Hydro One Reports First Quarter Results

Hydro One's strong foundation and stable financials enable company to respond to the challenges of COVID-19 while continuing to energize life for Ontarians

TORONTO, May 8, 2020 - Hydro One Limited (Hydro One or the Company) today announced its financial and operating results for the first quarter ended March 31, 2020.

First Quarter Highlights

- First quarter earnings per share (EPS) was $0.38 and adjusted EPS was $0.38, compared to $0.29 and $0.52, respectively, for the same period in 2019.
- Hydro One implemented several safety measures and operational changes to ensure employee and customer safety during the COVID-19 pandemic.
- Hydro One took steps to assist customers affected by COVID-19 including: creating a Pandemic Relief Fund, extending its Winter Relief program, suspending late fees for all customers, and returning approximately $5 million in security deposits to eligible business customers.
- A significant driver of the year-over-year decrease in adjusted quarterly EPS was the retroactive 2018 rate increase recorded in 2019 following the Ontario Energy Board (OEB) decision on the distribution rate application.
- The Company received a regulatory decision regarding its 2020-2022 transmission rate application from the OEB.
- The Company received the approval of the OEB to proceed with the Orillia Power Distribution Corporation and Peterborough Distribution Inc. acquisitions.
- Demonstrating its financial stability and flexibility, Hydro One Inc. successfully issued $1.1 billion of long-term debt at competitive rates.
- Ongoing productivity savings of approximately $45 million represent a 29.9% increase year-over-year compared to the first quarter of 2019.
- Improved reliability in the transmission segment with an approximate 31% reduction in System Average Interruption Duration Index (SAIDI) in comparison to the first quarter of 2019.
- Hydro One and Ontario Power Generation Inc. launched the Ivy Charging Network, a new partnership that will create Ontario's largest and most connected electric vehicle fast-charger network.
- Quarterly dividend declared at $0.2536 per share, payable June 30, 2020.

"Ontarians are counting on us now more than ever as we collectively fight the COVID-19 pandemic. As an essential service, we recognize the critical role we have in energizing life for families, businesses and communities," said Mark Poweska, President and CEO, Hydro One. "Building on our strong foundation, stable financials and focus on operational excellence, we will continue to meet the needs of our customers and communities now and into the future."

Selected Consolidated Financial and Operating Highlights

(amounts throughout in millions of Canadian dollars, except as otherwise noted)	Three months ended March 31 2020	2019
Revenues	$ 1,850	$ 1,759
Purchased power	1,007	807
Revenues, net of purchased power[1]	843	952
Net income (loss) attributable to common shareholders	225	171
Costs related to acquisition of Avista, after tax	—	140
Adjusted net income attributable to common shareholders[1]	225	311
Basic EPS	$0.38	$0.29
Diluted EPS	$0.38	$0.29
Basic Adjusted EPS[1]	$0.38	$0.52
Diluted Adjusted EPS[1]	$0.38	$0.52
Net cash from operating activities	548	118
Capital investments	372	311
Assets placed in-service	225	145
Transmission: Average monthly Ontario 60-minute peak demand (MW)	19,247	20,763
Distribution: Electricity distributed to Hydro One customers (GWh)	7,484	7,738

[1] **Non-GAAP Measures -** Hydro One uses financial measures that do not have a standardized meaning under the United States generally accepted accounting principles (US GAAP) and may not be comparable to similar measures presented by other entities. Hydro One calculated the non-GAAP measures by adjusting certain US GAAP measures for specific items that impact comparability but which the Company does not consider part of normal, ongoing operations. Refer to the Non-GAAP Measures section of the Company's Management's Discussion and Analysis (MD&A) for further discussion of these items.

Key Financial Highlights

2020 First Quarter Highlights

The Company reported net income attributable to common shareholders of $225 million during the quarter, compared to $171 million in the same period of 2019. This resulted in EPS of $0.38 compared to EPS of $0.29 in the prior year, while adjusted EPS was $0.38 for the quarter compared to $0.52 in 2019.

Revenues, net of purchased power, for the first quarter were lower than last year, primarily due to the 2018 catch-up revenues recognized in the first quarter of 2019 following the OEB decision on Hydro One's distribution rate application and lower transmission revenues primarily due to lower average monthly Ontario 60-minute peak demand driven by less favourable weather.

Lower operation, maintenance and administration (OM&A) costs resulted primarily from the 2019 incurrence of the termination fee related to the proposed acquisition of Avista Corporation (Merger), as well as lower asset write-offs and lower corporate support costs, which were partially offset by higher vegetation management expenditures.

Financing charges were lower year over year as a result of Merger-related financing charges incurred in the prior year, partially offset by an increase in interest expense on long-term debt as a result of increased debt levels largely driven by the debt issuances completed in the second quarter of 2019 and first quarter of 2020.

Income tax expense for the first quarter of 2020 was higher than the prior year, primarily due to an income tax recovery in the prior year associated with Merger-related costs and incremental tax deductions associated with the deferred tax asset sharing recognized in 2019. This was partially offset by lower income before taxes, adjusted for costs related to the Merger, and higher net tax deductions primarily related to accelerated tax depreciation.

Hydro One continues to invest in the reliability and performance of Ontario's electricity transmission and distribution systems, address aging power system infrastructure, facilitate connectivity to new load customers and generation sources, and improve service to customers. The Company made capital investments of $372 million during the first quarter of 2020, and placed $225 million of new assets in-service.

COVID-19

As a result of the spread of the novel strain of the coronavirus disease, widely known as COVID-19, Hydro One invoked its business continuity plan towards the end of the quarter and also elected to scale back certain components of the Company's operating and capital programs. During this period, the Company has been guided by the following two priorities: to protect Hydro One's employees and to maintain the safe and reliable supply of electricity to Hydro One's customers.

Furthermore, as part of its commitment to customers, Hydro One implemented a number of measures including (i) launching a Pandemic Relief Fund to assist customers affected, (ii) offering financial assistance and increased payment flexibility to customers, and (iii) extending its Winter Relief program. Hydro One has also temporarily suspended late fees for all customers, returned $5 million in security deposits to over 4,000 eligible business customers and implemented fixed commodity prices for regulated price plan customers paying Time-of-Use prices, as mandated and funded by the Province of Ontario.

As a result of these measures, Hydro One incurred approximately $5 million of OM&A costs directly attributable to measures taken to help flatten the curve. The impact of COVID-19 on the Company's operations for the balance of 2020 will be dependent on a number of factors, including the duration of the pandemic and severity of measures implemented to combat this virus.

Selected Operating Highlights

On April 23, 2020, subsequent to the quarter end, Hydro One received a decision from the OEB on its 2020-2022 Transmission Rate Application. With this decision, both distribution and transmission are under an incentive rate making framework until the end of 2022.

On April 30, 2020, subsequent to the quarter end, the OEB approved the applications for the acquisitions of Ontario-based utilities Orillia Power Distribution Corporation from the City of Orillia, and the business and distribution assets of Peterborough Distribution Inc., from the City of Peterborough.

In February, Hydro One's wholly-owned subsidiary, Hydro One Inc., raised $1.1 billion of Medium Term Notes consisting of $400 million aggregate principal amount of 1.76% Medium Term Notes, Series 45, due 2025, $400 million aggregate principal amount of 2.16% Medium Term Notes, Series 46, due 2030, and $300 million aggregate principal amount of 2.71% Medium Term Notes, Series 47, due 2050. Hydro One Inc. expects to use the net proceeds of this offering to repay maturing long-term and short-term debt and for general corporate purposes.

Continued productivity savings of $45 million in the first quarter of 2020 represent a 29.9% increase year-over-year. Productivity improvements are a result of ongoing work being undertaken in the areas of supply chain optimization, corporate costs reduction, and fleet optimization.

Improved reliability in the transmission segment with an approximate 31% reduction in SAIDI in comparison to the first quarter of 2019. The decrease was due to less interruptions as well as faster restoration time.

Common Share Dividends

Following the conclusion of the first quarter, on May 7, 2020, the Company declared a quarterly cash dividend to common shareholders of $0.2536 per share to be paid on June 30, 2020 to shareholders of record on June 10, 2020.

Supplemental Segment Information

(millions of dollars)	Three months ended March 31 2020	2019
Revenues		
Transmission	400	428
Distribution	1,439	1,321
Other	11	10
Total revenues	**1,850**	**1,759**
Revenues, net of purchased power		
Transmission	400	428
Distribution	432	514
Other	11	10
Total revenues, net of purchased power	**843**	**952**
Operation, maintenance and administration costs		
Transmission	102	99
Distribution	148	146
Other	15	171
Total operation, maintenance and administration costs	**265**	**416**
Income (loss) before financing charges and taxes		
Transmission	186	216
Distribution	186	270
Other	(6)	(162)
Total income before financing charges and taxes	**366**	**324**
Capital investments		
Transmission	236	206
Distribution	135	103
Other	1	2
Total capital investments	**372**	**311**
Assets placed in-service		
Transmission	129	54
Distribution	95	88
Other	1	3
Total assets placed in-service	**225**	**145**

This press release should be read in conjunction with the Company's first quarter 2020 unaudited consolidated financial statements and MD&A. These financial statements and MD&A together with additional information about Hydro One, including the audited consolidated financial statements and MD&A for the year ended December 31, 2019 can be accessed at www.HydroOne.com/Investors and www.sedar.com.

Quarterly Investment Community Teleconference

The Company's first quarter 2020 results teleconference with the investment community will be held on May 8, 2020 at 8 a.m. ET, a webcast of which will be available at www.HydroOne.com/Investors. Members of the financial community wishing to ask questions during the call should dial 1-866-221-1674 prior to the scheduled start time and request access to Hydro One's first quarter 2020 results call, conference ID 1579538 (international callers may dial 1-270-215-9604). Media and other interested parties are welcome to participate on a listen-only basis. A webcast of the teleconference will be available at the same link following the call. Additionally, investors should note that from time to time Hydro One management presents at brokerage sponsored investor conferences. Most often, but not always, these conferences are webcast by the hosting brokerage firm, and when they are webcast, links are made available on Hydro One's website at www.HydroOne.com/Investors and are posted generally at least two days before the conference.

Hydro One Limited (TSX: H)

Hydro One Limited, through its wholly-owned subsidiaries, is Ontario's largest electricity transmission and distribution provider with approximately 1.4 million valued customers, approximately $27.1 billion in assets as at December 31, 2019, and annual revenues in 2019 of approximately $6.5 billion.

Our team of approximately 8,800 skilled and dedicated employees proudly build and maintain a safe and reliable electricity system which is essential to supporting strong and successful communities. In 2019, Hydro One invested approximately $1.7 billion in its transmission and distribution networks and supported the economy through buying approximately $1.5 billion of goods and services.

We are committed to the communities where we live and work through community investment, sustainability and diversity initiatives. We are designated as a Sustainable Electricity Company by the Canadian Electricity Association.

Hydro One Limited's common shares are listed on the TSX and certain of Hydro One Inc.'s medium term notes are listed on the NYSE. Additional information can be accessed at www.hydroone.com; www.sedar.com or www.sec.gov.

For More Information

For more information about everything Hydro One, please visit www.hydroone.com where you can find additional information including links to securities filings, historical financial reports, and information about the Company's governance practices, corporate social responsibility, customer solutions, and further information about its business.

Forward-Looking Statements and Information

This press release may contain "forward-looking information" within the meaning of applicable securities laws. Such information includes, but is not limited to, statements related to: the impact of COVID-19 on the Company's business, operations and service; the Company's priorities in its response to COVID-19; the Company's transmission and distribution rate applications, including resulting decisions, rates and expected impacts and timing; productivity improvements; Ivy Charging Network; operational excellence; reliability and performance; ongoing and planned investments, projects and initiatives; connections; meeting customer needs and customer service; expectations regarding the Company's financing activities; and dividends. Words such as "expect," "anticipate," "intend," "attempt," "may," "plan," "will", "can", "believe," "seek," "estimate," and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance or actions and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking information. Some of the factors that could cause actual results or outcomes to differ materially from the results expressed, implied or forecasted by such forward-looking information, including some of the assumptions used in making such statements, are discussed more fully in Hydro One's filings with the securities regulatory authorities in Canada, which are available on SEDAR at www.sedar.com. Hydro One does not intend, and it disclaims any obligation, to update any forward-looking information, except as required by law.

For further information, please contact:

Investors:
Omar Javed
Vice President, Investor Relations
investor.relations@hydroone.com
416-345-5943

Media:
Jay Armitage
Vice President, Communications and Marketing
media.relations@hydroone.com
416-345-6868

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations should be read together with the condensed interim unaudited consolidated financial statements and accompanying notes thereto (Consolidated Financial Statements) of Hydro One Limited (Hydro One or the Company) for the three months ended March 31, 2020, as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2019. The Consolidated Financial Statements have been prepared in accordance with United States (US) Generally Accepted Accounting Principles (GAAP). All financial information in this MD&A is presented in Canadian dollars, unless otherwise indicated.

The Company has prepared this MD&A in accordance with National Instrument 51-102 - Continuous Disclosure Obligations of the Canadian Securities Administrators. Under the US/Canada Multijurisdictional Disclosure System, the Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canadian securities laws and regulations, which can vary from those of the US. This MD&A provides information as at and for the three months ended March 31, 2020, based on information available to management as of May 7, 2020.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

Three months ended March 31 *(millions of dollars, except as otherwise noted)*	2020	2019	Change
Revenues	1,850	1,759	5.2%
Purchased power	1,007	807	24.8%
Revenues, net of purchased power[1]	843	952	(11.4%)
Operation, maintenance and administration (OM&A) costs	265	416	(36.3%)
Depreciation, amortization and asset removal costs	212	212	0.0%
Financing charges	119	163	(27.0%)
Income tax expense (recovery)	15	(16)	(193.8%)
Net income to common shareholders of Hydro One	**225**	**171**	**31.6%**
Adjusted net income to common shareholders of Hydro One[1]	**225**	**311**	**(27.7%)**
Basic earnings per common share (EPS)	$0.38	$0.29	31.0%
Diluted EPS	$0.38	$0.29	31.0%
Basic adjusted non-GAAP EPS (Adjusted EPS)[1]	$0.38	$0.52	(26.9%)
Diluted Adjusted EPS[1]	$0.38	$0.52	(26.9%)
Net cash from operating activities	548	118	364.4%
Funds from operations (FFO)[1]	479	224	113.8%
Capital investments	372	311	19.6%
Assets placed in-service	225	145	55.2%
Transmission: Average monthly Ontario 60-minute peak demand *(MW)*	19,247	20,763	(7.3%)
Distribution: Electricity distributed to Hydro One customers *(GWh)*	7,484	7,738	(3.3%)

As at	March 31, 2020	December 31, 2019
Debt to capitalization ratio[2]	56.0%	56.3%

[1] See section "Non-GAAP Measures" for description and reconciliation of adjusted net income, basic and diluted Adjusted EPS, FFO and revenues, net of purchased power.

[2] Debt to capitalization ratio is a non-GAAP measure and has been calculated as total debt (including total long-term debt, convertible debentures and short-term borrowings, net of cash and cash equivalents) divided by total debt plus total shareholders' equity, including preferred shares but excluding any amounts related to noncontrolling interest. Management believes that the debt to capitalization ratio is helpful as a measure of the proportion of debt in the Company's capital structure.

OVERVIEW

The Company's transmission business consists of the transmission system operated by subsidiaries of Hydro One Inc. (a wholly-owned subsidiary of the Company), Hydro One Networks Inc. (Hydro One Networks) and Hydro One Sault Ste. Marie LP (HOSSM), as well as an approximately 66% interest in B2M Limited Partnership (B2M LP), a limited partnership between Hydro One and the Saugeen Ojibway Nation (SON), and an approximately 55% interest in Niagara Reinforcement Limited Partnership (NRLP), a limited partnership between Hydro One and Six Nations of the Grand River Development Corporation and the Mississaugas of the Credit First Nation (collectively, the First Nations Partners). Hydro One's distribution business consists of the distribution system operated by Hydro One Inc.'s subsidiaries, Hydro One Networks and Hydro One Remote Communities Inc. (Hydro One Remote Communities). The other segment consists principally of Hydro One's telecommunications business, which provides telecommunications support for the Company's transmission and distribution businesses, as well as certain corporate activities, and is not rate-regulated.

For the three months ended March 31, 2020 and 2019, Hydro One's segments accounted for the Company's total revenues, net of purchased power, as follows:

Three months ended March 31	2020	2019
Transmission	48%	45%
Distribution	51%	54%
Other	1%	1%

As at March 31, 2020 and December 31, 2019, Hydro One's segments accounted for the Company's total assets as follows:

As at	March 31, 2020	December 31, 2019
Transmission	54%	56%
Distribution	36%	37%
Other	10%	7%

RESULTS OF OPERATIONS

Net Income

Net income attributable to common shareholders for the quarter ended March 31, 2020 of $225 million is an increase of $54 million or 31.6% from the prior year. Significant influences on the year over year change in earnings included:

- lower revenues, net of purchased power, primarily resulting from:
  - lower distribution revenues resulting from the 2018 catch-up revenues recognized in the first quarter of 2019 following the Ontario Energy Board (OEB) decision; and
  - lower transmission revenues primarily due to lower average monthly Ontario 60-minute peak demand driven by less favourable weather.
- lower OM&A costs primarily resulting from:
  - the incurrence of the termination fee related to the proposed acquisition of Avista Corporation (Merger) in 2019;
  - the write-off of the Lake Superior Link project in 2019; and
  - lower corporate support costs; partially offset by
  - higher vegetation management expenditures.
- lower financing charges as a result of Merger-related financing charges incurred in the prior year; partially offset by higher interest expense on long-term debt as a result of increased debt levels due to the debt issuances completed in the second quarter of 2019 and first quarter of 2020; and
- higher income tax expense primarily attributable to:
  - income tax recovery in the prior year associated with Merger-related costs; and
  - incremental tax deductions associated with the deferred tax asset sharing in the first quarter of 2019; partially offset by
  - lower income before taxes, adjusted for costs related to the Merger; and
  - higher net tax deductions primarily related to accelerated tax depreciation (Accelerated CCA).

Also included in the Company's results for the quarter ended March 31, 2020 are costs associated with the stand down of temporary work force related to the deferral of work programs and purchase of additional facility related and cleaning supplies as a result of the COVID-19 pandemic. For additional disclosure related to the impact of COVID-19 on the Company's operations for the quarter, please see section "Other Developments - COVID-19".

EPS and Adjusted EPS

EPS was $0.38 for the three months ended March 31, 2020, compared to $0.29 in the comparable period last year. The increase in EPS was primarily driven by one-time items recorded in 2019, primarily the Merger termination costs, partially offset by lower distribution revenues due to the 2018 catch-up revenues recognized in the first quarter of 2019. Adjusted EPS, which adjusts for income and costs related to the Merger, was $0.38 in three months ended March 31, 2020, compared to $0.52 in the comparable period last year. The decrease in Adjusted EPS was primarily driven by lower distribution revenues as noted above. See section "Non-GAAP Measures" for description and reconciliation of Adjusted EPS.

Revenues

Three months ended March 31 *(millions of dollars, except as otherwise noted)*	2020	2019	Change
Transmission	400	428	(6.5%)
Distribution	1,439	1,321	8.9%
Other	11	10	10.0%
Total revenues	1,850	1,759	5.2%
Transmission	400	428	(6.5%)
Distribution, net of purchased power[1]	432	514	(16.0%)
Other	11	10	10.0%
Total revenues, net of purchased power[1]	843	952	(11.4%)
Transmission: Average monthly Ontario 60-minute peak demand *(MW)*	19,247	20,763	(7.3%)
Distribution: Electricity distributed to Hydro One customers *(GWh)*	7,484	7,738	(3.3%)

[1] See section "Non-GAAP Measures" for description and reconciliation of distribution revenues, net of purchased power, and revenues, net of purchased power.

Transmission Revenues

Transmission revenues decreased by 6.5% during the quarter ended March 31, 2020, primarily due to:

- lower transmission revenues primarily due to lower average monthly Ontario 60-minute peak demand driven by less favourable weather; and
- deferred tax regulatory adjustment related to Accelerated CCA, which will flow through to customers and is offset by lower tax expense, with no impact on regulated return-on-equity (ROE).

Distribution Revenues, Net of Purchased Power

Distribution revenues, net of purchased power, decreased by 16.0% during the quarter ended March 31, 2020 primarily due to:

- lower distribution revenues due to the 2018 catch-up revenues recognized in the first quarter of 2019 following the OEB decision; and
- deferred tax regulatory adjustment related to Accelerated CCA, which will flow through to customers and is offset by lower tax expense, with no impact on regulated ROE; partially offset by
- higher distribution revenues due to a higher residential customer count in 2020; and
- higher revenues resulting from the OEB's decision on the 2020 distribution rates.

OM&A Costs

Three months ended March 31 *(millions of dollars)*	2020	2019	Change
Transmission	102	99	3.0%
Distribution	148	146	1.4%
Other	15	171	(91.2%)
	265	416	(36.3%)

Transmission OM&A Costs

The increase of 3.0% in transmission OM&A costs for the quarter ended March 31, 2020 was primarily due to:

- costs associated with temporary stand down of the Company's casual work force and purchase of additional facility related and cleaning supplies as a result of the COVID-19 pandemic; partially offset by
- lower corporate support costs.

Distribution OM&A Costs

The increase of 1.4% in distribution OM&A costs for the quarter ended March 31, 2020 was primarily due to:

- higher vegetation management expenditures; and
- costs associated with temporary stand down of the Company's casual work force and purchase of additional facility related and cleaning supplies as a result of the COVID-19 pandemic; partially offset by
- lower corporate support costs.

Other OM&A Costs

The decrease in other OM&A costs for the quarter ended March 31, 2020 was primarily due to the payment of the Merger termination fee and the Lake Superior Link project write-off in the first quarter of 2019, as well as lower corporate support costs in the first quarter of 2020.

Financing Charges

The decrease of $44 million or 27.0% in financing charges for the quarter ended March 31, 2020 was primarily due to:

- financing costs related to the Merger incurred in the first quarter of 2019; partially offset by
- higher interest expense on long-term debt as a result of increased debt levels largely driven by the debt issuances completed in the second quarter of 2019 and first quarter of 2020.

Income Tax Expense

Income tax expense was $15 million for the three months ended March 31, 2020, compared to an income tax recovery of $16 million for the comparable period last year.

As prescribed by the regulators, the Company recovers income taxes and is required to accrue its tax expense based on the tax liability determined without accounting for temporary differences recoverable from or refundable to customers in the future.

The increase in income tax expense for the three months ended March 31, 2020 was primarily attributable to the following:

- income tax recovery in the prior year associated with Merger-related costs; and
- incremental tax deductions associated with the deferred tax asset sharing in the first quarter of 2019; partially offset by
- lower income before taxes, adjusted for costs related to the Merger; and
- higher net tax deductions primarily related to Accelerated CCA.

The Company realized an effective tax rate for the three months ended March 31, 2020 of approximately 6.1%, compared to approximately (9.9)% realized in the same period last year.

Common Share Dividends

In 2020, the Company declared and paid cash dividends to common shareholders as follows:

Date Declared	Record Date	Payment Date	Amount per Share	Total Amount *(millions of dollars)*
February 11, 2020	March 11, 2020	March 31, 2020	$0.2415	144

Following the conclusion of the first quarter of 2020, the Company declared a cash dividend to common shareholders as follows:

Date Declared	Record Date	Payment Date	Amount per Share	Total Amount *(millions of dollars)*
May 7, 2020	June 10, 2020	June 30, 2020	$0.2536	152

QUARTERLY RESULTS OF OPERATIONS

Quarter ended *(millions of dollars, except EPS)*	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Revenues	1,850	1,715	1,593	1,413	1,759	1,491	1,606	1,477
Purchased power	1,007	914	737	653	807	741	733	674
Revenues, net of purchased power[1]	843	801	856	760	952	750	873	803
Net income (loss) to common shareholders	225	211	241	155	171	(705)	194	200
Adjusted net income to common shareholders[1]	225	211	241	155	311	176	227	194
Basic EPS	$0.38	$0.35	$0.40	$0.26	$0.29	($1.18)	$0.33	$0.34
Diluted EPS	$0.38	$0.35	$0.40	$0.26	$0.29	($1.18)	$0.32	$0.33
Basic Adjusted EPS[1]	$0.38	$0.35	$0.40	$0.26	$0.52	$0.30	$0.38	$0.33
Diluted Adjusted EPS[1]	$0.38	$0.35	$0.40	$0.26	$0.52	$0.29	$0.38	$0.32

[1] See section "Non-GAAP Measures" for description of revenues, net of purchased power, adjusted net income and Adjusted EPS.

Variations in revenues and net income over the quarters are primarily due to the impact of seasonal weather conditions on customer demand and market pricing, as well as timing of regulatory decisions.

CAPITAL INVESTMENTS

The Company makes capital investments to maintain the safety, reliability and integrity of its transmission and distribution system assets and to provide for the ongoing growth and modernization required to meet the expanding and evolving needs of its customers and the electricity market. 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 transmission stations.

Assets Placed In-Service

The following table presents Hydro One's assets placed in-service during the three months ended March 31, 2020 and 2019:

Three months ended March 31 *(millions of dollars)*	2020	2019	Change
Transmission	129	54	138.9%
Distribution	95	88	8.0%
Other	1	3	(66.7%)
Total assets placed in-service	225	145	55.2%

Transmission Assets Placed In-Service

Transmission assets placed in-service increased by $75 million or 138.9% during the first quarter of 2020 primarily due to the following assets placed in-service:

- the high voltage underground cable replacement work from Leaside transmission station to Main transmission station;
- station refurbishment work at the Elgin transmission station; and
- the Kapuskasing area reinforcement project.

Distribution Assets Placed In-Service

Distribution assets placed in-service increased by $7 million or 8.0% during the first quarter of 2020 primarily due to higher volume of new customer connections.

Capital Investments

The following table presents Hydro One's capital investments during the three months ended March 31, 2020 and 2019:

Three months ended March 31 *(millions of dollars)*	2020	2019	Change
Transmission			
Sustaining	177	174	1.7%
Development	47	19	147.4%
Other	12	13	(7.7%)
	236	206	14.6%
Distribution			
Sustaining	66	46	43.5%
Development	60	44	36.4%
Other	9	13	(30.8%)
	135	103	31.1%
Other	1	2	(50.0%)
Total capital investments	372	311	19.6%

Transmission Capital Investments

Transmission capital investments increased by $30 million or 14.6% during the first quarter of 2020. Principal impacts on the levels of capital investments included:

- higher investments in multi-year development projects, including the East-West Tie Station Expansion project; and
- higher volume of station refurbishments and replacements; partially offset by
- lower volume of overhead line refurbishments and replacements.

Distribution Capital Investments

Distribution capital investments increased by $32 million or 31.1% during the first quarter of 2020. Principal impacts on the levels of capital investments included:

- higher investments in system capability reinforcement projects due to investments in distribution system connections and in distribution modernization initiatives;
- higher volume of new customer connections;
- investment in the Customer Contact Centre Technology Modernization project;
- higher volume of wood pole replacements; and
- higher volume of storm-related asset replacements and emergency power restoration work.

Major Transmission Capital Investment Projects

The following table summarizes the status of significant transmission projects as at March 31, 2020:

Project Name	Location	Type	Anticipated In-Service Date	Estimated Cost	Capital Cost To Date
			(year)	*(millions of dollars)*	
Development Projects:					
Wataynikaneyap Power LP Line Connection	Pickle Lake Northwestern Ontario	New stations and transmission connection	2021	24	1
East-West Tie Station Expansion	Northern Ontario	New transmission connection and station expansion	2022[1]	157	83
Waasigan Transmission Line	Thunder Bay-Atikokan-Dryden Northwestern Ontario	New transmission line	2024	69[2]	3
Leamington Area Transmission Reinforcement[3]	Leamington Southwestern Ontario	New transmission line and stations	2026[3]	325[3]	4
Sustainment Projects:					
Richview Transmission Station Circuit Breaker Replacement	Toronto Southwestern Ontario	Station sustainment	2021	115	112
Bruce A Transmission Station	Tiverton Southwestern Ontario	Station sustainment	2021	147	136
Beck #2 Transmission Station Circuit Breaker Replacement	Niagara area Southwestern Ontario	Station sustainment	2023	135	80
Bruce B Switching Station Circuit Breaker Replacement	Tiverton Southwestern Ontario	Station sustainment	2024	147	4
Lennox Transmission Station Circuit Breaker Replacement	Napanee Southeastern Ontario	Station sustainment	2024	121	83
Middleport Transmission Station Circuit Breaker Replacement	Middleport Southwestern Ontario	Station sustainment	2025	116	47

[1] The majority of the East-West Tie Station Expansion project is expected to be placed in-service in 2021, enabling the connection and energization of the new East-West Tie transmission line. Additional work to complete the upgrades is expected to be placed in-service in 2022.
[2] The costs of the Waasigan Transmission Line project relate to the development phase.
[3] The Leamington Area Transmission Reinforcement project consists of the construction of a new double-circuit line between Chatham and Leamington and associated transmission stations and connections. The project is currently in the development stage. The anticipated in-service dates for the line and stations are between 2020 and 2026, and the total estimated cost is in the range of $290 million to $325 million.

Future Capital Investments

The Company estimates future capital investments based on management's expectations of the amount of capital expenditures that will be required to provide transmission and distribution services that are efficient, reliable, and provide value for customers, consistent with the OEB's Renewed Regulatory Framework. As a result of the COVID-19 pandemic, in the latter part of March 2020 the Company prioritized essential and high priority work and temporarily deferred other projects to ensure the safety of its field staff. A thorough review of work practices is being conducted to mitigate the potential impact of COVID-19 on the Company's capital program in 2020. It is currently difficult to estimate the impact of COVID-19 on the Company's work programs, as this will be dependent on the duration of the pandemic and mitigating measures that have been in place across the province of Ontario. See section "Other Developments - COVID-19" for additional information about the impacts of COVID-19 on Hydro One's operations during the quarter.

On April 23, 2020, the OEB issued its decision on Hydro One Network's 2020-2022 rate application, which included approved capital expenditures that were approximately $400 million lower than the envelope requested. The Company is currently assessing the impact of this decision on its future capital investments over the 2020-2022 period and expects to provide an update in its second quarter MD&A following the submission and approval of its draft rate order. See section "Regulation" for further details on the OEB's decision.

SUMMARY OF SOURCES AND USES OF CASH

Hydro One's primary sources of cash flows are funds generated from operations, capital market debt issuances and bank credit facilities that are used to satisfy Hydro One's capital resource requirements, including the Company's capital expenditures, servicing and repayment of debt, and dividend payments.

Three months ended March 31 *(millions of dollars)*	2020	2019
Cash provided by operating activities	548	118
Cash provided by (used in) financing activities	829	(289)
Cash used in investing activities	(365)	(308)
Increase (decrease) in cash and cash equivalents	1,012	(479)

Cash provided by operating activities

Cash from operating activities for the first quarter of 2020 increased by $430 million compared to the first quarter of 2019. The increase was impacted by various factors, including the following:

- increases in the retail settlement variance accounts in the first quarter of 2020 compared to increases in net regulatory variance and deferral accounts balances arising from the OEB's decision on Hydro One Networks' 2018-2022 distribution rates in the first quarter of 2019;
- higher payments received from the Independent Electricity System Operator (IESO) during the first quarter of 2020 associated with unbilled Fair Hydro Plan credits as a result of a change in the settlement process with the IESO effective February 2020;
- higher earnings in the first quarter of 2020, primarily driven by the Merger-related expenditures incurred in the prior year; and
- changes in accounts payable balances related to non-energy accruals.

Cash provided by (used in) financing activities

Sources of cash

- The Company issued $1,100 million of long-term debt in the three months ended March 31, 2020, compared to no long-term debt issued in the same period last year.
- The Company received proceeds of $1,285 million from the issuance of short-term notes in the first quarter of 2020, compared to $2,110 million received in the same period last year.

Uses of cash

- The Company repaid $1,415 million of short-term notes in the first quarter of 2020, compared to $1,512 million repaid in the first quarter of 2019.
- The Company did not repay any long-term debt in the three months ended March 31, 2020, compared to $228 million repaid in the same period in 2019.
- In the first quarter of 2019, the Company redeemed $513 million convertible debentures.
- Dividends paid in the first quarter of 2020 were $149 million, consisting of $144 million of common share dividends and $5 million of preferred share dividends, compared to dividends of $142 million paid in the first quarter of 2019, consisting of $137 million of common share dividends and $5 million of preferred share dividends.

Cash used in investing activities

Capital expenditures were $57 million higher in the first quarter of 2020. Please see section "Capital Investments" for comparability of capital investments made by the Company during the first quarter of 2020 compared to prior year.

LIQUIDITY AND FINANCING STRATEGY

Short-term liquidity is provided through FFO, Hydro One Inc.'s commercial paper program, and the Company's consolidated bank credit facilities. Under the commercial paper program, Hydro One Inc. is authorized to issue up to $2,300 million in short-term notes with a term to maturity of up to 365 days.

At March 31, 2020, Hydro One Inc. had $1,013 million in commercial paper borrowings outstanding, compared to $1,143 million outstanding at December 31, 2019. The interest rates on the commercial paper borrowings outstanding at March 31, 2020 ranged from 1.2% to 1.9%. In addition, the Company has revolving bank credit facilities (Operating Credit Facilities) with total availability of $2,550 million. At March 31, 2020 and December 31, 2019, no amounts were drawn on the Operating Credit Facilities. The Company may use the Operating Credit Facilities for working capital and general corporate purposes. The short-term liquidity under the commercial paper program, the Operating Credit Facilities, available cash on hand, and anticipated levels of FFO are expected to be sufficient to fund the Company's operating requirements and debt maturities in 2020. The Company's currently available liquidity is also expected to be sufficient to address any reasonably foreseeable impacts that the COVID-19 pandemic may have on the Company's cash requirements in 2020. See section "Other Developments - COVID-19" for additional information of the impact of COVID-19 on the Company's operations.

At March 31, 2020, the Company had long-term debt outstanding in the principal amount of $12,586 million, which included $12,445 million of long-term debt issued by Hydro One Inc. and long-term debt in the principal amount of $141 million issued by HOSSM. The majority of long-term debt issued by Hydro One Inc. has been issued under its Medium Term Note (MTN) Program. The long-term debt consists of notes and debentures that mature between 2020 and 2064, and at March 31, 2020, had a weighted-average term to maturity of approximately 15.3 years and a weighted-average coupon rate of 4.0%. The maximum authorized principal amount of notes issuable under the MTN Program prospectus filed in March 2018 was $4.0 billion. At March 31, 2020, no amounts remained available for issuance under this MTN Program prospectus. A new MTN Program prospectus was filed in April 2020, which has a maximum authorized principal amount of notes issuable of $4.0 billion, expiring in May 2022.

On June 18, 2018, Hydro One filed a short form base shelf prospectus (Universal Base Shelf Prospectus) with securities regulatory authorities in Canada. The Universal Base Shelf Prospectus allows Hydro One to offer, from time to time in one or more public offerings, up to $4.0 billion of debt, equity or other securities, or any combination thereof, during the 25-month period ending on July 18, 2020. On November 23, 2018, Hydro One Holdings Limited (HOHL), an indirect wholly-owned subsidiary of Hydro One, filed a short form base shelf prospectus (US Debt Shelf Prospectus) with securities regulatory authorities in Canada and the US for the purpose of, but not limited to, funding a portion of the cash purchase price of the Merger. The US Debt Shelf Prospectus allows HOHL to offer, from time to time in one or more public offerings, up to US$3.0 billion of debt securities, unconditionally guaranteed by Hydro One, during the 25-month period ending on December 23, 2020. At March 31, 2020, no securities have been issued under the Universal Base Shelf Prospectus or the US Debt Shelf Prospectus.

Compliance

At March 31, 2020, the Company was in compliance with all financial covenants and limitations associated with the outstanding borrowings and credit facilities.

OTHER OBLIGATIONS

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Summary of Contractual Obligations and Other Commercial Commitments

The following table presents a summary of Hydro One's debt and other major contractual obligations and commercial commitments:

As at March 31, 2020 *(millions of dollars)*	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual obligations *(due by year)*					
Long-term debt - principal repayments	12,586	1,153	907	1,231	9,295
Long-term debt - interest payments	8,528	497	925	880	6,226
Short-term notes payable	1,013	1,013	—	—	—
Pension contributions[1]	307	67	128	112	—
Environmental and asset retirement obligations	162	31	59	33	39
Outsourcing and other agreements	204	147	27	17	13
Lease obligations	89	12	24	20	33
Long-term software/meter agreement	25	19	3	3	—
Total contractual obligations	22,914	2,939	2,073	2,296	15,606
Other commercial commitments *(by year of expiry)*					
Operating Credit Facilities	2,550	—	—	2,550	—
Letters of credit[2]	192	192	—	—	—
Guarantees[3]	332	332	—	—	—
Total other commercial commitments	3,074	524	—	2,550	—

[1] Contributions to the Hydro One Pension Fund are generally made one month in arrears. Company and employee contributions to the pension plan are based on actuarial reports, including valuations performed at least every three years, and actual or projected levels of pensionable earnings, as applicable. The most recent actuarial valuation was performed effective December 31, 2018 and filed on September 30, 2019.

[2] Letters of credit consist of $179 million in letters of credit related to retirement compensation arrangements, $4 million in letters of credit to satisfy debt service reserve requirements, a $6 million letter of credit provided to the IESO for prudential support, and $3 million in letters of credit for various operating purposes.

[3] Guarantees consist of $325 million prudential support provided to the IESO by Hydro One Inc. on behalf of its subsidiaries, and guarantees totalling $7 million provided by Hydro One to the Minister of Natural Resources relating to Ontario Charging Network LP (OCN LP) (OCN Guarantee). Ontario Power Generation Inc. (OPG) has provided a $2.5 million guarantee to Hydro One related to the OCN Guarantee.

SHARE CAPITAL

The common shares of Hydro One are publicly traded on the Toronto Stock Exchange (TSX) under the trading symbol "H". Hydro One is authorized to issue an unlimited number of common shares. The amount and timing of any dividends payable by Hydro One is at the discretion of the Hydro One Board of Directors (Board) and is established on the basis of Hydro One's results of operations, maintenance of its deemed regulatory capital structure, financial condition, cash requirements, the satisfaction of solvency tests imposed by corporate laws for the declaration and payment of dividends and other factors that the Board may consider relevant. At May 7, 2020, Hydro One had 597,550,989 issued and outstanding common shares.

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. The Company has two series of preferred shares authorized for issuance: the Series 1 preferred shares and Series 2 preferred shares. At May 7, 2020, the Company had 16,720,000 Series 1 preferred shares and no Series 2 preferred shares issued and outstanding.

The number of additional common shares of Hydro One that would be issued if all outstanding awards under the share grant plans and the Long-term Incentive Plan (LTIP) were vested and exercised as at May 7, 2020 was 3,623,421.

REGULATION

The OEB approves both the revenue requirements and the rates charged by Hydro One's regulated transmission and distribution businesses. The rates are designed to permit the Company's transmission and distribution businesses to recover the allowed costs and to earn a formula-based annual rate of return on its deemed 40% equity level invested in the regulated businesses. This is done by applying a specified equity risk premium to forecasted interest rates on long-term bonds. In addition, the OEB approves rate riders to allow for the recovery or disposition of specific regulatory deferral and variance accounts over specified time frames.

The following table summarizes the status of Hydro One's major regulatory proceedings with the OEB:

Application	Years	Type	Status
Electricity Rates			
Hydro One Networks	2020-2022	Transmission – Custom	OEB decision received
Hydro One Networks	2018-2022	Distribution – Custom	OEB decision received
B2M LP	2020-2024	Transmission – Revenue Cap	OEB decision received
HOSSM	2017-2026	Transmission – Revenue Cap	OEB decision received
NRLP	2020-2024	Transmission – Revenue Cap	OEB decision received
Mergers Acquisitions Amalgamations and Divestitures (MAAD)			
Orillia Power	n/a	Acquisition	OEB decision received
Peterborough Distribution	n/a	Acquisition	OEB decision received

The following table summarizes the key elements and status of Hydro One's electricity rate applications:

Application	Year	ROE Allowed (A) or Forecast (F)	Rate Base Allowed (A) or Forecast (F)	Rate Application Status	Rate Order Status
Transmission					
Hydro One Networks	2020	8.52% (F)	$12,375 million[1] (F)	Approved in April 2020	To be filed
	2021	8.52% (F)	$13,093 million[1] (F)	Approved in April 2020	To be filed
	2022	8.52% (F)	$13,917 million[1] (F)	Approved in April 2020	To be filed
B2M LP	2020-2024	8.52% (F)	$490 million (F)	Approved in January 2020	Approved in February 2020
HOSSM	2017-2026	9.19% (A)	$218 million (A)	Approved in October 2016	Approved in December 2019[2]
NRLP	2020-2024	8.52% (F)	$120 million (F)	Approved in April 2020	Filed in April 2020
Distribution					
Hydro One Networks	2020	9.00% (A)	$8,175 million (F)	Approved in March 2019	Approved in December 2019
	2021	9.00% (A)	$8,517 million (F)	Approved in March 2019	To be filed in 2020
	2022	9.00% (A)	$8,813 million (F)	Approved in March 2019	To be filed in 2021

[1] In June 2019, Hydro One Networks filed updates to the application reflecting recent financial results and other adjustments. In accordance with the 2020-2022 transmission decision received in April 2020, which included approved capital expenditures that were approximately $400 million lower than the envelope requested, the Company intends to file, by May 28, 2020, its draft rate order reflecting updated rate bases for years 2020 to 2022 for the OEB's approval. Rate base amounts are subject to finalization per OEB's approval of the rate order.

[2] In October 2016, the OEB approved the 2017-2026 revenue requirements. In December 2019, the OEB issued a decision on HOSSM's request for transmission revenue requirement for 2020.

Electricity Rates Applications

Hydro One Networks - Transmission

On September 28, 2017, the OEB issued its decision and order on Hydro One Networks' 2017 and 2018 transmission revenue requirements (Original Decision), with 2017 rates effective January 1, 2017.

In its Original Decision, the OEB concluded that the net deferred tax asset resulting from Hydro One's transition from the payments in lieu of tax regime under the *Electricity Act, 1998* (Ontario) to tax payments under the federal and provincial tax regime should not accrue entirely to Hydro One shareholders and that a portion should be shared with ratepayers. On November 9, 2017, the OEB issued a decision and order that calculated the portion of the tax savings that should be shared with ratepayers. The OEB's calculation would result in an impairment of a portion of both Hydro One Networks' transmission and distribution deferred income tax regulatory asset. In October 2017, the Company filed a motion to review and vary (Motion) the Original Decision and filed an appeal with the Ontario Divisional Court (Appeal). In both cases, the Company's position was that the OEB made errors of fact and law in its determination of allocation of the tax savings between the shareholders and ratepayers. On December 19, 2017, the OEB granted a hearing of the merits of the Motion which was held on February 12, 2018. On August 31, 2018, the OEB granted the Motion and returned the portion of the Original Decision relating to the deferred tax asset to an OEB panel for reconsideration.

On March 7, 2019, the OEB issued its reconsideration decision (DTA Decision) and concluded that their Original Decision was reasonable and should be upheld. Also, on March 7, 2019, the OEB issued its decision for Hydro One Networks' 2018-2022 distribution rates, in which it directed the Company to apply the Original Decision to Hydro One Networks' distribution rates. As a result, as at December 31, 2018, the Company recognized an impairment charge of Hydro One Networks' distribution deferred income tax regulatory asset of $474 million and Hydro One Networks' transmission deferred income tax regulatory asset of $558 million, an increase in deferred income tax regulatory liability of $81 million, and a decrease in the foregone revenue deferral regulatory asset of $68 million. After recognition of the related $314 million deferred tax asset, the Company recorded an $867 million one-time decrease in net income as a reversal of revenues of $68 million, and charge to deferred tax expense of $799 million, which is expected to result in an annual decrease to FFO in the range of $50 million to $60 million in the near term, and this range will decline over time. Notwithstanding the recognition of the effects of the DTA Decision in the 2018 financial statements, on April 5, 2019, the Company filed an appeal with the Ontario Divisional Court with respect to the OEB's DTA Decision. The appeal was heard on November 21, 2019. On March 31, 2020, an additional submission was filed to make submissions regarding the Supreme Court of Canada's December 2019 decision in the *Canada (Minister of Citizenship and Immigration) v. Vavilov,* 2019 SCC 65 case. That decision substantially revises administrative law principles. The Ontario Divisional Court decision is currently pending.

On March 21, 2019, Hydro One Networks filed a three-year Custom Incentive Rate application with the OEB for 2020-2022 transmission rates. On June 19, 2019, Hydro One filed updates to the application reflecting recent financial results and other adjustments. The hearing began on October 21, 2019, and concluded on November 4, 2019. On December 10, 2019, the OEB approved Hydro One Networks' 2019 transmission revenue requirement and charges as interim effective January 1, 2020 until the new transmission revenue requirement and charges are approved by the OEB. On April 23, 2020, the OEB rendered its decision on the 2020-2022 transmission rate application (2020-2022 Transmission Decision). The Company intends to file its draft rate order reflecting updated revenue requirements for years 2020 to 2022 for the OEB's approval by May 28, 2020.

Hydro One Networks - Distribution

On March 31, 2017, Hydro One Networks filed a custom application with the OEB for 2018-2022 distribution rates under the OEB's incentive-based regulatory framework (2018-2022 Distribution Application), which was subsequently updated on June 7 and December 21, 2017. The application reflects the level of capital investments required to minimize degradation in overall system asset condition, to meet regulatory requirements, and to maintain current reliability levels.

On March 7, 2019, the OEB rendered its decision on the 2018-2022 Distribution Application (2018-2022 Distribution Decision). In accordance with the 2018-2022 Distribution Decision, as well as the DTA Decision as noted above in "Hydro One Networks - Transmission", the Company filed its draft rate order reflecting updated revenue requirements of $1,459 million for 2018, $1,498 million for 2019, $1,532 million for 2020, $1,578 million for 2021, and $1,624 million for 2022. On June 11, 2019, the OEB approved the rate order confirming these updated revenue requirements, which include impacts of both the 2018-2022 Distribution Decision and the DTA Decision.

Hydro One Remote Communities

On November 15, 2019, Hydro One Remote Communities filed an application with the OEB seeking approval for a 2% increase to 2019 base rates. On April 16, 2020, the OEB approved the requested increase for new rates effective May 1, 2020, while the implementation of these rates will be deferred to November 1, 2020 due to COVID-19. The deferred implementation has no impact on net income as this deferred income is expected to be recovered in customer rates in the future.

Hydro One Remote Communities is fully financed by debt and is operated as a break-even entity with no ROE.

NRLP

On October 25, 2019, NRLP filed its revenue cap incentive rate application for 2020-2024. On December 19, 2019, the OEB approved NRLP's proposed 2020 revenue requirement of $9 million on an interim basis effective January 1, 2020.

On February 12, 2020, all parties reached a full settlement agreement on all issues, accepting the 2020 base costs and the 2019 incurred costs as presented. The settlement included a 50% reduction to the inflation component and a 0.6% capital adjustment factor to account for a lowering rate base value. On March 6, 2020, the settlement agreement was filed for the OEB's approval, and on April 9, 2020, the OEB approved the settlement agreement.

HOSSM

HOSSM is under a 10-year deferred rebasing period for years 2017-2026, as approved in the OEB MAAD decision dated October 13, 2016. In July 2018, HOSSM filed a 2019 application to allow for inflationary increase (revenue cap escalator index) to its previously approved revenue requirement. The revenue cap escalator index is designed to add inflationary increases to the revenue requirement on an annual basis. On June 20, 2019, the OEB approved the revenue cap escalator index at 1.1% (net) which was applied to HOSSM's base revenue requirement for 2019, effective February 1, 2019, and also approved the 2019-2026 revenue cap framework.

On December 17, 2019, the OEB issued a decision on HOSSM's request for transmission revenue requirement for 2020. The OEB approved a 1.5% revenue cap increase effective January 1, 2020.

B2M LP

On July 31, 2019, B2M LP filed a transmission rate application for 2020-2024. A settlement agreement was reached on December 9, 2019. The settlement accepted all of B2M LP's cost submissions, including additional reliability reporting and a capital adjustment (reduction) factor of 0.6% to account for the decreasing rate base value. On January 16, 2020, the OEB approved the settlement agreement, including a 2020 base revenue requirement of $33 million (updated for lower ROE and interest rates), and a revenue cap escalator index for 2021 to 2024.

MAAD Applications

Orillia Power MAAD Application

On April 30, 2020, the OEB issued its decision approving Hydro One's application to acquire Orillia Power Distribution Corporation from the City of Orillia. The transaction is expected to close before the end of 2020.

Peterborough Distribution MAAD Application

On April 30, 2020, the OEB issued its decision approving Hydro One's application to acquire the business and distribution assets of Peterborough Distribution Inc., from the City of Peterborough. The transaction is expected to close before the end of 2020.

OTHER DEVELOPMENTS

COVID-19

In early January 2020, a novel strain of the coronavirus disease, widely known as COVID-19, began to spread across different parts of the world, including Canada, the US and Europe, and has caused unprecedented disruptions in the global economy as efforts to contain the spread of the COVID-19 have intensified. On March 11, 2020, the World Health Organization officially declared this COVID-19 outbreak a pandemic.

Many countries around the world, including Canada, have implemented significant measures to control the spread of COVID-19, including the temporary closure of businesses, severe restrictions on travel and the movement of people, and other material limitations on the conduct of commerce, resulting in work stoppages and other disruptions.

On March 17, 2020, the Premier of Ontario declared a state of emergency to help contain the spread of COVID-19, including an order to close all non-essential businesses until further notice. As a transmitter and distributor of electricity, Hydro One is deemed to be an essential business and must continue operations to ensure the continuous supply of electricity across the province.

In response to the above, Hydro One invoked its business continuity plan and also elected to scale back certain components of the Company's operating and capital programs in response to federal, provincial and local government protocols. These decisions were guided by two priorities: to protect Hydro One's employees and to maintain the safe and reliable supply of electricity to Hydro One's customers.

Furthermore, as part of its commitment to customers, Hydro One implemented a number of measures including (i) launching a Pandemic Relief Fund to assist customers affected, (ii) offering financial assistance and increased payment flexibility to customers, and (iii) extending its Winter Relief program. Hydro One has also temporarily suspended late fees for all customers, returned $5 million in security deposits to over 4,000 eligible business customers and implemented fixed commodity prices for regulated price plan customers paying Time-of-Use (TOU) prices, as mandated and funded by the Province of Ontario (Province).

All of the items noted above have had the following impact on Hydro One's financial results for the three months ended March 31, 2020:

- Hydro One did not identify any material impact of COVID-19 on electricity consumption and demand across Ontario as impacts of COVID-19 were felt late in the quarter. While consumption is down year over year, electricity consumption can be impacted by numerous variables, including weather, and as such it is difficult to determine the exact impact of COVID-19 on peak demand and customer consumption over this period with any level of precision.
- The temporary deferral of operating and capital work during the period resulted in the recognition of modest costs associated with the stand down of the Company's casual workforce.
- As a result of temporary and permanent company closures across Ontario, and the impact of COVID-19 on employment rates locally, the Company has recorded an incremental allowance for doubtful accounts as of March 31, 2020. While minimal losses have been incurred to date, the Company does acknowledge that there may be increased risk associated with the ultimate collection of billed energy consumption. In accordance with OEB guidance noted below, the Company has recorded a regulatory asset for the recovery of these costs in the future.
- Foregone revenues associated with the customer relief efforts noted above are immaterial.
- The COVID-19 pandemic resulted in no significant impacts on the Company's critical accounting estimates and judgments.

In accordance with OEB guidance issued on March 25, 2020, the Company has established three deferral accounts to track incremental costs and lost revenues related to the COVID-19 pandemic. These accounts track (i) Billing and System Changes as a result of the Emergency Order Regarding TOU Pricing, (ii) Lost Revenues Arising from the COVID-19 Emergency, and (iii) Other Incremental Costs, including costs relating to bad debt expenses. The Company has also held several discussions with the OEB, industry peers and governmental agencies, and while amounts recorded in each of these accounts will be subject to a prudency review by the OEB, the Company believes that costs relating to bad debt expenses will be recovered from ratepayers at some point in the future.

Looking ahead, it is very difficult to determine or estimate the exact impacts of COVID-19 on Hydro One's operations as they will be largely dependent on the duration of the pandemic and severity of the measures implemented to combat this virus. Electricity consumption can be impacted by numerous variables, including weather, making it difficult to estimate the impact of COVID-19 with any level of precision. Hydro One has already initiated steps to mitigate the impact of COVID-19 on the Company's operations, and is evaluating ways to complete operating and capital projects that have currently been deferred, including implementing additional safe work protocols and ordering long lead items in advance to mitigate the impact that COVID-19 may have on the Company's supply chain.

The COVID-19 pandemic subjects the Company to additional risks and uncertainties. Please see section "Risk Management and Risk Factors - Infectious Disease Risk" for a discussion of the potential impacts of a pandemic such as COVID-19 on Hydro One.

Collective Agreements

The current collective agreement with the Power Workers' Union (PWU) (for classifications other than Customer Service Operations (CSO) expired on March 31, 2020. The collective agreement with the PWU for CSO was set to expire on September 30, 2019; however, it was extended to allow for bargaining at the same time as the non-CSO agreement. In January 2020, Hydro One and the PWU commenced collective bargaining with the official exchange of bargaining agendas and negotiations are continuing virtually. The current collective agreements will remain in place as negotiations continue.

The construction building trade unions have collective agreements with the Electrical Power Systems Construction Association (EPSCA). EPSCA is an employers' association of which Hydro One is a member. A number of the EPSCA construction collective agreements, which bind Hydro One, expired on April 30, 2020. Ratified five-year renewal collective agreements, covering May 1, 2020 to April 30, 2025, have been reached with the Carpenters, the Boilermakers, the United Association of Plumbers and Pipefitters, the Painters, the Sheet Metal Workers, the Insulators, the Roofers, the International Brotherhood of Electrical Workers (Generation) and the Millwrights. EPSCA is currently in the process of negotiating agreements or scheduling negotiating dates with the other building trades.

NRLP

On January 31, 2020, the Mississaugas of the Credit First Nation purchased an additional 19.9% equity interest in NRLP. Following this transaction, Hydro One's interest in NRLP was reduced to 55%, with the Six Nations of the Grand River Development Corporation and the Mississaugas of the Credit First Nation owning 25% and 20%, respectively, of the equity interest in NRLP.

Building Transit Faster Act

On February 18, 2020, the Ministry of Transportation introduced Bill 171, to enact the *Building Transit Faster Act, 2020* (Transit Act), which relates to four priority projects in the Toronto area. The Transit Act proposes commitments on utilities, including Hydro One, to relocate infrastructure to allow the timely construction of the transit projects. Metrolinx, the builder of the transit projects, and Hydro One must work together on a notice that agrees to the timing of when the relocation work must be completed. If Hydro One is in non-compliance, Metrolinx can file an application with the Ontario Superior Court of Justice, where a judge can either order

Hydro One to comply or authorize Metrolinx to carry out the work, or impose a monetary penalty on Hydro One. The *Ontario Energy Board Act, 1998* (OEB Act) is proposed to be amended to prohibit the utility from recovering the monetary penalty in rates.

NON-GAAP MEASURES

FFO, basic and diluted Adjusted EPS, adjusted net income, revenues, net of purchased power, and distribution revenues, net of purchased power are not recognized measures under US GAAP and do not have a standardized meaning prescribed by US GAAP. They are therefore unlikely to be directly comparable to similar measures presented by other companies. They should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under US GAAP.

FFO

FFO is defined as net cash from operating activities, adjusted for (i) changes in non-cash balances related to operations, (ii) dividends paid on preferred shares, and (iii) distributions to noncontrolling interest. Management believes that FFO is helpful as a supplemental measure of the Company's operating cash flows as it excludes timing-related fluctuations in non-cash operating working capital and cash flows not attributable to common shareholders. As such, FFO provides a consistent measure of the cash generating performance of the Company's assets.

Three months ended March 31 *(millions of dollars)*	2020	2019
Net cash from operating activities	548	118
Changes in non-cash balances related to operations	(62)	115
Preferred share dividends	(5)	(5)
Distributions to noncontrolling interest	(2)	(4)
FFO	479	224

Adjusted Net Income and Adjusted EPS

The following adjusted net income, and basic and diluted Adjusted EPS have been calculated by management on a supplementary basis which adjusts net income under US GAAP for income and costs related to the Merger and impacts related to the OEB's DTA Decision on Hydro One Networks' distribution and transmission businesses. Adjusted net income and Adjusted EPS are used internally by management to assess the Company's performance and are considered useful because they exclude the impacts of the Merger and the DTA Decision as noted above. Adjusted net income and Adjusted EPS provide users with a comparative basis to evaluate the current ongoing operations of the Company compared to prior year.

Quarter ended *(millions of dollars, except number of shares and EPS)*	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Net income attributable to common shareholders	225	211	241	155
Adjusting items	—	—	—	—
Adjusted net income attributable to common	225	211	241	155
Weighted average number of shares				
Basic	596,983,560	596,670,374	596,605,054	596,503,988
Effect of dilutive stock-based compensation plans	2,663,999	2,564,789	2,420,792	2,442,181
Diluted	599,647,559	599,235,163	599,025,846	598,946,169
Adjusted EPS				
Basic	$0.38	$0.35	$0.40	$0.26
Diluted	$0.38	$0.35	$0.40	$0.26

Quarter ended *(millions of dollars, except number of shares and EPS)*	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Net income (loss) attributable to common shareholders	171	(705)	194	200
Impacts related to the Merger:				
OM&A - Merger-related costs (before tax)	138	6	1	2
Financing charges - Merger-related costs (before tax)	31	14	15	15
Financing charges - loss (gain) on Foreign-Exchange Contract (before	22	—	24	(22)
Tax impact	(51)	(6)	(7)	(1)
Merger-related impacts (after tax)	140	14	33	(6)
Impacts related to OEB's DTA Decision on Hydro One Networks' distribution and transmission businesses:				
Reversal of revenues	—	68	—	—
Deferred tax expense	—	799	—	—
OEB's DTA Decision on Hydro One Networks' distribution and transmission businesses impacts (after tax)	—	867	—	—
Adjusted net income attributable to common shareholders	311	176	227	194
Weighted average number of shares				
Basic	595,961,260	595,882,447	595,882,438	595,867,452
Effect of dilutive stock-based compensation plans	2,354,970	2,122,782	1,968,856	2,130,394
Diluted	598,316,230	598,005,229	597,851,294	597,997,846
Adjusted EPS				
Basic	$0.52	$0.30	$0.38	$0.33
Diluted	$0.52	$0.29	$0.38	$0.32

Revenues, Net of Purchased Power

Revenues, net of purchased power is defined as revenues less the cost of purchased power. Management believes that revenue, net of purchased power is helpful as a measure of net revenues for the distribution segment, as purchased power is fully recovered through revenues.

Quarter ended *(millions of dollars)*	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Revenues	1,850	1,715	1,593	1,413	1,759	1,491	1,606	1,477
Less: Purchased power	1,007	914	737	653	807	741	733	674
Revenues, net of purchased power	843	801	856	760	952	750	873	803

Quarter ended *(millions of dollars)*	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Distribution revenues	1,439	1,298	1,140	1,029	1,321	1,138	1,103	1,036
Less: Purchased power	1,007	914	737	653	807	741	733	674
Distribution revenues, net of purchased power	432	384	403	376	514	397	370	362

RELATED PARTY TRANSACTIONS

The Province is a shareholder of Hydro One with approximately 47.3% ownership at March 31, 2020. The IESO, OPG, Ontario Electricity Financial Corporation (OEFC), and the OEB are related parties to Hydro One because they are controlled or significantly influenced by the Ministry of Energy. OCN LP is a joint-venture limited partnership between a subsidiary of Hydro One and OPG. The following is a summary of the Company's related party transactions during the three months ended March 31, 2020 and 2019:

Three months ended March 31 *(millions of dollars)*

Related Party	Transaction	2020	2019
Province	Dividends paid	73	70
IESO	Power purchased	776	550
	Revenues for transmission services	395	413
	Amounts related to electricity rebates	433	138
	Distribution revenues related to rural rate protection	59	58
	Distribution revenues related to the supply of electricity to remote northern communities	9	9
	Funding received related to Conservation and Demand Management programs	9	15
OPG[1]	Power purchased	2	3
	Revenues related to provision of services and supply of electricity	2	2
	Costs related to the purchase of services	1	—
OEFC	Power purchased from power contracts administered by the OEFC	—	1
OEB	OEB fees	2	2
OCN LP[2]	Investment in OCN LP	—	2

[1] OPG has provided a $2.5 million guarantee to Hydro One related to the OCN Guarantee. See Other Obligations - Summary of Contractual Obligations and Other Commercial Commitments for details related to the OCN Guarantee.
[2] OCN LP owns and operates electric vehicle fast charging stations across Ontario, under the Ivy Charging Network brand.

RISK MANAGEMENT AND RISK FACTORS

Hydro One is subject to numerous risks and uncertainties. Critical to Hydro One's success is the identification, management, and to the extent possible, mitigation of these risks. Hydro One's Chief Risk Officer has accountability for the Company's Enterprise Risk Management (ERM) program, which assists decision-makers throughout the organization with the management of key business risks, including new and emerging risks and opportunities.

A discussion of the material risks relating to Hydro One and its business that the Company believes would be the most likely to influence an investor's decision to purchase Hydro One's securities can be found under the heading "Risk Management and Risk Factors" in the 2019 MD&A. In addition to those risks, the Company is subject to the following additional risk:

Infectious Disease Risk

An outbreak of infectious disease, in the form of an epidemic, a pandemic (such as COVID-19), or a similar public health threat, could materially adversely impact the Company. The extent of any such adverse impact on the Company is uncertain, and may depend on the length and severity of any such infectious disease outbreak, any resultant government regulations, guidelines and actions, and any related adverse changes in general economic and market conditions. Such an outbreak, the resultant government regulations, guidelines and actions, and related adverse changes in general economic and market conditions could impact, in particular: the Company's operations and workforce, including its ability to complete planned operating and capital work programs within scope and budget; certain financial obligations of the Company, including pension contributions and other post-retirement benefits, as a result of changes in prevailing market conditions; the Company's expected revenues; reductions in overall electricity consumption and load, both short term and long term; overdue accounts and bad debt increases as a result of changes in the ability of the Company's customers to pay; liquidity and the Company's ability to raise capital; the Company's ability to pay or increase dividends; the timing of increased rates; the Company's ability to recover incremental costs and lost revenues linked to the outbreak; the Company's ability to file regulatory filings on a timely basis; timing of regulatory decisions and the impacts those decisions may have on the Company or its ability to implement them; and customer and stakeholder needs and expectations.

The Company also faces risks and costs associated with implementation of business continuity plans and modified work conditions, including the risks and costs associated with maintaining or reducing its workforce, making the required resources available to its workforce to enable them to continue essential work, including remotely where possible, and to keep its workforce healthy, as well as risks and costs associated with recovery of normal operations. Furthermore, the Company is dependent on third party providers for certain activities, and relies on a strong international supply chain, which may also be adversely impacted, and which, in turn, could materially adversely impact the Company.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. Internal control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and due to its inherent limitations, may not prevent or detect all misrepresentations.

There were no changes in the Company's internal control over financial reporting during the three months ended March 31, 2020, that materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal control over financial reporting.

NEW ACCOUNTING PRONOUNCEMENTS

The following tables present Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB) that are applicable to Hydro One:

Recently Adopted Accounting Guidance

Guidance	Date issued	Description	Effective date	Impact on Hydro One
ASU 2017-04	January 2017	The amendment removes the second step of the current two-step goodwill impairment test to simplify the process of testing goodwill.	January 1, 2020	No impact upon adoption
ASU 2018-13	August 2018	Disclosure requirements on fair value measurements in Accounting Standard Codification (ASC) 820 are modified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2020	No impact upon adoption
ASU 2019-01	March 2019	This amendment carries forward the exemption previously provided under ASC 840 relating to the determination of the fair value of underlying assets by lessors that are not manufacturers or dealers. It also provides for clarification on cash-flow presentation of sales-type and financing leases and clarifies that transition disclosures under Topic 250 are not applicable in the adoption of ASC 842.	January 1, 2020	No impact upon adoption

HYDRO ONE HOLDINGS LIMITED - CONSOLIDATING SUMMARY FINANCIAL INFORMATION

Hydro One Limited fully and unconditionally guarantees the payment obligations of its wholly-owned subsidiary Hydro One Holdings Limited (HOHL) issuable under the short form base shelf prospectus dated November 23, 2018. Accordingly, the following consolidating summary financial information is provided in compliance with the requirements of section 13.4 of National Instrument 51-102 - *Continuous Disclosure Obligations* providing for an exemption for certain credit support issuers. The tables below contain consolidating summary financial information as at March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and March 31, 2019 for: (i) Hydro One Limited; (ii) HOHL; (iii) the subsidiaries of Hydro One Limited, other than HOHL, on a combined basis, (iv) consolidating adjustments, and (v) Hydro One Limited and all of its subsidiaries on a consolidated basis, in each case for the periods indicated. Such summary financial information is intended to provide investors with meaningful and comparable financial information about Hydro One Limited and its subsidiaries. This summary financial information should be read in conjunction with Hydro One Limited's most recently issued annual and interim financial statements. This summary financial information has been prepared in accordance with US GAAP, as issued by the FASB.

Three months ended March 31 *(millions of dollars)*	Hydro One Limited		HOHL		Subsidiaries of Hydro One Limited, other than HOHL		Consolidating Adjustments		Total Consolidated Amounts of Hydro One Limited	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	2	11	—	—	1,961	1,791	(113)	(43)	1,850	1,759
Net Income (Loss) Attributable to Common Shareholders	(2)	(124)	—	(19)	308	346	(81)	(32)	225	171

As at March 31, 2020 and December 31 2019 *(millions of dollars)*	Hydro One Limited		HOHL		Subsidiaries of Hydro One Limited, other than HOHL		Consolidating Adjustments		Total Consolidated Amounts of Hydro One Limited	
	Mar.2020	Dec.2019	Mar.2020	Dec.2019	Mar.2020	Dec.2019	Mar.2020	Dec.2019	Mar.2020	Dec.2019
Current Assets	92	84	—	—	3,898	2,440	(1,819)	(1,256)	2,171	1,268
Non-Current Assets	3,868	3,979	—	—	41,323	41,188	(19,232)	(19,374)	25,959	25,793
Current Liabilities	446	408	—	—	4,788	3,925	(1,808)	(1,246)	3,426	3,087
Non-Current Liabilities	—	—	—	—	26,114	25,201	(11,355)	(11,096)	14,759	14,105

FORWARD-LOOKING STATEMENTS AND INFORMATION

The Company's oral and written public communications, including this document, often contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about the Company's business and the industry, regulatory and economic environments in which it operates, and include beliefs and assumptions made by the management of the Company. Such statements include, but are not limited to, statements regarding: the Company's transmission and distribution rate applications, including resulting decisions, rates, recovery and expected impacts and timing; expectations about the Company's liquidity and capital resources and operational requirements, including as result of COVID-19; the Operating Credit Facilities; expectations regarding the Company's financing activities; the Company's maturing debt; the Company's derivative instruments; ongoing and planned projects and initiatives, including expected results and completion dates; the potential impact of COVID-19 on the Company's business and operations, including its impact on peak demand and electricity consumption, capital programs, supply chains, costs, allowance for doubtful accounts, foregone revenues, deferral accounts and the likelihood of recovery of certain costs in future rates; the Company's priorities in its response to COVID-19; contractual obligations and other commercial commitments; expected impacts relating to the deferred tax asset; Hydro One's appeal of the OEB's deferred tax asset decision; proposed amendment to the OEB Act relating to the Transit Act; the number of Hydro One common shares issuable in connection with outstanding awards under the share grant plans and the LTIP; collective agreements; the pension plan, future pension contributions, valuations and expected impacts; dividends; the anticipated impacts of the Accelerated CCA on Hydro One; non-GAAP measures; risks relating to infectious disease outbreak, such as COVID-19; internal control over financial reporting and disclosure; the new MTN Program prospectus; the Universal Base Shelf Prospectus; the US Debt Shelf Prospectus; and the Company's acquisitions and mergers, including Orillia Power and Peterborough Distribution. Words such as "expect", "anticipate", "intend", "attempt", "may", "plan", "will", "believe", "seek", "estimate", "goal", "aim", "target", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Hydro One does not intend, and it disclaims any obligation, to update any forward-looking statements, except as required by law.

These forward-looking statements are based on a variety of factors and assumptions including, but not limited to, the following: the scope of the COVID-19 pandemic and duration thereof as well as the effect and severity of corporate and other mitigation measures on the Company'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 OEB and other regulatory bodies concerning outstanding and future rate and other applications; no unexpected delays in obtaining the required approvals; no unforeseen changes in rate orders or rate setting methodologies for the Company's distribution and transmission businesses; continued use of US GAAP; a stable regulatory environment; no unfavourable changes in environmental regulation; no significant changes to the Company'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 the Company, including information obtained from third-party sources. Actual results may differ materially from those predicted by such forward-looking statements. While Hydro One does not know what impact any of these differences may have, the Company's business, results of operations, financial condition and credit stability may be materially adversely affected. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking statements include, among other things:

- a significant expansion in length or severity of the COVID-19 pandemic restricting or prohibiting the Company's operations or significantly impacting the Company's supply chain or workforce;
- severity of mitigation measures related to the COVID-19 pandemic;
- delays in completion of operating and capital projects;
- regulatory risks and risks relating to Hydro One's revenues, including risks relating to rate orders and the rate-setting models for transmission and distribution, actual performance against forecasts and capital expenditures, the regulatory treatment of the deferred tax asset, the recoverability of total compensation costs or denials of applications;
- risks associated with the Province's share ownership of Hydro One and other relationships with the Province, including potential conflicts of interest that may arise between Hydro One, the Province and related parties, risks associated with the Province's exercise of further legislative and regulatory powers in the implementation of the *Hydro One Accountability Act*, risks relating to the ability of the Company to attract and retain qualified executive talent or the risk of a credit rating downgrade for Hydro One Inc. and its impact on the Company's funding and liquidity;
- risks relating to the location of the Company's assets on Reserve lands and the risk that Hydro One may incur significant costs associated with transferring assets located on Reserves;
- the risk that the Company may be unable to comply with regulatory and legislative requirements or that the Company may incur additional costs for compliance that are not recoverable through rates;
- the risk of exposure of the Company's facilities to the effects of severe weather conditions, natural disasters, man-made events or other unexpected occurrences for which the Company is uninsured or for which the Company could be subject to claims for damage;

- the risk of non-compliance with environmental regulations and inability to recover environmental expenditures in rate applications;
- risks associated with information system security and maintaining complex IT and OT system infrastructure, including system failures or risks of cyber-attacks or unauthorized access to corporate IT and OT systems;
- the risk of labour disputes and inability to negotiate or renew appropriate collective agreements on acceptable terms consistent with the Company's rate decisions;
- risks related to the Company's work force demographic and its potential inability to attract and retain qualified personnel;
- the risk that the Company is not able to arrange sufficient cost-effective financing to repay maturing debt and to fund capital expenditures;
- risks associated with fluctuations in interest rates and failure to manage exposure to credit and financial instrument risk;
- risks associated with economic uncertainty and financial market volatility;
- the risk that the Company may not be able to execute plans for capital projects necessary to maintain the performance of the Company's assets or to carry out projects in a timely manner or the risk of increased competition for the development of large transmission projects or legislative changes affecting the selection of transmitters;
- risks associated with public opposition to or delays or denials of the requisite approvals and accommodations for the Company's planned projects;
- the risk that assumptions that form the basis of the Company's recorded environmental liabilities and related regulatory assets may change;
- the risk of failure to mitigate significant health and safety risks;
- the risk of not being able to recover the Company's pension expenditures in future rates and uncertainty regarding the future regulatory treatment of pension, other post-employment benefits and post-retirement benefits costs;
- the potential that Hydro One may incur significant expenses to replace functions currently outsourced if agreements are terminated or expire before a new service provider is selected;
- the impact of the ownership by the Province of lands underlying the Company's transmission system;
- the risk associated with legal proceedings that could be costly, time-consuming or divert the attention of management and key personnel from the Company's business operations;
- the impact if the Company does not have valid occupational rights on third-party owned or controlled lands and the risks associated with occupational rights of the Company that may be subject to expiry;
- risks relating to adverse reputational events or political actions;
- the inability to prepare financial statements using US GAAP; and
- the risk related to the impact of the new accounting pronouncements.

Hydro One cautions the reader that the above list of factors is not exhaustive. Some of these and other factors are discussed in more detail in the section "Risk Management and Risk Factors" in the 2019 MD&A.

In addition, Hydro One cautions the reader that information provided in this MD&A regarding the Company's outlook on certain matters, including potential future investments, is provided in order to give context to the nature of some of the Company's future plans and may not be appropriate for other purposes.

Additional information about Hydro One, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com, the US Securities and Exchange Commission's EDGAR website at www.sec.gov/edgar.shtml, and the Company's website at www.HydroOne.com/Investors.

HYDRO ONE LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (unaudited)
For the three months ended March 31, 2020 and 2019

Three months ended March 31 *(millions of Canadian dollars, except per share amounts)*	**2020**	**2019**
Revenues		
Distribution (includes $70 related party revenues; 2019 - $69) *(Note 23)*	1,439	1,321
Transmission (includes $395 related party revenues; 2019 - $413) *(Note 23)*	400	428
Other	11	10
	1,850	1,759
Costs		
Purchased power (includes $778 related party costs; 2019 - $554) *(Note 23)*	1,007	807
Operation, maintenance and administration *(Notes 4, 23)*	265	416
Depreciation, amortization and asset removal costs *(Note 5)*	212	212
	1,484	1,435
Income before financing charges and income tax expense	**366**	**324**
Financing charges *(Notes 4, 6)*	119	163
Income before income tax expense	247	161
Income tax expense (recovery) *(Note 7)*	15	(16)
Net income	**232**	**177**
Other comprehensive loss	(20)	(1)
Comprehensive income	**212**	**176**
Net income attributable to:		
Noncontrolling interest	2	1
Preferred shareholders	5	5
Common shareholders	225	171
	232	**177**
Comprehensive income attributable to:		
Noncontrolling interest	2	1
Preferred shareholders	5	5
Common shareholders	205	170
	212	**176**
Earnings per common share *(Note 21)*		
Basic	$0.38	$0.29
Diluted	$0.38	$0.29
Dividends per common share declared *(Note 20)*	$0.24	$0.23

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

HYDRO ONE LIMITED
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)
At March 31, 2020 and December 31, 2019

As at *(millions of Canadian dollars)*	**March 31, 2020**	**December 31, 2019**
Assets		
Current assets:		
Cash and cash equivalents	1,042	30
Accounts receivable *(Note 8)*	697	701
Due from related parties *(Note 23)*	305	415
Other current assets *(Note 9)*	127	122
	2,171	1,268
Property, plant and equipment *(Note 10)*	21,683	21,501
Other long-term assets:		
Regulatory assets *(Note 11)*	2,785	2,676
Deferred income tax assets	616	748
Intangible assets (net of accumulated amortization - $533; 2019 - $517)	462	456
Goodwill	325	325
Other assets *(Note 12)*	88	87
	4,276	4,292
Total assets	**28,130**	**27,061**
Liabilities		
Current liabilities:		
Short-term notes payable *(Note 15)*	1,013	1,143
Long-term debt payable within one year *(Notes 15, 16)*	1,153	653
Accounts payable and other current liabilities *(Note 13)*	1,055	989
Due to related parties *(Note 23)*	205	302
	3,426	3,087
Long-term liabilities:		
Long-term debt (includes $356 measured at fair value; 2019 - $351) *(Notes 15, 16)*	11,421	10,822
Regulatory liabilities *(Note 11)*	225	167
Deferred income tax liabilities	—	61
Other long-term liabilities *(Note 14)*	3,113	3,055
	14,759	14,105
Total liabilities	**18,185**	**17,192**
Contingencies and Commitments (Notes 25, 26)		
Subsequent Events (Note 28)		
Noncontrolling interest subject to redemption	20	20
Equity		
Common shares *(Note 19)*	5,667	5,661
Preferred shares *(Note 19)*	418	418
Additional paid-in capital *(Note 22)*	48	49
Retained earnings	3,748	3,667
Accumulated other comprehensive loss	(25)	(5)
Hydro One shareholders' equity	9,856	9,790
Noncontrolling interest	69	59
Total equity	**9,925**	**9,849**
	28,130	**27,061**

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

HYDRO ONE LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)
For the three months ended March 31, 2020 and 2019

Three months ended March 31, 2020 *(millions of Canadian dollars)*	Common Shares	Preferred Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Hydro One Shareholders' Equity	Non-controlling Interest	Total Equity
January 1, 2020	5,661	418	49	3,667	(5)	9,790	59	9,849
Net income	—	—	—	230	—	230	1	231
Other comprehensive loss	—	—	—	—	(20)	(20)	—	(20)
Distributions to noncontrolling interest	—	—	—	—	—	—	(1)	(1)
Contributions from sale of noncontrolling interest *(Note 4)*	—	—	—	—	—	—	10	10
Dividends on preferred shares	—	—	—	(5)	—	(5)	—	(5)
Dividends on common shares	—	—	—	(144)	—	(144)	—	(144)
Common shares issued	6	—	(1)	—	—	5	—	5
Stock-based compensation *(Note 22)*	—	—	—	—	—	—	—	—
March 31, 2020	**5,667**	**418**	**48**	**3,748**	**(25)**	**9,856**	**69**	**9,925**

Three months ended March 31, 2019 *(millions of Canadian dollars)*	Common Shares	Preferred Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Hydro One Shareholders' Equity	Non-controlling Interest	Total Equity
January 1, 2019	5,643	418	56	3,459	(3)	9,573	49	9,622
Net income	—	—	—	176	—	176	1	177
Other comprehensive loss	—	—	—	—	(1)	(1)	—	(1)
Distributions to noncontrolling interest	—	—	—	—	—	—	(3)	(3)
Dividends on preferred shares	—	—	—	(5)	—	(5)	—	(5)
Dividends on common shares	—	—	—	(137)	—	(137)	—	(137)
Common shares issued	2	—	(2)	—	—	—	—	—
Stock-based compensation	—	—	(1)	—	—	(1)	—	(1)
March 31, 2019	**5,645**	**418**	**53**	**3,493**	**(4)**	**9,605**	**47**	**9,652**

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

HYDRO ONE LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
For the three months ended March 31, 2020 and 2019

Three months ended March 31 *(millions of Canadian dollars)*	**2020**	**2019**
Operating activities		
Net income	232	177
Environmental expenditures	(6)	(8)
Adjustments for non-cash items:		
Depreciation and amortization *(Note 5)*	191	191
Regulatory assets and liabilities	61	(170)
Deferred income tax expense (recovery)	3	(23)
Unrealized loss on Foreign-Exchange Contract *(Note 4)*	—	22
Derecognition of deferred financing costs *(Note 4)*	—	24
Other	5	20
Changes in non-cash balances related to operations *(Note 24)*	62	(115)
Net cash from operating activities	**548**	**118**
Financing activities		
Long-term debt issued	1,100	—
Long-term debt repaid	—	(228)
Short-term notes issued	1,285	2,110
Short-term notes repaid	(1,415)	(1,512)
Convertible debentures redeemed *(Note 4)*	—	(513)
Dividends paid	(149)	(142)
Distributions paid to noncontrolling interest	(2)	(4)
Contributions received from sale of noncontrolling interest *(Note 4)*	10	—
Common shares issued	5	—
Costs to obtain financing	(5)	—
Net cash from (used in) financing activities	**829**	**(289)**
Investing activities		
Capital expenditures *(Note 24)*		
Property, plant and equipment	(339)	(280)
Intangible assets	(22)	(24)
Other	(4)	(4)
Net cash used in investing activities	**(365)**	**(308)**
Net change in cash and cash equivalents	1,012	(479)
Cash and cash equivalents, beginning of period	30	483
Cash and cash equivalents, end of period	**1,042**	**4**

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

1. DESCRIPTION OF THE BUSINESS

Hydro One Limited (Hydro One or the Company) was incorporated on August 31, 2015, under the *Business Corporations Act* (Ontario). On October 31, 2015, the Company acquired Hydro One Inc., a company previously wholly-owned by the Province of Ontario (Province). The acquisition of Hydro One Inc. by Hydro One was accounted for as a common control transaction and Hydro One is a continuation of business operations of Hydro One Inc. At March 31, 2020, the Province held approximately 47.3% (December 2019 - 47.3%) of the common shares of Hydro One. The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario.

Earnings for interim periods may not be indicative of results for the year due to the impact of seasonal weather conditions on customer demand and market pricing.

Rate Setting

The Company's transmission business consists of the transmission system operated by subsidiaries of Hydro One Inc., Hydro One Networks Inc. (Hydro One Networks) and Hydro One Sault Ste. Marie LP (HOSSM), as well as an approximately 66% interest in B2M Limited Partnership (B2M LP), a limited partnership between Hydro One and the Saugeen Ojibway Nation (SON), and an approximately 55% interest in Niagara Reinforcement Limited Partnership (NRLP), a limited partnership between Hydro One and Six Nations of the Grand River Development Corporation and the Mississaugas of the Credit First Nation (collectively, the First Nations Partners). Hydro One’s distribution business consists of the distribution system operated by Hydro One Inc.'s subsidiaries, Hydro One Networks and Hydro One Remote Communities Inc. (Hydro One Remote Communities).

Transmission

On March 21, 2019, Hydro One Networks filed a three-year Custom Incentive Rate application with the Ontario Energy Board (OEB) for 2020-2022 transmission rates. On December 10, 2019, the OEB approved Hydro One Networks' 2019 transmission revenue requirement and charges as interim effective January 1, 2020 until the new transmission revenue requirement and charges are approved by the OEB. On April 23, 2020, the OEB rendered its decision on the 2020-2022 transmission rate application. See Note 28 - Subsequent Events for additional information.

On July 31, 2019, B2M LP filed a transmission rate application for 2020-2024, seeking a base revenue requirement of $36 million for 2020, and a revenue cap escalator index for 2021 to 2024. On January 16, 2020, the OEB approved an updated 2020 base revenue requirement of $33 million, and the revenue cap escalator index for 2021 to 2024.

On December 17, 2019, the OEB issued a decision on HOSSM’s request for transmission revenue requirement for 2020. The OEB approved a 1.5% revenue cap increase effective January 1, 2020.

On October 25, 2019, NRLP filed its revenue cap incentive rate application for 2020-2024. On December 19, 2019, the OEB approved NRLP’s proposed 2020 revenue requirement of $9 million on an interim basis effective January 1, 2020. On April 9, 2020, final OEB approval was received.

Distribution

On November 15, 2019, Hydro One Remote Communities filed an application with the OEB seeking approval for a 2% increase to 2019 base rates. On April 16, 2020, the OEB approved the requested increase for new rates effective May 1, 2020, while the implementation of these rates will be deferred to November 1, 2020 due to COVID-19.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation and Presentation

These unaudited condensed interim consolidated financial statements (Consolidated Financial Statements) include the accounts of the Company and its subsidiaries. Inter-company transactions and balances have been eliminated.

Basis of Accounting

These Consolidated Financial Statements are prepared and presented in accordance with United States Generally Accepted Accounting Principles (US GAAP) for interim financial statements and in Canadian dollars.

The accounting policies applied are consistent with those outlined in Hydro One's annual audited consolidated financial statements for the year ended December 31, 2019, with the exception of the adoption of new accounting standards as described in Note 3. These Consolidated Financial Statements reflect adjustments, that are, in the opinion of management, necessary to reflect fairly the financial position and results of operations for the respective periods. These Consolidated Financial Statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2019.

3. NEW ACCOUNTING PRONOUNCEMENTS

The following tables present Accounting Standard Updates (ASUs) issued by the Financial Accounting Standards Board that are applicable to Hydro One:

Recently Adopted Accounting Guidance

Guidance	Date issued	Description	Effective date	Impact on Hydro One
ASU 2017-04	January 2017	The amendment removes the second step of the current two-step goodwill impairment test to simplify the process of testing goodwill.	January 1, 2020	No impact upon adoption
ASU 2018-13	August 2018	Disclosure requirements on fair value measurements in Accounting Standard Codification (ASC) 820 are modified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2020	No impact upon adoption
ASU 2019-01	March 2019	This amendment carries forward the exemption previously provided under ASC 840 relating to the determination of the fair value of underlying assets by lessors that are not manufacturers or dealers. It also provides for clarification on cash-flow presentation of sales-type and financing leases and clarifies that transition disclosures under Topic 250 are not applicable in the adoption of ASC 842.	January 1, 2020	No impact upon adoption

4. BUSINESS COMBINATIONS

NRLP

On January 31, 2020, the Mississaugas of the Credit First Nation purchased an additional 19.9% equity interest in NRLP from Hydro One Networks for total cash consideration of $9.5 million. Following this transaction, Hydro One's interest in the equity portion of NRLP was reduced to 55%, with the Six Nations of the Grand River Development Corporation and the Mississaugas of the Credit First Nation owning 25% and 20%, respectively, of the equity interest in NRLP.

Termination of the Avista Corporation Purchase Agreement

In July 2017, Hydro One reached an agreement to acquire Avista Corporation (Merger). In January 2019, Hydro One and Avista Corporation announced that the companies mutually agreed to terminate the Merger agreement. The following amounts related to the termination of the Merger agreement were recorded by the Company during the three months ended March 31, 2019:

- $138 million (US$103 million) for payment of the Merger termination fee recorded in operation, maintenance and administration costs;
- $22 million financing charges, due to reversal of previously recorded unrealized gains upon termination of the deal-contingent foreign-exchange forward contract (Foreign-Exchange Contract);
- redemption of $513 million convertible debentures and payment of related interest of $7 million; and
- $24 million financing charges, due to derecognition of the deferred financing costs related to convertible debentures.

5. DEPRECIATION, AMORTIZATION AND ASSET REMOVAL COSTS

Three months ended March 31 *(millions of dollars)*	2020	2019
Depreciation of property, plant and equipment	169	164
Amortization of intangible assets	16	19
Amortization of regulatory assets	6	8
Depreciation and amortization	191	191
Asset removal costs	21	21
	212	212

6. FINANCING CHARGES

Three months ended March 31 *(millions of dollars)*	**2020**	**2019**
Interest on long-term debt	122	111
Interest on short-term notes	5	8
Derecognition of deferred financing costs *(Note 4)*	—	24
Unrealized loss on Foreign-Exchange Contract *(Notes 4, 16)*	—	22
Interest on convertible debentures *(Note 4)*	—	7
Other	4	3
Less: Interest capitalized on construction and development in progress	(10)	(11)
Interest earned on cash and cash equivalents	(2)	(1)
	119	163

7. INCOME TAXES

As a rate regulated utility company, the Company's effective tax rate excludes temporary differences that are recoverable in future rates charged to customers. Income tax expense differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate. The reconciliation between the statutory and the effective tax rates is provided as follows:

Three months ended March 31 *(millions of dollars)*	**2020**	**2019**
Income before income tax expense	247	161
Income tax expense at statutory rate of 26.5% (2019 - 26.5%)	65	43
Increase (decrease) resulting from:		
Net temporary differences recoverable in future rates charged to customers:		
Capital cost allowance in excess of depreciation and amortization[1]	(24)	(22)
Impact of tax deductions from deferred tax asset sharing[2]	(12)	(23)
Overheads capitalized for accounting but deducted for tax purposes	(5)	(6)
Pension and post-retirement benefit contributions in excess of pension expense	(4)	(1)
Interest capitalized for accounting but deducted for tax purposes	(3)	(4)
Environmental expenditures	(2)	(2)
Other	(1)	(5)
Net temporary differences	(51)	(63)
Net permanent differences	1	4
Total income tax expense (recovery)	15	(16)
Effective income tax rate	6.1%	(9.9)%

[1] Included in the current period's amount is the accelerated tax depreciation of up to three times the first-year rate for certain eligible capital investments acquired after November 20, 2018 and placed in-service before January 1, 2028, as introduced in the 2019 federal and Ontario budgets and enacted in the second quarter of 2019.

[2] Impact of tax deductions from deferred tax sharing represents the OEB's prescribed allocation to ratepayers of the net deferred tax asset that originated from the transition from the payments in lieu of tax regime under the *Electricity Act, 1998* (Ontario) to tax payments under the federal and provincial tax regime.

8. ACCOUNTS RECEIVABLE

As at *(millions of dollars)*	**March 31, 2020**	**December 31, 2019**
Accounts receivable - billed	377	330
Accounts receivable - unbilled	358	393
Accounts receivable, gross	735	723
Allowance for doubtful accounts	(38)	(22)
Accounts receivable, net	697	701

The following table shows the movements in the allowance for doubtful accounts for the three months ended March 31, 2020 and the year ended December 31, 2019:

(millions of dollars)	Three months ended March 31, 2020	Year ended December 31, 2019
Allowance for doubtful accounts – beginning	(22)	(21)
Write-offs	4	18
Additions to allowance for doubtful accounts[1]	(20)	(19)
Allowance for doubtful accounts – ending	(38)	(22)

[1] Additions to allowance for doubtful accounts for the three months ended March 31, 2020 include $14 million (Year ended December 31, 2019 - $nil) related to the impact of the COVID-19 pandemic. In accordance with accounting guidance issued by the OEB on March 25, 2020, the Company has established a regulatory asset deferral account to track incremental costs, including costs relating to bad debt expenses, incurred as a result of the COVID-19 pandemic. See Note 11 - Regulatory Assets and Liabilities.

9. OTHER CURRENT ASSETS

As at *(millions of dollars)*	March 31, 2020	December 31, 2019
Prepaid expenses and other assets	67	49
Regulatory assets *(Note 11)*	39	52
Materials and supplies	21	21
	127	122

10. PROPERTY, PLANT AND EQUIPMENT

As at *(millions of dollars)*	March 31, 2020	December 31, 2019
Property, plant and equipment	32,125	31,920
Less: accumulated depreciation	(11,630)	(11,471)
	20,495	20,449
Construction in progress	1,025	892
Future use land, components and spares	163	160
	21,683	21,501

11. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-setting process. Hydro One has recorded the following regulatory assets and liabilities:

As at *(millions of dollars)*	March 31, 2020	December 31, 2019
Regulatory assets:		
Deferred income tax regulatory asset	1,196	1,128
Pension benefit regulatory asset	1,148	1,125
Environmental	136	141
Post-retirement and post-employment benefits	105	105
Post-retirement and post-employment benefits - non-service cost	87	77
Foregone revenue deferral	51	67
Stock-based compensation	44	42
Debt premium	15	17
COVID-19 emergency deferral	14	—
Other	28	26
Total regulatory assets	2,824	2,728
Less: current portion	(39)	(52)
	2,785	2,676
Regulatory liabilities:		
Retail settlement variance account	70	23
Tax rule changes variance	55	44
Pension cost differential	33	31
Distribution rate riders	31	42
Green energy expenditure variance	29	31
Earnings sharing mechanism deferral	22	21
External revenue variance	7	6
Deferred income tax regulatory liability	5	5
Other	7	9
Total regulatory liabilities	259	212
Less: current portion	(34)	(45)
	225	167

COVID-19 Emergency Deferral

On March 25, 2020, the OEB issued accounting guidance for the establishment of three deferral accounts to track incremental costs and lost revenues related to the COVID-19 pandemic: (i) Billing and System Changes as a Result of the Emergency Order Regarding Time-of-Use Pricing, (ii) Lost Revenues Arising from the COVID-19 Emergency, and (iii) Other Incremental Costs, including costs relating to bad debt expenses. The OEB accounting guidance specified that incremental bad debt expense can be included in the Other Incremental Costs COVID-19 emergency deferral account and the Company has assessed that it is probable that this expense will be recovered in future rates; therefore, this has been recognized as a regulatory asset. The current balance in the deferral account represents the incremental bad debt expense as a result of the COVID-19 pandemic. Hydro One is also tracking certain incremental costs and lost revenues that have arisen due to the COVID-19 pandemic. These amounts have not been recognized as regulatory assets as the Company is currently assessing whether they are probable for recovery in future rates. The OEB intends to set out the timing and process for disposition of the deferral accounts.

12. OTHER LONG-TERM ASSETS

As at *(millions of dollars)*	March 31, 2020	December 31, 2019
Right-of-Use (ROU) assets *(Note 18)*	72	75
Derivative assets *(Note 16)*	6	3
Investments	4	2
Other long-term assets	6	7
	88	87

13. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at *(millions of dollars)*	March 31, 2020	December 31, 2019
Accrued liabilities	652	612
Accounts payable	180	189
Accrued interest	140	104
Regulatory liabilities *(Note 11)*	34	45
Environmental liabilities	32	30
Lease obligations *(Note 18)*	10	9
Derivative liabilities *(Note 16)*	7	—
	1,055	989

14. OTHER LONG-TERM LIABILITIES

As at *(millions of dollars)*	March 31, 2020	December 31, 2019
Post-retirement and post-employment benefit liability *(Note 17)*	1,746	1,723
Pension benefit liability *(Note 17)*	1,148	1,125
Environmental liabilities	104	111
Lease obligations *(Note 18)*	66	69
Derivative liabilities *(Note 16)*	18	—
Asset retirement obligations	13	10
Long-term accounts payable	7	6
Other long-term liabilities	11	11
	3,113	3,055

15. DEBT AND CREDIT AGREEMENTS

Short-Term Notes and Credit Facilities

Hydro One meets its short-term liquidity requirements in part through the issuance of commercial paper under Hydro One Inc.'s Commercial Paper Program which has a maximum authorized amount of $2,300 million. These short-term notes are denominated in Canadian dollars with varying maturities up to 365 days. The Commercial Paper Program is supported by Hydro One Inc.'s revolving standby credit facilities totalling $2,300 million.

At March 31, 2020, Hydro One's consolidated committed, unsecured and undrawn credit facilities (Operating Credit Facilities) totalling $2,550 million included Hydro One's credit facilities of $250 million and Hydro One Inc.'s credit facilities of $2,300 million. At March 31, 2020, no amounts have been drawn on the Operating Credit Facilities.

The Company may use the Operating Credit Facilities for working capital and general corporate purposes. If used, interest on the Operating Credit Facilities would apply based on Canadian benchmark rates. The obligation of each lender to make any credit extension under its credit facility is subject to various conditions including that no event of default has occurred or would result from such credit extension.

Subsidiary Debt Guarantee

Hydro One Holdings Limited (HOHL) is an indirect wholly-owned subsidiary of Hydro One that may offer and sell debt securities. Any debt securities issued by HOHL are fully and unconditionally guaranteed by the Company. At March 31, 2020 and 2019, no debt securities have been issued by HOHL.

Long-Term Debt

The following table presents long-term debt outstanding at March 31, 2020 and December 31, 2019:

As at *(millions of dollars)*	March 31, 2020	December 31, 2019
Hydro One Inc. long-term debt (a)	12,445	11,345
HOSSM long-term debt (b)	158	160
	12,603	11,505
Add: Net unamortized debt premiums	11	12
Add: Unrealized mark-to-market loss[1]	6	1
Less: Unamortized deferred debt issuance costs	(46)	(43)
Total long-term debt	12,574	11,475
Less: Long-term debt payable within one year	(1,153)	(653)
	11,421	10,822

[1] The unrealized mark-to-market net loss of $6 million relates to $50 million of the Series 33 notes due 2020 and $300 million Series 39 notes due 2021 (December 31, 2019 - $1 million). The unrealized mark-to-market net loss is offset by a $6 million unrealized mark-to-market net gain (December 31, 2019 - $1 million) on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges.

(a) Hydro One Inc. long-term debt

At March 31, 2020, long-term debt of $12,445 million (December 31, 2019 - $11,345 million) was outstanding, the majority of which was issued under Hydro One Inc.'s Medium Term Note (MTN) Program. The maximum authorized principal amount of notes issuable under the MTN Program prospectus filed in March 2018 was $4,000 million. At March 31, 2020, no amounts remained available for issuance under this MTN Program prospectus. See Note 28 - Subsequent Events for details of a new prospectus.

During the three months ended March 31, 2020, Hydro One Inc. issued long-term debt totalling $1,100 million (2019 - $nil) under its MTN Program as follows:

- $400 million Series 45 notes with a maturity date of February 28, 2025 and a coupon rate of 1.76%;
- $400 million Series 46 notes with a maturity date of February 28, 2030 and a coupon rate of 2.16%; and
- $300 million Series 47 notes with a maturity date of February 28, 2050 and a coupon rate of 2.71%.

During the three months ended March 31, 2020, no long-term debt was repaid (2019 - $228 million) under the MTN Program.

(b) HOSSM long-term debt

At March 31, 2020, HOSSM long-term debt of $158 million (December 31, 2019 - $160 million), with a principal amount of $141 million (December 31, 2019 - $141 million) was outstanding. During the three months ended March 31, 2020 and 2019, no long-term debt was issued or repaid.

Principal and Interest Payments

At March 31, 2020, principal repayments, interest payments, and related weighted-average interest rates were as follows:

	Long-Term Debt Principal Repayments *(millions of dollars)*	Interest Payments *(millions of dollars)*	Weighted Average Interest Rate *(%)*
Year 1	1,153	497	2.5
Year 2	903	474	3.0
Year 3	4	451	6.6
Year 4	131	446	6.1
Year 5	1,100	434	2.3
	3,291	2,302	2.7
Years 6-10	1,800	1,978	2.8
Thereafter	7,495	4,248	4.9
	12,586	8,528	4.0

16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Non-Derivative Financial Assets and Liabilities

At March 31, 2020 and December 31, 2019, the Company's carrying amounts of cash and cash equivalents, accounts receivable, due from related parties, short-term notes payable, accounts payable, and due to related parties are representative of fair value due to the short-term nature of these instruments.

Fair Value Measurements of Long-Term Debt

The fair values and carrying values of the Company's long-term debt at March 31, 2020 and December 31, 2019 are as follows:

As at *(millions of dollars)*	March 31, 2020 Carrying Value	 Fair Value	December 31, 2019 Carrying Value	 Fair Value
Long-term debt measured at fair value:				
$50 million of MTN Series 33 notes	50	50	50	50
$300 million MTN Series 39 notes	306	306	301	301
Other notes and debentures	12,218	13,681	11,124	13,121
Long-term debt, including current portion	12,574	14,037	11,475	13,472

Fair Value Measurements of Derivative Instruments

Fair Value Hedges

At March 31, 2020, Hydro One Inc. had interest-rate swaps with a total notional amount of $350 million (December 31, 2019 - $350 million) that were used to convert fixed-rate debt to floating-rate debt. These swaps are classified as fair value hedges. Hydro One Inc.'s fair value hedge exposure was approximately 3% (December 31, 2019 - 3%) of its total long-term debt. At March 31, 2020, Hydro One Inc. had the following interest-rate swaps designated as fair value hedges:

- a $50 million fixed-to-floating interest-rate swap agreement to convert $50 million of the $350 million MTN Series 33 notes maturing April 30, 2020 into three-month variable rate debt; and
- a $300 million fixed-to-floating interest-rate swap agreement to convert the $300 million MTN Series 39 notes maturing June 25, 2021 into three-month variable rate debt.

Cash Flow Hedges

At March 31, 2020, Hydro One Inc. had the following agreements designated as cash flow hedges:

- $800 million in 3-year pay-fixed, receive-floating interest-rate swap agreements intended to offset the variability of interest rates on the issuances of short-term commercial paper between January 9, 2020 and March 9, 2023; and
- $400 million of bond forward agreements intended to mitigate exposure to variability in interest rates on forecasted fixed-rate issuance from Hydro One Inc.'s MTN program, expected to occur by the end of 2020.

At March 31, 2020 and December 31, 2019, the Company had no derivative instruments classified as undesignated contracts.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities at March 31, 2020 and December 31, 2019 is as follows:

As at March 31, 2020 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Derivative instruments *(Note 12)*					
Fair value hedges (interest-rate swaps)	6	6	—	6	—
	6	6	—	6	—
Liabilities:					
Long-term debt, including current portion	12,574	14,037	—	14,037	—
Derivative instruments *(Notes 13, 14)*					
Cash flow hedges, including current portion (interest-rate swaps)	25	25	—	25	—
	12,599	14,062	—	14,062	—

As at December 31, 2019 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Derivative instruments *(Note 12)*					
Fair value hedges (interest-rate swaps)	1	1	—	1	—
Cash flow hedges (interest-rate swaps)	2	2	—	2	—
	3	3	—	3	—
Liabilities:					
Long-term debt, including current portion	11,475	13,472	—	13,472	—
	11,475	13,472	—	13,472	—

The fair value of the hedged portion of the long-term debt is primarily based on the present value of future cash flows using a swap yield curve to determine the assumption for interest rates. The fair value of the unhedged portion of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

There were no transfers between any of the fair value levels during the three months ended March 31, 2020 and the year ended December 31, 2019.

Changes in the Fair Value of Financial Instruments Classified in Level 3

The following table summarizes the changes in fair value of financial instruments classified in Level 3 for the three months ended March 31, 2020 and the year ended December 31, 2019:

(millions of dollars)	Three months ended March 31, 2020	Year ended December 31, 2019
Fair value of asset - beginning	—	22
Unrealized loss on Foreign-Exchange Contract included in financing charges *(Note 4)*	—	(22)
Fair value of asset - ending	—	—

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Company's business.

Market Risk

Market risk refers primarily to the risk of loss which results from changes in costs, foreign exchange rates and interest rates. The Company is exposed to fluctuations in interest rates, as its regulated return on equity is derived using a formulaic approach that takes anticipated interest rates into account. The Company is not currently exposed to material commodity price risk or material foreign exchange risk.

The Company uses a combination of fixed and variable-rate debt to manage the mix of its debt portfolio. The Company also uses derivative financial instruments to manage interest-rate risk. The Company may utilize interest-rate swaps designated as fair value hedges as a means to manage its interest rate exposure to achieve a lower cost of debt. The Company may also utilize interest-rate derivative instruments, such as cash flow hedges, to manage its exposure to short-term interest rates or to lock in interest-rate levels in forecasted financing.

A hypothetical 100 basis points increase in interest rates associated with variable-rate debt would not have resulted in a significant decrease in Hydro One's net income for the three months ended March 31, 2020 and 2019.

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the consolidated statements of operations and comprehensive income. The net unrealized loss (gain) on the hedged debt and the related interest-rate swaps for the three months ended March 31, 2020 and 2019 were not material.

For derivative instruments that are designated and qualify as cash flow hedges, the unrealized gain or loss, net of tax, on the derivative instrument is recorded as other comprehensive income (OCI) and is reclassified to results of operations in the same period during which the hedged transaction affects results of operations. The unrealized loss, net of tax, on the cash flow hedges for the three months ended March 31, 2020 recorded in OCI was $20 million (2019 - $nil), resulting in an accumulated other comprehensive loss of $18 million related to cash flow hedges at March 31, 2020 (December 31, 2019 - accumulated OCI of $2 million). No amounts were reclassified to results of operations during the three months ended March 31, 2020 or 2019. The Company estimates that the amount of accumulated other comprehensive loss, net of tax, related to cash flow hedges to be reclassified to results of operations in the next 12 months is approximately $5 million. Actual amounts reclassified to results of operations depend on the market risk in effect until the derivative contracts mature. For all forecasted transactions, the maximum term over which the Company is hedging exposures to the variability of cash flows is approximately three years.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At March 31, 2020 and December 31, 2019, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers. As a result, Hydro One did not earn a material amount of revenue from any single customer. At March 31, 2020 and December 31, 2019, there was no material accounts receivable balance due from any single customer.

At March 31, 2020, the Company's allowance for doubtful accounts was $38 million (December 31, 2019 - $22 million). The allowance for doubtful accounts reflects the Company's current lifetime expected credit losses for all accounts receivable balances, which are based on historical overdue balances, customer payments and write-offs. At March 31, 2020, approximately 5% (December 31, 2019 - 5%) of the Company's net accounts receivable were outstanding for more than 60 days. Please see Note 8 - Accounts Receivable for additions to allowance for doubtful accounts related to the impact of the COVID-19 pandemic.

Hydro One manages its counterparty credit risk through various techniques including (i) entering into transactions with highly rated counterparties, (ii) limiting total exposure levels with individual counterparties, (iii) entering into master agreements which enable net settlement and the contractual right of offset, and (iv) monitoring the financial condition of counterparties. The Company monitors current credit exposure to counterparties on both an individual and an aggregate basis. The Company's credit risk for accounts receivable is limited to the carrying amounts on the consolidated balance sheets.

Derivative financial instruments result in exposure to credit risk since there is a risk of counterparty default. The maximum credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. At March 31, 2020 and December 31, 2019, the counterparty credit risk exposure on the fair value of these interest-rate swap contracts was not material. At March 31, 2020, Hydro One's credit exposure for all derivative instruments, and applicable payables and receivables, was with four financial institutions with investment grade credit ratings as counterparties.

Liquidity Risk

Liquidity risk refers to the Company's ability to meet its financial obligations as they come due. Hydro One meets its short-term operating liquidity requirements using cash and cash equivalents on hand, funds from operations, the issuance of commercial paper, and the Operating Credit Facilities. The short-term liquidity under the commercial paper program, the Operating Credit Facilities, available cash on hand, and anticipated levels of funds from operations are expected to be sufficient to fund the Company's operating requirements and debt maturities in 2020. The Company's currently available liquidity is also expected to be sufficient to address any reasonably foreseeable impacts that the COVID-19 pandemic may have on the Company's cash requirements in 2020.

On June 18, 2018, Hydro One filed a short form base shelf prospectus (Universal Base Shelf Prospectus) with securities regulatory authorities in Canada. The Universal Base Shelf Prospectus allows Hydro One to offer, from time to time in one or more public offerings, up to $4.0 billion of debt, equity or other securities, or any combination thereof, during the 25-month period ending on July 18, 2020. On November 23, 2018, HOHL filed a short form base shelf prospectus (US Debt Shelf Prospectus) with securities regulatory authorities in Canada and the US. The US Debt Shelf Prospectus allows HOHL to offer, from time to time in one or more public offerings, up to US$3.0 billion of debt securities, unconditionally guaranteed by Hydro One, during the 25-month period ending on December 23, 2020. At March 31, 2020, no securities have been issued under the Universal Base Shelf Prospectus or the US Debt Shelf Prospectus.

17. PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

The following table provides the components of the net periodic benefit costs for the three months ended March 31, 2020 and 2019:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Three months ended March 31 *(millions of dollars)*	2020	2019	2020	2019
Current service cost	54	37	18	14
Interest cost	71	76	15	15
Expected return on plan assets, net of expenses[1]	(113)	(116)	—	—
Amortization of actuarial losses	24	14	1	1
Net periodic benefit costs	36	11	34	30
Charged to results of operations[2]	7	8	13	12

[1] The expected long-term rate of return on pension plan assets for the year ending December 31, 2020 is 5.75% (2019 - 6.5%).

[2] The Company accounts for pension costs consistent with their inclusion in OEB-approved rates. During the three months ended March 31, 2020, pension costs of $19 million (2019 - $19 million) were attributed to labour, of which $7 million (2019 - $8 million) was charged to operations, $nil (2019 - $5 million) was recorded as regulatory assets, and $12 million (2019 - $6 million) was capitalized as part of the cost of property, plant and equipment and intangible assets.

Effective March1, 2018, certain employees who provided customer service operations for Hydro One through Inergi LP were transferred to Hydro One Networks, and began accruing defined benefits in the Hydro One defined benefit pension plan (Pension Plan). Pursuant to the arrangement, Inergi LP, Vertex Customer Management (Canada) Ltd. and Hydro One Networks agreed to transfer the defined benefit assets and related pension obligations (for current and former members) of the Inergi LP Customer Service Operations Pension Plan and the Vertex Customer Management (Canada) Limited Pension Plan (Transferring Plans) to the Pension Plan, effective March 1, 2018. Regulatory approval for the transfer was received on November 27, 2019 and the assets and related pension obligations of the Transferring Plans were transferred to the Pension Plan on March 2, 2020.

18. LEASES

Hydro One has operating lease contracts for buildings used in administrative and service-related functions and storing telecommunications equipment. These leases have terms between three and seven years with renewal options of additional three- to five-year terms at prevailing market rates at the time of extension. All leases include a clause to enable upward revision of the rental charge on an annual basis or on renewal according to prevailing market conditions or pre-established rents. There are no restrictions placed upon Hydro One by entering into these leases. Renewal options are included in the lease term when their exercise is reasonably certain. Other information related to the Company's operating leases was as follows:

Three months ended March 31 *(millions of dollars)*	**2020**	**2019**
Lease expense	2	2
Lease payments made	3	2

As at	**March 31, 2020**	**December 31, 2019**
Weighted-average remaining lease term[1] *(years)*	8	8
Weighted-average discount rate	2.7%	2.7%

[1] Includes renewal options that are reasonably certain to be exercised.

At March 31, 2020, future minimum operating lease payments were as follows:

(millions of dollars)	
Remainder of 2020	9
2021	12
2022	11
2023	10
2024	9
Thereafter	33
Total undiscounted minimum lease payments[1]	84
Less: discounting minimum lease payments to present value	(8)
Total discounted minimum lease payments	76

[1] Excludes committed amounts of $6 million for leases that have not yet commenced.

At December 31, 2019, future minimum operating lease payments were as follows:

(millions of dollars)	
2020	12
2021	12
2022	11
2023	10
2024	9
Thereafter	33
Total undiscounted minimum lease payments[1]	87
Less: discounting minimum lease payments to present value	(9)
Total discounted minimum lease payments	78

[1] Excludes committed amounts of $6 million for leases that have not yet commenced.

Hydro One presents its ROU assets and lease obligations on the consolidated balance sheets as follows:

As at *(millions of dollars)*	**March 31, 2020**	**December 31, 2019**
Other long-term assets *(Note 12)*	72	75
Accounts payable and other current liabilities *(Note 13)*	10	9
Other long-term liabilities *(Note 14)*	66	69

19. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares. At March 31, 2020, the Company had 597,111,948 (December 31, 2019 - 596,818,436) common shares issued and outstanding.

The following table presents the changes to common shares during the three months ended March 31, 2020:

(number of shares)	
Common shares - December 31, 2019	596,818,436
Common shares issued - LTIP[1]	293,512
Common shares - March 31, 2020	597,111,948

[1] During the three months ended March 31, 2020, Hydro One issued from treasury 293,512 common shares in accordance with provisions of the Long-term Incentive Plan (LTIP). This included the exercise of 240,840 stock options for $5 million. See Note 28 - Subsequent Events for common shares issued subsequent to March 31, 2020.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. At March 31, 2020 and December 31, 2019, two series of preferred shares were authorized for issuance: the Series 1 preferred shares and the Series 2 preferred shares. At March 31, 2020 and December 31, 2019, the Company had 16,720,000 Series 1 preferred shares and no Series 2 preferred shares issued and outstanding.

20. DIVIDENDS

During the three months ended March 31, 2020, preferred share dividends in the amount of $5 million (2019 - $5 million) and common share dividends in the amount of $144 million (2019 - $137 million) were declared and paid. See Note 28 - Subsequent Events for dividends declared subsequent to March 31, 2020.

21. EARNINGS PER COMMON SHARE

Basic earnings per common share (EPS) is calculated by dividing net income attributable to common shareholders of Hydro One by the weighted-average number of common shares outstanding.

Diluted EPS is calculated by dividing net income attributable to common shareholders of Hydro One by the weighted-average number of common shares outstanding adjusted for the effects of potentially dilutive stock-based compensation plans, including the share grant plans and the LTIP, which are calculated using the treasury stock method.

Three months ended March 31	**2020**	**2019**
Net income attributable to common shareholders *(millions of dollars)*	225	171
Weighted average number of shares		
Basic	596,983,560	595,961,260
Effect of dilutive stock-based compensation plans	2,663,999	2,354,970
Diluted	599,647,559	598,316,230
EPS		
Basic	$0.38	$0.29
Diluted	$0.38	$0.29

22. STOCK-BASED COMPENSATION

Share Grant Plans

There were no changes in share grants under the Share Grant Plans during the three months ended March 31, 2020 and 2019. See Note 28 - Subsequent Events for common shares issued in April 2020.

Directors' Deferred Share Unit (DSU) Plan

A summary of DSU awards activity under the Directors' DSU Plan during the three months ended March 31, 2020 and 2019 is presented below:

Three months ended March 31 *(number of DSUs)*	**2020**	**2019**
DSUs outstanding - beginning	52,620	46,697
Granted	5,859	12,523
Settled	—	(24,015)
DSUs outstanding - ending	58,479	35,205

At March 31, 2020, a liability of $1 million (December 31, 2019 - $1 million) related to Directors' DSUs has been recorded at the closing price of the Company's common shares of $25.34 (December 31, 2019 - $25.08). This liability is included in long-term accounts payable and other liabilities on the consolidated balance sheets.

Management DSU Plan

A summary of DSU awards activity under the Management DSU Plan during the three months ended March 31, 2020 and 2019 is presented below:

Three months ended March 31 *(number of DSUs)*	2020	2019
DSUs outstanding - beginning	52,186	108,296
Granted	20,277	23,436
Paid	(5,411)	(52,345)
DSUs outstanding - ending	67,052	79,387

At March 31, 2020, a liability of $2 million (December 31, 2019 - $1 million) related to Management DSUs has been recorded at the closing price of the Company's common shares of $25.34 (December 31, 2019 - $25.08). This liability is included in long-term accounts payable and other liabilities on the consolidated balance sheets.

LTIP

Performance Share Units (PSU) and Restricted Share Units (RSU)

A summary of PSU and RSU awards activity under the LTIP during the three months ended March 31, 2020 and 2019 is presented below:

	PSUs		RSUs	
Three months ended March 31 *(number of units)*	2020	2019	2020	2019
Units outstanding - beginning	171,344	605,180	206,993	442,470
Vested and issued	(47,950)	(77,232)	—	(20,976)
Forfeited	(377)	(8,968)	(565)	(6,924)
Settled	—	(34,550)	(56,410)	(17,270)
Units outstanding - ending[1]	123,017	484,430	150,018	397,300

[1] Units outstanding at March 31, 2020 include 7,740 PSUs (2019 - 190,290) and 39,920 RSUs (2019 - 147,820) that may be settled in cash if certain conditions are met. At March 31, 2020, a liability of $1 million (2019 - $6 million) has been recorded with respect to these awards and is included in accrued liabilities on the consolidated balance sheets.

No awards were granted during the three months ended March 31, 2020 and 2019. The compensation expense related to the PSU and RSU awards recognized by the Company during the three months ended March 31, 2020 was $1 million (2019 - $5 million).

Stock Options

A summary of stock options activity during the three months ended March 31, 2020 and 2019 is presented below:

Three months ended March 31 *(number of stock options)*	2020	2019
Stock options outstanding - beginning[1]	403,550	949,910
Exercised	(240,840)	—
Stock options outstanding - ending[2]	162,710	949,910

[1] All stock options outstanding as at January 1, 2020, were vested and exercisable (2019 - all stock options were non-vested).
[2] All stock options outstanding as at March 31, 2020, were vested and exercisable (2019 - 599,413 stock options remain non-vested).

23. RELATED PARTY TRANSACTIONS

The Province is a shareholder of Hydro One with approximately 47.3% ownership at March 31, 2020. The Independent Electricity System Operator (IESO), Ontario Power Generation Inc. (OPG), Ontario Electricity Financial Corporation (OEFC), and the OEB are related parties to Hydro One because they are controlled or significantly influenced by the Ministry of Energy. Ontario Charging Network LP (OCN LP) is a joint-venture limited partnership between a subsidiary of Hydro One and OPG. The following is a summary of the Company's related party transactions during the three months ended March 31, 2020 and 2019:

Three months ended March 31 *(millions of dollars)*

Related Party	Transaction	2020	2019
Province	Dividends paid	73	70
IESO	Power purchased	776	550
	Revenues for transmission services	395	413
	Amounts related to electricity rebates	433	138
	Distribution revenues related to rural rate protection	59	58
	Distribution revenues related to the supply of electricity to remote northern communities	9	9
	Funding received related to Conservation and Demand Management programs	9	15
OPG[1]	Power purchased	2	3
	Revenues related to provision of services and supply of electricity	2	2
	Costs related to the purchase of services	1	—
OEFC	Power purchased from power contracts administered by the OEFC	—	1
OEB	OEB fees	2	2
OCN LP[2]	Investment in OCN LP	—	2

[1] OPG has provided a $2.5 million guarantee to Hydro One related to the OCN Guarantee. See Note 26 - Commitments for details related to the OCN Guarantee.
[2] OCN LP owns and operates electric vehicle fast charging stations across Ontario, under the Ivy Charging Network brand.

Sales to and purchases from related parties are based on the requirements of the OEB's Affiliate Relationships Code. Outstanding balances at period end are interest-free and settled in cash. Invoices are issued monthly, and amounts are due and paid on a monthly basis.

24. CONSOLIDATED STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

Three months ended March 31 *(millions of dollars)*	2020	2019
Accounts receivable *(Note 8)*[1]	(10)	(10)
Due from related parties	110	(8)
Materials and supplies *(Note 9)*	—	(1)
Prepaid expenses and other assets *(Note 9)*	(18)	(25)
Other long-term assets *(Note 12)*	1	—
Accounts payable *(Note 13)*[2]	(12)	(37)
Accrued liabilities *(Note 13)*[3]	38	3
Due to related parties	(97)	(73)
Accrued interest *(Note 13)*	36	24
Long-term accounts payable and other long-term liabilities *(Note 14)*	1	—
Post-retirement and post-employment benefit liability *(Note 14)*[4]	13	12
	62	(115)

[1] Adjusted for $14 million related to amounts with a regulatory asset offset (2019 - $nil).
[2] Adjusted for $3 million related to capital investments (2019 - $1 million).
[3] Adjusted for $2 million related to stock-based compensation (2019 - $7 million).
[4] Adjusted for $10 million related to amounts with a regulatory asset offset (2019 - $8 million).

Capital Expenditures

The following tables reconcile investments in property, plant and equipment and intangible assets and the amounts presented in the consolidated statements of cash flows for the three months ended March 31, 2020 and 2019. The reconciling items include net change in accruals and capitalized depreciation.

Three months ended March 31, 2020 *(millions of dollars)*	Property, Plant and Equipment	Intangible Assets	Total
Capital investments	(350)	(22)	(372)
Reconciling items	11	—	11
Cash outflow for capital expenditures	(339)	(22)	(361)

Three months ended March 31, 2019 *(millions of dollars)*	Property, Plant and Equipment	Intangible Assets	Total
Capital investments	(290)	(21)	(311)
Reconciling items	10	(3)	7
Cash outflow for capital expenditures	(280)	(24)	(304)

Supplementary Information

Three months ended March 31 *(millions of dollars)*	2020	2019
Net interest paid	90	99
Income taxes paid	13	13

25. CONTINGENCIES

Hydro One is involved in various lawsuits and claims in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

26. COMMITMENTS

The following table presents a summary of Hydro One's commitments under outsourcing and other agreements due in the next five years and thereafter:

As at March 31, 2020 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Outsourcing and other agreements	147	18	11	9	8	13
Long-term software/meter agreement	19	1	2	1	2	—

The following table presents a summary of Hydro One's other commercial commitments by year of expiry in the next five years and thereafter:

As at March 31, 2020 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Operating Credit Facilities	—	—	—	—	2,550	—
Letters of credit[1]	192	—	—	—	—	—
Guarantees[2]	332	—	—	—	—	—

[1] Letters of credit consist of $179 million letters of credit related to retirement compensation arrangements, a $4 million in letters of credit to satisfy debt service reserve requirements, a $6 million letter of credit provided to the IESO for prudential support and $3 million in letters of credit for various operating purposes.

[2] Guarantees consist of $325 million prudential support provided to the IESO by Hydro One Inc. on behalf of its subsidiaries, and guarantees totalling $7 million provided by Hydro One to the Minister of Natural Resources relating to OCN LP (OCN Guarantee). The OPG has provided a $2.5 million guarantee to Hydro One related to the OCN Guarantee.

27. SEGMENTED REPORTING

Hydro One has three reportable segments:

- The Transmission Segment, which comprises the transmission of high voltage electricity across the province, interconnecting more than 70 local distribution companies and certain large directly connected industrial customers throughout the Ontario electricity grid;
- The Distribution Segment, which comprises the delivery of electricity to end customers and certain other municipal electricity distributors; and
- Other Segment, which includes certain corporate activities and the operations of the Company's telecommunications business.

The designation of segments has been based on a combination of regulatory status and the nature of the services provided. Operating segments of the Company are determined based on information used by the chief operating decision-maker in deciding how to allocate resources and evaluate the performance of each of the segments. The Company evaluates segment performance based on income before financing charges and income taxes from continuing operations (excluding certain allocated corporate governance costs).

Three months ended March 31, 2020 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	400	1,439	11	1,850
Purchased power	—	1,007	—	1,007
Operation, maintenance and administration	102	148	15	265
Depreciation and amortization	112	98	2	212
Income (loss) before financing charges and income tax expense	186	186	(6)	366
Capital investments	236	135	1	372

Three months ended March 31, 2019 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	428	1,321	10	1,759
Purchased power	—	807	—	807
Operation, maintenance and administration	99	146	171	416
Depreciation and amortization	113	98	1	212
Income (loss) before financing charges and income taxes	216	270	(162)	324
Capital investments	206	103	2	311

Total Assets by Segment:

As at *(millions of dollars)*	March 31, 2020	December 31, 2019
Transmission	15,144	15,029
Distribution	9,999	10,017
Other	2,987	2,015
Total assets	28,130	27,061

Total Goodwill by Segment:

As at *(millions of dollars)*	March 31, 2020	December 31, 2019
Transmission	157	157
Distribution	168	168
Total goodwill	325	325

All revenues, assets and substantially all costs, as the case may be, are earned, held or incurred in Canada.

28. SUBSEQUENT EVENTS

Dividends

On May 7, 2020, preferred share dividends of $4 million and common share dividends of $152 million ($0.2536 per common share) were declared.

Share Grant Plans

On April 1, 2020, Hydro One issued from treasury 439,041 common shares to eligible employees in accordance with provisions of the Share Grant Plans.

MTN Prospectus

On April 14, 2020, Hydro One Inc. filed a new short form base shelf prospectus for its MTN Program. The short form base shelf prospectus allows Hydro One Inc. to offer and issue from time to time medium term notes in an aggregate principal amount up to $4.0 billion during the twenty-five month period ending in May 2022.

OEB Decision - 2020-2022 Transmission Rates

On April 23, 2020, the OEB rendered its decision on the 2020-2022 transmission rate application (2020-2022 Transmission Decision). The Company intends to file its draft rate order reflecting updated revenue requirements for years 2020 to 2022 for the OEB's approval by May 28, 2020. The financial impact of the 2020-2022 Transmission Decision will be determined and reflected prospectively in the Company's second quarter consolidated financial statements.

Acquisition of Orillia Power

On April 30, 2020, the OEB issued its decision approving Hydro One's application to acquire Orillia Power Distribution Corporation from the City of Orillia. The transaction is expected to close before the end of 2020.

Acquisition of Peterborough Distribution

On April 30, 2020, the OEB issued its decision approving Hydro One's application to acquire the business and distribution assets of Peterborough Distribution Inc., from the City of Peterborough. The transaction is expected to close before the end of 2020.