, safety, economic development and innovation against the impact on costs to customers.
 - These investments will support Ontario’s diverse economy, from mining, to agriculture and forestry, to technology.
 - Continually renewing our aging infrastructure and improving reliability is critical to helping attract businesses and manufacturing to Ontario.
- These investments result in bill adjustments that are **below the rate of inflation.**
- **Over the 5-year plan, the average annual increase to a typical residential customer will be 1.1% (0.3% in transmission and 0.8% in distribution).**


Our plan to energize life

Our five-year plan invests in a resilient and sustainable electricity system to reduce the impacts of power outages for our distribution customers by approximately 25% and prepare for the impacts of climate change. Investments will be made in nearly every community.



Renewing or replacing critical infrastructure

Transmission
Renew equipment on the high voltage transmission system, including **1,500 km** of new high voltage power lines


 Replace **129** transformers and upgrade infrastructure at approximately **200** stations


Distribution
Upgrade equipment on the distribution system, including renewing or replacing approximately **65,000** wood poles


Replace **10%** of transformers




Improving resiliency and reliability and preparing for the impacts of climate change

 Use automation and innovative solutions to reduce the impact of power outages for our distribution customers by approximately **25%**


 Prevent outages by removing dead and diseased trees that could strike power lines

 Install **1,000** smart devices per year to improve resiliency for customers who experience the most power outages


 Invest in taller and stronger poles to withstand more severe weather



Building a grid for the future to support economic growth and customer choice

 Invest in new or upgraded infrastructure to accommodate community and industrial growth

Connect close to **18,000** new distribution customers each year

 Install innovative energy battery and storage solutions to improve resiliency for those customers, including First Nations communities, by **60%**

Modernize meters and associated infrastructure to enable future flexibility, choice and cost savings

2023-2027 Investment Plan

- **CUSTOMER FOCUS:**

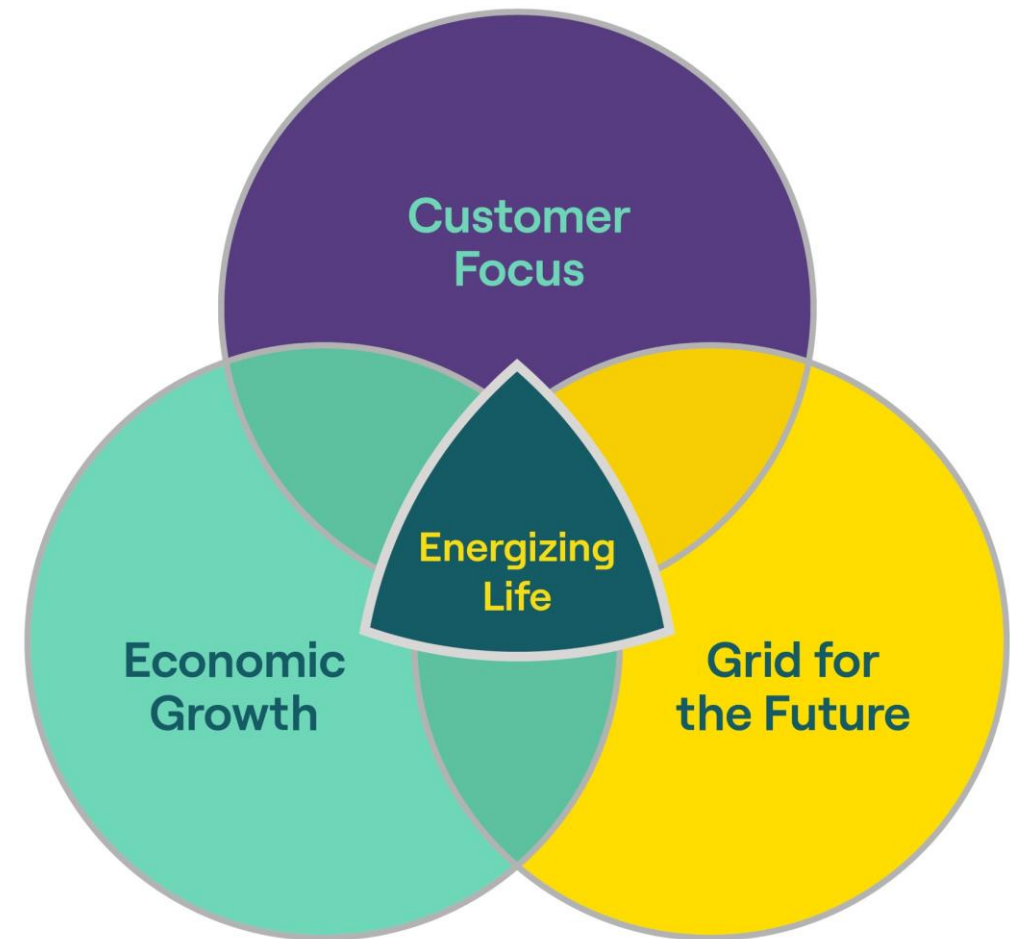
- As a **customer and community-focused company**, the Investment Plan **puts people first**.
- We listened to our customers and have taken action to meet their needs and address their priorities.

- **ECONOMIC GROWTH:**

- From **Main Street to big industry**, we are playing a **critical role in Ontario's economic recovery**.
- We are making investments in our power system to **attract new businesses, sustain jobs and help communities grow**.

- **GRID FOR THE FUTURE:**

- We are making necessary investments in a **smarter, sustainable and reliable electricity system** to energize life for families, business and communities now and in the future.



A Customer-Driven Plan

- Our 2023-2027 Investment Plan strongly reflects customer needs and preferences, which were determined through a **comprehensive 2-phase customer engagement process**.
 - **Over 48,000 First Nations and Metis representatives, stakeholders and customers of all sizes participated** through various methods (focus groups, in-depth interviews, telephone surveys, and online workbooks).
- The result is **an Investment Plan responsive to customer input**, and refined based on trade-offs between specific investment costs, outcomes, and rate impacts.
- We heard how important it is to: (i) **Proactively replace aging infrastructure** to avoid more costly repair, maintenance and emergency work in the future; (ii) Make investments to **improve reliability as well as service**; and (iii) Make the **system more resilient**.
- Customer feedback incorporated into a final Plan, resulted in **two key changes**:
 - The **pacing of distribution investments** to improve system reliability through grid modernization was increased to reflect customer preferences; and
 - The **replacement rate** of distribution station transformers, transmission station transformers and transmission lines to improve reliability was increased slightly.

Investments: Transmission

Maintaining the System

- Reinvesting in existing infrastructure to maintain the health of the system, sustain performance and address safety and environmental risk.



~\$3.5B to address **station assets**, including those which link major generation resources to major load centers and those that serve electric Local Distribution Companies (LDCs) and large industrial facilities



~\$1.9B to address **lines assets**, which serve smaller towns, First Nations communities and businesses, pipeline compressor stations, and large load facilities such as mines and paper mills



Investments: Distribution

New Infrastructure:



Modernize infrastructure to detect, repair & restore power quicker (improving reliability by ~25% by 2027).



Significant investments to **accommodate increase in regional load demand** (e.g. \$170 million in the **Leamington area** to support the growth of the greenhouse sector, in addition to over \$200 million invested through 2022).

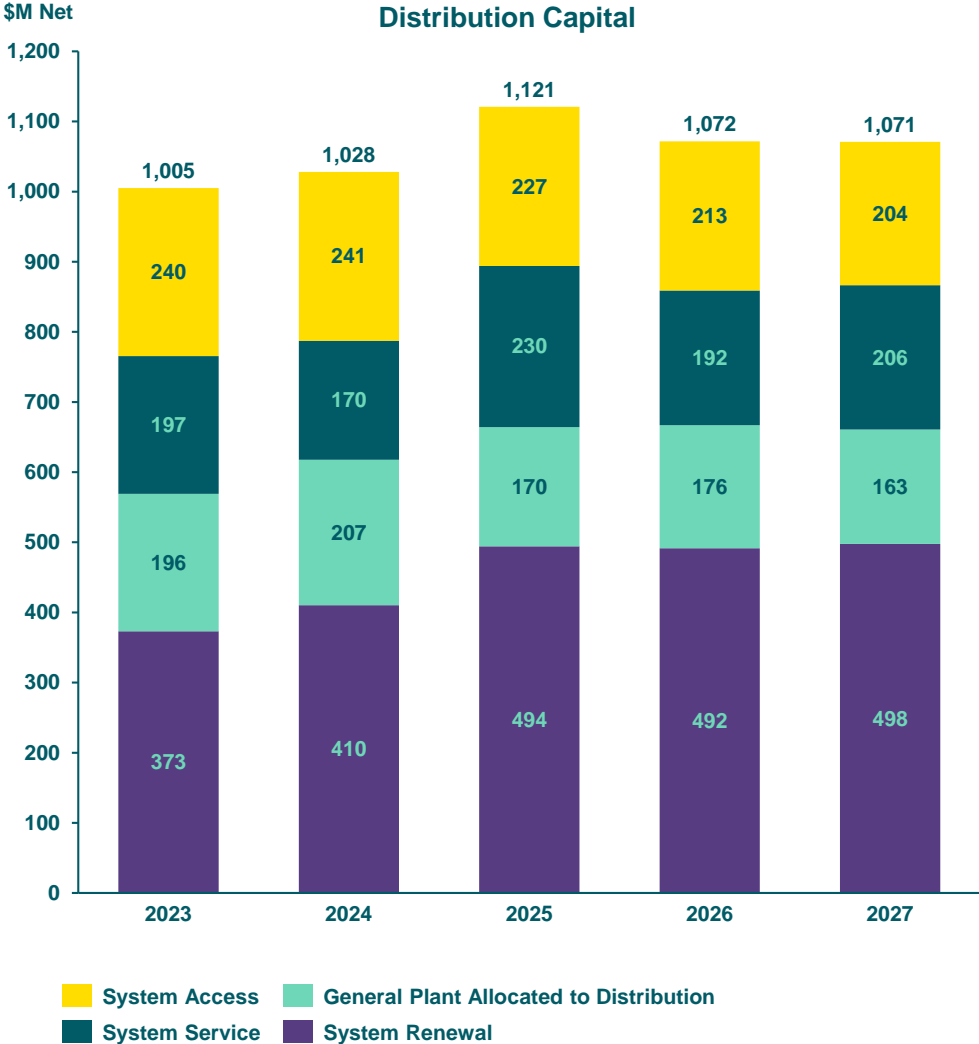
Maintaining the System:



Over \$560 million to address poor condition wood poles to maintain overall health of system, reduce likelihood of extended outages and **enable broadband**.



Mass meter and network replacement is planned over a 5-year period beginning in 2023



Cost of plan

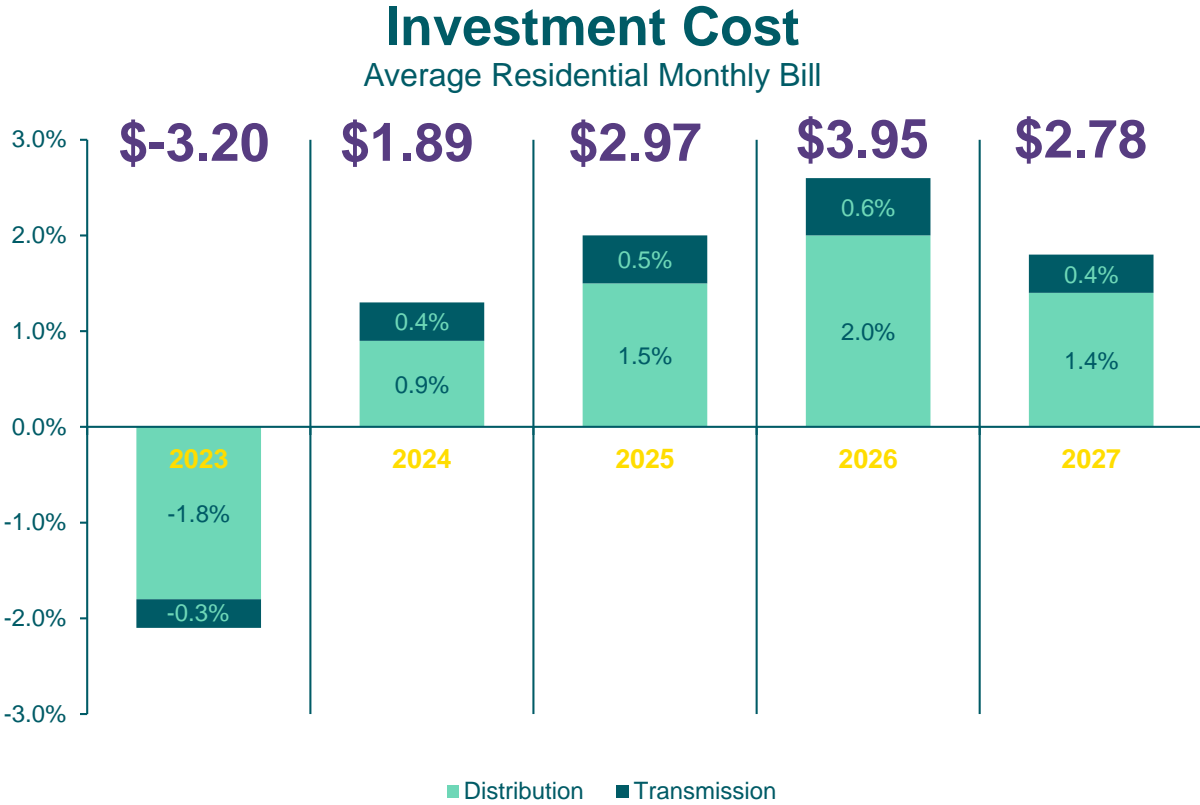
Hydro One’s plan will see the typical customer’s bill increase by

less than expected inflation.

A typical residential customer’s monthly bill will increase by an average of

\$1.68

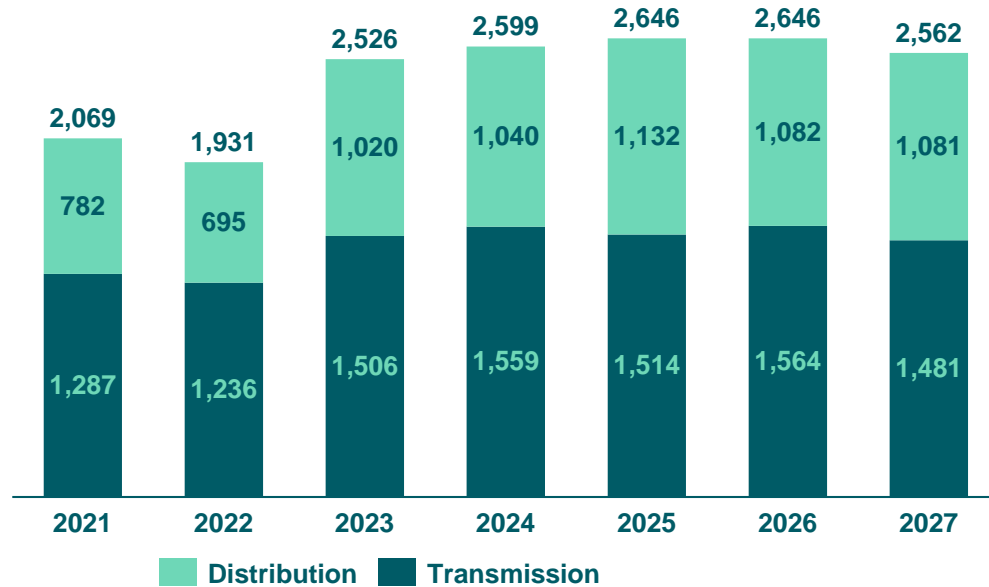
each year over the five-year period.



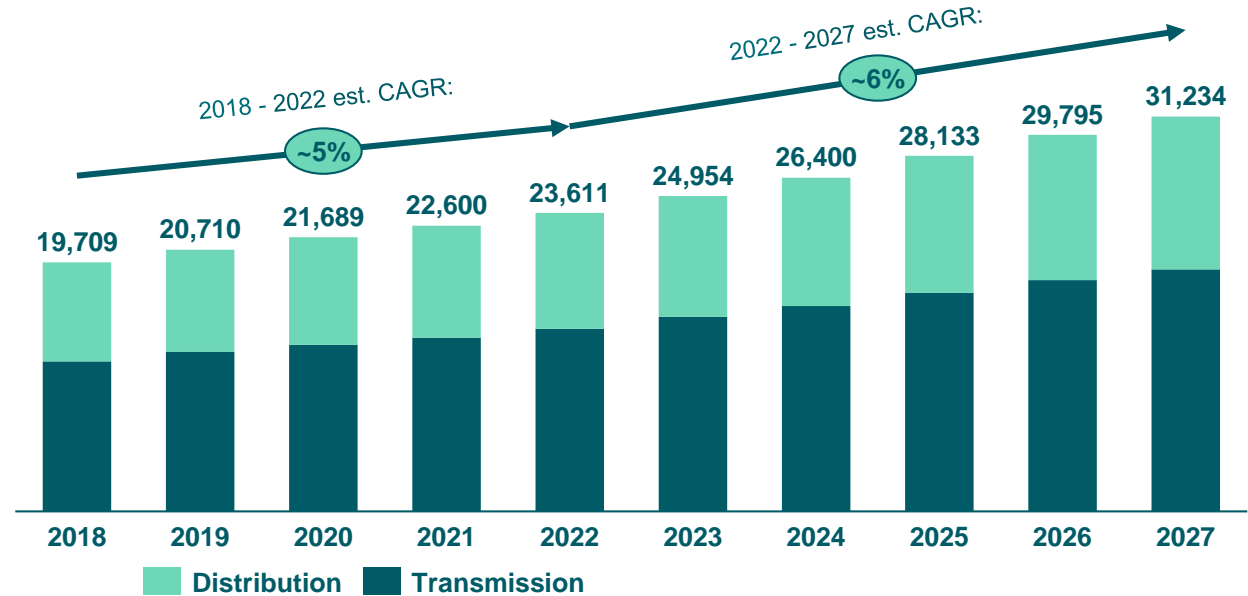
Capital investment driving rate base growth

Consistent and predictable organic growth profile underpinned by required replacement of aging infrastructure

Projected Regulated Capital Investments* (\$M)



Historical and Projected Rate Base Growth* (\$M)



* Subject to change upon OEB approval of Joint Rate Application for 2023 -2027.
 * Figures include investments in certain development projects of Hydro One Networks not included in the investment plan filed with the JRAP.

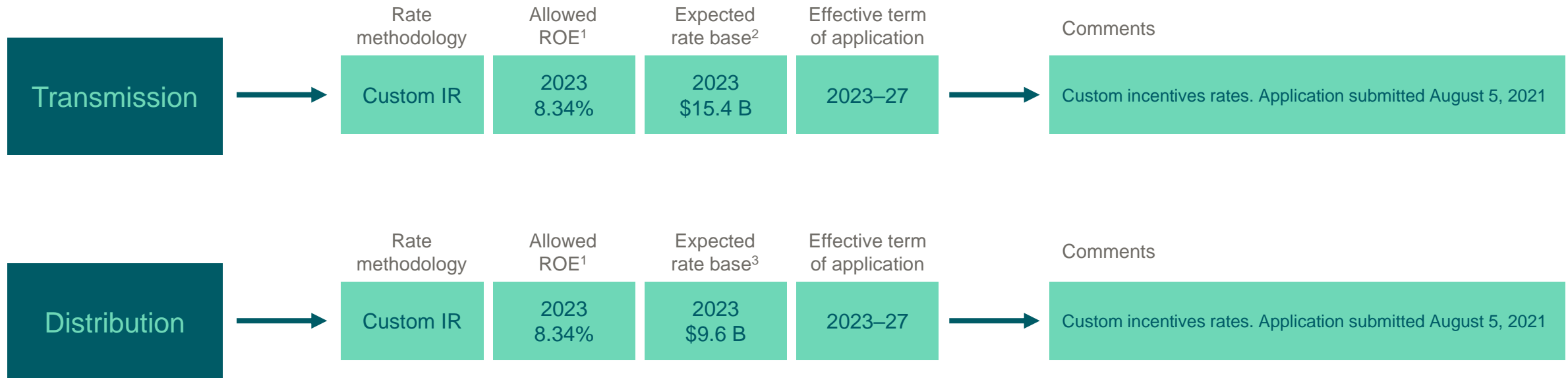
Comments

- Organic growth underpinned by continued rate base expansion to both renew and modernize the grid
- Material amounts of deteriorated, end-of-service life infrastructure must be upgraded or replaced
- Customers supportive of replacing aging infrastructure that is in poor condition
- Equity issuance not anticipated for planned capital investment program which is self-funded

Constructive Rate Regulator (OEB) 2023-27

Consistent, independent regulator with a transparent rate-setting process

- Transmission and Distribution businesses rate-regulated by the Ontario Energy Board (OEB)
- Deemed debt / equity ratio of 60% / 40% for both transmission and distribution segments
- Reduced regulatory lag through forward-looking test years, revenue decoupling and adjustment mechanisms
- Application submitted August 5, 2021 for transmission and distribution under the OEB’s Custom Incentive Rate Making model for 2023 – 2027 (5-year term)



1. Allowed ROE for 2023 for Transmission and Distribution is a placeholder as submitted in the Application until Q4 of 2022 when the OEB will release the final ROE.
 2. Transmission rate base includes 100% of B2M LP, Niagara Reinforcement Limited Partnership and Hydro One Sault Ste. Marie Limited Partnership.
 3. Distribution Rate Base includes recent LDC acquisitions (Peterborough Distribution Inc., Orillia Power Distribution Corporation) and Hydro One Remote Communities

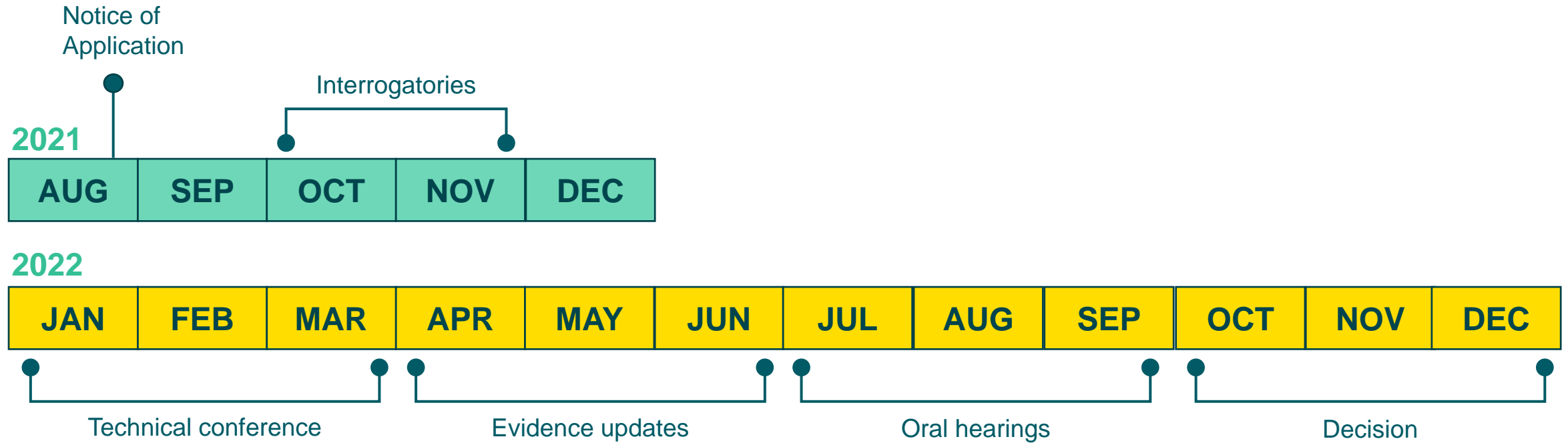
Segmented incentive regulatory construct 2023-27

The transition from cost of service to incentive based regulatory model coincident with transformation of business will create value for both customers and shareholders

	Distribution Proposed ¹ 2023-2027					Transmission Proposed ¹ 2023-2027				
Rebasing Year	2023					2023				
Revenue Requirement Determined By	Custom Revenue Cap Index (RCI) by Component (%)					Custom Revenue Cap Index (RCI) by Component (%)				
	(A) Inflation Adjustment Factor					(A) Inflation Adjustment Factor				
	(B) Less: Productivity Stretch Factor Offset					(B) Less: Productivity Stretch Factor Offset				
	(C) Add: Capital Factor					(C) Add: Capital Factor				
	(D) Equals: Custom Revenue Cap Index Total					(D) Equals: Custom Revenue Cap Index Total				
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
(A)	2023	2.20%	2.20%	2.20%	2.20%	(A)	2.00%	2.00%	2.00%	2.00%
(B)	2023 revenue requirement of \$1,632 million	(0.30%)	(0.30%)	(0.30%)	(0.30%)	(B)	2023 revenue requirement of \$1,823 million	(0.00%)	(0.00%)	(0.00%)
(C)		2.93%	2.41%	3.48%	2.56%	(C)		4.29%	2.63%	3.56%
(D)		4.83%	4.31%	5.38%	4.46%	(D)		6.29%	4.63%	5.56%
Earnings Sharing Method	50% of earnings that exceed allowed ROE by more than 100 basis points in any year of the term of the filing shared with customers									
Allowed ROE	8.34% through test years (2023-2027)					8.34% through test years (2023-2027)				
Effective Rate Setting	January 1, 2023					January 1, 2023				

1. Source: 2023-2027 Distribution and Transmission Revenue Requirement, Custom Revenue Cap Index Parameters and ROE as proposed in the joint Transmission and Distribution Application submitted on August 5, 2021

Expected next steps



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This presentation contains “forward-looking information” within the meaning of applicable Canadian securities laws that is based on current expectations, estimates, forecasts and projections about Hydro One’s business and the industry in which Hydro One operates and includes beliefs of and assumptions made by management of Hydro One. Such information includes, but is not limited to: statements regarding Hydro One’s anticipated capital investments, including in respect of the company’s five year investment plan; expectations regarding Hydro One’s target investment in its transmission and distribution assets (including expectations for average annual capital investments of ~\$1.5 billion in transmission assets and ~\$1.0 billion in distribution assets between 2023 and 2027); projected capital investments and projected rate base growth; expected rate base CAGR; expectations for organic growth underpinned by continued rate base expansion; expectations to replace end-of-service infrastructure including funding plans in respect thereof; expectations to reduce the impacts of power outages for Hydro One’s distribution customers by approximately 25% and to prepare for the impacts of climate change; plans to reduce Hydro One’s environmental footprint, including the phase out and retirement of contaminated PCB equipment, the replacement of oil filled equipment and the evaluation of opportunities to transition from greenhouse gas intensive technologies; statements related to the expected transition from a cost of service to an incentive based regulatory model; and expectations regarding the timing of review of Hydro One’s Joint Rate Application.

Words such as “aim”, “could”, “would”, “expect”, “anticipate”, “intend”, “attempt”, “may”, “plan”, “will”, “believe”, “seek”, “estimate”, “goal”, “target” and variations of such words and similar expression are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. In particular, the forward-looking information contained in this presentation is based on a variety of factors and assumptions including, but not limited to: the scope of the COVID-19 pandemic and duration thereof as well as the effect and severity of corporate and other mitigation measures on Hydro One’s operations, supply chain or employees; no unforeseen changes in the legislative and operating framework for Ontario’s electricity market or for Hydro One specifically; favourable decisions from the Ontario Energy Board and other regulatory bodies concerning outstanding and future rate and other applications; no unexpected delays in obtaining required approvals; no unforeseen changes in rate orders or rate setting methodologies for Hydro One’s distribution and transmission businesses; the continued use and availability of U.S. GAAP; no unfavourable changes in environmental regulation; a stable regulatory environment; no significant changes to Hydro One’s current credit ratings; no unforeseen impacts of new accounting pronouncements; no changes to expectations regarding electricity consumption; no unforeseen changes to economic and market conditions; recoverability of costs and expenses related to the COVID-19 pandemic, including the costs of customer defaults resulting from the pandemic; completion of operating and capital projects that have been deferred; and no significant event occurring outside the ordinary course of business. These assumptions are based on information currently available to Hydro One including information obtained by Hydro One from third-party sources. Actual results may differ materially from those predicted by such forward-looking information. While Hydro One does not know what impact any of these differences may have, Hydro One’s business, results of operations, financial condition and credit stability may be materially adversely affected if any such differences occur. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information are discussed in more detail in the sections entitled “Forward-Looking Information” and “Risk Factors” in Hydro One Limited’s most recent annual information form, the sections entitled “Risk Management and Risk Factors” and “Forward-Looking Statements and Information” in Hydro One Limited’s most recent annual management’s discussion and analysis of the financial condition and results of operations and the section entitled “Forward-Looking Statements and Information” in Hydro One Limited’s most recent interim management’s discussion and analysis of financial condition and results of operation of operations. Hydro One does not intend, and it disclaims any obligation to update any forward-looking information, except as required by law.

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