

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

hydro **One**

Second Quarter 2016 Earnings Teleconference

August 12, 2016

One of North America's largest electric utilities

TSX: H



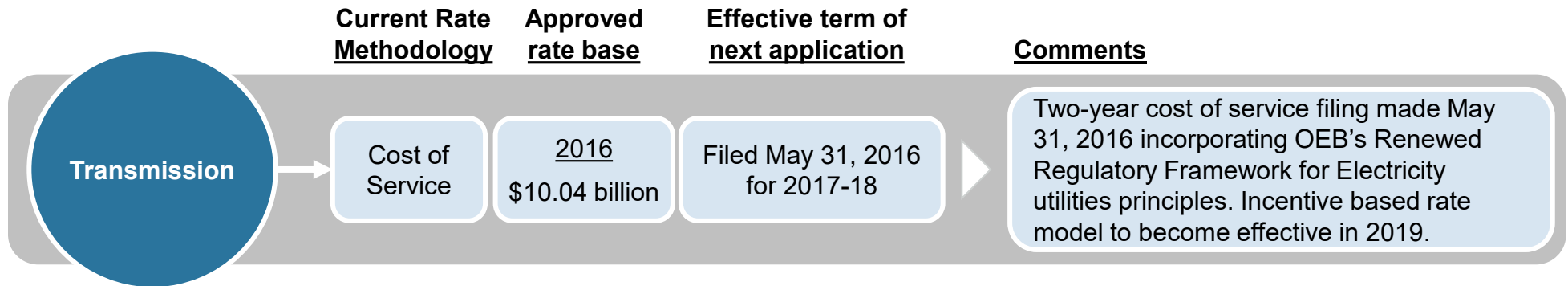
Hydro One Limited – Second Quarter Financial Summary



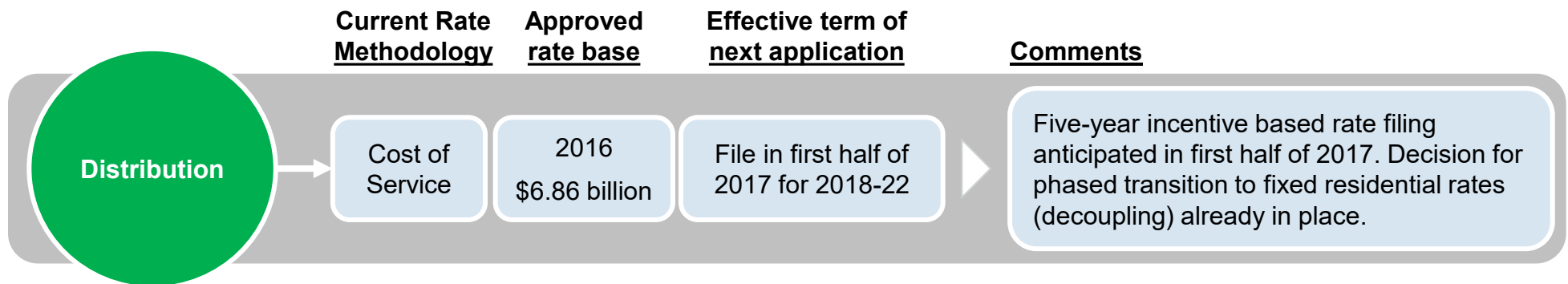
(\$ millions)	Second Quarter			Year to Date		
	2016	2015	Change	2016	2015	Change
Revenue						
Transmission	\$381	\$364	4.7%	767	770	(0.4%)
<i>Distribution (Gross)</i>	<i>1,152</i>	<i>1,185</i>	<i>(2.8%)</i>	<i>2,438</i>	<i>2,574</i>	<i>(5.3%)</i>
Distribution (Net of Purchased Power)	349	347	0.6%	739	766	(3.5%)
Other	13	14	(7.1%)	27	27	–
<i>Consolidated (Gross)</i>	<i>1,546</i>	<i>1,563</i>	<i>(1.1%)</i>	<i>3,232</i>	<i>3,371</i>	<i>(4.1%)</i>
Consolidated (Net of Purchased Power)	743	725	2.5%	1,533	1,563	(1.9%)
Earnings Before Financing Charges and Income Taxes (EBIT)						
Transmission	195	172	13.4%	390	385	1.3%
Distribution	108	85	27.1%	264	246	7.3%
Other	(15)	(4)	–	(22)	(5)	–
Consolidated	288	253	13.8%	632	626	1.0%
Capital Investments						
Transmission	238	234	1.7%	473	445	6.3%
Distribution	178	192	(7.3%)	321	324	(0.9%)
Other	1	3	–	2	5	–
Consolidated	417	429	(2.8%)	796	774	2.8%
Net Income¹	152	131	16.0%	360	359	0.3%
Adjusted EPS	\$0.26	\$0.22	16.0%	\$0.61	\$0.60	0.3%
Diluted Adjusted EPS	\$0.25	\$0.22	13.6%	\$0.60	\$0.60	–

Financial Statements reported under U.S. GAAP

(1) Net Income is attributable to common shareholders and is after non-controlling interest and dividends to preferred shareholders



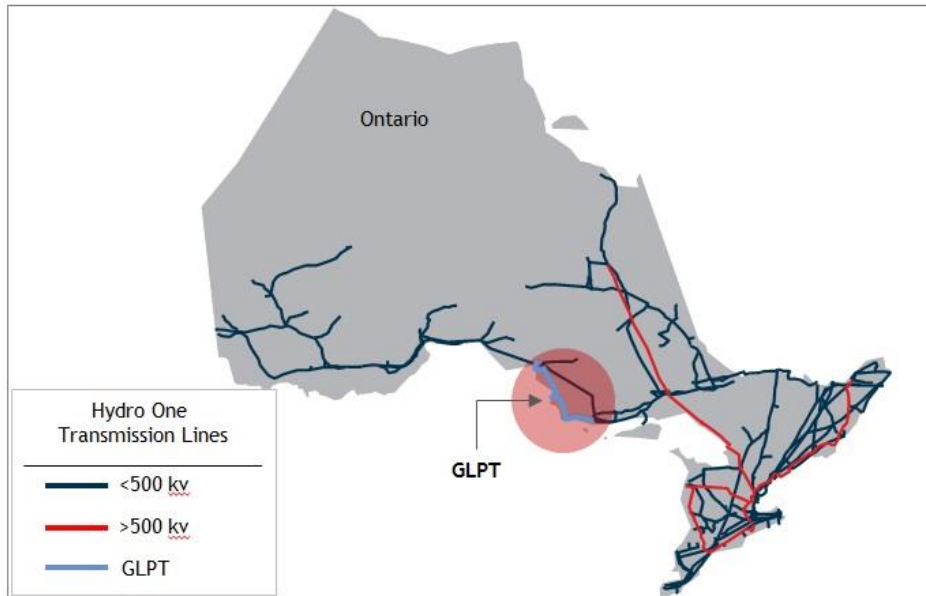
- Capital investment supported by rigorous customer consultations, risk based metrics, total-cost benchmarking and asset condition assessments
- OM&A expected to remain flat despite upward pressure from inflation, a growing rate base, and various compliance obligations



- Deemed debt / equity capital structure of 60% / 40% in both transmission and distribution segments
- Allowed ROE reset annually by a formula linked to long-term government bond yields and corporate bond spreads

Road map for transitions to incentive based regulatory model now set for both Transmission and Distribution segments

GLPT Relative to Hydro One Transmission Operations



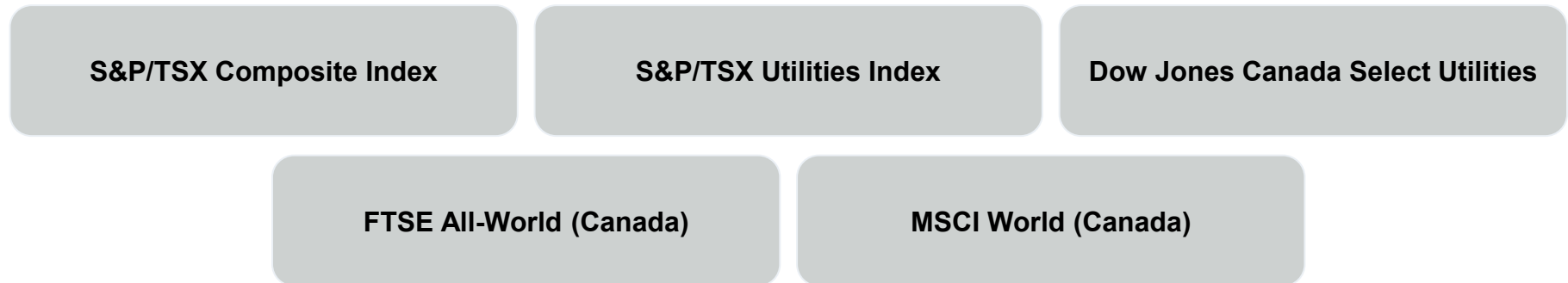
Key Points

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

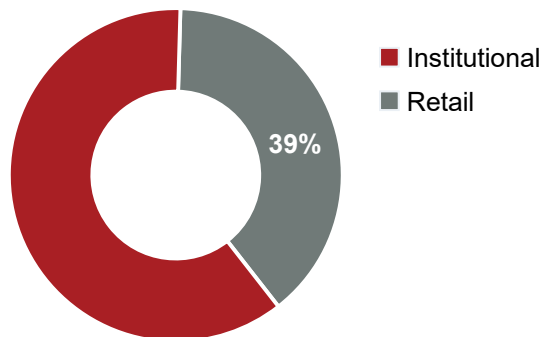
A contiguous and already interconnected strategic transmission asset

Equity Market Cap Overview

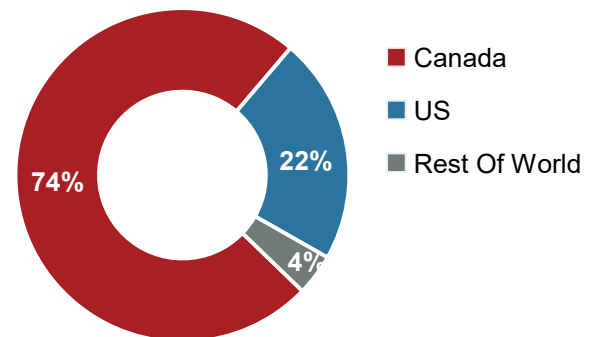
- Equity market capitalization of ~\$15 billion and public float of ~\$4.5 billion
- Average daily trading volume of approximately 1.3 million shares
- Equity market capitalization amongst the top 30 of all listed Canadian companies
- Secondary offerings by Province increase liquidity without diluting public shareholders
- Equity index inclusions to date:



Approximate Ownership of Public Float

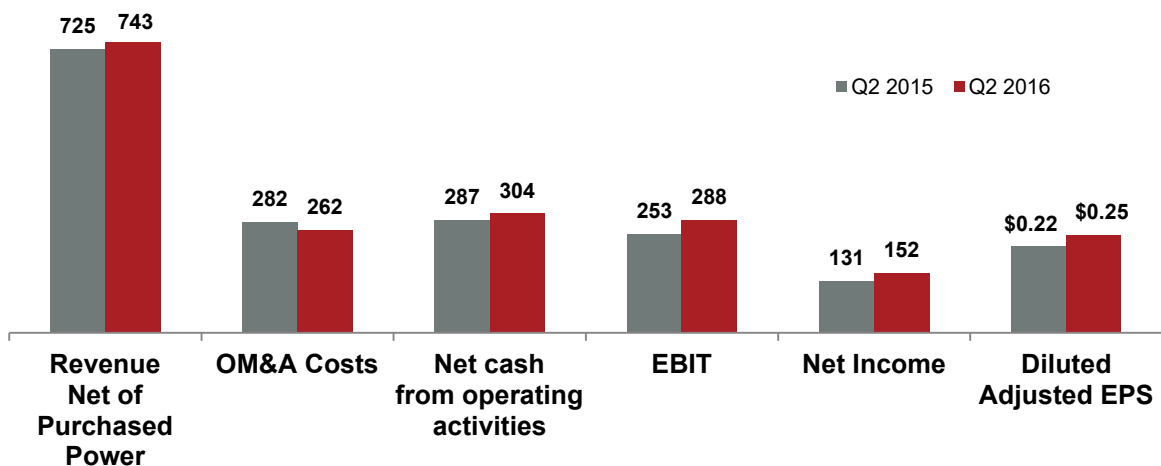


Approximate Geographic Dispersion of Public Float



2016 Second Quarter Financial Highlights

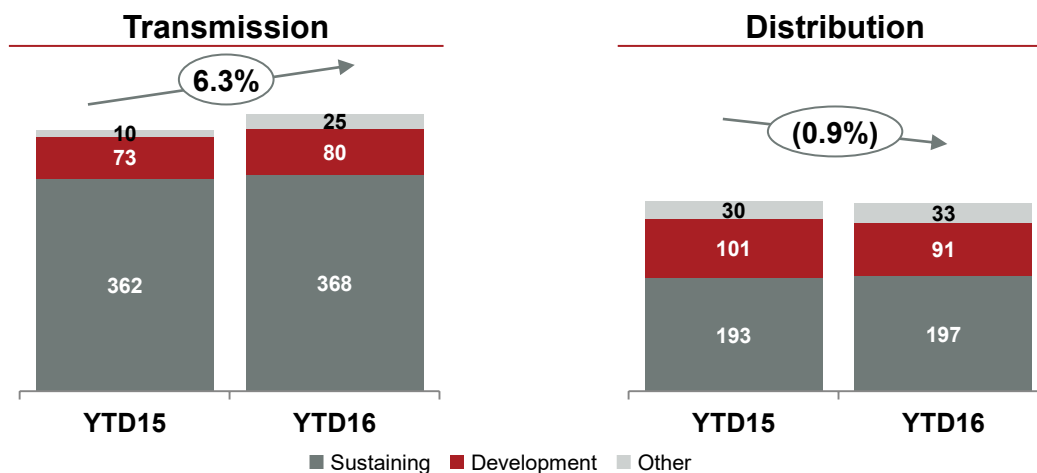
Financial Highlights (\$M) 2Q16 Year over Year Comparison



Key drivers

- Revenue growth driven by Dx rate changes and higher average monthly Tx peak demand, partially offset by lower pension cost deferral
- Operating cost improvements from:
 - Lower bad debt costs
 - Lower outsourcing support related costs
 - Lower transformer refurbishment and station maintenance costs
- Lower pension costs due to actuarial revaluation (offset in Revenue)
- Hydro One Brampton divestiture (rev. net of purchased power: -\$18mn, net income: -\$7mn)
- Higher interest expense on IPO recapitalization

Regulated Capital Investments (\$M) Year to Date Comparison



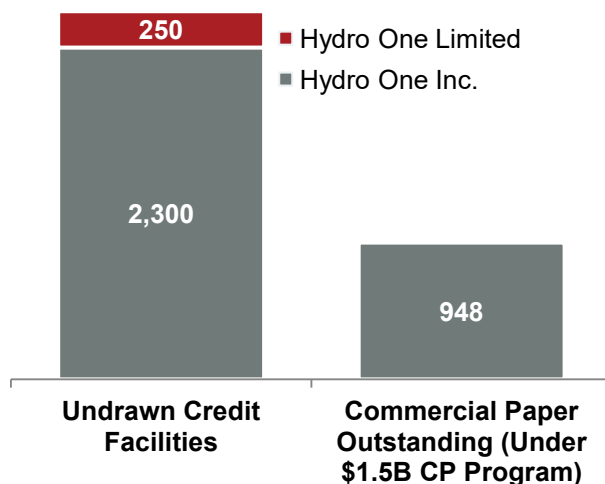
Key drivers

- Capital investment growth in every category of the Tx segment
- Dx segment capital investment up \$17mn YTD adjusting for -\$20mn impact of Hydro One Brampton in 2015
- \$518mn of new regulated assets placed in-service YTD 2016

Revenue, efficiencies and earnings all positive year over year

Strong Balance Sheet and Liquidity

Significant Available Liquidity (\$M)



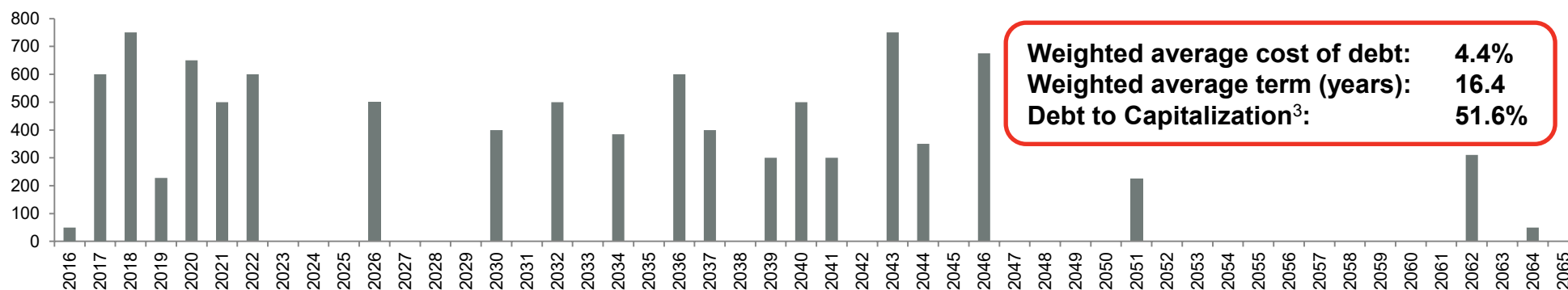
Strong Investment Grade Credit Ratings (LT/ST/Outlook)

Hydro One Inc. (HOI)	
S&P	A / A-1/ stable
DBRS	A (high) / R-1 (low) / stable
Moody's	A3 / Prime-2 / stable

Shelf Registrations

HOL: Universal Shelf ¹ \$8B
HOI: Medium Term Note Shelf ² \$3.5B

Debt Maturity Schedule (\$M)



Investment grade balance sheet with one of lowest debt costs in utility sector

(1) \$1,970 million was drawn from the Universal Shelf during April 2016 with respect to a secondary share offering by the Province, leaving \$6,030 million remaining available until April 2018.

(2) \$1,350 million was drawn from the Medium Term Note Shelf on February 24, 2016, leaving \$2,150 million remaining available until January 2018.

(3) Debt to capitalization ratio has been calculated as total debt (includes total long-term debt and short-term borrowings, net of cash) divided by total debt plus total shareholder's equity, including preferred shares but excluding any amounts related to non-controlling interest.

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