Hydro One Reports Third Quarter Results

The Company filed a settlement agreement on the Joint Rate Application (JRAP) that will enable investment in infrastructure to meet the needs of our customers, build a grid for the future, and support Ontario's economic growth.

TORONTO, November 11, 2022 - Hydro One Limited (Hydro One or the Company) today announced its financial and operating results for the third quarter ended September 30, 2022.

Third Quarter Highlights

- Third quarter basic earnings per share (EPS) of $0.51 was 2.0% higher compared to EPS of $0.50 for the same period in 2021.
- EPS for the quarter was higher year over year primarily due to approved rates for the transmission and distribution segments as well as higher demand, which were partially offset by higher work program expenditures, higher income tax and higher depreciation, amortization and asset removal costs.
- Hydro One launched an industry-leading 50-50 equity model with First Nations on new large-scale transmission line projects.
- Hydro One employees raised record-breaking donations of approximately $1.6 million for more than 855 registered Canadian charities during the "Power to Give" month in September.
- Hydro One storm responders helped restore power in Nova Scotia and Prince Edward Island following post-tropical storm Fiona.
- Subsequent to the quarter, on October 24, 2022, the Company, on behalf of parties in the JRAP Settlement Conference, filed a settlement agreement with the Ontario Energy Board (OEB) for approval.
- Subsequent to the quarter, demonstrating its financial stability and flexibility, the Company's wholly-owned subsidiary, Hydro One Inc. successfully issued $750 million of Medium-Term Notes (MTN).
- The Company's capital investments and in-service additions for the quarter were $501 million and $401 million, respectively, compared to $513 million and $514 million in 2021.
- Quarterly dividend declared at $0.2796 per share, payable December 30, 2022.

"I am extremely proud to be part of an organization that is setting the standard in First Nations partnerships to an industry-leading 50-50 equity model." said Bill Sheffield, Interim President and CEO of Hydro One. “With the new partnership model, and the settlement agreement on the Joint Rate Application, Hydro One is well positioned to facilitate economic prosperity in Ontario."

Selected Consolidated Financial and Operating Highlights

(millions of Canadian dollars, except as otherwise noted)	Three months ended September 30 2022	2021	Nine months ended September 30 2022	2021
Revenues	2,031	1,913	5,918	5,446
Purchased power	963	933	2,829	2,665
Revenues, net of purchased power[1]	1,068	980	3,089	2,781
Net income attributable to common shareholders	307	300	872	806
Basic EPS	$0.51	$0.50	$1.46	$1.35
Diluted EPS	$0.51	$0.50	$1.45	$1.34
Net cash from operating activities	594	550	1,658	1,479
Capital investments	501	513	1,562	1,593
Assets placed in-service	401	514	1,177	971
Transmission: Average monthly Ontario 60-minute peak demand (MW)	21,609	21,137	20,818	20,174
Distribution: Electricity distributed to Hydro One customers (GWh)	7,328	7,329	22,977	22,235

[1] "Revenues, net of purchased power" is a non-GAAP financial measure. Non-GAAP financial measures do not have a standardized meaning under United States (US) generally accepted accounting principles (US GAAP) used to prepare the Company's financial statements and might not be comparable to similar measures presented by other entities. See the section "Non-GAAP Financial Measures".

Key Financial Highlights

2022 Third Quarter Highlights

The Company reported net income attributable to common shareholders of $307 million during the quarter, compared to $300 million in the same period of 2021. This resulted in EPS of $0.51, compared to EPS of $0.50 in the prior year.

Revenues, net of purchased power[1] of $1,068 million for the third quarter were $88 million higher than revenues, net of purchased power[1] for the third quarter of 2021. The increase is mainly due to revenues resulting from OEB-approved 2022 rates, higher peak demand, and the adjustment to transmission revenue requirement and base distribution rates effective January 1, 2022 to remove any further allocation of deferred tax amounts pursuant to the April 2021 OEB decision regarding the deferred tax asset (DTA) (DTA Implementation Decision). The impacts of the DTA Implementation Decision are offset by a higher tax expense, and therefore net income neutral in the period.

Operation, maintenance and administration costs in the third quarter of 2022 were higher than last year as higher work program expenditures and higher corporate support costs were partially offset by a lower allowance for doubtful accounts in the period.

Depreciation, amortization and asset removal costs for the third quarter were higher than last year primarily due to growth in capital assets as the Company continues to place new assets in-service, consistent with its ongoing capital investment program.

Income tax expense for the third quarter of 2022 was higher than the prior year primarily due to income tax expense pursuant to the DTA Implementation Decision, lower deductible timing differences, and higher pre-tax earnings compared to the third quarter of the prior year.

Hydro One continues to invest in the reliability and performance of Ontario's electricity transmission and distribution systems by addressing aging power system infrastructure, facilitating connectivity to new load customers and generation sources, and improving service to customers. The Company made capital investments of $501 million during the third quarter of 2022 and placed $401 million of new assets in-service.

[1] Revenues, net of purchased power, is a non-GAAP financial measure. Non-GAAP financial measures do not have a standardized meaning under US GAAP used to prepare the Company's financial statements and might not be comparable to similar measures presented by other entities. See the section "Non-GAAP Financial Measures".

Selected Operating Highlights

Hydro One launched its new industry-leading equity partnership model with First Nations on new capital transmission line projects with a value exceeding $100 million. Hydro One's equity model will offer First Nations a 50 per cent equity stake in all future large scale capital transmission line projects.

On October 24, 2022, Hydro One, on behalf of parties in the JRAP Settlement Conference, filed a settlement agreement with the OEB on its JRAP, which includes its 2023-2027 Investment Plan for the company's transmission and distribution systems. The OEB will now review the settlement and issue a final decision, which is anticipated by the end of the year.

In October, the Company's wholly-owned subsidiary, Hydro One Inc. raised $750 million of 4.91% MTN (series 52 notes), due 2028. Hydro One Inc. expects to use the net proceeds of this offering to repay and/ or prepay maturing long-term and short-term debt and for general corporate purposes.

Common Share Dividends

Following the conclusion of the third quarter, on November 10, 2022, the Company declared a quarterly cash dividend to common shareholders of $0.2796 per share to be paid on December 30, 2022 to shareholders of record on December 14, 2022.

Supplemental Segment Information

	Three months ended September 30		Nine months ended September 30	
(millions of Canadian dollars)	2022	2021	2022	2021
Revenues				
Transmission	562	507	1,597	1,403
Distribution	1,458	1,395	4,289	4,012
Other	11	11	32	31
Total revenues	**2,031**	**1,913**	**5,918**	**5,446**
Revenues, net of purchased power[1]				
Transmission	562	507	1,597	1,403
Distribution	495	462	1,460	1,347
Other	11	11	32	31
Total revenues, net of purchased power[1]	**1,068**	**980**	**3,089**	**2,781**
Operation, maintenance and administration costs				
Transmission	106	95	302	294
Distribution	173	153	517	497
Other	17	14	51	42
Total operation, maintenance and administration costs	**296**	**262**	**870**	**833**
Income before financing charges and taxes				
Transmission	326	296	910	754
Distribution	215	200	600	536
Other	(9)	(5)	(26)	(17)
Total income before financing charges and taxes	**532**	**491**	**1,484**	**1,273**
Capital investments				
Transmission	311	304	899	1,017
Distribution	185	206	646	566
Other	5	3	17	10
Total capital investments	**501**	**513**	**1,562**	**1,593**
Assets placed in-service				
Transmission	229	287	644	482
Distribution	171	225	527	481
Other	1	2	6	8
Total assets placed in-service	**401**	**514**	**1,177**	**971**

[1] Revenues, net of purchased power, is a non-GAAP financial measure. Non-GAAP financial measures do not have a standardized meaning under US GAAP used to prepare the Company’s financial statements and might not be comparable to similar measures presented by other entities. See the section “Non-GAAP Financial Measures”.

This press release should be read in conjunction with the Company's third quarter 2022 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, 2021 can be accessed at www.HydroOne.com/Investors and www.sedar.com.

Quarterly Investment Community Teleconference

The Company's third quarter 2022 results teleconference with the investment community will be held on November 11, 2022 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 go to this link (https://register.vevent.com/register/BIe604796c0d2d4fcc9562e8e557ea7097) prior to the scheduled start time to access Hydro One's third quarter 2022 results call. 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 1.5 million valued customers, approximately $30.4 billion in assets as at December 31, 2021, and annual revenues in 2021 of approximately $7.2 billion.

Our team of approximately 9,300 skilled and dedicated employees proudly build and maintain a safe and reliable electricity system which is essential to supporting strong and successful communities. In 2021, Hydro One invested approximately $2.1 billion in its transmission and distribution networks, and supported the economy through buying approximately $1.7 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.

Non-GAAP Financial Measures

Hydro One uses a number of financial measures to assess its performance. The Company presents "revenues, net of purchased power" to reflect revenues net of the cost of purchased power, which is a non-GAAP financial measure. Non-GAAP financial measures do not have a standardized meaning under GAAP used to prepare the Company's financial statements and might not be comparable to similar measures presented by other entities. They should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under US GAAP.

Revenues, Net of Purchased Power

Revenues, net of purchased power is defined as revenues less the cost of purchased power. Revenues, net of purchased power is used internally by management to assess the impacts of revenue on net income and is considered useful because it excludes the cost of power that is fully recovered through revenues and therefore net income neutral.

The following table provides a reconciliation of GAAP (reported) Revenues to non-GAAP (adjusted) Revenues, Net of Purchased Power on a consolidated basis.

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	2022	2021	2022	2021
Revenues	2,031	1,913	5,918	5,446
Less: Purchased power	963	933	2,829	2,665
Revenues, net of purchased power	1,068	980	3,089	2,781

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 Company's filed settlement agreement on the JRAP, including anticipated outcomes and impacts; expected timing of OEB's review and decision regarding the settlement agreement on the JRAP; 50-50 equity partnership model with First Nations; expectations regarding the Company's financing activities; the Company’s plans to improve reliability, including facilitating connectivity for new load customers and generation sources; the Company's ongoing and planned projects and expected capital investments, including anticipated outcomes and impacts; and payment of 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.

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The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations should be read together with the unaudited condensed interim consolidated financial statements and accompanying notes thereto (Consolidated Financial Statements) of Hydro One Limited (Hydro One or the Company) for the three and nine months ended September 30, 2022, as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2021. 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 and nine months ended September 30, 2022, based on information available to management as of November 10, 2022.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

	Three months ended September 30			Nine months ended September 30		
(millions of dollars, except as otherwise noted)	2022	2021	Change	2022	2021	Change
Revenues	2,031	1,913	6.2%	5,918	5,446	8.7%
Purchased power	963	933	3.2%	2,829	2,665	6.2%
Revenues, net of purchased power[1]	1,068	980	9.0%	3,089	2,781	11.1%
Operation, maintenance and administration (OM&A) costs	296	262	13.0%	870	833	4.4%
Depreciation, amortization and asset removal costs	240	227	5.7%	735	675	8.9%
Financing charges	122	118	3.4%	358	338	5.9%
Income tax expense	100	71	40.8%	247	123	100.8%
Net income to common shareholders of Hydro One	**307**	**300**	**2.3%**	**872**	**806**	**8.2%**
Basic earnings per common share (EPS)	$0.51	$0.50	2.0%	$1.46	$1.35	8.1%
Diluted EPS	$0.51	$0.50	2.0%	$1.45	$1.34	8.2%
Net cash from operating activities	594	550	8.0%	1,658	1,479	12.1%
Funds from operations (FFO)[1]	605	545	11.0%	1,757	1,553	13.1%
Capital investments	501	513	(2.3%)	1,562	1,593	(1.9%)
Assets placed in-service	401	514	(22.0%)	1,177	971	21.2%
Transmission: Average monthly Ontario 60-minute peak demand *(MW)*	21,609	21,137	2.2%	20,818	20,174	3.2%
Distribution: Electricity distributed to Hydro One customers *(GWh)*	7,328	7,329	—%	22,977	22,235	3.3%

As at	September 30, 2022	December 31, 2021
Debt to capitalization ratio[2]	56.2%	56.5%

[1] The Company prepares and presents its financial statements in accordance with US GAAP. The Company also utilizes non-GAAP financial measures to assess its business and measure overall underlying business performance. Revenues, net of purchased power and FFO are non-GAAP financial measures. Non-GAAP financial measures do not have a standardized meaning under GAAP, which is used to prepare the Company's financial statements, and might not be comparable to similar financial measures presented by other entities. See section "Non-GAAP Financial Measures" for a discussion of these non-GAAP financial measures and a reconciliation of such measures to the most directly comparable GAAP measure.

[2] Debt to capitalization ratio is a non-GAAP ratio. Non-GAAP ratios do not have a standardized meaning under GAAP, which is used to prepare the Company's financial statements, and might not be comparable to similar financial measures presented by other entities. See section "Non-GAAP Financial Measures" for a discussion of this non-GAAP ratio and its component elements.

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), which include 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, a limited partnership between Hydro One and the Saugeen Ojibway Nation, and an approximately 55% interest in Niagara Reinforcement Limited Partnership, a limited partnership between Hydro One and Six Nations of the Grand River Development Corporation and the Mississaugas of the Credit First Nation.

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 Remotes).

The other segment consists principally of Hydro One's subsidiary, Acronym Solutions Inc., which provides telecommunications support for the Company's transmission and distribution businesses, as well as a comprehensive suite of Information Communication Technology solutions. The other segment also consists of other investments, including a joint venture that owns and operates electric vehicle fast charging stations across Ontario under the Ivy Charging Network brand, as well as certain corporate activities, and is not rate-regulated.

For the nine months ended September 30, 2022 and 2021, Hydro One's segments accounted for the Company's total revenues, net of purchased power,[1] as follows:

Nine months ended September 30	2022	2021
Transmission	52 %	51 %
Distribution	47 %	48 %
Other	1 %	1 %

At September 30, 2022 and December 31, 2021, Hydro One's segments accounted for the Company's total assets as follows:

As at	September 30, 2022	December 31, 2021
Transmission	61 %	60 %
Distribution	38 %	38 %
Other	1 %	2 %

RESULTS OF OPERATIONS

Net Income

Net income attributable to common shareholders of Hydro One for the quarter ended September 30, 2022 of $307 million is an increase of $7 million, or 2.3%, from the prior year. Significant influences on the change in net income attributable to common shareholders of Hydro One included:

- higher revenues, net of purchased power,[1] resulting from:
    - an increase in transmission revenues due to Ontario Energy Board (OEB)-approved 2022 transmission rates and higher peak demand; and
    - an increase in distribution revenues, net of purchased power,[1] mainly due to OEB-approved 2022 distribution rates.
- higher OM&A costs resulting from higher work program expenditures and higher corporate support costs partially offset by a lower allowance for doubtful accounts.
- higher depreciation, amortization and asset removal costs due to growth in capital assets as the Company continues to place new assets in-service, consistent with its ongoing capital investment program.
- higher income tax expense primarily attributable to:
    - lower deductible timing differences compared to the prior year; and
    - higher pre-tax earnings adjusted for the impact of the OEB's decision in April 2021 on the recovery of deferred tax asset (DTA) amounts previously shared with ratepayers (DTA Implementation Decision).

Also included in revenue is the impact of the OEB's DTA Implementation Decision. In its decision, the OEB approved recovery of DTA amounts allocated to ratepayers and included in customer rates for the 2017 to 2021 period plus carrying charges over a two-year recovery period commencing on July 1, 2021. In addition, the DTA Implementation Decision required that Hydro One adjust the transmission revenue requirement and base distribution rates effective January 1, 2022 to eliminate any further tax savings flowing to customers. These impacts are offset by a higher tax expense and are therefore net income neutral in both periods. See section "Regulation" for additional details.

Net income attributable to common shareholders of Hydro One for the nine months ended September 30, 2022 of $872 million is an increase of $66 million, or 8.2%, from the prior year. Year-to-date results were impacted by similar factors to those noted above.

EPS

EPS was $0.51 and $1.46 for the three and nine months ended September 30, 2022, compared to EPS of $0.50 and $1.35 in the same periods of 2021. The increase in EPS was primarily driven by the impact of higher earnings year over year, as noted above.

[1] Revenues, net of purchased power, is a non-GAAP financial measure. See section "Non-GAAP Financial Measures".

Revenues

	Three months ended September 30			Nine months ended September 30		
(millions of dollars, except as otherwise noted)	2022	2021	Change	2022	2021	Change
Transmission	562	507	10.8%	1,597	1,403	13.8%
Distribution	1,458	1,395	4.5%	4,289	4,012	6.9%
Other	11	11	—%	32	31	3.2%
Total revenues	2,031	1,913	6.2%	5,918	5,446	8.7%
Transmission	562	507	10.8%	1,597	1,403	13.8%
Distribution revenues, net of purchased power[1]	495	462	7.1%	1,460	1,347	8.4%
Other	11	11	—%	32	31	3.2%
Total revenues, net of purchased power[1]	1,068	980	9.0%	3,089	2,781	11.1%
Transmission: Average monthly Ontario 60-minute peak demand *(MW)*	21,609	21,137	2.2%	20,818	20,174	3.2%
Distribution: Electricity distributed to Hydro One customers *(GWh)*	7,328	7,329	—%	22,977	22,235	3.3%

[1] Revenues, net of purchased power, is a non-GAAP financial measure. See section "Non-GAAP Financial Measures".

Transmission Revenues

Transmission revenues increased by 10.8% during the quarter ended September 30, 2022, primarily due to the following:

- higher revenues resulting from OEB-approved 2022 rates;
- higher peak demand;
- lower regulatory adjustments; and
- the adjustment to transmission revenue requirement effective January 1, 2022 to cease sharing of DTA amounts going forward, pursuant to the DTA Implementation Decision.

Transmission revenues increased by 13.8% during the nine months ended September 30, 2022, primarily due to similar factors as noted above as well as the recovery of DTA amounts previously shared with ratepayers, pursuant to the DTA Implementation Decision.

Distribution Revenues, Net of Purchased Power[2]

Distribution revenues, net of purchased power,[2] increased by 7.1% during the quarter ended September 30, 2022, primarily due to the following:

- higher revenues resulting from OEB-approved 2022 rates;
- higher external revenues related to the recovery of storm-related costs incurred on behalf of third parties, which are offset by a corresponding increase to OM&A and therefore net income neutral; and
- the adjustment to base distribution rates effective January 1, 2022 to cease sharing of DTA amounts going forward, pursuant to the DTA Implementation Decision.

Distribution revenues, net of purchased power,[2] increased by 8.4% during the nine months ended September 30, 2022, primarily due to similar factors as noted above as well as the recovery of DTA amounts previously shared with ratepayers, pursuant to the DTA Implementation Decision.

OM&A Costs

	Three months ended September 30			Nine months ended September 30		
(millions of dollars)	2022	2021	Change	2022	2021	Change
Transmission	106	95	11.6%	302	294	2.7%
Distribution	173	153	13.1%	517	497	4.0%
Other	17	14	21.4%	51	42	21.4%
	296	262	13.0%	870	833	4.4%

Transmission OM&A Costs

Transmission OM&A costs increased by 11.6% and 2.7% for the three and nine months ended September 30, 2022, respectively, primarily due to higher work program expenditures, including station maintenance.

[2] Revenues, net of purchased power, is a non-GAAP financial measure. See section "Non-GAAP Financial Measures"

Distribution OM&A Costs

Distribution OM&A costs increased by 13.1% for the quarter ended September 30, 2022, primarily due to:

- higher work program expenditures, including vegetation management and customer programs, partially offset by lower emergency restoration costs;
- costs related to the May storm that have been recovered from third parties and are offset in revenue, therefore net income neutral; and
- higher corporate support costs; partially offset by
- lower allowance for doubtful accounts.

Distribution OM&A costs increased by 4.0% for the nine months ended September 30, 2022, primarily due to:

- higher work program expenditures, including environmental expenses;
- costs related to the May storm that have been recovered from third parties, as noted above; and
- an increase in allowance for doubtful accounts; partially offset by
- lower corporate support costs.

Depreciation, Amortization and Asset Removal Costs

Depreciation, amortization and asset removal costs increased by $13 million for the three months ended September 30, 2022, primarily due to growth in capital assets as the Company continues to place new assets in-service, consistent with its ongoing capital investment program. Depreciation, amortization, and asset removal costs increased by $60 million on a year-to-date basis, due to similar factors to those noted above as well as higher asset removal costs primarily resulting from storm-related asset replacements in the second quarter.

Financing Charges

Financing charges increased by $4 million for the three months ended September 30, 2022, primarily due to higher weighted-average interest rates on short-term notes.

Financing charges increased by $20 million for the nine months ended September 30, 2022, primarily due to the same factor noted above as well as the recognition of carrying charges associated with the DTA Recovery Amounts pursuant to the DTA Implementation Decision in the second quarter of 2021.

Income Tax Expense

Income tax expense increased by $29 million for the three months ended September 30, 2022, primarily attributable to:

- tax expense relating to the DTA Implementation Decision which is offset by a corresponding increase in revenue and is net income neutral;
- lower deductible timing differences compared to the prior year; and
- higher pre-tax earnings adjusted for the DTA Implementation Decision.

Income tax expense increased by $124 million for the nine months ended September 30, 2022, primarily attributable to:

- tax expense relating to the DTA Implementation Decision which is offset by a corresponding increase in revenue and is net income neutral; and
- higher pre-tax earnings adjusted for the DTA Implementation Decision.

The Company realized an effective tax rate (ETR) of approximately 24.4% and 21.9% for the three and nine months ended September 30, 2022, respectively, compared to approximately 19.0% and 13.2% realized in the same periods last year. The increase of 5.4% and 8.7% for each respective period was primarily attributable to the factors noted above.

Common Share Dividends

In 2022, 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 24, 2022	March 16, 2022	March 31, 2022	$0.2663	159
May 4, 2022	June 8, 2022	June 30, 2022	$0.2796	168
August 8, 2022	September 14, 2022	September 29, 2022	$0.2796	167
				494

Following the conclusion of the third quarter of 2022, 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)*
November 10, 2022	December 14, 2022	December 30, 2022	$0.2796	168

QUARTERLY RESULTS OF OPERATIONS

Quarter ended *(millions of dollars, except EPS and ratio)*	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Revenues	2,031	1,840	2,047	1,779	1,913	1,722	1,811	1,867
Purchased power	963	852	1,014	914	933	838	894	1,046
Revenues, net of purchased power[1]	1,068	988	1,033	865	980	884	917	821
Net income to common shareholders	307	255	310	159	300	238	268	161
Basic EPS	$0.51	$0.43	$0.52	$0.27	$0.50	$0.40	$0.45	$0.27
Diluted EPS	$0.51	$0.42	$0.52	$0.26	$0.50	$0.40	$0.45	$0.27
Earnings coverage ratio[2]	3.3	3.3	3.2	3.1	3.1	3.0	2.9	2.8

[1] Revenues, net of purchased power is a non-GAAP financial measure. See section "Non-GAAP Financial Measures".

[2] Earnings coverage ratio is a non-GAAP ratio. Non-GAAP ratios do not have a standardized meaning under GAAP, which is used to prepare the Company's financial statements and might not be comparable to similar financial measures presented by other entities. See section "Non-GAAP Financial Measures" for a discussion of this non-GAAP ratio and its component elements.

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 additions to both 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 and nine months ended September 30, 2022 and 2021:

	Three months ended September 30			Nine months ended September 30		
(millions of dollars)	2022	2021	Change	2022	2021	Change
Transmission	229	287	(20.2%)	644	482	33.6%
Distribution	171	225	(24.0%)	527	481	9.6%
Other	1	2	(50.0%)	6	8	(25.0%)
Total assets placed in-service	401	514	(22.0%)	1,177	971	21.2%

<u>Transmission Assets Placed In-Service</u>

Transmission assets placed in-service decreased by $58 million, or 20.2%, in the third quarter of 2022 compared to the same period in 2021, primarily due to the following:

- substantial completion of the new Ontario grid control centre in the City of Orillia in the third quarter of 2021;
- fewer in-year investments required to adhere to the North American Electric Reliability Corporation Critical Infrastructure Protection standards; and
- timing of assets placed in-service for major development projects, including the East-West Tie Connection in the third quarter of 2021 and assets put into service for the new Lakeshore transmission station in the current year; partially offset by
- higher volume of assets placed in-service for customer connection projects; and
- higher spend on transmission line refurbishments and replacements.

Transmission assets placed in-service increased by $162 million, or 33.6%, in the nine months ended September 30, 2022, compared to the same period in 2021 primarily due the following:

- major development projects placed in-service in the current year, including the new Lakeshore transmission station and the East-West Tie Connection; and
- higher spend on transmission line refurbishments and replacements; partially offset by
- substantial completion of the new Ontario grid control centre in the City of Orillia in 2021.

Distribution Assets Placed In-Service

Distribution assets placed in-service decreased by $54 million, or 24.0%, in the third quarter of 2022 compared to the same period in 2021, primarily due to the following:

- substantial completion of the new Ontario grid control centre in the City of Orillia in the third quarter of 2021; and
- lower volume of storm-related asset replacements; partially offset by
- investment placed in-service for the Dunnville Operation Centre; and
- higher volume of assets placed in-service for station refurbishments and replacements.

Distribution assets placed in-service increased by $46 million, or 9.6%, in the nine months ended September 30, 2022 compared to the same period in the prior year, primarily due to the following:

- higher volume of storm-related asset replacements following the storm in May 2022;
- increased minor fixed asset purchases; and
- higher volume of assets placed in-service for station refurbishments and replacements; partially offset by
- substantial completion of the new Ontario grid control centre in the City of Orillia in 2021;
- lower volume of wood pole replacements; and
- timing of assets placed in-service for system capability reinforcement projects.

Capital Investments

The following table presents Hydro One's capital investments during the three and nine months ended September 30, 2022 and 2021:

	Three months ended September 30			Nine months ended September 30		
(millions of dollars)	2022	2021	Change	2022	2021	Change
Transmission						
Sustaining	229	204	12.3%	674	696	(3.2%)
Development	59	73	(19.2%)	157	229	(31.4%)
Other	23	27	(14.8%)	68	92	(26.1%)
	311	304	2.3%	899	1,017	(11.6%)
Distribution						
Sustaining	62	83	(25.3%)	313	239	31.0%
Development	103	98	5.1%	275	238	15.5%
Other	20	25	(20.0%)	58	89	(34.8%)
	185	206	(10.2%)	646	566	14.1%
Other	5	3	66.7%	17	10	70.0%
Total capital investments	501	513	(2.3%)	1,562	1,593	(1.9%)

Transmission Capital Investments

Transmission capital investments increased by $7 million, or 2.3%, in the third quarter of 2022 compared to the third quarter of 2021. Principal impacts on the levels of capital investments included:

- higher volume of transmission line refurbishments and replacements;
- investment in the Wataynikaneyap Power LP Line Connection; and
- higher spend on spare transformer and minor fixed asset purchases; partially offset by
- investments in the new Ontario grid control centre in the City of Orillia and the new Lakeshore transmission station in the third quarter of 2021.

Transmission capital investments decreased by $118 million, or 11.6%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, primarily due to the following:

- investment in the new Ontario grid control centre in the City of Orillia and the new Lakeshore transmission station in the prior year;
- lower volume of station refurbishments and replacements;
- lower volume of work on customer connections; and
- lower volume of wood pole replacements; partially offset by
- higher volume of line refurbishments and replacements;
- higher spend on spare transformer and minor fixed asset purchases; and
- investment in the Wataynikaneyap Power LP Line Connection.

Distribution Capital Investments

Distribution capital investments decreased by $21 million, or 10.2%, in the third quarter of 2022 compared to the third quarter of 2021. Principal impacts on the levels of capital investments included:

- lower spend on storm-related asset replacements;
- investment in the new Ontario grid control centre in the City of Orillia in the third quarter of 2021; and
- lower volume of line refurbishments and wood pole replacements; partially offset by
- higher volume of work on customer connections; and
- higher spend on minor fixed asset purchases.

Distribution capital investments increased by $80 million, or 14.1%, in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, primarily due to the following:

- higher spend on storm-related asset replacements following the storm in May 2022;
- higher spend on system capability reinforcement projects;
- higher volume of work on customer connections; and
- higher spend on minor fixed asset purchases; partially offset by
- investment in the new Ontario grid control centre in the City of Orillia in the prior year; and
- lower volume of line refurbishments and wood pole replacements.

Major Transmission Capital Investment Projects

The following table summarizes the status of significant transmission projects at September 30, 2022:

Project Name	Location	Type	Anticipated In-Service Date	Estimated Cost	Capital Cost To Date
			(year)	*(millions of dollars)*	
Development Projects:					
Lakeshore Transmission Station[1]	Lakeshore Southwestern Ontario	New transmission station	2022	174	156
Wataynikaneyap Power LP Line Connection	Pickle Lake Northwestern Ontario	New stations and transmission connection	2022	33	29
Barrie Area Transmission Upgrade	Barrie-Innisfil Southern Ontario	Upgraded transmission line and stations	2023	125	56
East-West Tie Station Expansion[2]	Northern Ontario	New transmission connection and station expansion	2024	191	182
Waasigan Transmission Line[3]	Thunder Bay-Atikokan-Dryden Northwestern Ontario	New transmission line	2024	68	30
Chatham to Lakeshore Transmission Line[1]	Southwestern Ontario	New transmission line and station expansion	2025	268	20
St. Clair Transmission Line[4]	Southwestern Ontario	New transmission line and station expansion	2025	38	6
Longwood to Lakeshore Transmission Line[5]	Southwestern Ontario	New transmission line and station expansion	TBD	TBD	TBD
Second Longwood to Lakeshore Transmission Line[5]	Southwestern Ontario	New transmission line and station expansion	TBD	TBD	TBD
Lakeshore to Windsor Transmission Line[5]	Southwestern Ontario	New transmission line and station expansion	TBD	TBD	TBD
Sustainment Projects:					
Beck #2 Transmission Station Circuit Breaker Replacement	Niagara area Southwestern Ontario	Station sustainment	2023	135	111
Cherrywood Transmission Station Circuit Breaker Replacement	Pickering Central Ontario	Station sustainment	2023	115	88
Bruce B Switching Station Circuit Breaker Replacement	Tiverton Southwestern Ontario	Station sustainment	2024	185	162
Middleport Transmission Station Circuit Breaker Replacement	Middleport Southwestern Ontario	Station sustainment	2025	184	111
Lennox Transmission Station Circuit Breaker Replacement	Napanee Southeastern Ontario	Station sustainment	2026	152	112
Esplanade x Terauley Underground Cable Replacement	Toronto Southwestern Ontario	Line sustainment	2026	117	10

[1] The Lakeshore Transmission Station and Chatham to Lakeshore Transmission Line projects were previously included as part of the Leamington Area Transmission Reinforcement Project. The Chatham to Lakeshore Transmission Line project includes the line and associated facilities and is further discussed in section "Other Developments - Supporting Critical Infrastructure in Southwestern Ontario".

[2] Due to a revised timeline of project activities, the East-West Tie Station Expansion project is being placed in-service in phases, with the first phase placed in-service in 2021, and a significant portion of the project placed in-service in the first half of 2022. Final project in-service is expected in 2024.

[3] The estimated cost of the Waasigan Transmission Line relates to the development phase of the project and the anticipated in-service date reflects the anticipated completion date of the development phase only. On May 4, 2022, Hydro One entered into an agreement with First Nations communities that provides them the opportunity to acquire 50% ownership in the project. Completion of the line remains subject to stakeholder consultation and regulatory approvals.

[4] The estimated cost of the St. Clair Transmission Line relates to the development phase of the project and the anticipated in-service date reflects the anticipated completion date of the development phase only. Completion of the line remains subject to stakeholder consultation and regulatory approvals.

[5] The scope and timing of these Southwestern Ontario transmission reinforcements are currently under review.

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.

The 2023 to 2027 capital estimates differ from prior disclosures, reflecting the impacts of the Joint Rate Application (JRAP) settlement agreement filed with the OEB on October 24, 2022 (see section "Regulation"). The projections and timing of transmission and distribution expenditures included in the JRAP for years 2023 to 2027 remain subject to the approval of the OEB, which is anticipated by the end of 2022.

The following tables summarize Hydro One's annual projected capital investments for 2022 to 2027 by business segment and by category:

By business segment: *(millions of dollars)*	2022	2023	2024	2025	2026	2027
Transmission[1]	1,188	1,531	1,512	1,496	1,488	1,395
Distribution	833	942	970	1,057	1,010	1,005
Other	24	17	13	11	11	14
Total capital investments[3]	2,045	2,490	2,495	2,564	2,509	2,414

By category: *(millions of dollars)*	2022	2023	2024	2025	2026	2027
Sustainment	1,308	1,593	1,605	1,541	1,532	1,502
Development[1]	550	636	673	804	750	707
Other[2]	187	261	217	219	227	205
Total capital investments[3]	2,045	2,490	2,495	2,564	2,509	2,414

[1] Figures include investments in certain development projects of Hydro One Networks not included in the investment plan filed in support of the JRAP.

[2] "Other" capital expenditures include investments in fleet, real estate, IT, and operations technology and related functions.

[3] On March 29, 2021, the Independent Electricity System Operator (IESO) requested Hydro One initiate work to develop and construct a new transmission line between Chatham and Lambton (the St Clair Line) to support agricultural growth in Southwestern Ontario. On March 31, 2022, the Minister of Energy directed the OEB to amend Hydro One Networks' transmission licence to require it to develop and seek approvals for this and three other priority transmission lines to meet growing demand in Southwestern Ontario (see section "Other Developments"). The future capital investments presented do not include capital expenditures of the three additional lines, as Hydro One is currently evaluating the scope and timing of this work.

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 September 30		Nine months ended September 30	
(millions of dollars)	2022	2021	2022	2021
Net cash from operating activities	594	550	1,658	1,479
Net cash from (used in) financing activities	(90)	364	(635)	(225)
Net cash used in investing activities	(510)	(508)	(1,538)	(1,559)
Increase (decrease) in cash and cash equivalents	(6)	406	(515)	(305)

Net cash from operating activities

Cash from operating activities increased by $44 million for the third quarter of 2022 compared to the third quarter of 2021. The increase was impacted by various factors, including the following:

- higher pre-tax earnings; and
- the impacts of the DTA Implementation Decision recognized in the quarter; partially offset by
- decrease in net working capital deficiency primarily attributable to higher accounts receivable balances and lower accrued liabilities, partially offset by a higher cost of power payable to the IESO driven by higher volume of energy purchased and higher commodity rates charged.

Cash from operating activities increased by $179 million for the nine months ended September 30, 2022 compared to the same period in 2021. The increase was impacted by various factors, including the following:

- higher pre-tax earnings; and
- the impacts of the DTA Implementation Decision recognized in the first nine months of the year; partially offset by
- decrease in net working capital deficiency primarily attributable to higher receivables including those from the IESO associated with provincial funding programs and lower accounts payable, partially offset by a higher cost of power payable to the IESO due to a lower generation rebate and a higher commodity rate charged.

Net cash from (used in) financing activities

Cash provided by financing activities decreased by $454 million and cash used in financing activities increased by $410 million for the three and nine months ended September 30, 2022, respectively, compared to 2021. This was impacted by various factors, including the following:

Sources of cash

- the Company received proceeds of $1,730 million and $4,590 million from the issuance of short-term notes in the three and nine months ended September 30, 2022, respectively, compared to $960 million and $3,105 million received in the same periods last year.
- the Company did not issue long-term debt in the nine months ended September 30, 2022, compared to $900 million of long-term debt issued in the same period last year, all in the third quarter.

Uses of cash

- the Company repaid $1,650 million and $4,120 million of short-term notes in the three and nine months ended September 30, 2022, respectively, compared to $1,330 million and $2,945 million repaid in the same periods last year.
- the Company repaid $601 million of long-term debt in the nine months ended September 30, 2022, compared to $802 million repaid in the same period last year.
- common share dividends paid in the three and nine months ended September 30, 2022 were $167 million and $494 million, respectively, compared to dividends of $159 million and $470 million, paid in the same periods last year.

Net cash used in investing activities

Cash used in investing activities increased by $2 million and decreased by $21 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year as a result of higher capital investments in the current quarter and lower capital investments in the year-to-date period. See section "Capital Investments" for comparability of capital investments made by the Company during the three and nine months ended September 30, 2022 compared to the same periods last year.

LIQUIDITY AND FINANCING STRATEGY

Short-term liquidity is provided through FFO,[3] 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 September 30, 2022, Hydro One Inc. had $1,511 million in commercial paper borrowings outstanding, compared to $1,045 million outstanding at December 31, 2021. The Company also has revolving bank credit facilities (Operating Credit Facilities) with a total available balance of $2,550 million at September 30, 2022. In January 2022, Hydro One successfully amended its Operating Credit Facilities to incorporate environmental, social and governance targets. The facilities now include a pricing adjustment which can increase or decrease Hydro One's cost of funding based on its performance on certain Sustainability Performance Measures, which are related to Hydro One's sustainability goals. On June 1, 2022, the maturity date for the Operating Credit Facilities was extended from 2026 to 2027. No amounts were drawn on the Operating Credit Facilities at September 30, 2022 or December 31, 2021. 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[3] are expected to be sufficient to fund the Company's operating requirements.

At September 30, 2022, the Company had long-term debt outstanding in the principal amount of $13,053 million, which included $425 million of long-term debt issued by Hydro One, $12,495 million of long-term debt issued by Hydro One Inc., and long-term debt in the principal amount of $133 million issued by HOSSM. The long-term debt issued by Hydro One was issued under its short form base shelf prospectus (Universal Base Shelf Prospectus), as further described below. The majority of long-term debt issued by Hydro One Inc. has been issued under its Medium Term Note (MTN) Program, as further described below. The Company's total long-term debt consists of notes and debentures that mature between 2023 and 2064, and at September 30, 2022, had a weighted-average term to maturity of approximately 14.7 years (December 31, 2021 - 14.8 years) and a weighted-average coupon rate of 3.8% (December 31, 2021 - 3.8%).

In June 2022, Hydro One Inc. filed a short form base shelf prospectus in connection with its MTN Program, which has a maximum authorized principal amount of notes issuable of $4,000 million, and expires in July 2024. At September 30, 2022, $4,000 million remained available for issuance under the MTN Program prospectus. On October 27, 2022, Hydro One Inc. issued $750 million of long-term debt (Series 52 notes) under its MTN Program with a maturity date of January 27, 2028, and a coupon rate of 4.91%.

On August 15, 2022, Hydro One filed the Universal Base Shelf Prospectus with securities regulatory authorities in Canada to replace a previous prospectus that would otherwise have expired in September 2022. The Universal Base Shelf Prospectus allows Hydro One to offer, from time to time in one or more public offerings, up to $2,000 million of debt, equity or other securities, or any combination thereof, during the 25-month period ending on September 15, 2024. At September 30, 2022, no securities have been issued under the Universal Base Shelf Prospectus.

In December 2020, Hydro One Holdings Limited (HOHL) filed a short form base shelf prospectus (US Debt Shelf Prospectus) with securities regulatory authorities in Canada and the US to replace a previous prospectus that expired in December 2020. The US Debt Shelf Prospectus allows HOHL to offer, from time to time in one or more public offerings, up to US$3,000 million of debt securities, unconditionally guaranteed by Hydro One, expiring in January 2023. At September 30, 2022, no securities have been issued under the US Debt Shelf Prospectus. A new US Debt Shelf Prospectus is expected to be filed in the fourth quarter of 2022.

Compliance

At September 30, 2022, 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.

[3] FFO is a non-GAAP financial measure. See section "Non-GAAP Financial Measures".

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 September 30, 2022 *(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	13,053	733	1,450	500	10,370
Long-term debt - interest payments	8,068	494	948	879	5,747
Short-term notes payable	1,511	1,511	—	—	—
Pension contributions[1]	506	91	190	199	26
Environmental and asset retirement obligations	151	38	42	30	41
Outsourcing and other agreements[2]	122	78	30	1	13
Lease obligations	61	14	21	17	9
Long-term software/meter agreement	32	9	16	6	1
Total contractual obligations	23,504	2,968	2,697	1,632	16,207
Other commercial commitments *(by year of expiry)*					
Operating Credit Facilities	2,550	—	—	2,550	—
Letters of credit[3]	173	169	4	—	—
Guarantees[4]	517	517	—	—	—
Total other commercial commitments	3,240	686	4	2,550	—

[1] Contributions to the Hydro one 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, 2021 and filed on September 26, 2022.

[2] On October 13, 2022, Hydro One terminated the 5-year contract with Ceridian Canada Ltd. for pay operations services, which was anticipated to commence in 2023. Amounts associated with this contract have been excluded from the table.

[3] Letters of credit consist of $160 million letters of credit related to retirement compensation arrangements, a $6 million letter of credit provided to the IESO for prudential support, $4 million in letters of credit to satisfy debt service reserve requirements, and $3 million in letters of credit for various operating purposes.

[4] Guarantees consist of $475 million prudential support provided to the IESO by Hydro One Inc. on behalf of its subsidiaries, and guarantees provided by Hydro One to the Minister of Natural Resources (Canada) and ONroute of $7 million and $30 million respectively, relating to OCN LP (OCN Guarantee) and $5 million relating to Aux Energy Inc., the Company's indirect subsidiary. 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 November 10, 2022, Hydro One had 598,714,704 issued and outstanding common shares.

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. At November 10, 2022, the Company had no 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 were vested and exercised at November 10, 2022 was 2,310,235.

REGULATION

Electricity Rates - Joint Rate Application

In March 2018, the OEB issued a letter (OEB Letter) requesting Hydro One Networks file a single application for distribution rates and transmission revenue requirement for the period from 2023 to 2027. The OEB Letter had indicated that Hydro One Remotes should be included in the single application, however, this requirement was later removed by the OEB.

On August 5, 2021, Hydro One Networks filed a custom JRAP for 2023-2027. The JRAP includes a proposed investment plan supporting the transmission and distribution revenue requirements. On March 31, 2022, Hydro One Networks filed updated evidence reflecting the impacts of updated inflation assumptions on the proposed investment plan as well as updated load forecasts. On October 24, 2022, Hydro One and the other parties involved in the JRAP proceeding entered into a Settlement Agreement, which was submitted to the OEB for approval. OEB approval of the Settlement Agreement is anticipated by the end of 2022. The following table summarizes the key elements of the Settlement Agreement filed with the OEB:

	Hydro One Networks - Transmission		Hydro One Networks - Distribution	
Year	Rate Base	Revenue Requirement[1]	Rate Base	Revenue Requirement[1]
2023	$14,534 million	$1,832 million	$9,460 million	$1,655 million
2024	$15,342 million	$1,938 million	$9,979 million	$1,727 million
2025	$16,271 million	$2,018 million	$10,573 million	$1,786 million
2026	$17,148 million	$2,111 million	$11,153 million	$1,870 million
2027	$17,940 million	$2,181 million	$11,656 million	$1,943 million

[1] Revenue requirements for 2023 to 2027 reflect settlement amounts using the OEB's 2021 Cost of Capital Parameters, including the Allowed ROE of 8.34%, consistent with the values used at the time of filing. Hydro One expects to update the revenue requirement figures in mid-November 2022 to reflect the OEB's 2023 Cost of Capital Parameters, including an Allowed ROE of 9.36%, which were released on October 20, 2022.

Deferred Tax Asset

On March 7, 2019, the OEB issued its reconsideration decision (DTA Decision) with respect to Hydro One's rate-setting treatment of the benefits of the DTA resulting from the transition from the payments in lieu of tax regime to tax payments under the federal and provincial tax regimes. On April 5, 2019, the Company filed an appeal with the Ontario Divisional Court (ODC) with respect to the DTA Decision.

On July 16, 2020, the ODC rendered its decision in which it agreed with the submissions of Hydro One that the DTA should be allocated to shareholders in its entirety.

On April 8, 2021, the OEB rendered its DTA Implementation Decision regarding the recovery of the DTA amounts allocated to ratepayers for the 2017 to 2022 period. In its DTA Implementation Decision, the OEB approved recovery of the DTA amounts allocated to ratepayers and included in customer rates for the 2017 to 2021 period, plus carrying charges, over a two-year recovery period commencing on July 1, 2021. The recovery of the previously shared DTA amounts plus carrying charges is expected to result in FFO[4] of approximately $135 million and $65 million in 2022 and 2023, respectively. In addition, the DTA Implementation Decision required that Hydro One adjust the transmission revenue requirement and the base distribution rates beginning January 1, 2022 to eliminate any further tax savings flowing to customers. This is expected to result in additional FFO[4] of approximately $50 million in 2022, but will decline over time. The DTA Implementation Decision is also expected to result in an ETR of approximately 14% to 22% over the next five years, with the most significant impacts expected over the recovery period.

Hydro One Remotes

On November 3, 2021, Hydro One Remotes filed an application with the OEB seeking approval for a 2.2% increase to 2021 base rates, effective May 1, 2022. The application was subsequently updated to request a 3.3% increase to 2021 base rates to reflect the OEB's annually updated inflation parameters for electricity distributors for 2022. On March 24, 2022, the OEB approved the application for rates and other charges which became effective on May 1, 2022.

On August 31, 2022, Hydro One Remotes filed its price cap incentive rate application for 2023-2027 which includes a proposed 3.72% overall rate increase. A decision is anticipated in the first quarter of 2023.

[4] FFO is a non-GAAP financial measure. See section "Non-GAAP Financial Measures".

OTHER DEVELOPMENTS

Collective Agreements

The prior collective agreement with the Canadian Union of Skilled Workers (CUSW) expired on April 30, 2022. In March 2022, Hydro One and the CUSW commenced collective bargaining with the official exchange of bargaining agendas. The agreement was ratified by the CUSW membership in May. The term of the agreement is for four years ending on April 30, 2026.

Hydro One's collective agreement with the Power Workers' Union (PWU) for Customer Service Operations expired on September 30, 2022. Collective bargaining to renew this agreement commenced on August 29, 2022 and is ongoing.

Hydro One's collective agreements with the PWU and Society of United Professionals will expire on March 31, 2023. Planning for collective bargaining to renew these agreements is currently underway.

Equity Partnership Model with First Nation Communities

On September 22, 2022, Hydro One announced its new equity partnership model in which it will offer First Nations a 50 per cent equity stake in all future large-scale capital transmission line projects with a value exceeding $100 million.

US GAAP - Exemptive Relief

On October 13, 2022, Hydro One was granted exemptive relief by securities regulators in each province and territory of Canada which allows Hydro One to continue to report its financial results in accordance with US GAAP (Exemptive Relief). The Exemptive Relief will remain in effect until the earlier of: (i) January 1, 2027; (ii) the first day of Hydro One's financial year that commences after Hydro One ceases to have rate-regulated activities; and (iii) the first day of Hydro One's financial year that commences on or following the later of: A. the effective date prescribed by the International Accounting Standards Board (IASB) for the mandatory application of a standard within International Financial Reporting Standards specific to entities with rate-regulated activities (Mandatory Rate-regulated Standard); and B. two years after the IASB publishes the final version of a Mandatory Rate-regulated Standard. In January 2021, the IASB published Exposure Draft – Regulatory Assets and Liabilities (the "Exposure Draft"). The effective date for mandatory application of the eventual final standard, if any, is not yet determinable and the Company continues to monitor the developments of the Exposure Draft and determine the potential impacts to the Company's financial statements.

Hydro One Limited is also permitted to report its financial results in accordance with US GAAP by virtue of being, and for so long as it remains, an "SEC issuer" (within the meaning of National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards*). There can be no assurance that Hydro One Limited will remain an SEC issuer indefinitely.

Exemptive Relief

On July 28, 2022, the Canadian securities regulatory authorities granted (i) the Minister of Energy, (ii) Ontario Power Generation Inc. (on behalf of itself and the segregated funds established as required by the Nuclear Fuel Waste Act) and (iii) agencies of the Crown, provincial Crown corporations and other provincial entities (collectively, the Non-Aggregated Holders) exemptive relief, subject to certain conditions, to enable each Non-Aggregated Holder to treat securities of Hydro One and debt securities of Hydro One Inc. and Hydro One Holdings Limited that it owns or controls separately from securities of Hydro One and debt securities of Hydro One Inc. and Hydro One Holdings Limited owned or controlled by the other Non-Aggregated Holders for purposes of certain take-over bid, early warning reporting, insider reporting and control person distribution rules and certain distribution restrictions under Canadian securities laws. Hydro One was also granted relief permitting it to rely solely on insider reports and early warning reports filed by Non-Aggregated Holders when reporting beneficial ownership or control or direction over securities of Hydro One and debt securities of Hydro One Inc. and Hydro One Holdings Limited in any information circular or annual information form in respect of such securities beneficially owned or controlled by any Non-Aggregated Holder, subject to certain conditions. Substantially similar relief had previously been granted on June 6, 2017, which terminated in 2022.

Supporting Broadband and Infrastructure Expansion Act, 2021

On March 4, 2021, the Province introduced Bill 257, *Supporting Broadband and Infrastructure Expansion Act, 2021,* to create a new act entitled the *Building Broadband Faster Act, 2021* that is aimed at supporting the timely deployment of broadband infrastructure within unserved and underserved rural Ontario communities. Bill 257 received Royal Assent on April 12, 2021. Bill 257 amends the *Ontario Energy Board Act, 1998* (OEB Act) to provide the Province with regulation-making authority regarding the development of, access to, or use of electricity infrastructure for non-electricity purposes, including to reduce or fix the annual rental charge that telecommunications service providers must pay to attach their wireline broadband telecommunications attachments to utility poles, establish performance standards and timelines for how utilities must respond to attachment requests and require utilities to consider joint use of poles during planning processes. The *Building Broadband Faster Act, 2021* (BBFA) Guideline and two regulations informing the legislative changes were published on November 30, 2021. A third regulation mandating a reduction in the annual wireline attachment rate for telecommunications carriers was issued on December 10, 2021. On December 16, 2021, the OEB issued a decision and order that lowered this rate from $44.50 per attacher per pole to $34.76 per attacher per pole. On March 7, 2022, the Province introduced Bill 93 (*Getting Ontario Connected Act, 2022*). Bill 93 received Royal Assent on April 14, 2022. Bill 93 amends the BBFA to ensure that organizations that own underground utility infrastructure near a designated high-speed internet project provide timely access to their infrastructure data, which would allow internet service providers to quickly start work on laying down underground high-speed internet infrastructure. The regulation regarding electricity infrastructure and designated broadband projects under the OEB Act (the "Infrastructure Regulation") came into force on April 21, 2022. This regulation substantially adopted Hydro One's proposed approach to allocation of broadband-related work on utility assets. The Company continues to be engaged with the Province and the OEB on implementing an appropriate regulatory framework to support the published BBFA Guideline and regulations, including arrangements to sustain the Company's revenues and recovery of reasonable associated costs. On July 7, 2022, the OEB established a deferral account for rate-regulated distributors to record incremental costs associated with carrying out activities pertaining to designated broadband projects. On September 6, 2022, the Company launched its choice-based operating model to provide internet service providers with choices on how to access the Company's infrastructure in order to effectively execute designated broadband projects.

Supporting Critical Transmission Infrastructure in Southwestern Ontario

On March 31, 2022, the Minister of Energy directed the OEB to amend Hydro One Networks' licence to require it to develop and seek approvals for four priority transmission line projects to meet growing electricity demand in Southwestern Ontario: the St. Clair Line (a 230kV line from Lambton Transformer Station (TS) to Chatham Switching Station (SS)); two 500 kV lines from Longwood TS to Lakeshore TS; and a 230kV line connecting the Windsor area to the Lakeshore TS.

On May 9, 2022, Hydro One filed a leave-to-construct application seeking OEB approval for the Chatham to Lakeshore Transmission Line project in Southwestern Ontario. In December 2020, the Minister of Energy issued a directive to the OEB to amend Hydro One Networks' transmission licence to include a requirement that Hydro One proceed to develop and seek all necessary approvals for the project. The cost of this project is estimated at $268 million (see section "Major Transmission Capital Investment Projects").

Sustainability Report

The Hydro One 2021 Sustainability Report entitled "Energizing life for people & communities" is available on the Company's website at www.hydroone.com/sustainability.

The 2021 Sustainability Report discloses the Company's environmental, social and governance performance and provides a better understanding of how Hydro One manages the opportunities and challenges associated with its business. The report also includes disclosure relating to the Company's current efforts in its priority areas of People, Planet and Community.

HYDRO ONE BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

Board of Directors

On June 8, 2022, Jessica McDonald resigned from the Board of Hydro One. On the same day, Mark Podlasly was appointed to the Board of Hydro One.

Executive Officers

On June 21, 2022, Mark Poweska resigned as a director and President and Chief Executive Officer of Hydro One. On the same day, William (Bill) Sheffield was appointed as Interim President and Chief Executive Officer of Hydro One. Upon his resignation, Mr. Poweska remained with Hydro One as an advisor until such time as he assumed the role of President of Enmax Corporation in September 2022.

On August 26, 2022, Lyla Garzouzi resigned as Chief Safety Officer of Hydro One.

On September 16, 2022, Jason Fitzsimmons resigned as Chief Corporate Affairs & Customer Care Officer of Hydro One.

NON-GAAP FINANCIAL MEASURES

Hydro One uses a number of financial measures to assess its performance. The Company presents FFO or "funds from operations" to reflect a measure of the Company's cash flow; and revenues, net of purchased power to reflect revenues net of the cost of purchased power. FFO and revenues, net of purchased power are non-GAAP financial measures which do not have a standardized meaning prescribed by GAAP and might not be comparable to similar measures presented by other entities. They should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under GAAP.

Hydro One also uses financial ratios that are non-GAAP ratios such as debt to capitalization ratio and earnings coverage ratio. Non-GAAP ratios do not have a standardized meaning prescribed by GAAP and might not be comparable to similar measures presented by other entities. They should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under US GAAP.

Funds From Operations

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, management believes that FFO provides a consistent measure of the cash generating performance of the Company's assets.

The following table provides a reconciliation of GAAP (reported) results to non-GAAP (adjusted) results on a consolidated basis.

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	2022	2021	2022	2021
Net cash from operating activities	594	550	1,658	1,479
Changes in non-cash balances related to operations	13	(3)	107	80
Distributions to noncontrolling interest	(2)	(2)	(8)	(6)
FFO	605	545	1,757	1,553

Revenues, Net of Purchased Power

Revenues, net of purchased power is defined as revenues less the cost of purchased power; distribution revenues, net of purchased power is defined as distribution revenues less the cost of purchased power. These measures are used internally by management to assess the impacts of revenue on net income and are considered useful because they exclude the cost of power that is fully recovered through revenues and therefore net income neutral.

The following tables provide a reconciliation of GAAP (reported) revenues to non-GAAP (adjusted) revenues, net of purchased power on a consolidated basis.

Quarter ended *(millions of dollars)*	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Revenues	2,031	1,840	2,047	1,779	1,913	1,722	1,811	1,867
Less: Purchased power	963	852	1,014	914	933	838	894	1,046
Revenues, net of purchased power	1,068	988	1,033	865	980	884	917	821

Quarter ended *(millions of dollars)*	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Distribution revenues	1,458	1,314	1,517	1,347	1,395	1,263	1,354	1,457
Less: Purchased power	963	852	1,014	914	933	838	894	1,046
Distribution revenues, net of purchased power	495	462	503	433	462	425	460	411

Debt to Capitalization Ratio

The Company believes that the debt to capitalization ratio is an important non-GAAP ratio in the management of its debt levels. This non-GAAP ratio does not have a standardized meaning under US GAAP and may not be comparable to similar measures presented by other entities. Debt to capitalization ratio 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.

As at *(millions of dollars)*	**September 30, 2022**	**December 31, 2021**
Short-term notes payable	1,511	1,045
Less: cash and cash equivalents	(25)	(540)
Long-term debt (current portion)	737	603
Long-term debt (long-term portion)	12,281	13,017
Total debt (A)	**14,504**	**14,125**
Shareholders' equity (excluding noncontrolling interest)	11,287	10,888
Total debt plus shareholders' equity (B)	**25,791**	**25,013**
Debt-to-capitalization ratio (A/B)	**56.2 %**	**56.5 %**

Earnings Coverage Ratio

Earnings coverage ratio is defined as earnings before income taxes and financing charges attributable to shareholders, divided by the sum of financing charges and capitalized interest, and is calculated on a rolling twelve-month basis. The Company believes that the earnings coverage ratio is an important non-GAAP measure in the management of its liquidity. This non-GAAP ratio does not have a standardized meaning under US GAAP and may not be comparable to similar measures presented by other entities.

Quarter ended *(millions of dollars)*	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Year-to-date net income to preferred shareholder	—	—	—	—	—	—	—	18
Year-to-date net income to common shareholders	872	565	310	965	806	506	268	1,770
	872	**565**	**310**	**965**	**806**	**506**	**268**	**1,788**
Year-to-date income tax expense (recovery)	247	147	79	178	123	52	26	(785)
Year-to-date financing charges	358	236	117	461	338	220	116	471
Year-to-date earnings before income taxes and financing charges attributable to common shareholders and preferred shareholder	1,477	948	506	1,604	1,267	778	410	1,474

Twelve months ended *(millions of dollars)*	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Earnings before income taxes and financing charges attributable to common shareholders and preferred shareholder (A)	**1,814**	**1,774**	**1,700**	**1,604**	**1,574**	**1,511**	**1,520**	**1,474**

Quarter ended *(millions of dollars)*	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Year-to-date financing charges	358	236	117	461	338	220	116	471
Year-to-date capitalized interest	47	31	15	60	44	29	13	49
Year-to-date financing charges and capitalized interest	405	267	132	521	382	249	129	520

Twelve months ended *(millions of dollars)*	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Financing charges and capitalized interest (B)	**544**	**539**	**524**	**521**	**514**	**509**	**520**	**520**
Earnings coverage ratio = A/B	**3.3**	**3.3**	**3.2**	**3.1**	**3.1**	**3.0**	**2.9**	**2.8**

RELATED PARTY TRANSACTIONS

The Province is a shareholder of Hydro One with approximately 47.2% ownership at September 30, 2022. 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 and nine months ended September 30, 2022 and 2021:

(millions of dollars)		Three months ended September 30		Nine months ended September 30	
Related Party	Transaction	2022	2021	2022	2021
Province	Dividends paid	79	75	233	222
IESO	Power purchased	553	527	1,739	1,558
	Revenues for transmission services	558	502	1,586	1,387
	Amounts related to electricity rebates	259	267	803	815
	Distribution revenues related to rural rate protection	62	62	183	184
	Distribution revenues related to supply of electricity to remote northern communities	8	8	26	26
	Funding received related to CDM programs	2	1	2	1
OPG[1]	Power purchased	1	3	12	8
	Revenues related to provision of services and supply of electricity	2	2	6	5
	Capital contribution received from OPG	3	1	5	3
	Costs related to the purchase of services	1	—	2	1
OEFC	Power purchased from power contracts administered by the OEFC	1	1	2	1
OEB	OEB fees	2	2	7	6
OCN LP[2]	Investment in OCN LP	3	4	4	4

[1] OPG has provided a $2.5 million guarantee to Hydro One related to the OCN Guarantee. See section "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 Enterprise Risk Management program 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 2021 MD&A.

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 September 30, 2022 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 2020-06	August 2020	The update addresses the complexity associated with applying US GAAP for certain financial instruments with characteristics of liabilities and equity. The amendments reduce the number of accounting models for convertible debt instruments and convertible preferred stock.	January 1, 2022	No impact upon adoption
ASU 2021-05	July 2021	The amendments are intended to align lease classification requirements for lessors under Topic 842 with Topic 840's practice.	January 1, 2022	No impact upon adoption
ASU 2021-10	November 2021	The update addresses diversity on the recognition, measurement, presentation and disclosure of government assistance received by business entities.	January 1, 2022	No impact upon adoption

Recently Issued Accounting Guidance Not Yet Adopted

Guidance	Date issued	Description	Effective date	Anticipated Impact on Hydro One
ASU 2021-08	October 2021	The amendments address how to determine whether a contractual obligation represents a liability to be recognized by the acquirer in a business combination.	January 1, 2023	No expected impact upon adoption
ASU 2022-02	March 2022	The amendments eliminate the troubled debt restructuring (TDR) accounting model for entities that have adopted Topic 326 Financial Instrument – Credit Losses and modifies the guidance on vintage disclosure requirements to require disclosure of current-period gross write-offs by year of origination.	January 1, 2023	Upon adoption, the Company will disclose the current period gross write-offs by year of origination relating to its accounts receivable

HYDRO ONE HOLDINGS LIMITED - CONSOLIDATING SUMMARY FINANCIAL INFORMATION

Hydro One Limited fully and unconditionally guarantees the payment obligations of its wholly-owned subsidiary, HOHL, issuable under the short form base shelf prospectus dated December 17, 2020. 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 at September 30, 2022 and December 31, 2021 and for the three and nine months ended September 30, 2022 and September 30, 2021 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 September 30 *(millions of dollars)*	Hydro One Limited		HOHL		Subsidiaries of Hydro One Limited, other than HOHL		Consolidating Adjustments		Total Consolidated Amounts of Hydro One Limited	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	167	159	—	—	2,230	2,098	(366)	(344)	2,031	1,913
Net Income (Loss) Attributable to Common Shareholders	167	159	—	—	486	468	(346)	(327)	307	300

Nine months ended September 30 *(millions of dollars)*	Hydro One Limited		HOHL		Subsidiaries of Hydro One Limited, other than HOHL		Consolidating Adjustments		Total Consolidated Amounts of Hydro One Limited	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	494	470	—	—	6,503	6,006	(1,079)	(1,030)	5,918	5,446
Net Income (Loss) Attributable to Common Shareholders	493	470	—	—	1,406	1,329	(1,027)	(993)	872	806

As at September 30, 2022 and December 31, 2021 *(millions of dollars)*	Hydro One Limited		HOHL		Subsidiaries of Hydro One Limited, other than HOHL		Consolidating Adjustments		Total Consolidated Amounts of Hydro One Limited	
	Sept. 2022	Dec. 2021	Sept. 2022	Dec. 2021	Sept. 2022	Dec. 2021	Sept. 2022	Dec. 2021	Sept. 2022	Dec. 2021
Current Assets	116	97	—	—	2,494	2,742	(1,310)	(1,013)	1,300	1,826
Non-Current Assets	3,462	3,450	—	—	45,208	45,019	(19,091)	(19,912)	29,579	28,557
Current Liabilities	500	475	—	—	4,262	3,507	(1,297)	(1,004)	3,465	2,978
Non-Current Liabilities	425	425	—	—	27,680	28,892	(12,065)	(12,888)	16,040	16,429

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, the industry, regulatory and economic environments in which it operates, and includes beliefs and assumptions made by the management of the Company. Such statements include, but are not limited to, statements regarding: the Company's and Hydro One Remotes' transmission and distribution rate applications including the JRAP and its proposed investment plan, resulting and related decisions including the DTA Implementation Decision, as well as resulting rates, recovery and expected impacts and timing; anticipated timing of OEB's approval regarding the settlement agreement on the JRAP; expected timing of the Company's update to its transmission and distribution revenue requirements; expectations about the Company's liquidity and capital resources and operational requirements; the Operating Credit Facilities; expectations regarding the Company's financing activities; the Company's maturing debt; the Company's ongoing and planned projects, initiatives and expected capital investments, including expected results, costs and in-service and completion dates; contractual obligations and other commercial commitments; the number of Hydro One common shares issuable in connection with outstanding awards under the share grant plans; collective bargaining and agreements, including the expiry thereof; Equity Partnership Model with First Nation communities; the US GAAP exemptive relief and the potential impacts of the Exposure Draft; the Company's status as an SEC issuer; Bill 257 and Bill 93, related regulations and the expected timing and impacts; future pension contributions; dividends; non-GAAP financial measures; internal controls over financial reporting and disclosure; recent accounting-related guidance and anticipated impacts; the MTN Program; the Universal Base Shelf Prospectus; and the US Debt Shelf Prospectus, including the expected timing for filing of a new prospectus. Words such as "expect", "anticipate", "intend", "attempt", "may", "plan", "will", "would", "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, including the spread of its variants, 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 and increases in costs 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, competition with other transmitters and other applications to the OEB, 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 the Company and its impact on the Company's funding and liquidity;
- risks relating to the location of the Company's assets on reserve (as defined in the *Indian Act* (Canada)) (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 and the risk that assumptions that form the basis of the Company's recorded environmental liabilities and related regulatory assets may change;
- risks associated with information system security and maintaining complex information technology (IT) and operational technology (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 asset condition, capital projects and innovation, including public opposition to or delays or denials of the requisite approvals and accommodations for the Company's planned projects;
- 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 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 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;
- risks relating to acquisitions, including the failure to realize anticipated benefits of such transaction at all, or within the time periods anticipated, and unexpected costs incurred in relation thereto;
- the inability to prepare financial statements using US GAAP; and
- the risk related to the impact of any 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 entitled "Risk Management and Risk Factors" in the 2021 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 and nine months ended September 30, 2022 and 2021

(millions of Canadian dollars, except per share amounts)	Three months ended September 30 2022	Three months ended September 30 2021	Nine months ended September 30 2022	Nine months ended September 30 2021
Revenues				
Distribution (includes related party revenues of $71 and $213 (2021 - $71 and $214) for the three and nine months ended September 30, respectively) *(Note 22)*	1,458	1,395	4,289	4,012
Transmission (includes related party revenues of $558 and $1,587 (2021 - $502 and $1,387) for the three and nine months ended September 30, respectively) *(Note 22)*	562	507	1,597	1,403
Other	11	11	32	31
	2,031	1,913	5,918	5,446
Costs				
Purchased power (includes related party costs of $555 and $1,753 (2021 - $531 and $1,567) for the three and nine months ended September 30, respectively) *(Note 22)*	963	933	2,829	2,665
Operation, maintenance and administration *(Note 22)*	296	262	870	833
Depreciation, amortization and asset removal costs *(Note 4)*	240	227	735	675
	1,499	1,422	4,434	4,173
Income before financing charges and income tax expense	**532**	**491**	**1,484**	**1,273**
Financing charges *(Note 5)*	122	118	358	338
Income before income tax expense	**410**	**373**	**1,126**	**935**
Income tax expense *(Note 6)*	100	71	247	123
Net income	**310**	**302**	**879**	**812**
Other comprehensive income *(Note 7)*	2	2	14	8
Comprehensive income	**312**	**304**	**893**	**820**
Net income attributable to:				
Noncontrolling interest	3	2	7	6
Common shareholders	307	300	872	806
	310	**302**	**879**	**812**
Comprehensive income attributable to:				
Noncontrolling interest	3	2	7	6
Common shareholders	309	302	886	814
	312	**304**	**893**	**820**
Earnings per common share *(Note 20)*				
Basic	$0.51	$0.50	$1.46	$1.35
Diluted	$0.51	$0.50	$1.45	$1.34
Dividends per common share declared *(Note 19)*	$0.28	$0.27	$0.83	$0.79

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

HYDRO ONE LIMITED
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)
At September 30, 2022 and December 31, 2021

As at *(millions of Canadian dollars)*	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	25	540
Accounts receivable *(Note 8)*	740	699
Due from related parties *(Note 22)*	279	284
Other current assets *(Note 9)*	256	303
	1,300	1,826
Property, plant and equipment *(Note 10)*	24,734	23,842
Other long-term assets:		
Regulatory assets *(Note 11)*	3,653	3,561
Deferred income tax assets	113	118
Intangible assets (net of accumulated amortization - $720; 2021 - $662)	599	570
Goodwill	373	373
Other assets *(Note 12)*	107	93
	4,845	4,715
Total assets	**30,879**	**30,383**
Liabilities		
Current liabilities:		
Short-term notes payable *(Note 15)*	1,511	1,045
Long-term debt payable within one year *(Notes 15, 16)*	737	603
Accounts payable and other current liabilities *(Note 13)*	1,068	1,064
Due to related parties *(Note 22)*	149	266
	3,465	2,978
Long-term liabilities:		
Long-term debt *(Notes 15, 16)*	12,281	13,017
Regulatory liabilities *(Note 11)*	376	362
Deferred income tax liabilities	663	367
Other long-term liabilities *(Note 14)*	2,720	2,683
	16,040	16,429
Total liabilities	**19,505**	**19,407**
Contingencies and Commitments (Notes 24, 25)		
Subsequent Events (Note 27)		
Noncontrolling interest subject to redemption	20	20
Equity		
Common shares *(Note 18)*	5,699	5,688
Additional paid-in capital *(Note 21)*	34	38
Retained earnings	5,552	5,174
Accumulated other comprehensive income (loss)	2	(12)
Hydro One shareholders' equity	11,287	10,888
Noncontrolling interest	67	68
Total equity	**11,354**	**10,956**
	30,879	**30,383**

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

HYDRO ONE LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)
For the nine months ended September 30, 2022 and 2021

Nine months ended September 30, 2022 *(millions of Canadian dollars)*	Common Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Hydro One Shareholders' Equity	Non-controlling Interest	Total Equity
January 1, 2022	5,688	38	5,174	(12)	10,888	68	10,956
Net income	—	—	872	—	872	5	877
Other comprehensive income *(Note 7)*	—	—	—	14	14	—	14
Distributions to noncontrolling interest	—	—	—	—	—	(6)	(6)
Dividends on common shares *(Note 19)*	—	—	(494)	—	(494)	—	(494)
Common shares issued	11	(8)	—	—	3	—	3
Stock-based compensation	—	4	—	—	4	—	4
September 30, 2022	**5,699**	**34**	**5,552**	**2**	**11,287**	**67**	**11,354**

Nine months ended September 30, 2021 *(millions of Canadian dollars)*	Common Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Hydro One Shareholders' Equity	Non-controlling Interest	Total Equity
January 1, 2021	5,678	47	4,838	(29)	10,534	72	10,606
Net income	—	—	806	—	806	5	811
Other comprehensive income *(Note 7)*	—	—	—	8	8	—	8
Distributions to noncontrolling interest	—	—	—	—	—	(9)	(9)
Dividends on common shares *(Note 19)*	—	—	(470)	—	(470)	—	(470)
Common shares issued	10	(10)	—	—	—	—	—
Stock-based compensation	—	1	—	—	1	—	1
September 30, 2021	**5,688**	**38**	**5,174**	**(21)**	**10,879**	**68**	**10,947**

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

HYDRO ONE LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
For the three and nine months ended September 30, 2022 and 2021

	Three months ended September 30		Nine months ended September 30	
(millions of Canadian dollars)	2022	2021	2022	2021
Operating activities				
Net income	310	302	879	812
Environmental expenditures	(5)	(7)	(24)	(24)
Adjustments for non-cash items:				
Depreciation and amortization *(Note 4)*	212	203	637	597
Regulatory assets and liabilities	(3)	(18)	18	34
Deferred income tax expense	91	63	226	95
Other	2	4	29	45
Changes in non-cash balances related to operations *(Note 23)*	(13)	3	(107)	(80)
Net cash from operating activities	**594**	**550**	**1,658**	**1,479**
Financing activities				
Long-term debt issued	—	900	—	900
Long-term debt repaid	—	—	(601)	(802)
Short-term notes issued	1,730	960	4,590	3,105
Short-term notes repaid	(1,650)	(1,330)	(4,120)	(2,945)
Dividends paid *(Note 19)*	(167)	(159)	(494)	(470)
Distributions paid to noncontrolling interest	(2)	(2)	(8)	(6)
Common shares issued	—	—	3	—
Costs to obtain financing	(1)	(5)	(5)	(7)
Net cash from (used in) financing activities	**(90)**	**364**	**(635)**	**(225)**
Investing activities				
Capital expenditures *(Note 23)*				
Property, plant and equipment	(478)	(472)	(1,452)	(1,467)
Intangible assets	(28)	(26)	(81)	(97)
Capital contributions received	3	—	13	9
Other	(7)	(10)	(18)	(4)
Net cash used in investing activities	**(510)**	**(508)**	**(1,538)**	**(1,559)**
Net change in cash and cash equivalents	(6)	406	(515)	(305)
Cash and cash equivalents, beginning of period	31	46	540	757
Cash and cash equivalents, end of period	**25**	**452**	**25**	**452**

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). At September 30, 2022, the Province held approximately 47.2% (December 31, 2021 - 47.2%) 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 Hydro One Inc.'s subsidiaries, which includes 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, a limited partnership between Hydro One and the Saugeen Ojibway Nation, and an approximately 55% interest in Niagara Reinforcement Limited Partnership, a limited partnership between Hydro One and Six Nations of the Grand River Development Corporation and the Mississaugas of the Credit First Nation.

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 Remotes).

<u>Deferred Tax Asset (DTA)</u>

On March 7, 2019, the Ontario Energy Board (OEB) issued its reconsideration decision (DTA Decision) with respect to Hydro One's rate-setting treatment of the benefits of the DTA resulting from the transition from the payments in lieu of tax regime to tax payments under the federal and provincial tax regimes. On July 16, 2020, the Ontario Divisional Court rendered its decision on the Company's appeal of the OEB's DTA Decision. On April 8, 2021, the OEB rendered its decision and order (DTA Implementation Decision) regarding the recovery of the DTA amounts allocated to ratepayers for the 2017 to 2022 period. See Note 11 - Regulatory Assets and Liabilities for additional details.

<u>Hydro One Remotes</u>

On November 3, 2021, Hydro One Remotes filed an application with the OEB seeking approval for a 2.2% increase to 2021 base rates, effective May 1, 2022. The application was subsequently updated to request a 3.3% increase to 2021 base rates to reflect the OEB's annually updated inflation parameters for electricity distributors for 2022. On March 24, 2022, the OEB approved the application for rates and other charges which became effective on May 1, 2022.

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 (US) Generally Accepted Accounting Principles (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, 2021, 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, 2021.

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 2020-06	August 2020	The update addresses the complexity associated with applying US GAAP for certain financial instruments with characteristics of liabilities and equity. The amendments reduce the number of accounting models for convertible debt instruments and convertible preferred stock.	January 1, 2022	No impact upon adoption
ASU 2021-05	July 2021	The amendments are intended to align lease classification requirements for lessors under Topic 842 with Topic 840's practice.	January 1, 2022	No impact upon adoption
ASU 2021-10	November 2021	The update addresses diversity on the recognition, measurement, presentation and disclosure of government assistance received by business entities.	January 1, 2022	No impact upon adoption

Recently Issued Accounting Guidance Not Yet Adopted

Guidance	Date issued	Description	Effective date	Anticipated Impact on Hydro One
ASU 2021-08	October 2021	The amendments address how to determine whether a contractual obligation represents a liability to be recognized by the acquirer in a business combination.	January 1, 2023	No expected impact upon adoption
ASU 2022-02	March 2022	The amendments eliminate the troubled debt restructuring (TDR) accounting model for entities that have adopted Topic 326 Financial Instrument – Credit Losses and modifies the guidance on vintage disclosure requirements to require disclosure of current-period gross write-offs by year of origination.	January 1, 2023	Upon adoption, the Company will disclose the current period gross write-offs by year of origination relating to its accounts receivable

4. DEPRECIATION, AMORTIZATION AND ASSET REMOVAL COSTS

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	2022	2021	2022	2021
Depreciation of property, plant and equipment	188	177	555	517
Amortization of intangible assets	19	19	58	56
Amortization of regulatory assets	5	7	24	24
Depreciation and amortization	212	203	637	597
Asset removal costs	28	24	98	78
	240	227	735	675

5. FINANCING CHARGES

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	2022	2021	2022	2021
Interest on long-term debt	125	125	373	375
Interest on short-term notes	9	—	14	1
Interest on regulatory accounts	3	1	5	2
Realized (gain) loss on cash flow hedges (interest-rate swap agreements) *(Notes 7, 16)*	(2)	3	2	9
Other	4	4	12	9
Less: Interest capitalized on construction and development in progress	(16)	(15)	(47)	(44)
DTA carrying charges	—	1	1	(12)
Interest earned on cash and cash equivalents	(1)	(1)	(2)	(2)
	122	118	358	338

6. INCOME TAXES

As a rate regulated utility company, the Company recovers income taxes from its ratepayers based on estimated current income tax expense in respect of its regulated business. The amounts of deferred income taxes related to regulated operations which are considered to be more likely-than-not to be recoverable from, or refundable to, ratepayers in future periods are recognized as deferred income tax regulatory assets or liabilities, with an offset to deferred income tax recovery or expense, respectively. The Company's consolidated tax expense or recovery for the period includes all current and deferred income tax expenses for the period net of the regulated accounting offset to deferred income tax expense arising from temporary differences to be recovered from, or refunded to, customers in future rates. Thus, the Company's income tax expense or recovery 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 September 30		Nine months ended September 30	
(millions of dollars)	2022	2021	2022	2021
Income before income tax expense	410	373	1,126	935
Income tax expense at statutory rate of 26.5% (2021 - 26.5%)	108	99	298	248
Increase (decrease) resulting from:				
Net temporary differences recoverable in future rates charged to customers:				
Capital cost allowance in excess of depreciation and amortization	(22)	(26)	(74)	(72)
Impact of DTA Implementation Decision[1]	24	12	72	(8)
Overheads capitalized for accounting but deducted for tax purposes	(7)	(7)	(20)	(19)
Pension and post-retirement benefit contributions in excess of pension expense	2	(4)	(8)	(10)
Interest capitalized for accounting but deducted for tax purposes	(5)	(4)	(14)	(13)
Environmental expenditures	—	(2)	(7)	(6)
Other	—	1	(1)	(1)
Net temporary differences attributable to regulated business	(8)	(30)	(52)	(129)
Net permanent differences	—	2	1	4
Total income tax expense	100	71	247	123
Effective income tax rate	24.4%	19.0%	21.9%	13.2%

[1] Pursuant to the DTA Implementation Decision, the 2021 impact represents the sharing of tax deductions from deferred tax asset (DTA Sharing) given to ratepayers, offset by the recovery of DTA amounts previously shared effective July 1, 2021. For 2022, the impact represents the recovery of DTA amounts previously shared from ratepayers. See Note 11 - Regulatory Assets and Liabilities.

7. OTHER COMPREHENSIVE INCOME

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	2022	2021	2022	2021
Gain on cash flow hedges (interest-rate swap agreements) *(Notes 5, 16)*[1]	2	2	12	8
Gain on transfer of other post-employment benefits (OPEB) *(Note 17)*	—	—	2	—
	2	2	14	8

[1] Includes $1 million after-tax realized gain (2021 - $2 million loss), $2 million before-tax (2021 - $3 million), and includes $1 million after-tax realized loss (2021 - $6 million) and $2 million before-tax (2021 - $9 million) on cash flow hedges reclassified to financing charges for the three and nine months ended September 30, 2022, respectively.

8. ACCOUNTS RECEIVABLE

As at *(millions of dollars)*	September 30, 2022	December 31, 2021
Accounts receivable - billed	423	346
Accounts receivable - unbilled	382	409
Accounts receivable, gross	805	755
Allowance for doubtful accounts	(65)	(56)
Accounts receivable, net	740	699

The following table shows the movements in the allowance for doubtful accounts for the nine months ended September 30, 2022 and the year ended December 31, 2021:

(millions of dollars)	Nine months ended September 30, 2022	Year ended December 31, 2021
Allowance for doubtful accounts – beginning	(56)	(46)
Write-offs	16	15
Additions to allowance for doubtful accounts	(25)	(25)
Allowance for doubtful accounts – ending	(65)	(56)

9. OTHER CURRENT ASSETS

As at *(millions of dollars)*	September 30, 2022	December 31, 2021
Regulatory assets *(Note 11)*	153	226
Prepaid expenses and other assets	70	55
Materials and supplies	25	22
Derivative assets *(Note 16)*	8	—
	256	303

10. PROPERTY, PLANT AND EQUIPMENT

As at *(millions of dollars)*	September 30, 2022	December 31, 2021
Property, plant and equipment	36,016	34,943
Less: accumulated depreciation	(13,188)	(12,698)
	22,828	22,245
Construction in progress	1,720	1,417
Future use land, components and spares	186	180
	24,734	23,842

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)*	September 30, 2022	December 31, 2021
Regulatory assets:		
Deferred income tax regulatory asset	2,679	2,509
Pension benefit regulatory asset	685	713
Post-retirement and post-employment benefits - non-service cost	139	125
Deferred tax asset sharing	106	204
Environmental	105	122
Stock-based compensation	34	38
Foregone revenue deferral	6	25
Debt premium	3	7
Conservation and Demand Management variance	3	8
Other	46	36
Total regulatory assets	3,806	3,787
Less: current portion	(153)	(226)
	3,653	3,561
Regulatory liabilities:		
Tax rule changes variance	94	86
Retail settlement variance account	66	58
External revenue variance	49	52
Earnings sharing mechanism deferral	42	42
Asset removal costs cumulative variance	41	36
Post-retirement and post-employment benefits	33	33
Pension cost differential	26	30
Green energy expenditure variance	7	13
Deferred income tax regulatory liability	4	4
Other	18	18
Total regulatory liabilities	380	372
Less: current portion	(4)	(10)
	376	362

Deferred Tax Asset Sharing

At September 30, 2022, Hydro One has a net regulatory asset of $106 million representing the cumulative DTA amounts shared with ratepayers since 2017 to 2021, net of the amount recovered from ratepayers since July 1, 2021 pursuant to the DTA Implementation Decision. The net regulatory asset of $106 million (December 31, 2021 - $204 million) consists of $37 million (December 31, 2021 - $72 million) and $69 million (December 31, 2021 - $132 million) for Hydro One Networks' distribution and transmission segments, respectively. The balance of this regulatory account will continue to decrease as amounts are recovered over the next 9 months.

12. OTHER LONG-TERM ASSETS

As at *(millions of dollars)*	September 30, 2022	December 31, 2021
Right-of-Use assets	57	57
Investments	35	22
Other long-term assets	15	14
	107	93

13. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at *(millions of dollars)*	September 30, 2022	December 31, 2021
Accrued liabilities	659	619
Accounts payable	222	255
Accrued interest	132	124
Environmental liabilities	38	34
Lease obligations	13	14
Regulatory liabilities *(Note 11)*	4	10
Derivative liabilities *(Note 16)*	—	8
	1,068	1,064

14. OTHER LONG-TERM LIABILITIES

As at *(millions of dollars)*	September 30, 2022	December 31, 2021
Post-retirement and post-employment benefit liability *(Note 17)*	1,864	1,800
Pension benefit liability *(Note 17)*	685	713
Environmental liabilities	76	88
Lease obligations	45	46
Asset retirement obligations	24	14
Long-term accounts payable	—	3
Other long-term liabilities	26	19
	2,720	2,683

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 totaling $2,300 million.

At September 30, 2022, Hydro One's consolidated committed and unsecured credit facilities (Operating Credit Facilities) totaling $2,550 million included Hydro One's credit facilities of $250 million and Hydro One Inc.'s credit facilities of $2,300 million. In January 2022, Hydro One successfully amended its Operating Credit Facilities to incorporate environmental, social and governance targets. On June 1, 2022, the maturity date for the Operating Credit Facilities was extended from 2026 to 2027. At September 30, 2022, 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 September 30, 2022, no debt securities have been issued by HOHL.

Long-Term Debt

The following table presents long-term debt outstanding at September 30, 2022 and December 31, 2021:

As at *(millions of dollars)*	**September 30, 2022**	**December 31, 2021**
Hydro One Inc. long-term debt (a)	12,495	13,095
Hydro One long-term debt (b)	425	425
HOSSM long-term debt (c)	137	142
	13,057	13,662
Add: Net unamortized debt premiums	8	9
Less: Unamortized deferred debt issuance costs	(47)	(51)
Total long-term debt	13,018	13,620
Less: Long-term debt payable within one year	(737)	(603)
	12,281	13,017

(a) Hydro One Inc. long-term debt

At September 30, 2022, long-term debt of $12,495 million (December 31, 2021 - $13,095 million) was outstanding, the majority of which was issued under Hydro One Inc.'s Medium Term Note (MTN) Program. In June 2022, Hydro One Inc. filed a short form base shelf prospectus in connection with its MTN Program, which has a maximum authorized principal amount of notes issuable of $4,000 million, and expires in July 2024. At September 30, 2022, $4,000 million remained available for issuance under the MTN Program prospectus.

During the three and nine months ended September 30, 2022, no long-term debt was issued (2021 - $900 million). Over the same periods, long-term debt of $nil (2021 - $nil) and $600 million (2021 - $800 million) was repaid, respectively, under the MTN Program.

See Note 27 - Subsequent Events for long-term debt issued under Hydro One Inc.'s MTN Program subsequent to September 30, 2022.

(b) Hydro One long-term debt

At September 30, 2022, long-term debt of $425 million (December 31, 2021 - $425 million) was outstanding under Hydro One's short form base shelf prospectus (Universal Base Shelf Prospectus). On August 15, 2022, Hydro One filed the Universal Base Shelf Prospectus with securities regulatory authorities in Canada to replace a previous prospectus that would otherwise have expired in September 2022. The Universal Base Shelf Prospectus allows Hydro One to offer, from time to time in one or more public offerings, up to $2,000 million of debt, equity or other securities, or any combination thereof, during the 25-month period ending on September 15, 2024. At September 30, 2022, no securities have been issued under the Universal Base Shelf Prospectus. During the three and nine months ended September 30, 2022 and 2021, no long-term debt was issued or repaid.

(c) HOSSM long-term debt

At September 30, 2022, HOSSM long-term debt of $137 million (December 31, 2021 - $142 million) with a principal amount of $133 million (December 31, 2021 - $134 million) was outstanding. During the three and nine months ended September 30, 2022 and 2021, no long-term debt was issued and in the nine month period ended September 30, 2022, $1 million (2021 - $2 million) of long-term debt was repaid.

Principal and Interest Payments

At September 30, 2022, future 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	733	494	1.7
Year 2	700	485	2.5
Year 3	750	463	2.3
Year 4	500	443	2.8
Year 5	—	436	—
	2,683	2,321	2.3
Years 6-10	3,125	2,001	3.6
Thereafter	7,245	3,746	4.5
	13,053	8,068	3.8

16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Non-Derivative Financial Assets and Liabilities

At September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022		December 31, 2021	
As at *(millions of dollars)*	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Long-term debt, including current portion	13,018	12,209	13,620	15,573

Fair Value Measurements of Derivative Instruments

Fair Value Hedges

At September 30, 2022 and December 31, 2021, Hydro One Inc. had no fair value hedges.

Cash Flow Hedges

At September 30, 2022 and December 31, 2021, Hydro One Inc. had a total of $800 million in pay-fixed, receive-floating interest-rate swap agreements designated as cash flow hedges. These cash flow hedges are intended to offset the variability of interest rates on the issuances of short-term commercial paper between January 9, 2020 and March 9, 2023.

At September 30, 2022 and December 31, 2021, the Company had no derivative instruments classified as undesignated contracts.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities at September 30, 2022 and December 31, 2021 is as follows:

As at September 30, 2022 *(millions of dollars)*	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Derivative instruments *(Note 9)*					
Cash flow hedges, including current portion	8	8	—	8	—
Liabilities:					
Long-term debt, including current portion	13,018	12,209	—	12,209	—

As at December 31, 2021 *(millions of dollars)*	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Liabilities:					
Long-term debt, including current portion	13,620	15,573	—	15,573	—
Derivative instruments *(Note 13)*					
Cash flow hedges, including current portion	8	8	—	8	—
	13,628	15,581	—	15,581	—

The fair value of the interest rate swaps designated as cash flow hedges is determined using a discounted cash flow method based on period-end swap yield curves.

The fair value 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 nine months ended September 30, 2022 or the year ended December 31, 2021.

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 values, 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 on 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 and nine months ended September 30, 2022 and 2021.

For derivative instruments that are designated and qualify as cash flow hedges, the unrealized gain or loss, after tax, on the derivative instrument is recorded as other comprehensive income (OCI) or other comprehensive loss (OCL) and is reclassified to results of operations in the same period during which the hedged transaction affects results of operations. During the three months ended September 30, 2022, a $3 million after-tax unrealized gain (2021 - $nil), $4 million before-tax (2021 - $nil), was recorded in OCI, and $1 million after-tax realized gain (2021 - $2 million loss), $2 million before-tax (2021 - $3 million), was reclassified to financing charges. During the nine months ended September 30, 2022, a $11 million after-tax unrealized gain (2021 - $2 million), $15 million before-tax (2021 - $2 million), was recorded in OCI, and a $1 million after-tax realized loss (2021 - $6 million), $2 million before-tax (2021 - $9 million), was reclassified to financing charges. This resulted in an accumulated other comprehensive income (AOCI) of $6 million related to cash flow hedges at September 30, 2022 (December 31, 2021 - accumulated other comprehensive loss (AOCL) - $6 million). The Company estimates that the amount of AOCI, after tax, related to cash flow hedges to be reclassified to results of operations in the next 12 months is $6 million. Actual amounts reclassified to results of operations depend on the interest rate risk in effect until the derivative contracts mature. For all forecasted transactions, at September 30, 2022, the maximum term over which the Company is hedging exposures to the variability of cash flows is less than six months.

The Pension Plan manages market risk by diversifying investments in accordance with the Pension Plan's Statement of Investment Policies and Procedures. Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the Pension Plan's financial instruments. In addition, changes in interest rates can also impact discount rates which impact the valuation of the pension and post-retirement and post-employment liabilities. Currency risk is the risk that the value of the Pension Plan's financial instruments will fluctuate due to changes in foreign currencies relative to the Canadian dollar. Other price risk is the risk that the value of the Pension Plan's investments in equity securities will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk. All three factors may contribute to changes in values of the Pension Plan investments. See Note 17 - Pension and Post-Retirement and Post-Employment Benefits for further details.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021, there was no material accounts receivable balance due from any single customer.

At September 30, 2022, the Company's allowance for doubtful accounts was $65 million (December 31, 2021 - $56 million). The allowance for doubtful accounts reflects the Company's current lifetime expected credit losses (CECL) for all accounts receivable balances, which are based on historical overdue balances, customer payments and write-offs. At September 30, 2022, approximately 4% (December 31, 2021 - 5%) of the Company's net accounts receivable were outstanding for more than 60 days.

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 in an asset position at the reporting date. At September 30, 2022 and December 31, 2021, the counterparty credit risk exposure on the fair value of these interest-rate swap contracts was not material. At September 30, 2022, Hydro One's credit exposure for all derivative instruments, and applicable payables and receivables, was with two financial institutions with investment grade credit ratings as counterparties.

The Pension Plan manages its counterparty credit risk with respect to bonds by investing in investment-grade corporate and government bonds and with respect to derivative instruments by transacting only with highly rated financial institutions and by ensuring that exposure is diversified across 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, and anticipated levels of funds from operations are expected to be sufficient to fund the Company's operating requirements. 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 June 2022, Hydro One Inc. filed a short form base shelf prospectus in connection with its MTN Program, which has a maximum authorized principal amount of notes issuable of $4,000 million, and expires in July 2024. At September 30, 2022, $4,000 million remained available for issuance under the MTN Program prospectus. See Note 27 - Subsequent Events for long-term debt issued under Hydro One Inc.'s MTN Program subsequent to September 30, 2022.

On August 15, 2022, Hydro One filed the Universal Base Shelf Prospectus with securities regulatory authorities in Canada to replace a previous prospectus that would otherwise have expired in September 2022. The Universal Base Shelf Prospectus allows Hydro One to offer, from time to time in one or more public offerings, up to $2,000 million of debt, equity or other securities, or any combination thereof, during the 25-month period ending on September 15, 2024. At September 30, 2022, no securities have been issued under the Universal Base Shelf Prospectus.

In December 2020, HOHL filed a short form base shelf prospectus (US Debt Shelf Prospectus) with securities regulatory authorities in Canada and the US to replace a previous prospectus that expired in December 2020. The US Debt Shelf Prospectus allows HOHL to offer, from time to time in one or more public offerings, up to US$3,000 million of debt securities, unconditionally guaranteed by Hydro One, expiring in January 2023. At September 30, 2022, no securities have been issued under the US Debt Shelf Prospectus.

The Pension Plan's short-term liquidity is provided through cash and cash equivalents, contributions, investment income and proceeds from investment transactions. In the event that investments must be sold quickly to meet current obligations, the majority of the Pension Plan's assets are invested in securities that are traded in an active market and can be readily disposed of as liquidity needs arise.

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

The following table provides the components of the net periodic benefit costs for the three and nine months ended September 30, 2022 and 2021:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Three months ended September 30 *(millions of dollars)*	**2022**	**2021**	**2022**	**2021**
Current service cost	53	60	16	17
Interest cost	71	64	15	13
Expected return on plan assets, net of expenses[1]	(127)	(107)	—	—
Prior service cost amortization	1	—	2	2
Amortization of actuarial losses	15	32	—	—
Net periodic benefit costs	13	49	33	32
Charged to results of operations[2,3]	10	6	17	17

Nine months ended September 30 *(millions of dollars)*	Pension Benefits 2022	Pension Benefits 2021	Post-Retirement and Post-Employment Benefits 2022	Post-Retirement and Post-Employment Benefits 2021
Current service cost	161	180	48	50
Interest cost	213	192	45	38
Expected return on plan assets, net of expenses[1]	(381)	(323)	—	—
Prior service cost amortization	2	2	9	5
Amortization of actuarial losses	45	94	1	2
Net periodic benefit costs	40	145	103	95
Charged to results of operations[2,3]	26	20	58	54

[1] The expected long-term rate of return on pension plan assets for the year ending December 31, 2022 is 6.00% (2021 - 5.40%).

[2] The Company accounts for pension costs consistent with their inclusion in OEB-approved rates. During the three and nine months ended September 30, 2022, pension costs of $27 million (2021 - $17 million) and $66 million (2021 - $54 million), respectively were attributed to labour, of which $10 million (2021 - $6 million) and $26 million (2021 - $20 million), respectively, was charged to operations, and $17 million (2021 - $11 million) and $40 million (2021 - $34 million), respectively, was capitalized as part of the cost of property, plant and equipment and intangible assets.

[3] In the 2020-2022 Transmission Decision, the OEB confirmed the recovery of the non-service cost component of post-retirement and post-employment benefits as part of operation, maintenance and administration costs for the Company's transmission business. Prior to the decision, these costs were tracked in a regulatory asset. As a result, during the nine months ended September 30, 2022, additional other post-retirement and post-employment costs of $13 million (2021 - $12 million) attributed to labour were charged to operations.

Future Transfers from Other Plans

Hydro One and Inergi LP agreed to transfer the employment of certain Inergi LP employees (Transferred Employees) to Hydro One Networks. Employees related to the Information Technology Operations, Finance and Accounting, Payroll, Source to Pay, Settlements and certain Shared Services functions transferred over a period ending January 1, 2022. The Transferred Employees who are participants in the Inergi LP Pension Plan (Inergi Plan) became participants in the Hydro One Pension Plan upon transfer to Hydro One Networks. Subject to all necessary regulatory approvals, the assets and liabilities of the Inergi Plan will transfer to the Plan. The values of assets and liabilities of the Inergi Plan to be transferred to the Plan will be determined at the date of transfer, which is expected to occur sometime in 2023. Inergi and Hydro One Networks also agreed to transfer OPEB liabilities related to the Transferred Employees to Hydro One's post-retirement and post-employment benefit plans.

On March 1, 2021, Transferred Employees associated with information technology operations (ITO Employees) transferred to Hydro One Networks, and the transfer of the OPEB liability of $28 million related to the ITO Employees was completed. The liability was recorded as a post-retirement and post-employment benefit liability with an offset to OCL, and cash totaling $27 million was transferred to Hydro One and recorded as an asset with an offset to OCI. Both the OCI resulting from the transfer of the cash asset and the OCL resulting from the transfer of the other post-retirement benefit liability are being recognized in net income over the expected average remaining service lifetime (EARSL) of the ITO Employees.

On November 1, 2021, Transferred Employees associated with source to pay operations (S2P Employees) transferred to Hydro One Networks, and the transfer of the OPEB liability of $6 million related to the S2P Employees was completed. The liability was recorded as a post-retirement and post-employment benefit liability with an offset to OCL, and cash totaling $6 million was transferred to Hydro One and recorded as an asset with an offset to OCI. Both the OCI resulting from the transfer of the cash asset and the OCL resulting from the transfer of the other post-retirement benefit liability are being recognized in net income over the EARSL of the S2P Employees.

The transfer of Finance and Accounting, Payroll and certain Shared Services functions occurred on January 1, 2022 and the transfer of the OPEB liability of $9 million related to these Employees was completed in the first quarter. The liability was recorded as a post-retirement and post-employment benefit liability with an offset to OCL, and cash totaling $10 million was transferred to Hydro One and recorded as an asset with an offset to OCI. Both the OCI resulting from the transfer of the cash asset and the OCL resulting from the transfer of the other post-retirement benefit liability are being recognized in net income over the EARSL of the Finance and Accounting, Payroll and certain Shared Services employees.

18. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares. At September 30, 2022, the Company had 598,714,580 (December 31, 2021 - 598,217,549) common shares issued and outstanding.

The following table presents the changes to common shares during the nine months ended September 30, 2022:

(number of shares)	
Common shares - December 31, 2021	598,217,549
Common shares issued - LTIP[1]	108,710
Common shares issued - share grants[2]	388,321
Common shares - September 30, 2022	598,714,580

[1] During the nine months ended September 30, 2022, Hydro One issued from treasury 108,710 common shares in accordance with provisions of the Long-term Incentive Plan (LTIP), related to stock options exercised on December 30, 2021.

[2] During the nine months ended September 30, 2022, Hydro One issued from treasury 388,321 common shares in accordance with provisions of the Power Workers' Union (PWU) and the Society of United Professionals (Society) Share Grant Plans.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. At September 30, 2022 and December 31, 2021, the Company had no preferred shares issued and outstanding.

19. DIVIDENDS

During the three months ended September 30, 2022, common share dividends in the amount of $167 million (2021 - $159 million) were declared and paid.

During the nine months ended September 30, 2022, common share dividends in the amount of $494 million (2021 - $470 million) were declared and paid. See Note 27 - Subsequent Events for dividends declared subsequent to September 30, 2022.

20. 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 September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net income attributable to common shareholders *(millions of dollars)*	307	300	872	806
Weighted-average number of shares				
Basic	598,714,580	598,217,261	598,583,491	598,033,873
Effect of dilutive stock-based compensation plans	1,888,712	2,135,732	2,038,846	2,315,332
Diluted	600,603,292	600,352,993	600,622,337	600,349,205
EPS				
Basic	$0.51	$0.50	$1.46	$1.35
Diluted	$0.51	$0.50	$1.45	$1.34

21. STOCK-BASED COMPENSATION

Share Grant Plans

Hydro One has two share grant plans (Share Grant Plans), one for the benefit of certain members of the PWU (the PWU Share Grant Plan) and one for the benefit of certain members of the Society (the Society Share Grant Plan). A summary of share grant activity under the Share Grant Plans during the three and nine months ended September 30, 2022 and 2021 is presented below:

	Three months ended September 30		Nine months ended September 30	
(number of share grants)	2022	2021	2022	2021
Share grants outstanding - beginning	2,273,679	2,737,785	2,662,000	3,154,805
Vested and issued[1]	—	(131)	(388,321)	(417,151)
Share grants outstanding - ending	2,273,679	2,737,654	2,273,679	2,737,654

[1] During the nine months ended September 30, 2022, Hydro One issued 388,321 (2021 - 417,151) common shares from treasury to eligible employees in accordance with provisions of the PWU and the Society Share Grant Plans.

Directors' Deferred Share Unit (DSU) Plan

A summary of DSU awards activity under the Directors' DSU Plan during the three and nine months ended September 30, 2022 and 2021 is presented below:

	Three months ended September 30		Nine months ended September 30	
(number of DSUs)	2022	2021	2022	2021
DSUs outstanding - beginning	90,999	70,547	80,813	65,240
Granted	4,606	5,320	14,792	15,942
Paid	—	—	—	(5,315)
DSUs outstanding - ending	95,605	75,867	95,605	75,867

At September 30, 2022, a liability of $3 million (December 31, 2021 - $3 million) related to Directors' DSUs has been recorded at the closing price of the Company's common shares of $33.78 (December 31, 2021 - $32.91). This liability is included in other long-term liabilities on the consolidated balance sheets.

Management DSU Plan

A summary of DSU awards activity under the Management DSU Plan during the three and nine months ended September 30, 2022 and 2021 is presented below:

	Three months ended September 30		Nine months ended September 30	
(number of DSUs)	2022	2021	2022	2021
DSUs outstanding - beginning	125,866	88,721	90,240	61,880
Granted	1,013	752	36,639	27,593
DSUs outstanding - ending	126,879	89,473	126,879	89,473

At September 30, 2022, a liability of $4 million (December 31, 2021 - $3 million) related to Management DSUs has been recorded at the closing price of the Company's common shares of $33.78 (December 31, 2021 - $32.91). This liability is included in other long-term liabilities on the consolidated balance sheets.

Long-term Incentive Plan (LTIP)

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

There was no activity during the three months ended September 30, 2022 and 2021. A summary of PSU and RSU awards activity under the LTIP during the nine months ended September 30, 2022 and 2021 is presented below:

	PSUs		RSUs	
Nine months ended September 30 *(number of units)*	2022	2021	2022	2021
Units outstanding - beginning	—	111,920	—	139,730
Vested and issued	—	(111,920)	—	(104,970)
Settled	—	—	—	(34,760)
Units outstanding - ending	—	—	—	—

No awards were granted during the three and nine months ended September 30, 2022 and 2021. The compensation expense related to the PSU and RSU awards recognized by the Company during the three and nine months ended September 30, 2022 was $nil (2021 - $nil and less than $1 million).

Society RSU Plan

A summary of RSU awards activity under the Society RSU Plan during the three and nine months ended September 30, 2022 and 2021 is presented below:

	Three months ended September 30		Nine months ended September 30	
(number of RSUs)	2022	2021	2022	2021
RSUs outstanding - beginning	36,556	—	71,053	—
Granted	—	—	1,667	—
Vested and issued	—	—	(34,346)	—
Settled	—	—	(1,106)	—
Forfeited	—	—	(712)	—
RSUs outstanding - ending	36,556	—	36,556	—

Stock Options

A summary of stock options activity during the three and nine months ended September 30, 2022 and 2021 is presented below:

	Three months ended September 30		Nine months ended September 30	
(number of stock options)	2022	2021	2022	2021
Stock options outstanding - beginning	—	108,710	—	108,710
Stock options outstanding - ending	—	108,710	—	108,710

22. RELATED PARTY TRANSACTIONS

The Province is a shareholder of Hydro One with approximately 47.2% ownership at September 30, 2022. 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 (OCN LP) is a joint-venture limited partnership between OPG and a subsidiary of Hydro One. The following is a summary of the Company's related party transactions during the three and nine months ended September 30, 2022 and 2021:

(millions of dollars)		Three months ended September 30		Nine months ended September 30	
Related Party	Transaction	2022	2021	2022	2021
Province	Dividends paid	79	75	233	222
IESO	Power purchased	553	527	1,739	1,558
	Revenues for transmission services	558	502	1,586	1,387
	Amounts related to electricity rebates	259	267	803	815
	Distribution revenues related to rural rate protection	62	62	183	184
	Distribution revenues related to supply of electricity to remote northern communities	8	8	26	26
	Funding received related to CDM programs	2	1	2	1
OPG[1]	Power purchased	1	3	12	8
	Revenues related to provision of services and supply of electricity	2	2	6	5
	Capital contribution received from OPG	3	1	5	3
	Costs related to the purchase of services	1	—	2	1
OEFC	Power purchased from power contracts administered by the OEFC	1	1	2	1
OEB	OEB fees	2	2	7	6
OCN LP[2]	Investment in OCN LP	3	4	4	4

[1] OPG has provided a $2.5 million guarantee to Hydro One related to the OCN Guarantee. See Note 25 - 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.

23. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	2022	2021	2022	2021
Accounts receivable	(59)	(27)	(45)	(25)
Due from related parties	24	20	5	61
Materials and supplies *(Note 9)*	(2)	—	(3)	1
Prepaid expenses and other assets *(Note 9)*	(2)	(3)	(15)	(8)
Other long-term assets *(Note 12)*	(1)	—	(2)	1
Accounts payable	15	—	(37)	(43)
Accrued liabilities *(Note 13)*	(34)	4	54	82
Due to related parties	22	(30)	(117)	(224)
Accrued interest *(Note 13)*	20	23	8	20
Long-term accounts payable and other long-term liabilities *(Note 14)*	(3)	2	4	2
Post-retirement and post-employment benefit liability	7	14	41	53
	(13)	3	(107)	(80)

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 and nine months ended September 30, 2022 and 2021. The reconciling items include net change in accruals and capitalized depreciation.

	Three months ended September 30, 2022			Nine months ended September 30, 2022		
(millions of dollars)	Property, Plant and Equipment	Intangible Assets	Total	Property, Plant and Equipment	Intangible Assets	Total
Capital investments	(473)	(28)	(501)	(1,474)	(88)	(1,562)
Reconciling items	(5)	—	(5)	22	7	29
Cash outflow for capital expenditures	(478)	(28)	(506)	(1,452)	(81)	(1,533)

	Three months ended September 30, 2021			Nine months ended September 30, 2021		
(millions of dollars)	Property, Plant and Equipment	Intangible Assets	Total	Property, Plant and Equipment	Intangible Assets	Total
Capital investments	(480)	(33)	(513)	(1,493)	(100)	(1,593)
Reconciling items	8	7	15	26	3	29
Cash outflow for capital expenditures	(472)	(26)	(498)	(1,467)	(97)	(1,564)

Supplementary Information

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	2022	2021	2022	2021
Net interest paid	110	105	374	359
Income taxes paid	4	—	26	13

24. 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.

25. 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 September 30, 2022 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Outsourcing and other agreements	80	29	5	2	3	13
Long-term software/meter agreement	9	11	5	2	4	1

Outsourcing and Other Agreements

In February 2021, Hydro One entered into a three-year agreement for information technology services with Capgemini Canada Inc., which expires on February 29, 2024, and includes an option to extend for two additional one-year terms at Hydro One's discretion. This agreement resulted in commitments of $143 million over the initial three-year term of the agreement.

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 September 30, 2022 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Operating Credit Facilities	—	—	—	2,550	—	—
Letters of credit[1]	169	4	—	—	—	—
Guarantees[2]	517	—	—	—	—	—

[1] Letters of credit consist of $160 million letters of credit related to retirement compensation arrangements, a $6 million letter of credit provided to the IESO for prudential support, $4 million in letters of credit to satisfy debt service reserve requirements, and $3 million in letters of credit for various operating purposes.

[2] Guarantees consist of $475 million of prudential support provided to the IESO by Hydro One Inc. on behalf of its subsidiaries, as well as guarantees provided by Hydro One to the Minister of Natural Resources (Canada) and ONroute of $7 million and $30 million, respectively, relating to OCN LP (OCN Guarantee) and $5 million relating to Aux Energy Inc., the Company's indirect subsidiary. OPG has provided a $2.5 million guarantee to Hydro One related to the OCN Guarantee.

26. SEGMENTED REPORTING

Hydro One has three reportable segments:

- The Transmission Segment, which comprises the transmission of high voltage electricity across the province, interconnecting 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, investments including a joint venture that owns and operates electric vehicle fast charging stations across Ontario under the Ivy Charging Network brand, and the operations of the Company's telecommunications business. The Other Segment includes a portion of the DTA which arose from the revaluation of the tax bases of Hydro One's assets to fair market value when the Company transitioned from the provincial payments in lieu of tax regime to the federal tax regime at the time of Hydro One's initial public offering in 2015. This DTA is not required to be shared with ratepayers, the Company considers it not to be part of the regulated transmission and distribution segment assets, and it is included in the other segment.

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 tax expense from continuing operations (excluding certain allocated corporate governance costs).

Three months ended September 30, 2022 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	562	1,458	11	2,031
Purchased power	—	963	—	963
Operation, maintenance and administration	106	173	17	296
Depreciation, amortization and asset removal costs	130	107	3	240
Income (loss) before financing charges and income tax expense	326	215	(9)	532
Capital investments	311	185	5	501

Three months ended September 30, 2021 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	507	1,395	11	1,913
Purchased power	—	933	—	933
Operation, maintenance and administration	95	153	14	262
Depreciation, amortization and asset removal costs	116	109	2	227
Income (loss) before financing charges and income tax expense	296	200	(5)	491
Capital investments	304	206	3	513

Nine months ended September 30, 2022 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,597	4,289	32	5,918
Purchased power	—	2,829	—	2,829
Operation, maintenance and administration	302	517	51	870
Depreciation, amortization and asset removal costs	385	343	7	735
Income (loss) before financing charges and income tax expense	910	600	(26)	1,484
Capital investments	899	646	17	1,562

Nine months ended September 30, 2021 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,403	4,012	31	5,446
Purchased power	—	2,665	—	2,665
Operation, maintenance and administration	294	497	42	833
Depreciation, amortization and asset removal costs	355	314	6	675
Income (loss) before financing charges and income tax expense	754	536	(17)	1,273
Capital investments	1,017	566	10	1,593

Total Assets by Segment:

As at *(millions of dollars)*	September 30, 2022	December 31, 2021
Transmission	18,703	18,138
Distribution	11,906	11,487
Other	270	758
Total assets	30,879	30,383

Total Goodwill by Segment:

As at *(millions of dollars)*	September 30, 2022	December 31, 2021
Transmission	157	157
Distribution	216	216
Total goodwill	373	373

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

27. SUBSEQUENT EVENTS

Dividends

On November 10, 2022, common share dividends of $168 million ($0.2796 per common share) were declared.

Joint Rate Application (JRAP) Settlement Agreement

On October 24, 2022, Hydro One and the other parties involved in the JRAP proceeding entered into a Settlement Agreement, which was submitted to the OEB for approval. OEB approval of the Settlement Agreement is anticipated by the end of 2022.

Debt Issuance

On October 27, 2022, Hydro One Inc. issued $750 million of long-term debt (Series 52 notes) under its MTN Program with a maturity date of January 27, 2028, and a coupon rate of 4.91%.