hydro One

First Quarter 2021

Earnings Teleconference
May 7, 2021

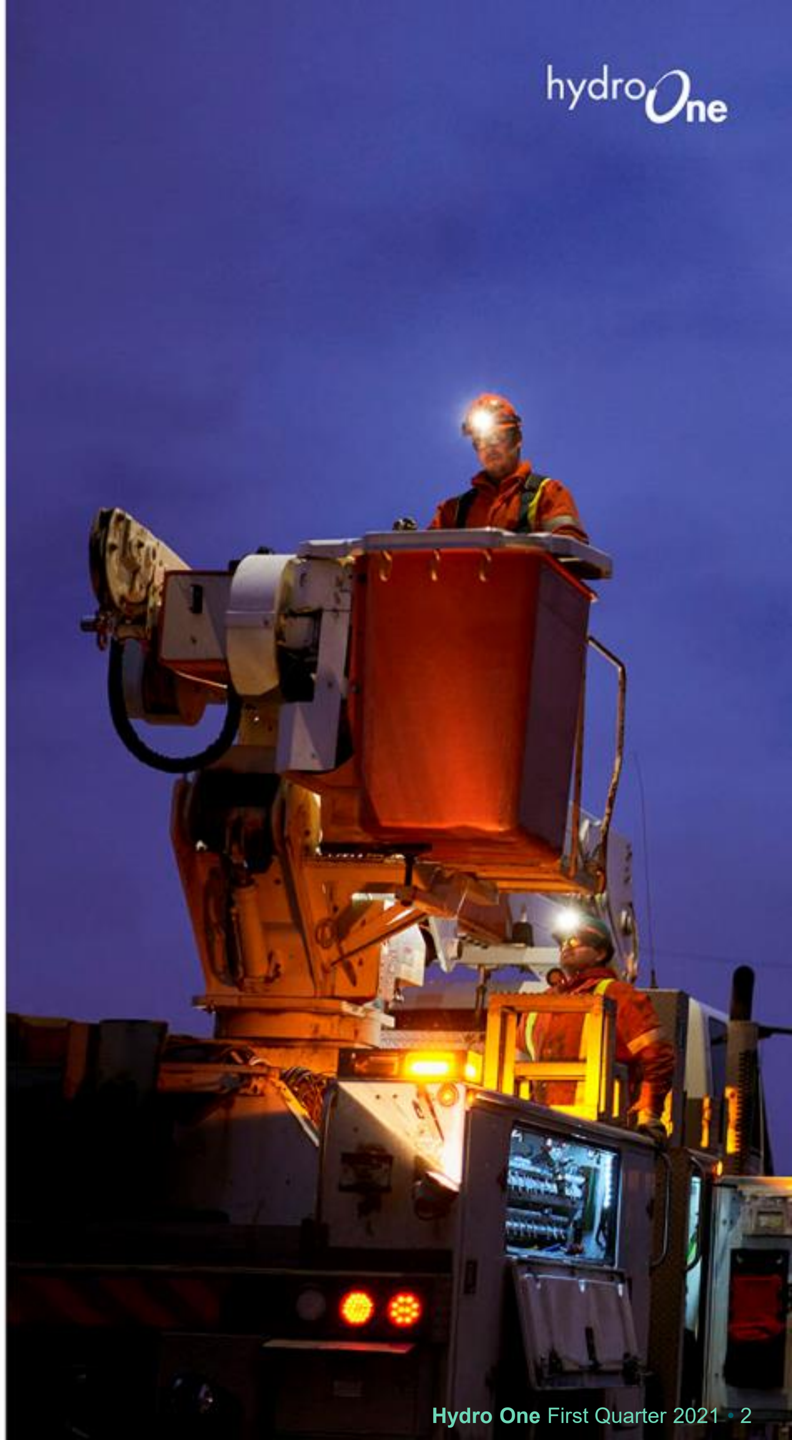
One of North America's largest electric utilities TSX:H

1Q21 Financial summary

(millions of dollars, except EPS)	First Quarter 2021	First Quarter 2020	First Quarter % Change	Year End 2020	Year End 2019	Year End % Change
Revenue						
Transmission	448	400	12.0%	1,740	1,652	5.3%
Distribution	1,354	1,439	(5.9%)	5,507	4,788	15.0%
Distribution (Net of Purchased Power)	460	432	6.5%	1,653	1,677	(1.4%)
Other	9	11	(18.2%)	43	40	7.5%
Consolidated	1,811	1,850	(2.1%)	7,290	6,480	12.5%
Consolidated (Net of Purchased Power)	917	843	8.8%	3,436	3,369	2.0%
OM&A Costs	282	265	6.4%	1,070	1,181	(9.4%)
Earnings before financing charges and income taxes (EBIT)						
Transmission	229	186	23.1%	890	835	6.6%
Distribution	193	186	3.8%	617	658	(6.2%)
Other	(10)	(6)	(66.7%)	(25)	(183)	86.3%
Consolidated	412	366	12.6%	1,482	1,310	13.1%
Net income[1]	268	225	19.1%	1,770	778	127.5%
Adjusted net income[1 2]	268	225	19.1%	903	918	(1.6%)
Basic EPS	$0.45	$0.38	18.4%	$2.96	$1.30	127.7%
Basic adjusted EPS[1]	$0.45	$0.38	18.4%	$1.51	$1.54	(1.9%)
Capital investments	527	372	41.7%	1,878	1,667	12.7%
Assets placed in-service						
Transmission	48	129	(62.8%)	948	1,082	(12.4%)
Distribution	106	95	11.6%	684	602	13.6%
Other	3	1	200.0%	7	19	(63.2%)
Total assets placed in-service	157	225	(30.2%)	1,639	1,703	(3.8%)

Financial Statements reported under U.S. GAAP

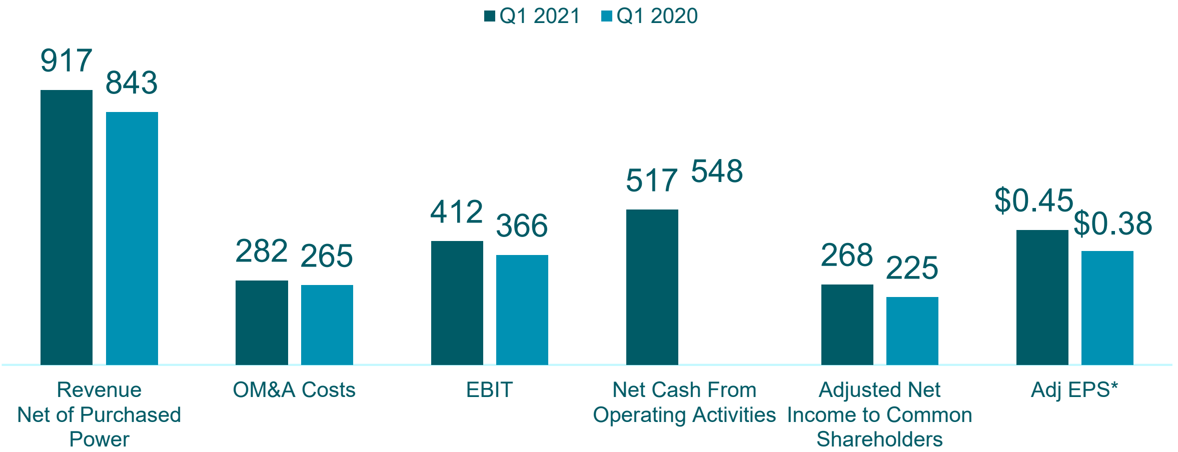
1. Net Income is attributable to common shareholders and is after non-controlling interest, dividends to preferred shareholders
2. Adjusted Net Income excludes items related to the terminated Avista Corporation acquisition or impacts related to the *Ontario Divisional Court* ("ODC") decision



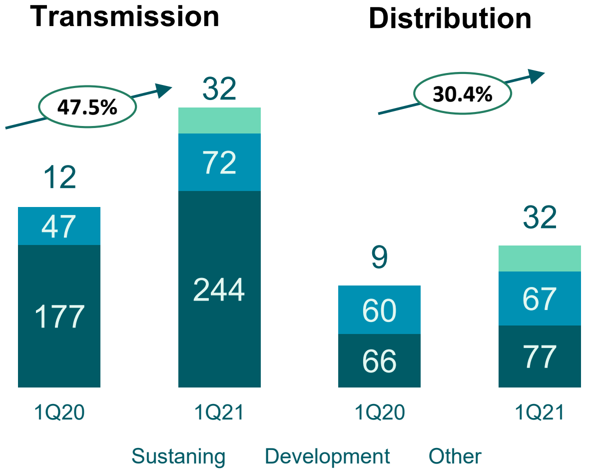
1Q21 Financial summary

Hydro One's focus on customer advocacy, partnership, and long-term financial stability results in positive performance

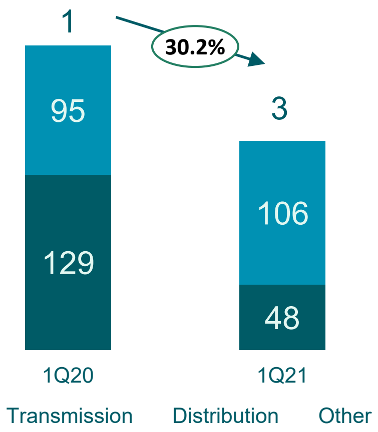
Financial Highlights ($M) –1Q20 Year over Year Comparison



Regulated Capital Investments ($M)



Assets Placed in Service ($M)



Selected Financial Highlights:

Transmission revenues increased by 12.0% during the quarter ended March 31, 2021, compared to the first quarter in 2020, primarily due to the following:

- Higher revenues resulting from the OEB-approved 2021 rates and the timing of the OEB decision on the 2020 rates received in the second quarter of the prior year; and
- Higher average monthly Ontario 60-minute peak demand driven by favourable weather.

Distribution revenues, net of purchased power, increased by 6.5% during the quarter ended March 31, 2021, compared to the first quarter in 2020, primarily due to the following:

- Higher revenues resulting from the OEB-approved 2021 rates;
- Higher revenues related to the Peterborough Distribution and Orillia Power acquisitions completed during the third quarter of 2020; and
- Higher energy consumption driven by favourable weather.

The 3.9% decrease in transmission OM&A costs for the quarter ended March 31, 2021, compared to the first quarter in 2020, was primarily due to the following:

- Lower corporate support costs; partially offset by
- OPEB costs that are recognized in OM&A following the 2020-2022 OEB transmission decision and recovered in rates, therefore net income neutral; and
- Higher vegetation management expenditures.

The 12.8% increase in distribution OM&A costs for the quarter ended March 31, 2021, compared to the first quarter in 2020, was primarily due to the following:

- OM&A costs related to the Peterborough Distribution and Orillia Power acquisitions
- Higher volume of distribution station maintenance work;
- Higher spend on information technology initiatives; and
- Higher spend on customer programs.

Income tax expense was $26 million for the three months ended March 31, 2021 compared to income tax expense of $15 million for the comparable period last year. The $11 million increase in income tax expense for the three months ended March 31, 2021 was principally attributable to the following: higher earnings compared to same period in prior year, partially offset by higher deductible timing differences.

Hydro One 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.

- Transmission capital investments increased by $112 million or 47.5% in the first quarter of 2021 compared to the first quarter of 2020.
- Distribution capital investments increased by $41 million or 30.4% in the first quarter of 2021 compared to the first quarter of 2020.

** Adjusted Net Income excludes items related to the terminated Avista Corporation acquisition and impacts related to the ODC's Decision and the Ontario Energy Board's ("OEB") Deferred Tax Asset Decision on Hydro One Networks' distribution and transmission businesses*

Constructive rate regulator (OEB)

Consistent, independent regulator with a transparent rate-setting process

- Transmission and Distribution businesses rate-regulated by the Ontario Energy Board (OEB)
- Deemed debt / equity ratio of 60% / 40% for both transmission and distribution segments
- Reduced regulatory lag through forward-looking test years, revenue decoupling and adjustment mechanisms
- Received a decision for distribution rates under the OEB's Custom Incentive Rate Making model on March 7, 2019 for 2018 – 2022 (5-year term)
- Received a decision on transmission revenue requirement under the OEB's Custom Incentive Rate Making model on April 23, 2020, for 2020 – 2022 (3-year term)

	Current rate methodology	Allowed ROE	Expected rate base[1]	Effective term of application	Comments
Transmission	Custom IR	2021 8.52%	2021 $13.7 B	2020–22	Custom incentives rates. Decision for 2020-2022 transmission revenue requirement received. 2021 annual update approved in Q4 of 2020 to reflect the latest inflation assumptions.

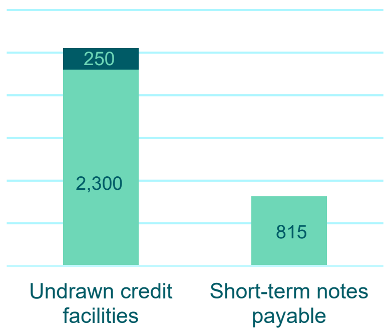
	Current rate methodology	Allowed ROE	Expected rate base[2]	Effective term of application	Comments
Distribution	Custom IR	2021 9.00%	2021 $8.9 B	2018–22	Custom incentive rates. Decision for 2018-2022 distribution rates received. 2021 annual update approved in Q4 of 2020 to reflect the latest inflation assumptions.

1. Transmission rate base includes 100% of B2M LP, Niagara Reinforcement Limited Partnership and Hydro One Sault Ste. Marie Limited Partnership.
2. Distribution Rate Base includes recent LDC acquisitions (Peterborough Distribution Inc., Orillia Power Distribution Corporation) and Hydro One Remote Communities

Strong balance sheet and liquidity (as at March 31, 2021)

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

Significant available liquidity ($M)



Strong investment grade debt ratings (long-term/short-term/outlook)

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

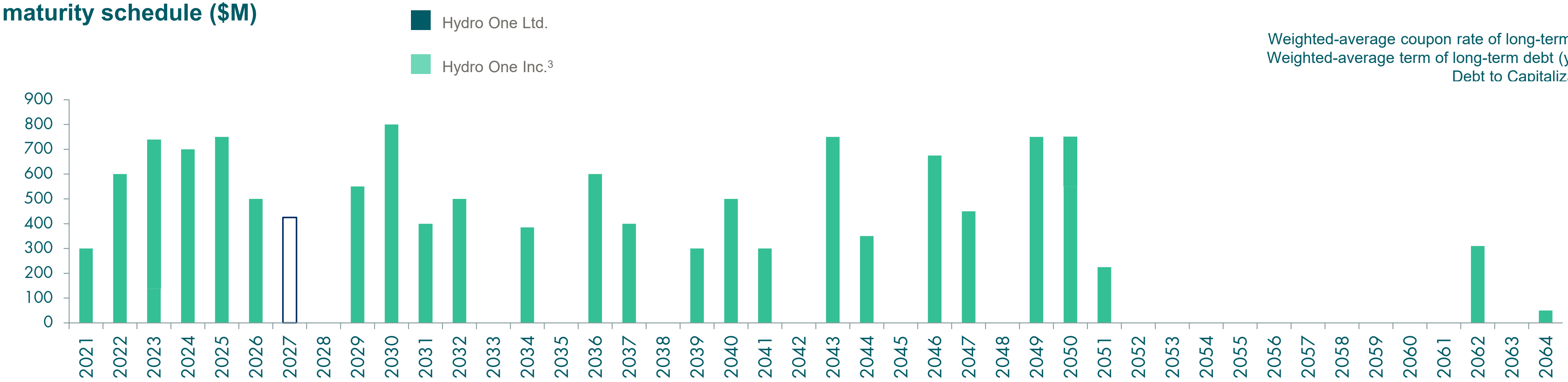
Shelf registrations

HOL
Universal shelf[1]
$2.0B

HOI
Medium term note shelf[2]
$4.0B

Debt maturity schedule ($M)

Weighted-average coupon rate of long-term debt: 3.8%
Weighted-average term of long-term debt (years): 14.8
Debt to Capitalization[4]: 56.3%
)ebt[5]: 14.0%



1. In August 2020, HOL filed a Universal Base Shelf Prospectus with securities regulatory authorities in Canada, which allows it to offer, from time to time in one or more public offerings, up to $2.0 billion of debt, equity or other securities, or any combination thereof, during the 25-month period ending on September 20, 2022. At March 31, 2021, $1.575 billion remained available for issuance under the Universal Base Shelf Prospectus.
2. In April 2020, HOI filed a Medium Term Note (MTN) Program prospectus, which has a maximum authorized principal amount of notes issuable of $4.0 billion until May 2022. At March 31, 2021, $2.8 billion remained available for issuance under the MTN Program prospectus.
3. Includes long-term debt of Hydro One Sault Ste. Marie LP, a subsidiary of Hydro One Inc., in the principal amount of $138 million due in 2023.
4. Debt to capitalization ratio is a non-GAAP measure and has been calculated as total debt (including total long-term debt, and short-term borrowings, net of cash and cash equivalents) divided by total debt plus total shareholders' equity, 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.
5. FFO to Net Debt for the last twelve months ending March 31, 2021

Common share dividends

hydroOne

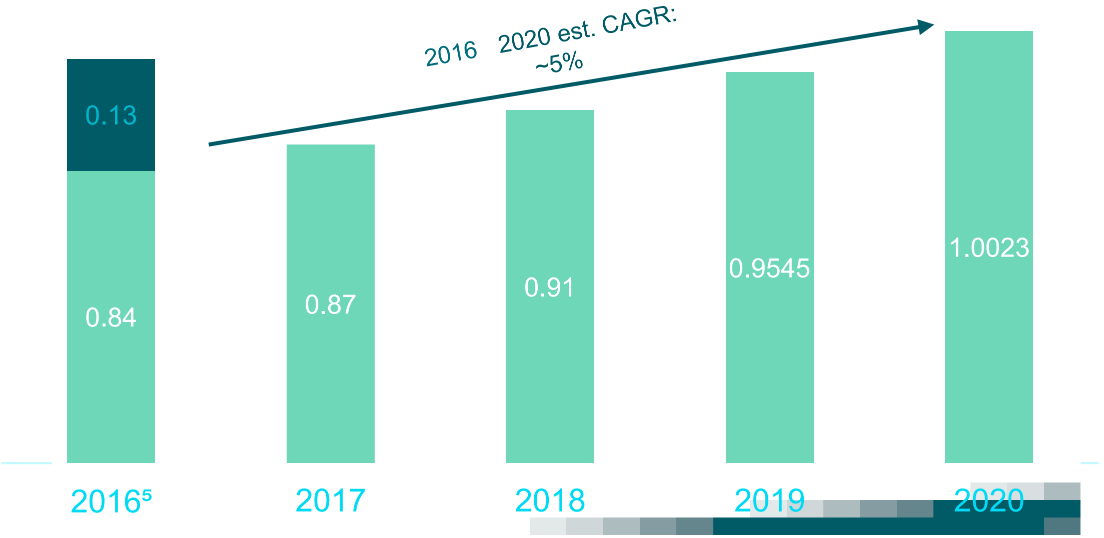
Quarterly dividend declared at $0.2663 per common share

Key Points

- Quarterly dividend declared at $0.2663 per common share ($1.0652 annualized)
- Targeted dividend payout ratio remains at 70% - 80% of net income
- Attractive and growing dividend supported by stable, regulated cash flows and planned rate base growth
- No equity issuance anticipated to fund planned four year capital investment program
- Non-dilutive dividend reinvestment plan (DRIP) was implemented post IPO (shares purchased on open market, not issued from treasury)

Dividend Statistics	
Yield[1]	3.6%
Annualized Dividend[2 3]	$1.0652 / share

A Growing and Sustainable Dividend[4]



Expected Quarterly Dividend Dates[3]

Declaration date	Record date	Payment date
May 6, 2021	June 9, 2021	June 30, 2021
August 9, 2021	September 8, 2021	September 30, 2021
November 8, 2021	December 8, 2021	December 31, 2021

1. Based on closing share price on March 31st, 2021
2. Unless indicated otherwise, all common share dividends are designated as "eligible" dividends for the purpose of the Income Tax Act (Canada)
3. All dividend declarations and related dates are subject to Board approval.
4. Denotes annual cash dividends paid
5. The first common share dividend declared by Hydro One Ltd. following the November 5, 2015 initial public offering of its common stock included 13 cents for the post IPO fourth quarter period of November 5 through December 31 2015.

Disclaimers

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

Forward-Looking Information

This presentation contains “forward-looking information” within the meaning of applicable Canadian securities laws that is based on current expectations, estimates, forecasts and projections about Hydro One’s business and the industry in which Hydro One operates and includes beliefs of and assumptions made by management of Hydro One. Such information includes, but is not limited to: statements related to transmission and distribution regulatory decisions, impacts and timing; statements regarding Hydro One’s projected rate base and cash flows; statements regarding Hydro One’s capital investments, and related plans, programs, funding and expectations; expectations regarding Hydro One’s maturing debt and standby credit facilities; statements related to the Universal Base Shelf Prospectus and the MTN Program prospectus; statements about the debt to capitalization ratio; statements related to dividends and Hydro One Limited’s targeted dividend payout ratio of 70-80% of net income; and statements related to credit ratings.

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

In this presentation, Hydro One presents information about future rate base growth and potential future capital investments. The purpose of providing information about future rate base growth and potential future capital investments is provided in order to give context to the nature of some of Hydro One’s future plans and may not be appropriate for other purposes. Information about future rate base growth and potential future capital investments, including the various assumptions underlying it, should be read in conjunction with “Forward-Looking Information” above and as may be found in Hydro One's filings with the securities regulatory authorities in Canada, which are available under its profile on SEDAR at www.sedar.com. Hydro One does not intend to update the information about future rate base growth or future capital investments except as required by applicable securities laws.

Non-GAAP Measures

Hydro One prepares and presents its financial statements in accordance with U.S. GAAP. “Funds from Operations” or “FFO”, “Adjusted Net Income”, “Revenue Net of Purchased Power”, “EBIT”, “Debt to Capitalization”, and “Adjusted Earnings Per Share” are not recognized measures under U.S. GAAP and do not have standardized meanings prescribed by U.S. GAAP. These are therefore unlikely to be comparable to similar measures presented by other companies. “Funds from Operations” or “FFO” is defined as net cash from operating activities, adjusted for the following: (i) changes in non-cash balances related to operations, (ii) dividends paid on preferred shares, and (iii) distributions to non-controlling interest. “FFO to Net Debt” is the rolling twelve month FFO divided by Total debt less cash. In addition, certain of these measures are also defined in Hydro One Limited’s filings with the securities regulatory authorities in Canada which are available under its profile on SEDAR at www.sedar.com. Management believes these measures are useful for evaluating the performance of different aspects of Hydro One’s business but may not be appropriate for other purposes.